Freddie Mac MULTIFAMILY

Appendix B to June 24, 2025 Bulletin: Redlined Guide Chapter Changes

A combined redlined file of all Guide chapter changes made with the June 24, 2025 Bulletin

Redlined Guide Chapter Changes

Compilation of redlined Guide chapters

This PDF is a compilation of redlined changes to each revised Guide chapter, the Glossary and Directory that were announced with the June 24, 2025 Bulletin. It does not contain redlined changes of the full Guide. The redlined changes are only of the chapters that have been revised with this Bulletin.

Review in conjunction with the Bulletin and Guide Updates Spreadsheet

These redlined changes must be reviewed in conjunction with the June 24, 2025 Bulletin and Appendix A to June 24, 2025 Bulletin, Guide Updates Spreadsheet. The redlined changes may appear more extensive than the change is, as text may have moved or formatting may have changed. The footers are updated by chapter.

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8.1 Introduction (09/08/04)

This chapter details Freddie Mac's requirements for the Property. These Property requirements may also apply to Special Servicing Requests when appropriate.

The individual program and product chapters detail specific program or product requirements. In the event of a conflict between any provision of this chapter and any provision of another chapter of the Guide that contains requirements for a specific mortgage purchase program or product, the program- or product-specific chapter will control.

See Chapter 8SBL for Freddie Mac's requirements for a Property secured by an SBL Mortgage.

8.2 Structure (12/17/19)

a. Structure type and habitability (06/29/18)

The Property must contain five or more dwelling units and must be designed, in whole or in part, for residential use. Construction of the Property, including subsurface utilities and off-site improvements, must be completed as of the Delivery Date. If improvements cannot be completed for valid reasons, such as inclement weather, an adequate Reserve for the incomplete items must be established. Reserves must also be established for any repairs, improvements, alterations, conditions or construction required by the appraiser, engineer and/or Freddie Mac. A satisfactory completion certificate, accompanied by color photographs, must be submitted to Freddie Mac.

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

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

b. Commercial use (04/30/13)

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

Mortgages on such Properties are eligible for purchase under Freddie Mac's multifamily programs and products, provided that the commercial usage is permitted under local zoning and use ordinances and utilization of the commercial space is compatible with the Property and neighborhood. In addition, both the amount of gross rental income from the commercial space, as compared to the total gross income of the Property, as well as the square footage devoted to commercial space, as compared to the total square footage of the Property, must

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be acceptable to Freddie Mac. For underwriting purposes, both the amount of commercial rental income recognized and the lease term must be supported by market comparison.

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

c. Reserved (05/01/14)

d. Aluminum wiring (02/28/18)

If any of the buildings at the Property contain aluminum wiring, the Seller must notify Freddie Mac in writing, comply with the requirements of Chapter 62 and submit the following documentation:

1. Certification from the appraiser indicating whether the wiring has any adverse impact on the value of the Property, if required by Freddie Mac

2. A cost estimate from a licensed electrician for any repairs or corrections due to unsafe conditions or as required by any applicable code

3. Certification of completion for all repairs and corrections to the wiring in the Property due to unsafe conditions or as required by any applicable code

e. Wood-damaging insect inspection reports (12/17/19)

A wood-damaging insect inspection report is not required if the Property has no wood framing or structural members (*i.e.,* significant components that could be subject to damage by wood-damaging insects, such as termites, powderpost beetles, carpenter ants, etc.) as determined by either the Property Condition Report or the Physical Risk Report.

For any Property with wood framing or structural members as described above, the following documentation must be provided:

- A wood-damaging insect inspection report stating that there is no evidence of wood-damaging insect infestation, or

- Certification from the Property's current pest control provider stating that there is no evidence of wood-damaging insect infestation and that the Property is regularly inspected and/or treated to prevent wood-damaging insect infestation.

The wood-damaging insect inspection report or the certification from the Property's current pest control provider must be dated within six months prior to the date of the submission of the full underwriting package to Freddie Mac and must be in compliance with all applicable federal, State and local regulations. See Section 62.5(e) for additional requirements for wood-damaging insect inspections.

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Freddie Mac will require a Repair Reserve for the costs to repair any areas damaged by wood-damaging insects.

Notwithstanding the above, the documentation listed above is not required if the following three conditions are satisfied:

- The Borrower provides documentation confirming that there is a wood-damaging insect contract in place for the Property,
- A wood-damaging insect contract(s) will remain in place for the term of the Mortgage, and
- There is no evidence of wood damage per the Property Condition Report (if applicable).

8.3 Moisture or Mold issues (08/17/23)

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

If the environmental consultant or the physical risk consultant determines that a Moisture Management Plan (MMP) is needed at the Property, the Borrower must maintain an MMP in accordance with the following requirements:

1. Training the maintenance staff to understand the hazard and respond to all water intrusion events or leaks according to Environmental Protection Agency (EPA) guidelines
2. Providing information to tenants including, but not be limited to
    - Tenant housekeeping responsibilities (This information must be provided to tenants when they execute a new lease and at lease renewal.)
    - Tenant responsibility for notifying management in a timely manner regarding moisture or Mold issues
    - Description of any remediation done within a tenant's unit or on a tenant's behalf
3. Identifying the source of and remedying the water intrusion or leak, or remediating the Mold (in accordance with EPA guidelines) and recording the corrective actions taken
4. Documenting and promptly responding to tenant complaints relating to water intrusion, leaks, Mold, musty odors or health impacts and recording actions taken
5. Scheduling and documenting routine inspections of building areas to search for evidence of water intrusion, leaks or Mold (At a minimum, these inspections must take place annually for all common areas and areas with a past history of water intrusion, leaks or Mold and at unit turnover or at a tenant's request for all units.)
6. Keeping all plan documentation at the Property or at the property manager's office and available for the annual assessment inspection by the Servicer

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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. When Freddie Mac requires a Special Moisture or Mold Inspection or Increased Scrutiny for Moisture and Mold (02/28/19)

Freddie Mac may require a Special Moisture or Mold Inspection (as described in Section 8.3(c)) or Increased Scrutiny for Moisture and Mold Issues (as described in Section 40.7(e)) if any of the following are applicable:

- A significant history of unresolved moisture or Mold was identified at underwriting
- Significant moisture or Mold is identified during the term of the Mortgage
- Pervasive moisture or Mold issues are listed as required Repairs in the Loan Documents

c. Special Moisture or Mold Inspection Requirements (02/28/19)

Freddie Mac may require a Special Moisture or Mold Issues Inspection prior to origination of the Mortgage and until the moisture or Mold issue has been resolved to its satisfaction. After the Borrower has resolved the moisture or Mold issue to Freddie Mac's satisfaction, Freddie Mac will not require a subsequent Special Moisture or Mold Issues Inspection more frequently than once every three years.

The Borrower will bear the cost of all Special Moisture or Mold Issues Inspections.

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

1. A third-party property condition consultant, meeting the requirements of Section 62.8 and with specific expertise in the identification and correction of water intrusion and mold issues, must conduct the Special Moisture or Mold Issues Inspection.

2. The third-party property condition consultant who performs the Special Moisture or Mold Issues Inspection must

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a. Conduct a visual and olfactory inspection for evidence of current or past moisture or Mold issues

b. Look for evidence of moisture or Mold issues in all areas customarily inspected in accordance with Section 62.5(d)

c. Make inquiries of the Borrower or property manager regarding past and current water intrusion or potentially damaging leaks; any known Mold problems; or any tenant complaints regarding health problems, musty odors, water intrusion or potentially damaging leaks

d. Examine any areas where water intrusion or leaks have been reported

e. Examine all building components or areas most typically associated with water intrusion or potentially damaging leaks

f. Identify any defective building conditions that would likely lead to future water intrusion or potentially damaging leaks

g. Provide Freddie Mac with a comprehensive report on the inspection which includes recommendations to correct all issues reported and observed with cost estimates for the repair work.

8.4 Occupancy (02/07/05)

For the three consecutive months prior to loan closing and as of the Delivery Date, at least 90 percent of the living units (or such higher level as may be necessary to cover debt service and pay all other expenses at the level required by the applicable purchase program or product) must have been occupied at rent levels that support the Freddie Mac Underwriting Value of the Property.

8.5 Zoning and building code conformity (04/15/21)

a. For a Mortgage to be eligible for purchase by Freddie Mac, the Property securing it must conform to all applicable zoning, subdivision and use laws, ordinances or codes and local building and housing codes.

b. The Seller must submit a zoning report as specified on the applicable underwriting checklist. The zoning report must be satisfactory to Freddie Mac, and must include clear determinations with respect to the following:

- Whether all Certificates of Occupancy required for the use, operation and occupancy of the Property for its presently-contemplated use have been issued and are in effect or, if all Certificates of Occupancy are not available, a statement in accordance with Section 8.5(e),

- Whether the applicable municipality or other jurisdiction has on record any notice of violations of applicable zoning laws and ordinances and building codes, and

- If not fully addressed in the property condition report delivered pursuant to Chapter 62, whether the applicable municipality or other jurisdiction has on record any notice of

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violations relating to fire and life safety or accessibility requirements applicable to the Property

If a zoning report is not available for the jurisdiction in which the Property is located, Freddie Mac may purchase a Mortgage if the Property meets the requirements of Section 8.5(d) below.

c. If the zoning report states that the Property does not conform to current zoning regulations, including those governing density, building restriction lines, size or parking, Freddie Mac may purchase the Mortgage for the Property if the Property meets one of the following requirements:

- The zoning report states that the improvements may be rebuilt to predamage size, density and configuration in the event of partial or full destruction by fire or other casualty ("statement of full restoration"). The statement of full restoration must be satisfactory to Freddie Mac and must be from the zoning or housing authority or other authorized agency representative or official ("zoning authority").

  If it is not possible to obtain the statement of full restoration from the zoning authority, Freddie Mac may accept a copy of legislation or a variance demonstrating that the Property may be rebuilt as is in the event of a partial or full casualty loss. Any statement of full restoration or copy of legislation or variance must be accompanied by an evaluation by the Seller, and if a copy of legislation or a variance is submitted, Seller's counsel must also submit a preliminary legal issues memorandum (PLIM) with a copy to the applicable Freddie Mac *Multifamily Attorney*.

- If the zoning report does not provide a statement of full restoration or satisfactory variance or legislation that the Property can be completely restored, in order for Freddie Mac to consider the Mortgage for purchase, all of the following conditions must be satisfied:

  1. The zoning report must contain a damage restoration statement from the zoning authority that

     a. States the requirements of the current zoning classification (*i.e.,* number of units that could be rebuilt or the set back that would be required under current zoning), and

     b. Specifies the percentage of damage to the Property's market, replacement or appraised value that could occur (the "damage threshold level") that would still allow the owner to rebuild the Property to predamage size and density without having to comply with current zoning requirements. The percentage of destruction must not be based on the Property's taxation assessed value.

  2. The Seller must submit an evaluation of the likelihood that a fire or other casualty could damage the Property beyond the damage threshold level by evaluating

     a. The number of buildings on the Property and their proximity to one another

     b. The type of construction materials used

     c. The presence of smoke detectors and sprinklers

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d. Whether any flame-retardant material has been used

e. The proximity of the Property to natural hazards such as flood zones, earthquake zones or tornado alleys

f. The proximity of the buildings to fire hydrants and fire stations

g. Whether the damage threshold level applies to the Property as a whole or is applied building-by-building

3. The Seller must submit an evaluation of the availability of Ordinance and Law insurance, in accordance with the requirements of Section 31.12, to mitigate the risk of

   a. Increased demolition cost

   b. Increased cost to construct

   c. Loss of value due to operation of zoning laws

4. The Seller must submit an analysis of the impact on the Property if more than the damage threshold level of the Property was destroyed and had to be restored to current zoning requirements [*i.e.,* the number of units that could be rebuilt under current zoning requirements and the resulting Debt Coverage Ratio (DCR) and Loan-to-Value (LTV) Ratio].

5. The Seller must submit an analysis of any other risk to Freddie Mac and how the risk could be mitigated and whether the risk has been mitigated.

6. If requested by Freddie Mac, the Seller's counsel must submit a PLIM.

d. If a zoning report is not available in the jurisdiction in which the Property is located, Freddie Mac may purchase the Mortgage for the Property if one of the following requirements is met:

- The Seller must submit documentation that the improvements may be rebuilt to predamage size, density and configuration in the event of partial or full destruction by fire or other casualty ("statement of full restoration"). The statement of full restoration must be satisfactory to Freddie Mac and must be from the zoning or housing authority or other authorized agency representative or official ("zoning authority").

  If it is not possible to obtain the statement of full restoration from the zoning authority, Freddie Mac may accept a copy of legislation or a variance demonstrating that the Property may be rebuilt as is in the event of a partial or full casualty loss. Any statement of full restoration or copy of legislation or variance must be accompanied by an evaluation by the Seller, and if a copy of legislation or a variance is submitted, Seller's counsel must also submit a PLIM with a copy to the applicable Freddie Mac *Multifamily Attorney*.

- If the Seller cannot provide a statement of full restoration or satisfactory variance or legislation that the Property can be completely restored, in order for Freddie Mac to consider the Mortgage for purchase, all of the following conditions must be satisfied:

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1. The Seller must submit a damage restoration statement from the zoning authority that

   a. States the requirements of the current zoning classification (*i.e.,* the number of units that could be rebuilt or the set back that would be required under current zoning), and

   b. Specifies the percentage of damage to the Property's market, replacement, or appraised value that could occur (the "damage threshold level") that would still allow the owner to rebuild the Property to predamage size and density without having to comply with current zoning requirements. The percentage of destruction must not be based on the Property's taxation assessed value.

2. The Seller must submit the evaluations, analysis and if applicable, the PLIM required in Section 8.5(c)(2) through 8.5(c)(6) above.

e. If not all Certificates of Occupancy are available for the Property, the Property's zoning report must include one of the following:

   1. The following statement:

      The absence of any Certificate of Occupancy within the "applicable governmental authority" Property file is not a violation nor will it give rise to any enforcement action affecting the property. A new Certificate of Occupancy will only be required for new construction and to the extent that any renovations/remodeling are made to all or a portion of the Property.

      OR

   2. An explanation of why the statement in Section 8.5(e)(1) is not applicable, based on the particular facts and circumstances related to the Property or the requirements of the applicable jurisdiction.

f. Notwithstanding the above, a zoning report is not required if the zoning analysis described in Section 60.12(f)(2) is provided in the Appraisal and all of the following conditions are met:

   - The Mortgage has an initial principal balance of $20 million or less or the Mortgage is a Supplemental Mortgage and the combined initial principal balance of the Supplemental Mortgage and the unpaid principal balances of any senior Mortgages encumbering the Property are $25 million or less in the aggregate

   - The Mortgage is not a Moderate Rehabilitation Mortgage, a Lease-up Mortgage, a Value-add Mortgage or a Forward Commitment Mortgage

   - Copies of all available Certificates of Occupancy are provided to Freddie Mac in the final underwriting package

   If the Additional Zoning Compliance Information identified in the chart in Section 60.12(f) is included in the zoning analysis

   - If the appraiser's conclusion on conformity states that the Property is legal conforming, then no further action is necessary

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- If the appraiser's conclusion on conformity states that the Property is legal non-conforming, Ordinance and Law Insurance per Section 31.12 and a non-conforming carveout are required

- If the appraiser's conclusion on conformity states that the Property is non-conforming or illegal, then the Seller/Servicer must propose additional mitigants to address the increased risk and Freddie Mac will determine whether such mitigants are satisfactory

If Additional Zoning Compliance Information is not included in the zoning analysis, then Ordinance and Law insurance per Section 31.12 and a non-conforming carveout are required, even if the Appraisal concludes that the Property is legal conforming, unless the Seller/Servicer provides documentation from the zoning jurisdiction confirming legal conforming status.

8.6 Independent Properties (04/13/23)

a. Independent Property (06/30/15)

Except as set forth in this Section 8.6, Freddie Mac requires that a Property be an "Independent Property~~.~~." An Independent Property is a Property that satisfies all of the following conditions:

1. Has direct access to a publicly dedicated and maintained street for all improvements and parking spaces without reliance on a Shared Access Agreement, even if the Shared Access Agreement is perpetual and the right of access to and from the Property is fully insured by a title insurance policy (See Section 8.8).

2. Contains the Essential Facilities needed to operate independently (See Section 8.9 for a description of "Essential Facilities").

3. Contains Recreational Facilities needed to operate independently (See Section 8.9 for a description of "Recreational Facilities").

4. Is financially viable and independent of all other properties, including other properties in the same phased development, if applicable.

If a Property is operated together with one or more properties on which the Essential Facilities, Recreational Facilities, and/or direct access are located, or with another phase of a phased development, Freddie Mac will consider the Property to be an Independent Property if it meets the requirements set forth in Section 8.6(d) and Section 8.6(e).

If the Property and the property on which the Essential Facilities, Recreational Facilities, and/or direct access are located are part of a phased development, they need not comprise all of the phases of the phased development.

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b. Information required for purchase of a Mortgage secured by a Property that is not an Independent Property (06/30/15)

If the Seller requests that Freddie Mac purchase a Mortgage secured by a Property that is not an Independent Property, the Seller must submit the following information in writing to Freddie Mac as part of the applicable underwriting package:

- Description of the Essential Facilities and Recreational Facilities located on the Property, which may include Essential Facilities and Recreational Facilities located on other properties if the Mortgage and the Mortgage for the other properties will be cross-collateralized, cross-defaulted and coterminous as set forth in Section 8.6(d)

- Either (i) confirmation from the Seller/Servicer's legal counsel in a preliminary issues memorandum that any Shared Access Agreement and/or Shared Use Agreement complies or will comply as of the Origination Date with the requirements set forth in Section 8.8 and/or 8.9, as applicable, or (ii) a detailed analysis of which requirements will not be satisfied, and the legal counsel's recommendation as to whether and why Freddie Mac should accept the Shared Access Agreement and/or Shared Use Agreement

- Seller's analysis of the feasibility and practicality of the creation/construction of Essential Facilities or Recreational Facilities on the Property, if not all Essential Facilities and Recreational Facilities are located on the Property (required even if the Property has access to Essential Facilities and/or Recreational Facilities through a Shared Use Agreement)

- Seller's analysis of the practicality and feasibility of the creation of direct access to a publicly dedicated and maintained right of way, if the Property's primary access is not directly to a publicly dedicated and maintained right of way (required even if the Property has access to a public right of way through a Shared Use Agreement)

The Seller's analysis must include financial considerations as well as zoning issues and the availability of land.

c. Requirements for purchase (06/30/15)

If a Property is not an Independent Property, Freddie Mac may require one or more of the following as a condition to Freddie Mac's agreeing to purchase the Mortgage:

- If Freddie Mac determines that it is feasible to create or construct Essential Facilities, Recreational Facilities or direct primary access, Freddie Mac may require the Borrower to make the necessary modifications so that the Property meets all of the requirements for an Independent Property

- Freddie Mac may require the Borrower to establish a Reserve of the funds necessary to make the required modifications at a later date, as determined by Freddie Mac

- Freddie Mac may require the Mortgage to be cross-collateralized and cross-defaulted with the mortgage(s) on the property(ies) on which the Essential Facilities, Recreational Facilities or direct access are located (See 8.6(d))

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

d. Cross-collateralized, cross-defaulted and coterminous Mortgages (06/30/15)

If the Property is not and will not be an Independent Property as of the Origination Date and Freddie Mac has not required a Reserve of the funds or additional recourse pursuant to Section 8.6(c), Freddie Mac may agree to purchase the Mortgage if each of the following requirements is met:

- The Mortgage is cross-defaulted and cross-collateralized with any mortgage for any property on which the Essential Facilities, Recreational Facilities, and/or direct access are located

- The Mortgage is coterminous with any mortgage for any property on which the Essential Facilities, Recreational Facilities, and/or direct access are located

- The Property and the property on which the Essential Facilities, Recreational Facilities, and/or direct access are located are operated as a single unit with the Property and the other property having unimpeded ingress and egress to each other and to the Essential Facilities and/or Recreational Facilities, regardless of whether such ingress and egress, Essential Facilities, and/or Recreational Facilities are located on the other property

- The Cross-Collateralization Agreement does not permit the release of any property unless each of the remaining properties is able to meet the requirements for an Independent Property

e. Additional requirements for Property and other property (04/13/23)

The Property and the property on which the Essential Facilities, Recreational Facilities, and/or direct access are located must each meet all of the following requirements:

- The Property and the property on which the Essential Facilities, Recreational Facilities, and/or direct access are located must be owned and controlled by substantially the same Key Borrower Principals

- The Property and the property on which the Essential Facilities, Recreational Facilities, and/or direct access are located must together meet the requirements for an Independent Property

- For a Property that is part of a phased development, the Property must meet the tax parcel requirements of Section 8.7(a)

A Mortgage cannot be cross-collateralized and cross-defaulted with any other mortgage not being simultaneously purchased by Freddie Mac in order to meet the requirements set forth in this subsection.

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8.7 Tax parcels, taxes and utilities (03/31/11)

a. Tax parcels (03/31/11)

The Property must be identified as a single tax parcel or, if identified as multiple tax parcels, the Property must constitute the entirety of those tax parcels. Any tax parcel or parcels in which the Property is located may not include property that is not subject to the Mortgage sold to Freddie Mac.

b. Taxes and utilities (03/31/11)

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

8.8 Access (06/29/17)

a. Eligibility for Purchase of Property subject to a Shared Access Agreement (06/30/15)

Freddie Mac will consider purchasing a Mortgage secured by a Property with primary access via an easement or a private road if the Shared Access Agreement meets the requirements set forth below and one of the following conditions is met:

- The Shared Access Agreement is with an Affiliate of the Borrower and the Mortgage will be cross-collateralized with the mortgage on the property on which the direct access is located in accordance with the requirements set forth in Section 8.6(d) and (e)

- The Shared Access Agreement is with an Affiliate of the Borrower and the Borrower will establish a Reserve of the funds necessary to create primary access as set forth in Section 8.6(c)

- The Borrower will be personally liable for any loss or damage incurred because of the Shared Access Agreement as set forth in Section 8.6(c)

b. Review of Shared Access Agreement (06/29/17)

If the Shared Access Agreement fully satisfies all of the requirements listed below, the Seller/Servicer's legal counsel must confirm in a PLIM that all such requirements have been met. If the Shared Access Agreement fails to fully satisfy any of the requirements listed below and the Shared Access Agreement will not be modified prior to the Origination Date of the Mortgage to comply with all of the requirements, the Seller/Servicer's legal counsel must provide a legal analysis detailing which requirement(s) will not be satisfied and the counsel's recommendation as to whether and why Freddie Mac should accept the Shared Access Agreement without it being fully compliant with this Section 8.8.

1. The Shared Access Agreement must contain a stipulation that access to and use and enjoyment of any easement or private road are perpetual and that such rights will inure to the benefit of all future owners of the Property.

2. Each party's remedies in the event of a breach by any other party must be generally acceptable to a prudent lender. The Shared Access Agreement may not allow for loss of use in the event of a breach. However, the Shared Access Agreement may permit the

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placement of a lien which is subordinate to the Mortgage for unpaid maintenance costs for the easement.

3. Each party's responsibilities and share of expenses under the Shared Access Agreement must be stipulated.

4. The Shared Access Agreement must be recorded in the applicable records for the jurisdiction prior to the Freddie Mac Funding Date. If the Shared Access Agreement is not or will not be recorded, the Seller/Servicer's legal counsel must provide an explanation acceptable to Freddie Mac.

5. If shared access is evidenced only by a subdivision plat, deed restriction or similar instrument then there must not be anything in the plat, deed restriction or similar instrument or under the applicable laws in the jurisdiction that could result in the loss of use by the Borrower.

6. If the Property is not visible from the public street, the Shared Access Agreement or a separate sign agreement must permit signage to be placed in the easement area or in or about the private road in a location near the entrance to the Property or, if applicable, the phased development.

c. Underwriting requirements for access via easement or private road (06/30/15)

The Seller/Servicer must confirm that the easement or private road complies with the following conditions:

1. The easement or private road must provide safe ingress/egress to a publicly dedicated and maintained street.

2. The Property must have good visibility from the public street it accesses via the easement or private road.

3. The easement or private road must be wide enough to provide satisfactory fire/police/utility access and to handle all current and foreseeable types of traffic.

4. If the easement or private road represents a shared access with, or through, another property, the Property must be able to operate satisfactorily without adverse effects (now or in the future) from the other properties that share access.

5. Signage must be of sufficient size so that it is clearly visible from the public street.

The Seller must provide a copy of the survey, if required for the Mortgage, and photographs (including photographs taken from the public street) showing the location of the access easement, the signage for the Property, the Property and the view of the Property and/or other property(ies) and the phased development, if applicable, from the public street, the easement or the private road.

d. Additional requirements (06/30/15)

- The Seller must provide the appraiser with all information regarding the Shared Access Agreement

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- The title insurance policy must fully insure the right of access to and from the Property
- The Seller/Servicer must notify Freddie Mac immediately if the Seller/Servicer learns of any circumstances that might limit access to the Property

e. Freddie Mac approval not a waiver (06/30/15)

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

8.9 Essential Facilities; Recreational Facilities; Shared Use Agreement (06/29/17)

a. Eligibility for Purchase of Property subject to a Shared Use Agreement (06/30/15)

Freddie Mac will consider purchasing a Mortgage on a Property that shares Essential Facilities or Recreational Facilities that are not located on the Property and under the exclusive control of the Borrower if one of the following conditions is met:

- The Shared Use Agreement is with an Affiliate of the Borrower and the Mortgage will be cross-collateralized with the mortgage on the property on which the Essential Facilities and the Recreational Facilities are located in accordance with the requirements set forth in Section 8.6(d) and (e)
- The Shared Use Agreement is with an Affiliate of the Borrower and the Borrower will establish a Reserve of the funds necessary to make the required modifications at a later date, as determined by Freddie Mac as set forth in Section 8.6(c)
- The Borrower will be personally liable for any loss or damage incurred because of the Shared Use Agreement as set forth in Section 8.6(c)

b. Essential Facilities (03/31/11)

“Essential Facilities” include the following:

- Leasing office
- Model unit(s), if applicable
- Private streets
- Parking necessary for the Property to be in compliance with all zoning laws and regulations
- Any utility and/or maintenance buildings and/or facilities (for example, on-site central heating and cooling system, parking and/or driveway maintenance, maintenance garage, repair shop, bridge connecting one phase to another phase)

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- Any utilities (for example, electricity, gas, telephone, cable TV, water, sewer), as applicable, that are not provided by public utilities and/or local government

- Lawn/grounds maintenance and snow removal, including storage of equipment and contractual obligations to provide such services on the Property

c. Recreational Facilities (03/31/11)

"Recreational Facilities" include the following:

- Swimming pool(s)

- Tennis, basketball, and/or other hard-surface court(s)

- Playground(s)

- Indoor recreation center(s), club houses(s), and gym facilities

- Other recreational facilities

- Laundry facilities, if the units are not equipped with a washer/dryer

- View easement

- Air rights

d. Underwriting requirements for Shared Use Agreements (06/30/15)

The Seller/Servicer must submit all relevant documents concerning the shared Essential Facilities and shared Recreational Facilities in the final underwriting package and upon Freddie Mac's request.

e. Review of Shared Use Agreement (06/29/17)

If the Shared Use Agreement fully satisfies all of the requirements of this Section 8.9(e), the Seller/Servicer's legal counsel must confirm in a PLIM that all such requirements have been met. If the Shared Use Agreement fails to fully satisfy any of the requirements listed below and the Shared Use Agreement will not be modified prior to the Origination Date of the Mortgage to comply with all of the requirements, the Seller/Servicer's legal counsel must provide a legal analysis detailing which requirement(s) will not be satisfied and the counsel's recommendation as to whether and why Freddie Mac should accept the Shared Use Agreement without it being fully compliant with this Section 8.9(e).

1. The Shared Use Agreement must contain a stipulation that access to and use and enjoyment of the Essential Facilities and/or Recreational Facilities are perpetual and that such rights will inure to the benefit of all future owners of the Property.

2. Each party's remedies in the event of a breach by any other party must be generally acceptable to a prudent lender. The Shared Use Agreement may not allow for loss of

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use in the event of a breach. However, the Shared Use Agreement may permit the placement of a lien which is subordinate to the Mortgage for unpaid maintenance costs.

3. Each party's responsibilities and share of expenses under the Shared Use Agreement must be stipulated.

4. The Shared Use Agreement must be recorded in the applicable records for the jurisdiction prior to the Freddie Mac Funding Date. If the Shared Access Agreement is not or will not be recorded, the Seller/Servicer's legal counsel must provide an explanation acceptable to Freddie Mac.

f. Additional requirements (06/30/15)

- The Seller/Servicer must provide the appraiser with all information regarding the Shared Use Agreement

- The title insurance policy must fully insure the right of access to and from the Essential Facilities and Recreational Facilities, and the right of use and enjoyment of the Essential Facilities and Recreational Facilities

- The Seller/Servicer must notify Freddie Mac immediately if the Seller/Servicer learns of any circumstances that might limit the access to or the use or enjoyment of the Essential Facilities and/or Recreational Facilities

g. Freddie Mac's approval not a waiver (06/30/15)

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

8.10 Adverse circumstances—Property (02/07/05)

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

8.11 Nonresidential leases (04/22/25)

a. General (09/25/15)

For the purposes of this Section, the term "commercial lease" refers to any non-residential lease under which the Borrower is the lessor (excluding ground leases and master leases), including leases for retail space, office space, laundry facilities, cellular communication equipment, billboards, and petroleum products/minerals.

See Section 55.2 regarding commercial lease documentation required in the full underwriting package.

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b. Analysis (09/25/15)

Freddie Mac may request additional Commercial Lease Analyses on a case-by-case basis. In addition to any Commercial Lease Analyses submitted with the full underwriting package as required under Section 55.2, the Seller must also promptly provide a Commercial Lease Analysis for such additional commercial leases for which Freddie Mac has requested an analysis.

c. Tenant improvements and leasing commissions (02/29/16)

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

d. Tenant estoppels (09/25/15)

The Seller must provide a tenant estoppel, executed by the applicable tenant, confirming or explaining the items detailed below, for the following commercial leases:

- Commercial leases which individually account for five percent or more of gross potential rent
- If income from all commercial leases is 10 percent or more of gross potential rent, then all commercial leases which lease more than 1,000 square feet
- Any commercial lease for which a tenant estoppel is specifically requested by Freddie Mac on a case-by-case basis

Tenant estoppels must confirm or explain the following items:

1. Commencement date, expiration date, and any extension rights
2. Tenant is in actual possession of the premises and is open for business
3. Name of any Guarantor of the lease
4. Amount of rents and all other charges payable (common area maintenance fees, real estate tax reimbursements, insurance reimbursements, etc.); date through which rent and other such charges have been paid; amount of any advance rent paid and the period for which such advance rent is to be applied; amount of any outstanding concessions, including future "free rent" periods; any additional data necessary to compute the rent *(e.g.,* the base year and/or sales figures)
5. Amount and type (*e.g.,* cash or letter of credit) of security deposit; if estoppel indicates that the security deposit is in the form of a letter of credit, the Seller must confirm whether the letter of credit is freely assignable/transferable to a successor owner of the Property

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6. No outstanding landlord obligations (tenant improvement allowance, repairs, unpaid annual adjustments, etc.)

7. No current default by landlord or tenant; no set-off or other pending claims or disputes by tenant against landlord

8. No option or right of first refusal to purchase the Property or any space; no right of first refusal to lease additional space

9. No rights of termination except as described in the estoppel, other than customary rights of termination due to substantial casualty or condemnation

10. A true, correct, and complete copy of the lease is attached to the estoppel

11. Any additional items which are necessary to address specific unique issues relating to the lease, including concerns identified in the Commercial Lease Analysis or the PLIM

If an issue is identified in a tenant estoppel, the PLIM must be updated or supplemented to include the issue and the Seller's counsel's analysis and recommendations as to how to address the issue.

e. Subordination, nondisturbance and attornment (SNDA) (09/25/15)

Subordination, nondisturbance and attornment agreements (SNDAs) are not required for commercial leases unless expressly requested by Freddie Mac. Generally, such request will be reserved for the following circumstances:

- A commercial lease which provides for material liability or obligation (*e.g.,* significant unpaid tenant improvement allowances or non-customary indemnifications) or a right of first refusal to purchase the Property

- A commercial lease for which the tenant estoppel that was received in connection with the commercial lease identified material outstanding claims or offsets, any of which, if imposed upon a lender in the event of foreclosure, would not be acceptable

- A commercial lease that has rent that provides five percent or more of gross potential rent, and such lease does not provide that upon foreclosure or deed in lieu of foreclosure the tenant will attorn to the lender and any subsequent purchaser of the Property

In the PLIM (or in an update or supplement, if such information is received after issuance of the PLIM), the Seller's counsel must identify commercial leases for which any of the above circumstances are applicable, and must recommend the execution of an SNDA upon identification of any other similarly unique instances in which an SNDA would be advisable for Freddie Mac. Additionally, the PLIM must include any modifications to the form SNDA which are necessary to address the issue for which the SNDA is recommended.

f. Subordination of a commercial lease with Affiliate (09/25/15)

A commercial lease between the Borrower and any Affiliate of the Borrower or any Borrower Principal (including any Guarantor) must be subordinate to the lien of the Mortgage unless

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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).

8.12 Subordinate Financing (04/18/24)

a. Conditions for Freddie Mac approval (10/31/12)

In general, Freddie Mac does not permit Subordinate Financing for newly originated Mortgages. However, if the Borrower requests Subordinate Financing at the time of origination of the Mortgage, then the Seller must forward that request to Freddie Mac with the Seller's recommendation for action.

Freddie Mac may reject a request for Subordinate Financing at its discretion. Freddie Mac will consider consenting to Subordinate Financing only under the following circumstances:

1. The subordinate lender must be a financial institution or other lender that is not related to the Borrower.

2. The subordinate lender must enter into Freddie Mac's standard Subordination Agreement, which provides, among other things, that the subordinate lender will

   - Provide notice of default to Freddie Mac

   - Give Freddie Mac the right (but not the obligation) to cure defaults, and

   - Not exercise its remedies under the Subordinate Financing for the period specified in the Subordination Agreement after notice to Freddie Mac that sets forth the specific remedy that the subordinate lender intends to exercise

3. The Subordination Agreement must be recorded in the land records of the jurisdiction in which the Property is located.

4. The combined debt may not result in an LTV Ratio that exceeds 85 percent *and* the combined debt service may not result in a DCR that is below 1.20x.

5. The Subordinate Financing must be based on a fixed interest rate for the entire term or an adjustable interest rate with a rate cap.

6. If the Subordinate Financing is not fully amortizing, the term of the Subordinate Financing must be equal to or longer than the term of the Freddie Mac Mortgage.

7. The Seller must perform a refinance test acceptable to Freddie Mac on the combined debt.

8. The Seller must establish tax and insurance Reserves at the time of origination of the Freddie Mac Mortgage.

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9. The Subordinate Financing must not provide for recourse against the Borrower or a third-party guarantee by a Borrower Principal.

10. The Borrower must be a single asset entity.

b. Information to be provided to Freddie Mac for review (02/07/05)

The Seller must include all relevant information that Freddie Mac may request pertaining to the proposed Subordinate Financing, including

1. Seller's analysis of the Subordinate Financing along with the Seller's recommendation for action

2. If the Subordinate Financing is not already in existence, a copy of the signed commitment from the subordinate lender, containing the Subordinate Financing amount, interest rate (including the factors relating to a floating rate), term to maturity and anticipated amount of annual debt service

3. Copies of the proposed or actual Subordinate Financing loan documents that have been completed with the applicable loan amount, interest rate, payment schedules, and all other transaction-related information (If the Subordinate Financing is not already in existence, all Subordinate Financing loan documents must be approved by Freddie Mac prior to execution.)

4. Payment histories for any existing Subordinate Financing on the Property, including the amount of annual debt service

5. A description of the proposed use of the Subordinate Financing proceeds

6. Information about the proposed or actual subordinate lender and its financial capacity

c. Documents to be provided after settlement of Subordinate Financing (04/18/24)

At final delivery of the Freddie Mac Mortgage or within 15 days after the settlement of the Subordinate Financing if the Subordinate Financing is originated after the Freddie Mac Mortgage, the Seller/Servicer must provide to Freddie Mac a copy, a certified copy or an original (as noted) of each executed relevant document. If the provisions of this section require delivery of a certified copy of a filed or recorded document, the copy must show the recorder's stamp, book and page numbers or instrument numbers. If recorder's or clerk's delays make it impossible to effect timely delivery of a copy showing the required information, the Seller may provide a copy that the Title Company or closing attorney has certified as a "true and correct copy of the recorded/filed original." The Seller must deliver to Freddie Mac a copy of the recorded/filed original showing the required information as soon as the copy becomes available. The documents are:

1. Recorded Subordination Agreement (certified copy)

2. Subordinate note (copy)

3. Recorded Subordinate Financing security instrument (certified copy)

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4. Any third-party guaranties executed in connection with the Subordinate Financing (copy)

5. Recorded or filed subordinate Uniform Commercial Code (UCC) financing statements (certified copy)

6. Settlement statement (copy)

The title policy that the Seller delivers to Freddie Mac with the final delivery of the Freddie Mac Mortgage must insure that the lien of the Freddie Mac Mortgage is superior to the lien of the Subordinate Financing and that there are no inferior liens other than the Subordinate Financing. The policy must reflect the recordation of the Subordination Agreement and the security instrument for the Subordinate Financing and must meet all the requirements of Chapter 29.

8.13 General property management requirements (12/16/15)

At all times, the Borrower either must manage the Property or provide for professional management of the Property by a property management company meeting the requirements of the Loan Documents. No property management company will be acceptable if the property management company appears on the Freddie Mac Exclusionary List or the Multifamily Restricted Vendor List, or on the most current U.S. Treasury Department Office of Foreign Assets Control (OFAC) Specially Designated Nationals and Blocked Persons (SDN) List, the OFAC Consolidated Sanctions List, or the Federal Housing Finance Agency (FHFA) Suspended Counterparty Program (SCP) List.

See Section 2.18 regarding the Freddie Mac Exclusionary List, Section 2.23 regarding OFAC compliance and Section 2.24 regarding the FHFA SCP.

Unless the property management contract has been assigned to the Mortgage lender and subordinated to the lien of the Mortgage, the contract must be terminable upon not more than 30 days' notice without the necessity of establishing cause and without payment of a penalty or termination fee by Borrower or its successors. The forms of Assignment of Management Agreement and Subordination of Management Fees and Assignment of Management Agreement and Subordination of Management Fees (New Property Manager) can be found at mf.freddiemac.com/lenders/legal/.

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

- The appropriateness of the management fee charged by the property management company

- For Properties entitled to Low Income Housing Tax Credits (LIHTC) or benefiting from other forms of subsidy, whether the property management company has expertise in managing comparable properties, including experience and a demonstrated track record in managing properties comparable to the Property in scale, complexity and regulatory compliance requirements

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8.14 Mortgages ineligible for purchase (09/26/19)

A Mortgage is ineligible for sale to Freddie Mac if

- The Mortgage is secured by a Property located in an Elevated Seismic Hazard Region, the Probable Maximum Loss (PML) on a Seismic Risk Assessment (SRA) is greater than 40 percent, and the affected buildings have not undergone a seismic retrofit
- The Mortgage is secured by a Property that is encumbered by a Private Transfer Fee Covenant that was created on or after February 8, 2011
- The Mortgage is secured by a Property located in an area that has been identified by FEMA as a Special Flood Hazard Area (SFHA), and
    - The community where the Property is located does not participate in the National Flood Insurance Program (NFIP), regardless of whether private flood insurance is available, or
    - The Borrower has not obtained the required flood insurance coverage
- The Mortgage is secured by a Property that is encumbered by a regulatory agreement that encumbers any property other than the Property

For additional information regarding flood insurance see Section 31.8. For additional information regarding seismic risk, see Chapter 64.

8.15 Property inspections and lease audits (06/~~13/~~24/25)

The Seller must inspect the Property and submit the required property inspection documentation. An inspector who is familiar with evaluating multifamily asset quality must review the age, condition and quality of all major asset components. A third-party contractor may not perform the inspection.

See Section 8SBL.15 for property inspection for SBL Mortgages, Section 8.16 for property inspection requirements for Forward Commitments. See Section 22.8 for property inspection requirements for MHC Mortgages. For MHC Mortgages with Borrower-Owned Homes, see Section 22.8 for additional requirements.

a. Preliminary property inspection requirements (04/18/24)

Prior to early-rate lock or Index Lock (if applicable per Section 3.15) the Seller must:

- Interview the property manager or other management company staff,
- Walk the Property, and
- Inspect an appropriate sample of units based on the Seller's discretion and expertise, the condition of the Property, and any identified issues or other factors

Prior to early rate-lock or Index Lock (if applicable), the Seller must complete and document these inspection requirements as part of the mortgage transaction narrative analysis or on

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the Property Inspection and Lease Audit form. The Seller must include the names of all parties participating in the property inspection and the management interview, including the company each individual represents.

b. Complete property inspection and lease audit (~~04/18~~06/24/25)

At full underwriting, in addition to conducting the inspection requirements specified in 8.15(a) above, the Seller must conduct a complete property inspection including, but not limited to, the following:

1. The unit inspection must include the following:

   - 10 percent of units, with no fewer than 10 units and no more than 30 units. This excludes Down Units and commercial units and must include a representative sample of ~~all~~vacant units and occupied units (of which at least 50% must be occupied), unit types~~, such~~ and floor levels, including top floor and bottom floor units, and any owner-operated guest suites, units subject to corporate leases, or units rented by short-term stay operators.

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

     - Notwithstanding the above, if inspecting 10 percent of the total number of units results in an insufficient number of inspected units to meet lease audit requirements, then additional units must be inspected to meet those requirements~~.~~

   - All Down Units

   - All commercial units

   - ~~A representative sample of top floor and bottom floor units~~

   - ~~A representative sample of any owner-operated guest suites, corporate leases, or units rented by short-term stay operators~~

2. Prior to the inspection date, the Seller must select twice the required number of units for inspection, and the Seller must instruct the Borrower to provide appropriate notification to the tenants of the selected units. A list of the units selected must be provided to Freddie Mac prior to the date of inspection.

3. On the day of the inspection, if Freddie Mac is on-site and participating in the inspection, Freddie Mac will identify an appropriate sample of units to inspect from the selected units, ensuring that the ~~minimum~~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

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the inaccessible units in order to fulfill the unit inspection and lease audit requirements. The Seller must identify the inaccessible units and the substituted units in the inspection form.

4. The Seller must interview the property manager to discuss unit and property amenities, concessions, tenant mix, renovations, capital expenditures, marketing efforts, turnover, current competition, and any new supply that will compete with the Property. If unit renovations are reported, the Seller should request a list of such units.

5. The Seller must inspect each building, including exteriors and all common spaces to include the following:

   a. Roof access should be gained if not clearly visible from the ground (flat roofs)

   b. Inspect a representative sample of ongoing or recently completed unit renovations, if applicable

   c. Verify reported completed or in process capital improvements

   d. Inspect amenities available to tenants at the Property

   e. Walk the Property and look for deferred maintenance and any easily recognizable need for environmental remediation

   f. Inspect the building's heating, ventilation and air conditioning (HVAC) and other systems

6. The Seller must include in the property inspection documentation the names of all parties participating in the property inspection and the management interview, including the company each individual represents.

7. The Seller must conduct a market analysis to include the following:

   a. Drive by the rental comparables identified for purposes of the preliminary site visit and identify any new rental comparables in the market

   b. Determine the Property's compatibility with the neighborhood and assess the Property's competitiveness in its submarket

   c. Take photographs of rental comparables

   d. If requested by Freddie Mac, inspect any other multifamily properties that are owned by the Borrower and/or Key Borrower Principal and are located in the Property's submarket

8. The Seller must document the complete property inspection and lease audit. At full underwriting, the Seller must submit the property inspection and lease audit documentation set forth below:

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a. Photographs representative of the Property. If Freddie Mac delegates the property inspection to the Seller, at least two photographs of each unit inspected must be provided.

b. Rent roll dated the day of inspection from the property manager consistent with the rent roll requirements as defined in Section 55.2

c. A sample or unexecuted residential lease or an executed residential lease with any personal or private information redacted

d. Completed applicable property inspection form

e. Completed applicable lease audit form, reflecting the following:

- A lease audit of 10 percent of units, with no fewer than 10 units and no more than 30 units. At least 50 percent of leases audited must be units inspected; the remainder can be chosen randomly by the inspector after including representative samples of:
  - Leases from any inspected corporate units
  - Leases signed within the last 60 days

  ~~Effective for transactions taken under application on or after April 18, 2024, validation of leases~~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).

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

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

f. An indication of the number of units that were actually notified of the potential property inspection, as required by Section 8.15(b)

g. Documentation of complete property inspection in accordance with this section

h. If Freddie Mac delegates the property inspection to the Seller, acknowledgement that the inspection is a delegated inspection

9. If Freddie Mac delegates any inspection requirement to the Seller, the Seller may not further delegate the inspection requirement.

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

- When submitted as part of the preliminary underwriting package:

  The inspection requirements of Section 8.15(a) must have been completed within 90 days of Freddie Mac's receipt of the preliminary underwriting package.

- When submitted as part of the full underwriting package:

  The inspection requirements of Sections 8.15(a) and 8.15(b) must have been completed within 90 days of Freddie Mac's receipt of the full underwriting package.

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

8.16 Property inspections for Forward Commitments (06/13/24)

For a Forward Commitment, a Forward Commitment Property Inspection must be conducted prior to commitment and a complete property inspection must be conducted prior to conversion. Freddie Mac may either conduct the property inspection or delegate the property inspection to the Seller. When conducting a property inspection, the Seller must document the findings on the Property Inspection and Lease Audit form.

a. General requirements for the Forward Commitment Property Inspection (03/03/17)

As part of the Forward Commitment Property Inspection, the Seller must develop an understanding of the scope of the proposed construction and look for any conditions or other factors of the site or market that might affect the completion or lease-up of the Property when constructed as proposed. In addition, for substantial rehabilitation projects, the Seller must determine that the scope of the work proposed is sufficient to address all observed and/or documented deficiencies in the Property's physical condition.

b. Specific requirements for the Forward Commitment Property Inspection (12/14/23)

For a Forward Commitment Property Inspection, the Seller must, at a minimum, complete the following items:

- Inspect a representative sample of the units and all commercial space, if any
- Drive by the rental comparables that the Seller and/or the property manager and the appraiser have identified, and conduct an inside inspection, if the Seller deems such an inspection necessary
- Interview the property management for at least three market rate rental comparables. For Low Income Housing Tax Credit (LIHTC) Forward Commitment Property Inspections, obtain three LIHTC comparables, if available
- Drive by any other multifamily properties owned by the Borrower or Key Borrower Principal that are located in the Property's submarket

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- Include in the property inspection documentation the names of all parties participating in the property inspection and the management interview, including the company each individual represents

In addition to the above, if the Forward Commitment is for a Property with substantial rehabilitation, the Seller must complete the items specified in Section 8.15(a). In addition, the Seller must:

- Discuss unit and property amenities, concessions, tenant mix, marketing efforts, turnover, current competition, and any new supply that will compete with the Property in the interview with the property manager
- Take interior and exterior photographs of the Property
- Comment on the physical condition of the units inspected and general maintenance of the Property
- Identify any needed repairs or required environmental remediation that is observed beyond the scope of the rehabilitation
- Inspect the site, common areas and units sufficiently to confirm the recommendations and conclusions made by the architectural consultant (Architectural Consultant). See Sections 63.3(b), 63.4(b) and 63.5(b) for additional information regarding the duties and responsibilities of the Architectural Consultant

c. Timing of the Forward Commitment Property Inspection (06/13/24)

When submitted as part of the Forward Commitment full underwriting package, the Forward Commitment Property Inspection requirements must have been completed within 90 days of Freddie Mac's receipt of the Forward Commitment underwriting package. If not, a new inspection must be performed; no recertification will be allowed.

d. Complete property inspection conducted by the Seller at time of conversion (03/03/17)

The Seller must conduct a complete property inspection at time of conversion. See Section 8.15(b) for a description of the requirements for a complete property inspection.

e. Timing of the property inspection at time of conversion (06/13/24)

When submitted as part of the conversion underwriting package, the property inspection requirements must have been completed within 90 days of Freddie Mac's receipt of the conversion underwriting package. If not, a new inspection must be performed; no recertification will be allowed.

8.17 Property condition report (12/12/24)

This section sets forth the requirements, duties and responsibilities of the Seller/Servicer once the property condition report has been completed by the property condition consultant. See Chapter 62 for the following:

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- The property condition consultant's requirements for evaluating the physical condition of the Property and completing Form 1105, Property Condition Assessment

- The Seller's requirements for retaining a property condition consultant and reviewing Form 1105

1. Freddie Mac requires the Seller/Servicer to submit a property condition report (also commonly referred to as an engineering report) meeting the requirements of Section 62.3 before Freddie Mac will issue a Letter of Commitment or accept the early rate-lock application to purchase a Mortgage.

2. Once the Seller has received and reviewed Form 1105, the Seller must disclose to Freddie Mac any Critical Repairs, as defined in Section 62.3(b), including actual or suspected structural, mechanical, electrical or other material physical deficiencies or Mold at the Property and inform the *Applicable Freddie Mac Multifamily Regional Office* or the *Multifamily TAH Underwriter* of unusual or questionable conditions.

3. Additionally, the Seller must:

    - Verify that all Critical Repairs have been addressed and provide evidence of completion to Freddie Mac prior to Freddie Mac's issuance of the Letter of Commitment or acceptance of the early rate-lock application

    - Prepare Loan Documents which include completion, reserve funding and other requirements for Capital Replacements and Repairs required by the Letter of Commitment, as applicable

    - If applicable, prepare a Repair Letter for all Operational Repairs if there are any identified by the property condition consultant, to be provided to the Borrower prior to or on the Origination Date

4. Each Priority Repair listed in the Loan Agreement, as required by the Letter of Commitment, must:

    - Clearly describe the work to be completed

    - Have a specific and realistic proposed completion date that reflects the urgency of the Priority Repair and the Borrower's plans and capacity

    - Be escrowed for when the total cost of all Priority Repairs exceeds 0.25 percent of the loan amount or $25,000, whichever is greater

    - Seismic retrofits are excluded from the waiver calculation above. Seismic retrofits must be escrowed at 125 percent of the estimated cost in the Seismic Risk Assessment, regardless of amount, as required in Section 64.14

    The most urgent Priority Repairs must be identified as PR-90 Repairs on Form 1105, Property Condition Assessment, and completed within 90 days after the Origination Date. All other

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Priority Repairs must be addressed as soon as possible and must be completed within 365 days after the Origination Date.

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

   If the Priority Repairs exceed the greater of 100 basis points of the loan amount or $200,000 or have a material repair more likely to impact habitability, the Seller must submit a remediation plan from the Borrower indicating the source of funds for completing the work, whether work will be performed in-house or by a third party, if permitting is required and other pertinent details for remediating all repairs within the required time frame. See Guidance – Priority Repair Remediation Plan at mf.freddiemac.com/lenders/uw.

   Material repairs more likely to impact habitability are:

   - Structural repairs related to foundation/building slabs, stairs, walkways, balconies, decks, and fire escapes
   - Moisture and mold issues requiring the use of a mold remediation professional or where a major building system is identified as the source of moisture
   - Major building system such as electrical (excludes in-unit systems, fixture replacement such as GFCI outlets, smoke detectors, etc.), HVAC, plumbing, down elevator(s)

8.18 Condominiums (10/14/16)

a. Types of Condominiums (06/30/15)

Freddie Mac will consider purchasing a Loan that is secured by a security interest in Property that is subject to a condominium regime ("Condominium"). If the Seller requests that Freddie Mac purchase a Mortgage secured by a Condominium, the Seller must submit the following information in writing to Freddie Mac as part of the applicable underwriting package:

- The total number of units subject to the Condominium regime ("Condominium Units")
- The number of Condominium Units the Borrower owns
- The percentage of Borrower's undivided interest in the common elements of the Condominium
- If the Borrower does not own 100 percent of the real property that is subject to the Condominium regime ("100 Percent Borrower-owned Condo"), whether the Property is
  - A "Partial Condo" (*i.e.,* the Property consists of all of the residential units in the Condominium but there are commercial, office, parking or other Condominium Units that will not be part of the collateral for the Mortgage)
  - A "Fractured Condo" (*i.e.,* the Property does not consist of all of the residential units in the Condominium and some of the residential Condominium Units have been sold to third party purchasers)

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- The number of members that comprise the board of directors of the Condominium association ("Condominium Association") and the number of members of the board of directors of the Condominium Association that the Borrower controls

b. Requirements for a 100 Percent Borrower-owned Condo (06/30/15)

- The Seller/Servicer's legal counsel must state in the PLIM that the Property is a 100 percent Borrower-owned Condo
- There are no additional underwriting requirements for a Property that is a 100 percent Borrower-owned Condo
- The Letter of Commitment or early rate-lock application may require certain modifications to the Loan Agreement and the Security Instrument

c. Requirements for a Fractured Condo or Partial Condo (06/30/15)

The Seller/Servicer's legal counsel must confirm in a PLIM that the Condominium meets all of the requirements set forth below. If the Condominium fails to fully satisfy any of the requirements set forth below and the Condominium Documents will not be modified prior to the Origination Date of the Mortgage to comply with all of the requirements, the Seller/Servicer's legal counsel must provide a legal analysis detailing which requirement(s) will not be satisfied and the counsel's recommendation as to whether and why Freddie Mac should accept the Condominium without it being fully compliant with this Section 8.18(c).

- The Borrower must own a majority of the Condominium Units
- The Borrower must control a majority of the Condominium Association's board of directors
- The voting rights held by the Borrower must be sufficient to control voting for the following:

  1. Appointment of a majority of directors on the board of directors of the Condominium Association established under the Condominium Documents
  2. Amendments or modifications to the Condominium Documents
  3. Improvements to the buildings or common areas
  4. Approval of the operating budget (including special assessments and reserves) of the Condominium Association
  5. Removal of the board of directors or trustees with or without cause
  6. Filling any vacancy caused by the removal of a director or trustee
  7. Adoption of the budget

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8. Levying a special assessment

9. Ability of the board of directors to spend beyond its budget

10. Amending the Condominium Unit owners' right to the use of the recreational facilities or common areas

- The consent of at least a "super majority" of the lenders holding mortgages on the Condominium Units ("Condominium Mortgagee") must be necessary in order to amend the Condominium Documents concerning various rights, priorities, remedies and interests of the mortgagees including the following:

  1. Changing the voting rights of any owner

  2. Changing any restrictions on the use of the Condominium Units

  3. Changing the priority of liens for assessments

  4. Reallocating the undivided interest in common elements

  5. Encumbering the common elements

  6. Expanding, contracting or terminating the Condominium

  7. Materially modifying the insurance requirements

  8. Using any insurance or condemnation proceeds for anything other than the repair of the Condominium or distribution to the Condominium Unit owners

  9. Restricting the leasing of Condominium Units

  10. Altering any provision that decreases the rights of any Condominium Mortgagee

- There must be no limits on the rights of a Condominium Unit owner to alter its unit(s)

d. Legal issues (06/30/15)

The Seller/Servicer's legal counsel must provide a PLIM with regard to the following:

- The rights of the Condominium Mortgagees with respect to proceeds of a claim on the Condominium Association's insurance policy covering the building and common areas including the percentage of Condominium Mortgagees that must agree to rebuild

- The rights of Condominium Mortgagees with respect to the proceeds of a partial condemnation affecting the building and/or common areas

- Whether the Condominium board of directors is required to hold insurance proceeds and condominium awards or whether such funds can be held by an independent trustee

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- Whether the Condominium Mortgagees have any consent right with regard to the appointment of an independent trustee

- The rights of a Condominium Unit owner and a Condominium Mortgagee in connection with the ability to partition the Condominium and what applicable law provides with regard to partitioning the Property

- Any additional information that a prudent lender would consider in its review of the Condominium Documents

e. Additional legal issues with regard to a Fractured Condo (06/30/15)

In addition to the issues set forth above, the Seller/Servicer's legal counsel's PLIM must also address the following:

- Whether there are any statutes or case law that would prevent or impair the Borrower (or Condominium Mortgagee in the event of foreclosure) from exercising control over the Condominium and/or the Condominium Association

- Whether there are any state or local laws or regulations that prevent the developer of the Condominium, or anyone obtaining an interest in the developer of the Condominium, from obtaining control of the board of directors of the Condominium Association

- Whether the offering and disclosure requirements of the condominium statute apply to a bulk sale of Condominium Units

- Whether there is any statutory risk of the Borrower becoming a "developer in lieu" with legal liability for claims by existing Condominium Unit owners

f. Condominium/cooperative conversion restriction and/or indemnification (10/14/16)

If there is a prohibition against the conversion of the Property to a condominium or cooperative structure or any indemnification by an owner of the Property relating to the conversion of the Property to a condominium or cooperative structure, then the agreement/restriction must meet the following conditions:

a. Other than the restriction prohibiting the conversion of the Property into a condominium or cooperative development, there may be no other restrictions on the use or development of the Property in the agreement/restriction.

b. The term of the agreement/restriction and any obligations contained in it must be no longer than 10 years.

c. The lender's liability under the agreement/restriction must be limited solely to the period (if any) during which the lender has ownership of the Property. The lender (including the mortgagee and its affiliates) must not have any liability for a condominium or cooperative conversion that occurs (a) during the period that Borrower owns the Property, or (b) after the lender sells the Property.

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d. The lender's liability under the agreement/restriction must be limited solely to its interest in the Property.

e. The lender (including the mortgagee and its affiliates) must not have any liability under the agreement/restriction for permitting or consenting to a condominium or cooperative conversion action (whether by Borrower or any other party).

f. The remedies for breach of the agreement/restriction may not include a right of reversion or repurchase by developer or any other party. If the remedies for breach are broadly defined (*i.e.,* any remedy available at law or in equity), or could be read to include a right of repurchase or reversion, the agreement/restriction must expressly provide that no such right is granted to the developer or any other party.

g. The agreement/restriction may not impose any notice obligations on the lender (including the mortgagee and its affiliates).

h. The agreement/restriction may not contain any terms, provisions or conditions that would be unacceptable to a prudent institutional commercial lender (*e.g.,* any waiver of construction defects, warranty claims, or other rights or remedies available at law or in equity binding on Borrower, the lender and/or future owners of the Property).

If the underlying agreement/restriction fails to fully satisfy any of the above requirements and the agreement/restriction will not be modified prior to the Origination Date of the Mortgage to comply with all of the requirements in this Section then, the Seller or its counsel must provide a legal analysis detailing which requirement(s) will not be satisfied and the Seller's recommendation (or Seller's counsel's recommendation on behalf of the Seller) as to why Freddie Mac should accept the agreement/restriction without it being fully compliant with this Section.

The legal analysis memorandum must be prepared in accordance with the requirements for the preliminary legal issues memorandum (PLIM) described in Section 6.4.

8.19 Tax abatements (~~04/14/22~~06/24/25)

a. Tax abatement definition and overview (02/29/16)

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

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

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

1. Program eligibility

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

- Obtain and review the documents required for program eligibility listed in the Tax Abatement/Exemption/PILOT Questionnaire, and
- Include in the applicable underwriting package the Tax Abatement/Exemption/PILOT Questionnaire and the applicable documentation required in the Tax Abatement/Exemption/PILOT Questionnaire

2. Statutory approval

The applicable statute for the tax abatement must be in force at the time that the Seller/Servicer submits the full underwriting package to Freddie Mac. If the statute is in force, but the Property has not yet been formally approved for the tax abatement, Freddie Mac may approve the Mortgage subject to certain additional conditions as set forth below.

3. Continuation of tax abatement

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

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

c. Underwriting Properties with tax abatements or potential tax abatements (~~04/14/22~~06/24/25)

1. At the time that the Seller/Servicer submits the full underwriting package to Freddie Mac, the Seller/Servicer must verify whether the Borrower and the Property have been approved for the tax abatement.

2. If both the Property and the Borrower have been approved for the tax abatement, then Freddie Mac will underwrite the Mortgage by calculating the monthly deposit to the Reserve for taxes using the abated tax amount.

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

3. If the Mortgage is for the acquisition of a Property that has previously received a tax abatement but as of the Origination Date the Borrower will not have been approved to assume the tax abatement, Freddie Mac may consider underwriting the Mortgage using the abated tax amount. However, Freddie Mac reserves the right to underwrite the Mortgage using the amount of the full unabated taxes.

4. If the Property does not have a tax abatement in place but the Borrower has applied or will apply for the tax abatement, then Freddie Mac may, in its discretion, underwrite the Mortgage using the abated tax amount. Freddie Mac will look at whether the potential tax abatement meets the following requirements:

   - The Borrower has an entity in its organizational structure that has at least one other property that has qualified for a tax abatement
   - The Borrower Principal has a record of qualifying for tax abatements
   - ~~The PLIM~~The Tax Abatement/Exemption/PILOT Questionnaire confirms that the Borrower is likely to obtain the tax abatement following origination

   To mitigate the risk that the tax abatement will not be approved, the Borrower may be required to deposit into an escrow an amount sufficient to prepay the Mortgage as set forth below.

5. If Freddie Mac has underwritten a Mortgage with a tax abatement but the tax abatement has not been received as of the Origination Date, the monthly deposit into the Reserve for taxes will be calculated using the amount of the full taxes ~~until the Borrower is granted the tax abatement~~.

6. If Freddie Mac has underwritten a Mortgage with abated taxes but the Borrower does not obtain the tax abatement within 12 months after the Origination Date, Freddie Mac may also require that the Borrower partially prepay the Mortgage. The amount of the prepayment will be calculated on the Origination Date as the difference between the amount of the Mortgage supported with the tax abatement and the amount of the Mortgage that would be supported with full taxes. In addition, the Borrower will be required to pay any applicable prepayment premium on the amount of the Mortgage required to be prepaid.

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

1. For all tax abatements, the Seller/Servicer must include in the applicable underwriting package the evidence of tax abatement documentation listed in Section 55.2.

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

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

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

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

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

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

- Deliver the Tax Abatement/Exemption/PILOT Questionnaire

- Include the applicable documentation required in the Tax Abatement/Exemption/PILOT Questionnaire (as required in Section 8.19(b)(1)), and

- Respond to any issues raised by the *Multifamily Attorney*

e. Collateral valuation for tax abatement (09/25/15)

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

f. Refinance test and DCR calculation for Properties with tax abatements (~~09~~06/24/25~~/15~~)

1. Refinance test for all Mortgages underwritten with a tax ~~abatements~~abatement

Freddie Mac performs a refinance test as follows:

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

- The Mortgage must meet the DCR and LTV requirements of the standard refinance test

2. DCR calculation for all Mortgages underwritten with tax abatements

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

- If any of the following conditions exist, Freddie Mac considers the tax abatement to be "infinite" and abated taxes can be utilized to derive the NOI and perform the refinance test:

a. The abatement expires more than 10 years after loan maturity

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~~a.~~b. The phase-in period, if any, begins at least 10 years after the Mortgage maturity date

~~b.~~c. The abatement runs at least 20 years after the Origination Date

~~c. The abatement runs for the full term of a fully amortizing Mortgage~~

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 Mortgages, the underwritten NOI must include the tax expense based on actual in-place taxes, whether fully or partially abated. Freddie Mac performs a cash flow analysis to show the effect on NOI of any decrease in the tax abatement for the term of the Mortgage ~~plus 10 years~~. If the tax abatement expires within 10 years after the maturity date of the Mortgage, Freddie Mac performs a cash flow analysis for the 10-year period following loan maturity.

g. Recourse for loss of tax abatement (02/29/16)

Freddie Mac may require the Borrower to be personally liable for any loss or damage to Freddie Mac because the tax abatement is not maintained during the term of the Mortgage.

8.20 Student Housing Properties (04/18/24)

a. Documentation required for underwriting package (04/18/24)

When preparing the underwriting package for a Mortgage secured by a Student Housing Property, the Seller must submit to Freddie Mac:

- A completed and executed Form 1120, Student Housing Questionnaire
- An Appraisal meeting the requirements of Section 60.22

b. Pre-leasing debt service Reserve (06/13/24)

If Freddie Mac issues a Letter of Commitment for a Mortgage securing a Student Housing Property between January 1 and the start of the next school year, the Borrower must establish a pre-leasing debt service Reserve. The Reserve will be structured equal to three months of amortizing debt service if the loan is amortizing for the full term, or interest-only debt service if the loan is Partial Interest Only (PIO) or Interest Only (IO) for the full term.

The pre-leasing debt service Reserve will be released when the Property achieves stabilized net rental income and occupancy during the next school year. Collection of the Reserve may be waived under the following circumstances:

- The Property has achieved pre-leasing for the next school year equal to or greater than the underwritten occupancy
- The Mortgage is a refinance of a Property with at least two full years of stable operating history and pre-leasing for the next school year is equal to or greater than the pre-leasing

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level for the same month in the prior school year

- At Freddie Mac's discretion (consideration given to conservatively underwritten Loan-to-Value and Debt Coverage Ratio levels)

Freddie Mac may also require a separate, ongoing Reserve based on Freddie Mac's determination of the Student Housing Property's ability to cover debt service during periods when school is not in session and occupancy is lower.

c. Property inspections and lease audits (04/18/24)

For Student Housing Properties, the property inspection and lease audit requirements in Section 8.15 apply. In addition, for Student Housing Properties where leases are by the bed or bedroom the following applies:

- The required number of units that must be selected is calculated based on the percentage of total units at the Property
- For the inspection of a unit to be considered sufficient to count towards the required number of units that must be inspected, a majority of beds or bedrooms must have been accessible and inspected
- The required number of lease audits is calculated based on the percentage of total leases at the Property. At least 50 percent of leases audited must be for beds or bedrooms inspected.

8.21 Solar Agreements (04/18/24)

a. Eligibility for Purchase of Property subject to a Solar Agreement (12/14/23)

Freddie Mac will consider purchasing a Mortgage secured by a Property that is subject to a Solar Agreement if the Solar Agreement meets the requirements set forth below.

As used in this Guide, the term "Solar Agreement" collectively refers to any instrument or agreement, or combination of instruments and agreements (*e.g.*, power purchase agreement, interconnection agreement, license, lease, easement, covenant, security agreement, construction agreement, maintenance agreement) related to the design, ownership, financing, installation, operation and/or maintenance of a system ("Solar Electric System") for conversion of solar energy to electrical energy on the Property.

As used in this Guide, the term "Solar Equipment" collectively refers to the equipment comprising the Solar Electric System.

b. Analysis (04/18/24)

Seller/Servicer's legal counsel must provide Freddie Mac with the Solar Analysis. The Solar Analysis must include the following, in addition to any other information the Seller/Servicer or its counsel deems necessary for consideration by Freddie Mac:

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- An analysis of the Solar Electric System on the Property, including each Solar Agreement to which a Property is subject and all applicable licenses and permits that are required for the legal use and operation of the Solar Electric System

- An analysis of any financial and/or operational obligations imposed upon Borrower

- The recommendation of Seller/Servicer or its counsel for mitigating any risk identified in the Solar Analysis or an explanation of why mitigation is not necessary or possible

c. Title Insurance Policy requirements (12/14/23)

Any Solar Agreement that would result in an encumbrance having priority over the lien of the Mortgaged Property must satisfy the applicable requirements in Chapter 29 and in the Title Policy and Endorsement Requirements.

d. Borrower Ownership of Solar Electric Systems (12/14/23)

Freddie Mac may permit Borrower to own and install a Solar Electric System in its sole discretion, following a review of the information and recommendations specified in the Solar Analysis and provided that the Solar Agreement otherwise complies with the requirements of this chapter. The Seller/Servicer must pay particular attention to any financial and/or operational obligations imposed on Borrower in the Solar Agreement.

No financing of a Borrower owned Solar Electric System is permitted.

e. Third-Party Ownership of Solar Electric Systems (12/14/23)

Freddie Mac may permit third-party ownership (including third-party affiliates) and financing of a Solar Electric System, in Freddie Mac's sole discretion, following Freddie Mac's review of the information and recommendations specified in the Solar Analysis and provided that the Solar Agreement otherwise complies with the requirements of this Chapter. If requested by an approved third-party owner of the Solar Equipment, Freddie Mac authorizes the Lender (i) to specifically exclude the Solar Equipment from the Mortgage UCC financing statement, and (ii) to review and approve the filing of a narrowly-tailored UCC financing statement in favor of the approved third-party owner of the Solar Equipment solely with respect to the Solar Equipment (which specifically excludes any reference to the Property).

f. Insurance requirements; Property condition report (12/14/23)

1. If the Solar Electric System is in place as of the Origination Date, Seller/Servicer must verify that the Property satisfies the applicable insurance requirements in Chapter 31.

2. If the Solar Electric System is not in place as of the Origination Date, Seller/Servicer must verify that the Property, after installation of the Solar Electric System, (i) will satisfy the applicable requirements in Chapter 31, and (ii) will not be subject to a material incremental increase in insurance premiums.

3. If the Solar Equipment is owned by a third-party (whether or not related to Borrower), the third-party must be obligated by the Solar Agreement (i) to maintain commercial general liability insurance, including personal injury and property damage coverage against claims arising out of or connected with the use, operation or occupation of the Property

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for installation, ownership and operation of the Solar Equipment, and (ii) to list Borrower as an additional insured party under such insurance policy.

4. If the Solar Electric System is installed or will be installed on the Property, the property condition report should at least include information on (i) its location, condition, and plan for its operations and maintenance, (ii) the anticipated useful life of the roof and whether that useful life is less than the term of the applicable Solar Agreement, and (iii) any roof warranty and whether the installation of the Solar Electric System voids or limits any roof warranty.

g. Subordination, Nondisturbance and Attornment (SNDA) (04/18/24)

Freddie Mac may require a subordination, nondisturbance and attornment agreement (SNDA – Solar Agreements) in the form available at mf.freddiemac.com/lenders/legal with respect to a Solar Agreement to mitigate the risk of any issue identified in the Solar Analysis, including ownership of Solar Equipment by an Affiliate of the Borrower, a right of first refusal, material claim or offset, or a material liability or obligation (*e.g.*, recapture rights, material termination penalties/fees, significant unpaid tenant improvement allowances, or non-customary indemnifications), which, if imposed upon a lender in the event of foreclosure, would not be acceptable, as determined by Freddie Mac in its sole discretion.

Freddie Mac, in its sole discretion, may agree to a nondisturbance agreement with respect to a Solar Agreement that is with an Affiliate of the Borrower or any Borrower Principal (including any Guarantor), following a review of the information and recommendations specified in the Solar Analysis.

Freddie Mac will not enter into a subordination, nondisturbance and attornment agreement with respect to a Solar Agreement other than in the form available at mf.freddiemac.com/lenders/legal.

h. Reserved (12/14/23)

i. Solar Agreement loan document requirements (04/18/24)

Freddie Mac, in its sole discretion, may require additional documents, instruments, or loan document modifications to mitigate the risk of any issue identified in the Solar Analysis, including:

- An estoppel certificate
- An SNDA or subordination agreement pursuant to Section 8.21(g)
- A collateral assignment of an applicable Solar Agreement or rights, contracts, licenses, or permits associated with the Solar Agreement or Solar Electric System
- Credit enhancements to offset any recapture obligations of Borrower
- Modifications to one or more Loan Documents including the Solar Agreement Rider to Loan Agreement

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j. Connection to the electrical grid; public utilities (12/14/23)

1. Any Solar Electric System on the Property must have permission to operate ("PTO") from the public utility for the jurisdiction in which the Property is located, the form and confirmation of which may vary among jurisdictions.

2. If the Solar Electric System is in place as of the origination of the Mortgage, Seller/Servicer must verify that: (i) the Solar Electric System has received PTO, (ii) the Property remains connected to the electric grid, and (iii) neither the Solar Electric System nor the Property is subject to regulation under the public utility code or any other similar statutes regulating public utilities for the jurisdiction in which the Property is located.

3. If the Solar Electric System is not in place and in operation as of the Origination Date, Seller/Servicer must verify that the Property, after installation of the Solar Electric System: (i) will remain connected to the electrical grid, (ii) will not be subject to regulation under the public utility code or any other similar statutes regulating public utilities for the jurisdiction in which the Property is located, and (iii) has received PTO.

k. Incentives; net-metering service (12/14/23)

Freddie Mac, in its sole discretion, may require a review of the information specified in the Solar Analysis regarding specific benefits and incentives that the Solar Electric System may be currently claiming or to which it may be entitled. Such review may include a request for additional documents and instruments identified in the Solar Analysis, including:

- Net electric metering agreements
- Specialized financing agreements used to finance the Solar Electric System (*e.g.*, grants, tax equity financing, renewable energy credit sales, etc.)
- Agreements for the transfer of U.S. federal income tax credits to a third party under IRC Section 6418
- Evidence of any recapture obligations of Borrower

8.22 Infrastructure Agreements (04/22/25)

a. General (12/14/23)

As used in this Guide, the term "Infrastructure Agreement" collectively refers to any instrument or agreement, or combination of instruments and agreements (*e.g.*, license, lease, easement, covenant, security agreement, construction agreement, maintenance agreement) related to the design, ownership, financing, installation, operation and/or maintenance of infrastructure ("Infrastructure") impacting the Property and involving the provision of telecommunication services (including internet, high speed data, cable television, cellular/wireless tower, high speed data, personal communication systems, or similar services) or renewable energy (including solar photovoltaic or wind turbine systems).

b. Infrastructure Agreements with non-Affiliates (04/22/25)

An Infrastructure Agreement that is not with an Affiliate of the Borrower or any Borrower Principal (including any Guarantor), and that meets the requirements set forth in Chapter 29

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and in the Title Policy and Endorsement Requirements and Section 43.32, does not have to be subordinated to the lien of the Mortgage. Freddie Mac may agree to enter into the standard Freddie SNDA with a provider to protect the provider's interest in the Property, upon written request by the Borrower.

c. Infrastructure Agreements with Affiliates (04/22/25)

1. An Infrastructure Agreement with an Affiliate of the Borrower or any Borrower Principal (including any Guarantor) and encumbering the Property must be specifically subordinate to the lien of the Mortgage unless the applicable agreement contains a provision for termination by the owner of the Property without cause on 30 days' notice and without payment of a fee or penalty. The subordination agreement must be recorded if the applicable Infrastructure Agreement is recorded. In addition, Freddie Mac will not agree to a nondisturbance agreement with respect to an Infrastructure Agreement (other than a Solar Agreement in accordance with Section 8.21) that is with an Affiliate of the Borrower or any Borrower Principal (including any Guarantor).

2. Freddie Mac will not subordinate the lien of the Mortgage to an Infrastructure Agreement with an Affiliate of the Borrower or any Borrower Principal (including any Guarantor).

d. Severance of lessor's interest from the Property (04/22/25)

Freddie Mac will not permit or otherwise approve an Infrastructure Agreement (including a Solar Agreement) that purports to assign Borrower's interest as "lessor" (or Borrower's reversionary interest) under a lease to a third party.

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

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

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

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

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

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

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

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

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

b. Commercial use (06/30/16)

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

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

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

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- The amount of commercial income recognized and the lease term must be supported by market comparison

- Underwritten commercial income is no more than 40 percent of Gross Potential Rent (GPR) and is otherwise acceptable to Freddie Mac

- Square footage devoted to commercial space is no more than 40 percent of the Net Leasable Space and is otherwise acceptable to Freddie Mac

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

c. Reserved (06/30/16)

d. Aluminum wiring (06/30/16)

If any of the buildings at the Property contain aluminum wiring, the Seller must notify Freddie Mac in writing, comply with the requirements of Chapter 62SBL and submit the following documentation:

1. Certification from the appraiser indicating whether the wiring has any adverse impact on the value of the Property

2. A cost estimate from a licensed electrical engineer for any repairs or corrections required by any applicable code

3. Certification of completion for all repairs and corrections to the wiring in the Property required by any applicable code.

e. Reserved (06/30/16)

8SBL.3 Moisture or Mold issues (08/17/23)

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

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

1. Training the maintenance staff to understand the hazard and respond to all water intrusion events or leaks according to Environmental Protection Agency (EPA) guidelines

2. Providing information to tenants including, but not be limited to

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- 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

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- Without a Moisture Management Plan (MMP) (if the physical risk consultant recommended a plan but Freddie Mac waived the MMP)

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

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

2. Inspect a minimum of 10 percent of the units, including those units that the Servicer deems most likely to be exposed to moisture conditions

3. Conduct a specific evaluation of the condition of finishes in inspected dwelling units and in all common areas and document that evaluation

4. Inspect any areas where the Borrower or property manager has detected a musty odor or observed Mold, as well as all spaces typically associated with moisture issues, water intrusion or leaks, such as basements and unheated storage areas

5. Evaluate all completed repairs to correct water intrusion or leak issues since the last assessment and document that evaluation

6. Evaluate and comment on all areas where Mold has been removed since the last assessment and document that evaluation

c. Special Moisture or Mold Issues Inspection (06/30/16)

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

- A moisture or Mold issue has been identified at underwriting

- Mold is identified after a water intrusion event or leak during the term of the SBL Mortgage

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

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

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

1. A third-party property condition consultant, meeting the requirements of Section 62.8, must conduct the Special Moisture or Mold Issues Inspection.

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2. The third-party property condition consultant who performs the Special Moisture or Mold Issues Inspection must

   a. Conduct a visual and olfactory inspection for evidence of current or past moisture or Mold issues

   b. Look for evidence of moisture or Mold issues in all areas customarily inspected in accordance with Section 62SBL.5(d)

   c. Make inquiries of the Borrower or property manager regarding past and current water intrusion or potentially damaging leaks; any known Mold problems; or any tenant complaints regarding health problems, musty odors, water intrusion or potentially damaging leaks

   d. Examine any areas where water intrusion or leaks have been reported

   e. Examine all building components or areas most typically associated with water intrusion or potentially damaging leaks

   f. Identify any defective building conditions that would likely lead to future water intrusion or potentially damaging leaks

   g. Provide Freddie Mac with a comprehensive report on the inspection.

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

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

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

a. For an SBL Mortgage to be eligible for purchase by Freddie Mac, the Property securing it must conform to all applicable zoning, subdivision and use laws, ordinances or codes and local building and housing codes. A zoning report is not required for an SBL Mortgage.

b. The Seller must confirm that all certificates of occupancy required for the use, operation and occupancy of the Property for its presently-contemplated use have been issued and are in effect or, if certificates of occupancy are not available, that the absence of any certificate of occupancy is not a violation of local laws, ordinance, or codes, nor will it give rise to any enforcement action affecting the Property.

c. If the Seller cannot confirm the requirements regarding certificates of occupancy specified in Section 8SBL.5, then Freddie Mac may purchase the SBL Mortgage only if all the following requirements are satisfied with respect to each unit for which such confirmation cannot be obtained (each a “Non-Permitted Unit”):

   - The underwritten income from the Property must exclude the gross potential rent (GPR) for any Non-Permitted Unit and the total unit count must not include the Non-Permitted Unit.

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- 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

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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

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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

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- 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.

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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:

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1. There is a written Shared Use Agreement in place between the Borrower and the party controlling the applicable Essential Facilities or Recreational Facilities.

2. The Shared Use Agreement must be recorded in the applicable land records for the jurisdiction prior to the Freddie Mac Funding Date and must be included in the insured legal description of the Property.

3. The Shared Use Agreement must contain a stipulation that access to and use and enjoyment of the Essential Facilities and/or Recreational Facilities are perpetual and that such rights will inure to the benefit of all future owners of the Property.

4. Each party's responsibilities and share of expenses under the Shared Use Agreement must be stipulated and generally acceptable to a prudent lender.

5. Each party's remedies in the event of a breach by any other party must be generally acceptable to a prudent lender. The Shared Use Agreement may not allow for loss of use in the event of a breach. However, the Shared Use Agreement may permit the placement of a lien which is subordinate to the SBL Mortgage for unpaid maintenance costs.

6. The Seller/Servicer must provide the appraiser with all information regarding the Shared Use Agreement.

7. The Seller/Servicer must notify Freddie Mac immediately if the Seller/Servicer learns of any circumstances that might limit the access to or the use or enjoyment of the Essential Facilities and/or Recreational Facilities.

f. Reserved (09/26/19)

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

a. Tax parcels (06/30/16)

The Property must be identified as a single tax parcel or, if identified as multiple tax parcels, the Property must constitute the entirety of those tax parcels. Any tax parcel or parcels in which the Property is located may not include property that is not subject to the SBL Mortgage sold to Freddie Mac.

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

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

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

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

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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.

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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).

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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 (04/22/25)

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

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- 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
  - Project-based Section 8 HAP program or similar Federal program
- The Property benefits from any of the following:
  - Tax exempt bond interest reduction payments (IRPs)
  - Historic Tax Credits (HTCs) that require a master lease structure
- The Property has any of the following tenant characteristics:
  - Seniors housing with resident services
  - Greater than 50 percent concentration of student tenants (whether graduate or undergraduate)
  - Greater than 50 percent concentration of military tenants
- The Property has a Scenario Expected Loss-475 (SEL-475) greater than 40 percent, as determined by a Seismic Risk Assessment (SRA), and the affected buildings have not undergone a seismic retrofit (see Chapter 64SBL for further information on seismic risk assessments)
- The Property is in an area that has been identified by FEMA as a Special Flood Hazard Area (SFHA) and the community where the Property is located does not participate in the National Flood Insurance Program (NFIP), regardless of whether private flood insurance is available

8SBL.15 Property inspections and lease audits (06/~~13/~~24/~~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

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

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

a. Reserved (10/12/17)

b. Complete property inspection and lease audit (~~04/18~~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. ~~Inspected~~This excludes Down Units and commercial/non-residential units ~~should~~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~~. If inspecting the greater of 10 percent of the total number of~~, and units ~~or five units results in an insufficient number of inspected units~~subject to ~~meet lease audit requirements, then additional units must be inspected to meet those requirements.~~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
   - ~~A representative sample of units with corporate leases~~
2. Prior to the date of the inspection, unless delegated to the Seller, Freddie Mac must select units for the inspection and the Seller must instruct Borrowers to provide notices to the selected units:

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- 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:

   ~~c.~~a. Roof access should be gained if not clearly visible from the ground (flat roofs).

   ~~d.~~b. Inspect a representative sample of ongoing or recently completed unit renovations, if applicable

   ~~e.~~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

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- 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.)

~~f.~~d. Inspect amenities available to tenants at the Property

~~g.~~e. Walk the Property and look for deferred maintenance and any easily recognizable need for environmental remediation

~~h.~~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:

~~i.~~a. Drive by identified rental comparables

~~j.~~b. Determine the Property's compatibility with the neighborhood and assess the Property's competitiveness in its submarket

~~k.~~c. Take photographs of rental comparables when unique issues or material concerns exist

~~l.~~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:

~~m.~~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.

~~n.~~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

~~o.~~c. A sample or unexecuted residential lease or an executed lease with any personal or private information redacted

~~a.~~d. Completed Property Inspection and Lease Audit form to reflect a lease audit of:

- If the Property has ~~15~~10 units or ~~fewer total units~~less, 100 percent of occupied units~~ capped at 10 units, or~~

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- If the Property has more than ~~15~~10 total units, the greater of 25 percent of all units or 10 units, up to a maximum of 30 units~~, unless otherwise required by Freddie Mac or the Seller~~

- ~~Additionally, the~~ At least 50 percent of leases audited ~~leases: (i)~~ must ~~include all occupied~~ 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

  ~~and (ii) should be selected by the person conducting~~If the ~~inspection.~~ 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. ~~The lease audit must also include representative samples of:~~

  Leases
  ~~- Leases from any inspected corporate units~~

  ~~- Leases signed within the last 60 days~~

- ~~Effective for transactions taken under application on or after April 18, 2024, validation of leases~~ must also be validated against documentation reflecting actual rental payments received by the respective tenant, such as a tenant ledger, general ledger, copies of checks, or similar documentation. If discrepancies are identified, the applicable comments field must be used to provide an explanation, such as when a portion of the rental payment is in the form of a governmental subsidy (e.g., Section 8 or Medicaid) or when the ledger reflects additional payments (e.g., late fees or other one-time charges).

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

~~p.~~e. An indication of the number of units that were actually notified of the potential property inspection, as required by Section 8SBL.15(b)

~~q.~~f. Documentation of complete property inspection in accordance with this section

~~r.~~g. If Freddie Mac has delegated the property inspection to the Seller, acknowledgement that the inspection is a delegated inspection

9. If Freddie Mac delegates any inspection requirement to the Seller, the Seller may not further delegate the inspection requirement. Delegation to the Seller must be approved by Freddie Mac and is permitted on an exception basis only.

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

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

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

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

8SBL.17 SBL Physical Risk Report (~~12/12/24~~06/22/25)

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 62SBL for the following:

- The physical risk consultant's requirements for evaluating the physical condition of the Property and completing Form 1104, SBL Physical Risk Report
- The Seller's requirements for retaining a physical risk consultant and reviewing Form 1104

1. Freddie Mac requires the Seller/Servicer to submit an SBL Physical Risk Report meeting the requirements of Chapter 62SBL before Freddie Mac will issue a Letter of Commitment to purchase an SBL Mortgage.

2. Once the Seller has received and reviewed Form 1104, the Seller must disclose to Freddie Mac any Critical Repairs, as defined in Section 62SBL.3(b), including actual or suspected structural, mechanical, electrical or other material physical deficiencies or Mold at the Property and inform the *Small Balance Loan Team* of unusual or questionable conditions.

3. Additionally, the Seller must:

    - Verify that all Critical Repairs have been addressed and provide evidence of completion to Freddie Mac prior to submission of the full underwriting package to Freddie ~~Mac's issuance of the Letter of Commitment~~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 Section 62SBL.3(b), that must be completed by the Borrower per the Loan Document requirements

4. If any of the following conditions exist at the Property and become Priority Repairs, Freddie Mac will require a Reserve for all identified Priority Repairs (including PR-90 Repairs):

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- The estimated cost to complete all Priority Repairs (including PR-90 Repairs) identified in the SBL Physical Risk Report is $25,000 or greater, or

- The Property receives an "Overall Property Condition Rating/Capital Needs Over the Loan Term" rating of "Below Average" or lower in the SBL Physical Risk Report, or "Poor" in the Seller and/or Freddie Mac inspection, or

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

- When material repairs are more likely to impact habitability such as:

  - Structural repairs related to foundation/building slabs, stairs, walkways, balconies, decks, and fire escapes

  - Moisture and mold issues requiring the use of a mold remediation professional or where a major building system is identified as the source of moisture

  - Major building system such as electrical (excludes in-unit systems, fixture replacement such as GFCI outlets, smoke detectors, etc.), HVAC, plumbing, down elevator(s)

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

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

b. Reserved (06/29/18)

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c. Reserved (06/30/16)

d. Reserved (06/30/16)

e. Reserved (03/03/17)

8SBL.19 Tax abatements (~~04/14/22~~06/24/25)

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, 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:

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

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

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

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

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

   - Letter from the taxing authority or the governing body granting or confirming the abatement
   - Copy of the Borrower's current tax statement showing the amount of taxes assessed

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

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

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

   - Prepare the Tax Abatement/Exemption Analysis – SBL ,
   - Include the applicable documentation required in the Tax Abatement/Exemption Analysis – SBL, and
   - Respond to any issues raised by the Multifamily Attorney

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

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

e. Refinance test and DCR calculation for Properties with tax abatements (06/~~30/16~~24/25)

1. Refinance test for all SBL Mortgages underwritten with ~~tax abatements~~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.

   - ~~The SBL Mortgage must meet the DCR and LTV requirements of the standard refinance test.~~

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

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

   - If any of the following conditions exist, Freddie Mac considers the tax abatement to be "infinite" and abated taxes can be utilized to derive the NOI and perform the refinance test:

     a. The abatement expires more than 10 years after loan maturity

     ~~a.~~b. The phase-in period, if any, begins at least 10 years after the SBL Mortgage maturity date

     ~~b.~~c. The abatement runs at least 20 years after the Origination Date~~.~~

     ~~c. The abatement runs for the full term of a fully amortizing SBL Mortgage.~~

     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 ~~plus 10 years~~.

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9.1 Introduction (09/08/04)

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- f. Borrower requirements specific to non-profit Borrowers and Borrower Principals (04/13/23)
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- a. Equity contributions requiring Freddie Mac consent (04/14/22)
- b. Definitions (02/16/23)
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- f. Required analysis; compliance (02/16/23)
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9.10 Investment fund (12/14/17)
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9.11 Foreign Guarantor (02/22/24)

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9.12 Tenancy-in-common (TIC) (04/15/21)
a. Conditions applicable to TIC owners (06/30/15)
b. Tenant in common agreement (09/25/15)
c. Additional requirements pertaining to TIC Agreements (04/15/21)

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9.1 Introduction (09/08/04)

This chapter details Freddie Mac's requirements for the Borrower. These Borrower requirements may also apply to Special Servicing Requests when appropriate.

The individual program and product chapters detail specific program or product requirements. In the event of a conflict between any provision of this chapter and any provision of another chapter of the Guide that contains requirements for a specific mortgage purchase program or product, the program- or product-specific chapter will control.

See Chapter 9SBL for Freddie Mac's Borrower and Borrower Principal requirements for an SBL Mortgage.

9.2 Borrower requirements (02/27/25)

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

1. The following types of Borrower are generally acceptable:

   - Limited partnership
   - Corporation
   - Limited liability company
   - Limited liability limited partnership
   - Tenancy-in-Common (TIC), provided that the TIC meets the requirements of Section 9.12

2. The following types of Borrower may be acceptable in limited circumstances and may be subject to additional requirements:

   - General partnership
   - Limited liability partnership
   - Revocable or irrevocable trust, including a Delaware Statutory Trust
   - Real estate investment trust (REIT)
   - Illinois, Indiana, Florida or Virginia land trust, provided that the Borrower meets the requirements of Section 9.4
   - Unincorporated business trust such as a Massachusetts business trust, or
   - Tennessee obligated member entity

3. The Borrower must be an entity formed in the United States.

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4. The Borrower is not permitted to be a pension, retirement fund or account.

5. For any Mortgage with a Guarantor, at least one Guarantor must have Control of the Borrower (including through an entity), unless previously disclosed to and approved by Freddie Mac.

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

7. If an Equity Conflict of Interest as defined in Section 2.25 exists, then the Seller must disclose the nature and extent of the Equity Conflict of Interest in writing to Freddie Mac when the Seller delivers to Freddie Mac the preliminary underwriting package for a Seller utilizing the early rate lock delivery option, or the full underwriting package for a Seller utilizing the standard delivery option. The Seller must notify Freddie Mac in writing immediately if an Equity Conflict of Interest arises following delivery of the underwriting package to Freddie Mac.

b. Single Purpose Entity (SPE) requirements; newly-formed vs. recycled entities (05/01/14)

Each Borrower and each SPE Equity Owner (if applicable) must be a Single Purpose Entity (SPE). If the Borrower is a TIC, each tenant must be an SPE.

However, for each Mortgage with an initial principal balance of less than $5 million, at the request of the Borrower (except for TICs), Freddie Mac will not require the Borrower to be an SPE.

Each SPE Borrower and each SPE Equity Owner (if applicable) must be newly formed; provided, however, that if a Mortgage has an initial principal balance of $100,000,000 or less, Freddie Mac may accept a recycled SPE if all recycled SPE requirements set forth in the Letter of Commitment or early rate lock application are met.

The Property must be the Borrower's sole asset and the operation of the Property must be the Borrower's sole business. Additional SPE limitations for the Borrower and SPE Equity Owner are set forth in the Loan Documents available at mf.freddiemac.com/lenders/legal.

c. SPE Equity Owners (05/01/14)

For each Mortgage with an initial principal balance of $25 million or greater, or each Mortgage that is part of a cross-collateralized and cross-defaulted pool of Mortgages that are, when aggregated, $25 million or greater, each Borrower must have an SPE Equity Owner unless the Borrower is a single member limited liability company formed in Delaware or is a corporation.

d. Key Borrower Principal due diligence (02/27/25)

If a Key Borrower Principal falls under one of the categories noted below, then the Key Borrower Principal may be subject to additional due diligence requirements, as outlined in Section 11.6, Section 55.2, and/or the underwriting checklists:

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

- **Limited Multifamily Experience Sponsor:** When neither the Key Borrower Principal nor its Ultimate Control, when applicable, has had Control of at least 5 properties in the past 5 years, the majority of which are or were substantially similar to the Property in the number of units or type of property

- **Rapid Growth Sponsor:** Effective for transactions taken under Seller Application on or after February 27, 2025, when the Key Borrower Principal meets the following conditions:

  (i) Controls at least 15 multifamily properties, and

  (ii) At least 50% of the multifamily properties Controlled by Key Borrower Principal were purchased within the past three years

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

e. Borrower requirements specific to a Single Member Limited Liability company (06/25/20)

Except as noted below, each Borrower and each SPE Equity Owner, if applicable, that is a limited liability company with a single member must be formed in Delaware and must have one or more "springing members" in the event the single member ceases to be a member of the Borrower or SPE Equity Owner, as applicable. Additional "springing member" requirements are set forth in the Loan Documents.

Whenever the Guide refers to a "single member" limited liability company, the term "single member" refers to a Borrower or SPE Equity Owner's organizational structure in which the Borrower or SPE Equity Owner has a sole equity member (i.e., the "single member"). A Borrower or SPE Equity Owner that has a sole equity member but has other members or managers that each have a zero percent interest in the Borrower or SPE Equity Owner is also a "single member" limited liability company and must be formed in Delaware.

A Borrower that is a limited liability company (LLC) with a single member will not be required to satisfy the above requirements if the Mortgage has an initial principal balance of $20 million or less, unless the Mortgage is a Supplemental Mortgage and the combined initial principal balance of the Supplemental Mortgage and the unpaid principal balances of any senior Mortgages encumbering the Property are at least $25 million in the aggregate.

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f. Borrower requirements specific to non-profit Borrowers and Key Borrower Principals (04/13/23)

This Section 9.2(f) does not apply to partnerships in States in which a non-profit general partner is in place solely to satisfy the eligibility requirement for receiving a tax abatement or other benefits, where there is also a qualified Key Borrower Principal in addition to the non-profit general partner.

1. General Borrower and Key Borrower Principal requirements

   In transactions where the ownership structure of the Borrower and/or Key Borrower Principal contains multiple non-profit entities performing differing functions, the Seller/Servicer must evaluate each entity on its capacity to perform its particular function, for example, acquisition, development, ownership, asset management, property management or social service provider. The non-profit Borrower and/or Key Borrower Principal being evaluated may not be equally strong with respect to all criteria. Therefore, only the criteria for the areas in which the non-profit entity has direct responsibility or authority need to be applied during the evaluation process.

   The Seller/Servicer must apply a higher standard when the non-profit developer is involved in a large-scale development with complicated structures than in a small-scale development with simple structures.

   The non-profit Borrower and/or Key Borrower Principal must have reasonable Liquidity (nonrestricted cash balances or restricted cash balances related to the Property), working capital reserves appropriate for the proposed transaction and no material unmitigated contingent liabilities.

   When the Seller/Servicer is assessing a non-profit Borrower or Key Borrower Principal for whom the Seller/Servicer originated a Mortgage or assumption within the most recent three years, the Seller/Servicer needs only to update its initial evaluation. Freddie Mac will determine if a non-profit Borrower or Key Borrower Principal meets its requirements.

2. Specific non-profit Borrower and Key Borrower Principal requirements

   The following requirements apply when a non-profit entity is the Borrower or the Key Borrower Principal:

   - The non-profit Borrower/Key Borrower Principal must have a minimum of three years' experience
     - In the same capacity that it will have for the proposed transaction, and
     - Acquiring, developing or owning a minimum of three properties.
   - The Borrower/Key Borrower Principal must own and manage other properties in the market where the Property is located.
   - The executive director and key staff of the Borrower/Key Borrower Principal must have adequate experience to successfully fulfill their respective roles and

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responsibilities.

- The non-profit Borrower/Key Borrower Principal must not have any unresolved internal control or compliance findings.
- The non-profit Borrower/Key Borrower Principal must have no unresolved issues of integrity or conflict of interest.

When the non-profit Key Borrower Principal demonstrates a significant weakness in one or more of the evaluation criteria, Freddie Mac may require the funding of one or more of the following Reserves to mitigate the risk:

- A debt service Reserve in the minimum amount of six months of debt service payments that is funded by the Origination Date, a portion of which may be deferred
- A lease-up Reserve that is funded by the Origination Date
- An operating Reserve that will remain in place until specified rental achievement
- A funded Replacement Reserve that is subject to re-evaluation at 10-year intervals or shorter periods at Freddie Mac's discretion

g. Borrower requirements specific to Crowdfunding (04/13/23)

1. No direct or indirect interest in Borrower that constitutes a Controlling interest may consist of investments raised via Crowdfunding.
2. No direct or indirect interest in Borrower which may assume Control of Borrower under any terms of either Borrower's organizational documents, or the organizational documents of any entity in Borrower's ownership structure, regardless of whether the change in Control is the subject of a preapproved transfer right, may consist of investments raised via Crowdfunding.
3. The preliminary legal issues memorandum (PLIM) described in Section 6.4 must include analysis of any Crowdfunding in the ownership structures of the Borrower or Key Borrower Principals.

9.3 Persons or entities unacceptable as Borrowers, Borrower Principals, SPE Equity Owners, Master Tenants, Operators, Guarantors and Non-U.S. Equity Holders (04/22/25)

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

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

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1. Is a confirmed match to a name on any of the following lists:

   - OFAC Specially Designated Nationals and Blocked Persons List
   - OFAC Consolidated Sanctions List
   - FHFA Suspended Counterparty List (subject to any conditions or exclusions set forth in the final suspension order)
   - Freddie Mac Exclusionary List

2. Has a civil or criminal Conviction for the commission of terrorism, terrorism financing, or money laundering

3. Has a civil or criminal Conviction in connection with a Financial Crime such as embezzlement, fraud, misappropriation of funds

4. Is named as an accused or defendant in any pending or current criminal or civil proceeding relating to any of the crimes set forth in subsection 2 and 3 above

5. Is insolvent or the subject of a pending bankruptcy or similar proceeding

6. Is an adverse party to Freddie Mac in any pending or current litigation

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

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

1. Adverse information regarding Financial Crime

2. Negative credit events

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

9.4 Land trusts (03/03/14)

Under limited circumstances, Freddie Mac will consider purchasing Mortgages secured by multifamily properties owned by land trusts and located in Illinois, Indiana, Florida and Virginia. Mortgages secured by properties owned by land trusts and located in other States that do not provide for statutory land trusts are not eligible for purchase.

Land trust Mortgages must meet all Freddie Mac multifamily Mortgage eligibility requirements in addition to meeting the specific requirements of this section and Section 32.4.

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A land trust that owns Property securing a Mortgage to be purchased by Freddie Mac must be a "sole asset" land trust; that is, the Property must be the only asset of the land trust.

9.5 Cooperatives (09/28/18)

Freddie Mac purchases Mortgages secured by multifamily Properties owned by Cooperatives (Co-ops). Co-op Mortgages must comply with the multifamily Mortgage eligibility requirements in addition to meeting the warranties detailed in Section 5.8.

9.6 Trusts (06/15/23)

a. Revocable and irrevocable trusts (06/15/23)

- A revocable or irrevocable trust may be an eligible Guarantor.
- If a revocable trust is a Guarantor, the settlor is a co-Guarantor with the trust.
- A revocable or irrevocable trust or a Massachusetts business trust may be a Borrower only in Freddie Mac's discretion following review of the information described below. A Massachusetts business trust will not be eligible to be a Borrower with respect to a Mortgage that will be securitized in a REMIC trust.
- A trust may not be an SPE Equity Owner.

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

In addition to its ordinary underwriting procedures, the Seller must take the following steps when reviewing an application for a Mortgage to a trust Borrower or for a Mortgage with a trust Guarantor. The Seller must examine the trust agreement to determine that

- The Seller has received a complete copy of the trust agreement including all amendments.
- If the trust is a revocable trust (also known as a living or inter vivos trust), the settlor (also known as the grantor) is the trustee or one of the co-trustees or there is an institutional trustee.
- If the trust is a revocable trust, the settlor is still alive and is a co-obligor or co-guarantor with the trust.

c. Trust legal requirements (06/30/15)

1. Legal analysis

The Seller/Servicer's legal counsel must examine the trust agreement to determine that the trust meets all of the following conditions in addition to meeting the general conditions set forth in Section 9.7, where applicable. This analysis is not required for a trust that is a Borrower Principal but is not a Guarantor unless specifically requested by Freddie Mac.

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a. If the trust is the Borrower, there are no statutory or contractual restrictions on the activities of the trust or the trustee that would impair the Borrower's ability to hold and manage the Property.

b. If the trust is the Borrower, there is no unusual risk of impairment of Lender's rights (for example, the trust agreement should only permit distributions to be made from net income remaining after payment of amounts due under the Mortgage).

c. The beneficiary does not need to grant written consent for the trust to borrow money or to guarantee the debt of another entity (as applicable); or, if the beneficiary must grant such consent, the beneficiary has granted the consent in writing for purposes of the Mortgage.

d. If the trust is the Guarantor, the trustee is authorized to guarantee the debts of another entity.

e. If the trust is the Guarantor, there are no statutory or contractual restrictions on the activities of the trust or the trustee that would impair the Guarantor's ability to guarantee the Mortgage.

f. A lender can enforce its security interest in the trust property in the event of a default.

g. The title insurer will provide full title protection to Freddie Mac, without exception for the trust structure.

h. For a Massachusetts business trust, third parties may rely on a recorded certificate of the trustee certifying that he or she was authorized and directed by the beneficiary to execute and deliver deeds, mortgages, promissory notes, and all other documents required to be executed in connection with the Mortgage.

i. If the trust is the Borrower, the form of identification of the Borrower in the deed conveying the Property to the trustee or trust is the same as that in each Loan Document and the title policy is the same as the form in which the Borrower holds title to the Property.

2. Additional requirements

If the trust fails to fully satisfy any of the above requirements and the trust will not be modified prior to the Origination Date of the Mortgage to comply with all of the requirements, the Seller/Servicer's legal counsel must provide a legal analysis detailing which requirements(s) will not be satisfied and the counsel's recommendation as to whether and why Freddie Mac should accept the trust agreement without it being fully compliant with this Section 9.6. The legal analysis memorandum must be in compliance with the preliminary legal issues memorandum (PLIM) requirements described in Section 6.4. If the trust agreement fully satisfies all of the above requirements, the Seller/Servicer's legal counsel must confirm in a PLIM that all such requirements have been satisfied.

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9.7 Review of Borrower, SPE Equity Owner and Guarantor organizational documents (06/30/15)

The Seller/Servicer's legal counsel must review the organizational documents for any entity (including a trust, investment fund or REIT) that is a Borrower, SPE Equity Owner, or Guarantor to ensure that the following conditions are met:

1. The entity is validly formed under the laws of the State in which it was organized.

2. The entity (except the Guarantor, unless required by Freddie Mac) is qualified to do business in the State in which the Property is located.

3. The entity has the required organizational power to execute, deliver and perform its obligations under the Loan Documents or the Guaranty (as applicable).

4. The individual executing the Loan Documents or the Guaranty (as applicable) on behalf of the entity has been properly authorized by the entity to take such actions on its behalf.

5. The entity complies with any Freddie Mac conditions set forth in the Guide, the Letter of Commitment or the early rate lock application concerning the identity of Borrower Principals.

6. There is no risk of impairment of Freddie Mac's rights resulting from the structure or operation of the entity that would be unacceptable to a prudent institutional lender originating a mortgage loan secured by a comparable property in the same locale as the Property.

7. The entity does not expire during the term of the Mortgage.

8. The organizational documents of a Borrower that is required to be an SPE contain SPE covenants which require the Borrower to meet the requirements set forth in Section 6.13 of the Loan Agreement. The SPE covenants in the organizational documents are not required to be identical to those contained in the Loan Agreement but must be substantially similar.

9. The organizational documents of each SPE Equity Owner that is required to be an SPE contain SPE covenants that meet the requirements set forth in Section 6.13 of the Loan Agreement. The SPE covenants in the organizational documents are not required to be identical to those contained in the Loan Agreement but must be substantially similar.

10. If applicable, if the Borrower or SPE Equity Owner is a single member limited liability company, the provisions of Section 9.2(e) are met.

11. If required by Freddie Mac, the Borrower or SPE Equity Owner has one Independent Director/Manager as set forth in Section 9.2(d).

The Seller/Servicer's legal counsel will continue to be responsible for review of such documents, notwithstanding any submission of such documents to Freddie Mac. If the organizational documents do not meet the requirements set forth above, the Seller/Servicer's legal counsel must describe the differences and the counsel's recommendations in a PLIM. The legal analysis memorandum must be in compliance with the PLIM requirements described in Section 6.4. If the organizational documents fully satisfy all of the above requirements, the Seller/Servicer's legal counsel must confirm in a PLIM that all such requirements have been satisfied.

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9.8 Adverse circumstances—Borrower (09/08/04)

There must be no circumstances or conditions of which the Seller is aware involving the credit standing of the Borrower that adversely affect the value or marketability of the Mortgage.

9.9 Preferred equity (~~02/16/23~~06/24/25)

a. Equity contributions requiring Freddie Mac consent (04/14/22)

All Preferred Equity is subject to Freddie Mac's prior approval.

b. Definitions (02/16/23)

1. Common Equity

A form of investment in an entity provided by an equity investor, where the equity investor:

- Has an equal right to receive distributions, payments or returns (i.e., no such investor or class of investors receives any preferential payments or returns as compared to other equity investors) (sometimes referred to as "pari-passu" equity), or
- Is entitled to receive preferred distributions, payments or returns only out of net cash flow from the Property (i.e., cash flow, if any, available after payment of all operating expenses for the Property, lender's debt service, and any escrows and reserves required by the lender) before any other investor receives any distributions, payments or returns (sometimes referred to as "soft pay" preferred equity)

If Common Equity has any characteristics constituting Preferred Equity or any unacceptable attributes of Preferred Equity as noted in Sections 9 c. and d. below, it will be considered to be a Preferred Equity investment for the purpose of the Guide. Additionally, if any other investment by the Common Equity investor, or an affiliate of the Common Equity investor, is determined to be Preferred Equity, then the Common Equity investment will be considered to be a Preferred Equity investment for the purpose of the Guide.

2. Preferred Equity

Any investment in an entity provided by an equity investor where the equity investor is entitled to receive periodic distributions, payments or returns (*e.g.*, monthly, quarterly, annually, or other set period), that have priority over distributions, payments or returns to any other equity owner, whether or not there is sufficient net cash flow from the Property (sometimes referred to as "hard pay" preferred equity) ("Preferred Equity Return").

c. Characteristics constituting Preferred Equity (02/16/23)

Any of the following characteristics constitute Preferred Equity:

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- The equity contribution and/or any accrued Preferred Equity Return must be paid on a set date, or the property is subject to a predetermined date of sale or other disposition ("Redemption Date")

- Equity investor has rights or remedies if not paid the Preferred Equity Return or all or any part of its equity contribution; provided, however, the right to force a sale of the property is not in and of itself a characteristic constituting Preferred Equity

- Equity investor has rights or remedies other than a forced sale if the Property fails to achieve any particular debt coverage ratio (DCR), loan-to-value ratio or other economic performance measure, while the Property is performing under the Mortgage

- Common Equity investments in the Borrower's organizational structure made by the Preferred Equity investor, or its affiliate(s)

d. Unacceptable attributes of Preferred Equity (04/14/22)

The following are unacceptable attributes of Preferred Equity:

1. Any of the obligations related to the Preferred Equity are secured by any form of collateral

2. A Redemption Date that is prior to the maturity date of the Mortgage

3. A cash sweep at the Property level

4. The assignment of any cash reserves at the Property level other than reserves established solely from the proceeds of the equity contribution

5. An intercreditor agreement, subordination agreement, recognition agreement, or any other agreement with the Property lender to limit or delay lender's rights or remedies

6. An equity investment that also directly or indirectly capitalizes an entity affiliated with the Borrower which owns another property ("Affiliated Property") unless (a) Freddie Mac also intends to purchase a mortgage secured by the Affiliated Property and (b) the Mortgage and the mortgage on the Affiliated Property will be cross-collateralized or cross-defaulted

7. The right for the Preferred Equity investor or its assignee(s) to remove or replace the person or entity with direct or indirect control of the Borrower ("Preferred Equity Control Takeover") based on the actions or inactions of any Person in any entity other than the Borrower or an entity in the Borrower's ownership structure

8. The right for the Preferred Equity investor or its assignee(s) to exercise any rights or remedies based on the economic performance of a property other than the Property

9. The right for the Preferred Equity investor or its assignee(s) to make protective advances that increase the size of the Preferred Equity investment for any reason other than to pay debt service, taxes, or insurance

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10. The right for the Preferred Equity investor or its assignee(s) to acquire the equity interests of (i) the person or entity with direct or indirect control of the Borrower, or (ii) any other equity owner, without purchasing those interests for fair market value

11. Documentation of additional terms and requirements of the Preferred Equity investment other than in the organizational documents (i.e., there may not be any side letters)

12. The Preferred Equity investment is subject to draws, phased or deferred funding. Any Preferred Equity investment must be fully contributed on or prior to the Origination Date

13. The right to exercise a Preferred Equity Control Takeover based on the Property's failure to achieve specific, quantifiable occupancy, NOI, debt service or other economic performance measures while the Property is performing under the Mortgage

14. Permits any payment to an equity investor before payment of operating expenses of the Property and all sums due to the lender under the Loan Documents

15. Includes any other attribute that Freddie Mac determines circumvents Freddie Mac's intent with respect to an acceptable Preferred Equity investment

e. Preferred Equity guaranty (04/14/22)

Any guaranty provided in connection with Preferred Equity must:

1. Not include a guaranty of repayment of the Preferred Equity from any person or entity that is also providing a Guaranty in connection with the Mortgage ("Mortgage Guaranty")

2. Be expressly subordinate in all respects to the Loan Documents

3. Not include any guaranteed obligations other than:

   - Obligations that are substantially similar to the guaranteed obligations under the Mortgage Guaranty, and

   - The obligation to guaranty loss or damage caused by the trigger events set forth in the document "Preferred Equity Guaranty Acceptable Trigger Events"

f. Required analysis; compliance (02/16/23)

1. Prior to issuance of the Quote, the Seller/Servicer must advise Freddie Mac of any Preferred Equity, and provide the following information to the extent known:

   - Name of the Preferred Equity investor

   - Summary of the financial terms of the Preferred Equity and any Common Equity investment to be made by the Preferred Equity investor or its affiliate

     a. Amount

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b. Initial rate of the Preferred Equity Return (and if the rate changes, any deferred rate of the Preferred Equity Return)

- Anticipated schedule for the funding of the Preferred Equity
- Proposed Redemption Date
- Any other material relating to the Preferred Equity

2. Seller/Servicer's counsel must deliver the Equity Analysis no later than the delivery of the full underwriting package.

3. Seller/Servicer must require the Borrower to complete the Borrower's Preferred Equity Financial Terms Summary and deliver it to Freddie Mac no later than the delivery of the full underwriting package

4. Seller/Servicer's counsel must confirm that the operating agreement, joint venture agreement or similar agreement governing the Preferred Equity investment contains a prohibition against modifying any of the terms of the Preferred Equity, including the terms relating to the Preferred Equity Return, the Redemption Date or the amount of the Preferred Equity (except to decrease the amount of the Preferred Equity or the Preferred Equity Return) during the term of the Mortgage without the lender's consent

g. Underwriting Preferred Equity (~~02/16/23~~06/24/25)

1. The following underwriting requirements will apply to a Mortgage with Preferred Equity, and will be based upon Freddie Mac's final determination of NOI and value:

   - The amount of all Mortgages secured by the Property plus the Preferred Equity must not exceed 90 percent of value of the Property on the Origination Date. For purposes of this calculation, the Preferred Equity will include any Common Equity investment deemed to be a Preferred Equity investment pursuant to Section 9.9 (b) above.
   - For fixed-rate Mortgages, including supplemental loans, the NOI divided by the sum of each Mortgage's amortizing debt service payment and the amount of the Preferred Equity Return must be at least 1.05x.
   - For Floating-Rate Mortgages, including supplemental loans, the NOI divided by the sum of each Mortgage's amortizing debt service payment based on the ~~comparable fixed rate~~sum of the gross spread and the Amortizing Strike Rate set forth in the Loan Documents, and the amount of the Preferred Equity Return must be at least 1.05x.

2. If the Preferred Equity investment provides that the Preferred Equity Return changes during the term of the Mortgage, Freddie Mac will use the weighted average of the total Preferred Equity Returns to calculate the DCR

3. If Freddie Mac permits a Preferred Equity investment that would otherwise not be permitted pursuant to Section 9.9(d)(12) above, then for purposes of underwriting the proposed Mortgage with Preferred Equity, Freddie Mac will deem any Preferred Equity

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not fully contributed until after the Origination Date to be fully funded on the Origination Date

9.10 Investment fund (12/14/17)

a. Investment fund requirements (12/14/17)

In addition to its ordinary underwriting procedures, the Seller/Servicer must provide any information requested by Freddie Mac when it reviews an application for a Mortgage with an investment fund Guarantor.

b. Investment fund legal requirements (12/14/17)

If any Guarantor is an investment fund, the Seller/Servicer's counsel must review the organizational documents for the investment fund to ensure that, in addition to meeting the general conditions set forth in Section 9.7, where applicable, the following conditions are met:

1. The investment fund's termination date does not occur prior to the maturity date of the Mortgage.

2. The investment fund's organizational documents contain a customary provision regarding the orderly dissolution of the fund upon the occurrence of the investment fund's termination date.

Additionally, if specifically requested by Freddie Mac, this analysis of whether the conditions set forth in (1) and (2) above have been met may be required for an investment fund that is a non-guarantor Borrower Principal.

The Seller/Servicer's legal counsel will continue to be responsible for review of such organizational documents, notwithstanding any submission of such documents to Freddie Mac.

The Seller/Servicer's legal counsel must confirm in a preliminary legal analysis memorandum (PLIM) described in Section 6.4 that the organizational documents for the investment fund fully satisfy the above requirements. If the investment fund's organizational documents do not meet the above requirements, the PLIM must include a description of the differences and recommendations as to why Freddie Mac should approve the investment fund as a Guarantor or non-guarantor Borrower Principal, if required, without its organizational documents being fully compliant with this Section. Additionally, if the investment fund's termination date occurs prior to the maturity date of the Mortgage, the PLIM must include an explanation of any renewal options available to extend the fund and how such renewal options are exercised.

9.11 Foreign Guarantor (02/22/24)

A Foreign Guarantor is one of the following:

- Not a United States entity

- Not a United States citizen or lawful permanent resident of the United States

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

If Freddie Mac approves a Foreign Guarantor, Freddie Mac will require the Foreign Guarantor to appoint an agent in the United States acceptable to Freddie Mac for service of process on behalf of the Foreign Guarantor. The Borrower ownership structure must at all times comply with the requirements of Section 9.2.

If there is no additional financially compliant United States Guarantor, the Foreign Guarantor will be required to:

- Maintain a minimum Liquidity in one or more U.S. bank account(s) of five percent of the original principal balance of the Mortgage, or such other amount as Freddie Mac may require. If there is more than one Foreign Guarantor, the minimum five percent Liquidity requirement may be held in the aggregate by the Foreign Guarantors. The bank(s) holding the account(s) must be acceptable to Freddie Mac.

- For any Mortgage greater than $40 million, provide an additional non-consolidation opinion acceptable to Freddie Mac, written in English, from the Foreign Guarantor's country of citizenship and/or residency.

- For any Mortgage greater than $50 million, deliver an opinion of counsel, written in English, covering (i) the validity and enforceability of the form of appointment of the process agent under the laws of the Foreign Guarantor's country of citizenship and/or residency, even if there were to be a change, whether voluntary or involuntary, in the Foreign Guarantor's permanent residence status in the United States, and (ii) the procedure for the collection and enforcement of any U.S. judgment obtained against the Foreign Guarantor in the Foreign Guarantor's country of citizenship and/or residency. The opinion must be acceptable to Freddie Mac and must be given by a firm that is familiar with the applicable laws of the country and which is otherwise acceptable to Freddie Mac.

9.12 Tenancy-in-common (TIC) (04/15/21)

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

a. Conditions applicable to TIC owners (06/30/15)

- There may not be more than 10 TIC owners.

- Each TIC owner must be a Single Purpose Entity (SPE) regardless of the size of the loan.

b. Tenant in common agreement (09/25/15)

The tenant in common agreement ("TIC Agreement") must include the following (all references to Freddie Mac may be to any mortgage lender in general; all references to the Mortgage may be to any loan in general; all references to Freddie Mac Loan Documents may be to loan documents in general):

1. General

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- Name, address, telephone number and percentage of ownership interests of each TIC owner
- Requirement that no termination, modification or waiver of the TIC Agreement may be made without Freddie Mac's prior written consent
- Provision that names Freddie Mac as a third-party beneficiary of the TIC Agreement
- Provision that allows Freddie Mac to enforce the provisions of the TIC Agreement against any party to the TIC Agreement
- Specific provision for transfer of ownership interests, particularly in the event of death of an individual, or divorce of a couple owning a common interest

2. Management

- The name of the entity that is responsible for the management of the Property ("Manager")
- The authority of the Manager for both actions and expenditures

  The Manager must have actual or effective authority for managing the day-to-day operation of the Property and leasing the Property and must control the operating budget, operating account(s), and other accounts with respect to the Property. The Manager must at all times be a "Qualifying Manager" as set forth below. The TIC owners and the Manager (unless the Manager is a third-party manager) must agree to stand still with respect to the enforcement of any of their rights and remedies under the management agreement and must not take any enforcement action with respect to the management agreement so long as the Mortgage is outstanding.

  A "Qualifying Manager" is a property manager acceptable to Lender which meets all of the following requirements:

  - Is a reputable management company having at least five years' experience in the management of multifamily properties and in the metropolitan area or other appropriate geographic area in which the Property is located
  - Has, for at least five years prior to its engagement as property manager, managed at least five multifamily properties
  - At the time of its engagement as property manager, has units of the same property type as the Property equal to the lesser of (A) 10,000 units and (B) five times the number of units the Property has
  - Is not the subject of a bankruptcy or similar insolvency proceeding

- Decisions for which consent from the TIC owners is required
- If the TIC owners' consent is required, the percentage required and how that consent can be given (For example, does consent need to be in writing?)

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- An irrevocable power-of-attorney from the TIC owners for the Manager to deal with Freddie Mac on matters relating to the operation and maintenance of the Property

3. Limitations on TIC owners

The TIC Agreement must provide that at all times while the Mortgage is outstanding, each TIC owner will agree to the following:

- Not to seek to partition the Property
- Not to allow its interest in the Property to become subject to any liens from any third parties and if a lien is filed by a third party to promptly discharge such lien
- To the extent applicable, to waive its rights to residency in the Property
- To promptly notify all other TIC owners and Freddie Mac of any change in address or telephone numbers
- To waive any and all lien rights it holds against any other TIC owners, including any capital calls, for a failure of such TIC owner to perform its obligations as a tenant in common, either under the TIC Agreement or at law
- To subordinate any and all rights and remedies, including rights of indemnity or otherwise, under the TIC Agreement or at law, to the lien of the Mortgage and all other terms and provisions of the Loan Documents
- To stand still with respect to the enforcement of any of their rights and remedies, under the TIC Agreement or at law, and take no enforcement action with respect to such rights and remedies

4. Requirements related to the Mortgage

The TIC Agreement must include all of the following;

- Provision that all payments under the Mortgage have priority over distributions to the TIC owners and that all distributions to TIC owners will in all ways be subordinate and subject to the terms and conditions of the Mortgage
- Requirement that each TIC owner will promptly respond to requests for information from other TIC owners and Freddie Mac
- Requirement that each TIC owner will promptly make themselves available for execution of documents required by Freddie Mac
- Agreement that any rights of first refusal with respect to or options to purchase the Property will be subordinate to the lien of the Mortgage
- Provision that the TIC Agreement is subject to all requirements and restrictions set forth in the Freddie Mac Loan Documents, noting particularly that any provisions for

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transfer of ownership interests are subject to, and may be limited by, the provisions of the Loan Documents

c. Additional requirements pertaining to TIC Agreements (04/15/21)

If the TIC Agreement fails to fully satisfy any of the requirements outlined in Sections 9.12(a) and (b) above, and the TIC Agreement will not be modified prior to the Origination Date of the Mortgage to comply with all of the requirements, the Seller/Servicer's legal counsel must provide a legal analysis detailing which requirement(s) will not be satisfied and the counsel's recommendation as to whether and why Freddie Mac should accept the TIC Agreement without it being fully compliant with this Section 9.12. If the TIC Agreement fully satisfies all of the requirements above, the Seller/Servicer's legal counsel must confirm in a PLIM that all such requirements have been satisfied.

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10.1 Freddie Mac's core credit principles (11/30/12)

10.2 Seller/Servicer evaluation of Property and Borrower (04/13/23)
- a. Seller/Servicer evaluation factors (04/13/23)
- b. Key Borrower Principal guaranty and spousal information (04/13/23)

10.3 Creditworthiness of a previous Borrower (04/13/23)

10.4 Underwriting analysis (11/30/12)

10.5 SPE Equity Owner (11/30/12)

10.6 Amortization/term (09/08/04)

10.7 Investment quality (04/13/23)

10.8 Mortgage lien priority (11/30/12)
- a. Mortgages which are not supplemental Mortgages (11/30/12)
- b. Supplemental Mortgages (11/30/12)

10.9 Adverse circumstances -- Mortgage (09/08/04)

10.10 Originator and origination fees (09/28/18)

10.11 Mortgage not modified (11/30/12)

10.12 Principal amount advanced; no mandatory future advances; outstanding balance (04/30/13)

10.13 Compliance with laws (~~02/27~~06/24/25)
- a. General requirements (04/30/13)
- b. Equal Credit Opportunity Act and Fair Credit Reporting Act compliance (~~02/27~~06/24/25)

10.14 Mortgage not in default (09/08/04)

10.15 Seller authorized to sell Mortgage; Purchase and Servicing Documents authorized (04/30/13)

10.16 Characterization and nature of SBL Mortgages (06/30/16)

10.17 Purchase amount (09/08/04)

10.18 Permitted Mortgage amount - Acquisition financing and certain refinances (~~10/17~~06/24/25)
- a. Total acquisition costs (~~10/19/23~~06/24/25)
- b. Permitted closing costs (~~10/19/23~~06/24/25)
- c. Allocation to intangible assets (10/17/24)

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10.1 Freddie Mac's core credit principles (11/30/12)

Freddie Mac bases its credit decisions on the following core credit principles:

- **Cash Flow:** Freddie Mac invests in Mortgages secured by residential rental properties that produce sustainable cash flow sufficient to provide net operating income that will cover the debt service for the entire term of the Mortgages.

- **Market Knowledge:** Freddie Mac considers a current and comprehensive knowledge of the economic strength and resiliency of the applicable market to be key to any prudent credit decision.

- **Equity:** Borrower Principals (sponsors) who have verifiable cash investment in a Property will receive the best credit terms since they have a strong incentive to actively manage the operation of the Property, which contributes to the growth of equity.

- **Viable Exit:** Each Mortgage must show a clear, definable exit at loan maturity through refinance, sale or amortization. The projection of exit at maturity must take into consideration future interest rate and value estimates as well as other possible market constraints.

- **Sponsorship:** Borrower Principals (sponsors) who have the most operational experience, the greatest financial strength and the most extensive property ownership will be eligible for the best credit terms since these are key factors to the long-term success of multifamily properties.

- **Quality Real Estate Collateral:** Properties securing Freddie Mac-owned Mortgages must be of good quality, representing high standards for the applicable property class and market.

The individual program and product chapters detail specific program or product requirements. If there is a conflict between any provision of this chapter and any provision of another chapter of the Guide that contains requirements for a specific Mortgage purchase program or product, the program- or product-specific chapter will control.

10.2 Seller/Servicer evaluation of Property and Borrower (04/13/23)

a. Seller/Servicer evaluation factors (04/13/23)

The underwriting of a multifamily Mortgage involves consideration of the economics of the Property as well as of the financial capability, credit standing and managerial ability of the Borrower.

The Seller/Servicer must determine that each multifamily Mortgage offered for sale to Freddie Mac meets the purchase standards and other requirements commonly acceptable to private institutional mortgage investors in the area in which the Property is located. The Seller/Servicer must base this determination on its thorough evaluation of all available pertinent information. The Seller/Servicer's evaluation must include an analysis of the Borrower's investment policy and long-range plans for the Property.

The Seller/Servicer must memorialize the gathered information and its evaluation in writing.

The Seller/Servicer must include the following in its evaluation:

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1. **Management**

   The quality of the management of the Property is significant to maintaining or increasing net income and, therefore, to the success of the Property. Good management will keep the Property competitive and rented to the extent necessary to operate the Property at a profit when possible. Good management also enacts good maintenance and replacement policies that maintain the Property at adequate standards to maximize rents. Maintenance must be consistent with the Property's quality and financial ability to pay while maintaining maximum occupancy. The Borrower must recognize the difference between minimal maintenance and maintenance that may improve the net income of the Property on a continuing basis.

2. **Borrower's creditworthiness**

   The Seller/Servicer must analyze each Borrower's and Key Borrower Principal's creditworthiness. The evaluation of the Borrower's and Key Borrower Principal's financial responsibility and credit history is a major consideration in the underwriting. Not only must there be strong evidence of ability to repay and/or guaranty the Mortgage, but also a history of making payments according to the terms of other financing.

3. **Borrower's equity**

   The Seller/Servicer must carefully analyze the Borrower's and Key Borrower Principal's financial statements to determine the Borrower's and Key Borrower Principal's equity as it relates to real estate investments, mortgage debt and attendant mortgage demands on equity. If the Borrower's or Key Borrower Principal's holdings are encumbered so that the debt service on those holdings requires a high percentage of the rental income from those properties or if the holdings consist substantially of unimproved or underimproved properties having little or no gross income, the Seller/Servicer must exercise care to determine whether the Borrower and Key Borrower Principals can and will be able to meet all of the loan obligations of the Property.

b. Key Borrower Principal guaranty and spousal information (04/13/23)

The evaluation of the Property and Borrower may result in Freddie Mac requiring one or more of the Key Borrower Principals, in the Key Borrower Principal's individual capacity, to guaranty the payment of all or a portion of the amounts due and the performance of certain obligations of the Borrower under the Mortgage. If more than one Key Borrower Principal provides such a guaranty, the Guarantors' liability may be joint and several.

If Freddie Mac requires one or more of the Key Borrower Principals to guaranty the payment of all or a portion of the amounts due under the Mortgage, such Key Borrower Principal must satisfy Freddie Mac's standards for creditworthiness. If it is determined that a Key Borrower Principal's financial strength does not meet Freddie Mac's standards for creditworthiness for the Mortgage, then Freddie Mac may require additional credit enhancement or an additional Guarantor.

In determining the financial strength of the Key Borrower Principal, the Seller/Servicer must not request information about the Key Borrower Principal's spouse or former spouse and must not require the Key Borrower Principal's spouse or former spouse to guaranty the Mortgage except for the following reasons:

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- The Key Borrower Principal is relying on the spouse's income or assets as a basis for guarantying the Mortgage, or
- The spouse has a substantial interest in the Borrower and/or the Property.

10.3 Creditworthiness of a previous Borrower (04/13/23)

Freddie Mac does not consider the creditworthiness of a previous Borrower in its underwriting process. If the Borrower purchased the Property subject to the Mortgage or assumed the Mortgage, Freddie Mac will consider only the current Borrower's and Key Borrower Principal's creditworthiness.

10.4 Underwriting analysis (11/30/12)

High-quality underwriting is essential to protect Freddie Mac's interests in its purchase of Mortgages. This includes consideration of objective and subjective criteria in the review of the Borrower's qualifications and of the proposed Property. The information required in Sections 10.2 and 10.3 and under each program or product is essential for a meaningful underwriting.

Some of the foremost factors the Seller/Servicer must consider include the following:

1. Borrower's qualifications (see Section 10.2)
2. Property vacancy, market vacancy and/or collection loss
3. Rental concessions and rent levels
4. Tenant demand and housing supply
5. Property operating and maintenance expenses
6. Property physical condition
7. Debt Coverage Ratio
8. Loan-to-Value Ratio
9. The return on the Borrower's equity
10. Estimated long-term marketability of the Property

Freddie Mac will not purchase a Mortgage unless there is a positive return on the Borrower's equity before income tax considerations.

10.5 SPE Equity Owner (11/30/12)

An SPE Equity Owner may not be the Guarantor.

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10.6 Amortization/term (09/08/04)

All monthly payments on a Mortgage must be due on the first day of the month.

For an amortizing mortgage, the monthly payments on the Mortgage, including principal and interest, must be sufficient to fully amortize the Mortgage within a period of not more than 30 years. The term of the Mortgage may be the same as or shorter than the amortization period.

For purposes of calculating the original maturity of a fixed-rate or interest-only Mortgage, the commencement date of the Mortgage term is

- For newly originated fixed-rate or interest-only Mortgages, the date one month prior to the Due Date of the first amortization payment or full interest-only payment
- For fixed-rate or interest-only Mortgages that have been modified prior to delivery to Freddie Mac, the date one month prior to the Due Date of the first amortization payment or full interest-only payment on the modified Mortgage

For example, in both of the above cases, if the Due Date of the first amortization payment is April 1, 1986, the commencement of the Mortgage term is March 1, 1986.

10.7 Investment quality (04/13/23)

The Mortgage must have the characteristics of an "investment quality mortgage," which is defined as a loan to a Borrower from whom timely repayment of the debt can be expected and that is secured by real property providing sufficient value to recover the lender's investment if a default occurs. The characteristics of an "investment quality mortgage," may include:

1. Strong market (which is demonstrated by low vacancy, minimal rental concessions, stable or increasing tenant demand, good balance of housing supply and demand, stable economic base, and employment diversification)
2. Strong property operations (which is shown by low vacancy, minimal rental concessions, stable or increasing rents, and stable or decreasing operating and maintenance expenses)
3. Excellent property condition
4. Strong Borrower and Key Borrower Principals (which is evidenced by a strong net worth, liquidity, credit history and experience)
5. Proven management ability of the Borrower, Key Borrower Principals or third-party property manager

10.8 Mortgage lien priority (11/30/12)

a. Mortgages which are not supplemental Mortgages (11/30/12)

Each Mortgage must be a valid First Lien on the Property. The Property must be free and clear of all prior liens and encumbrances. No rights may be outstanding that could give rise to such liens, except for liens for real estate taxes and special assessments not yet due and payable and those that Freddie Mac has waived in writing.

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Each Mortgage must also be a valid First Lien security interest in all fixtures, all of the Borrower's personal property that is located in or on the Property or is used or is intended to be used in connection with the Property and any other UCC collateral defined in the Security Instrument, whether owned at the time the Mortgage is made or acquired after that date. (See Section 29.4 for requirements related to Uniform Commercial Code searches.)

A security interest must be perfected on all personal property of the Borrower which is located in or on the Property or is used or intended to be used in connection with the Property, whether owned at the time the Mortgage is made or acquired after that date.

b. Supplemental Mortgages (11/30/12)

Each supplemental Mortgage originated pursuant to Chapter 20 must be a valid lien on the Property, with the applicable priority approved by Freddie Mac. Except as approved in writing by Freddie Mac

- The Property must be free and clear of all prior liens and encumbrances.
- No rights may be outstanding that could give rise to any prior liens, except for liens for real estate taxes and special assessments not yet due and payable.

Each supplemental Mortgage must also be a valid security interest in all fixtures, all of the Borrower's personal property that is located in or on the Property or is used or is intended to be used in connection with the Property and any other UCC collateral defined in the Security Instrument, whether owned at the time the Mortgage is made or acquired after that date. (See Section 29.4 for requirements related to Uniform Commercial Code searches.)

A security interest must be perfected on all personal property of the Borrower which is located in or on the Property or is used or intended to be used in connection with the Property, whether owned at the time the Mortgage is made or acquired after that date.

10.9 Adverse circumstances -- Mortgage (09/08/04)

There must be no circumstances or conditions of which the Seller is aware involving the Mortgage that adversely affect the value or marketability of the Mortgage.

10.10 Originator and origination fees (09/28/18)

The Seller is fully liable for all warranties and representations made to Freddie Mac regardless of who originated the Mortgage, including the warranties and representations regarding origination fees in Section 5.3(d).

10.11 Mortgage not modified (11/30/12)

The Mortgage must be a legal, valid and binding obligation of the Borrower, enforceable according to its terms and conditions, and free from any right of setoff, counterclaim or other claim or defense. No part of the Property may have been released from the Mortgage.

The terms of the Mortgage may not be modified, amended or in any way waived or changed, except as approved by Freddie Mac prior to the delivery of the Mortgage and as evidenced in a

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written modification agreement or other document that the Seller delivers to Freddie Mac with the Mortgage.

10.12 Principal amount advanced; no mandatory future advances; outstanding balance (04/30/13)

The Mortgage originator must have advanced the full principal amount of each Mortgage to the Borrower or according to the direction of the Borrower. The Borrower must not have an option under the Loan Documents to borrow additional funds secured by the Security Instrument from the Seller or the Servicer or any other person.

The outstanding principal balance of the Mortgage must be as represented by the Seller to Freddie Mac and must be fully secured by the Security Instrument.

10.13 Compliance with laws (~~02/27~~06/24/25)

a. General requirements (04/30/13)

The Seller, as Mortgage originator, and the Mortgage must meet all requirements of all federal, State, and local laws, rules and regulations applicable to Mortgages and mortgage transactions, including truth in lending laws, licensing laws, doing-business laws and usury laws.

b. Equal Credit Opportunity Act and Fair Credit Reporting Act compliance (~~02/27~~06/24/25)

If the Seller declines a Mortgage application, if the Mortgage application is incomplete, or if the Servicer declines a post-closing extension of credit (*e.g.,* a Transfer of Ownership/Assumption; refer to the FAQs on Adverse Action Notices for the entire list), the Seller/Servicer, as Mortgage originator and/or Servicer, must comply with all applicable laws, rules and regulations, including the Equal Credit Opportunity Act and Fair Credit Reporting Act, as amended from time to time.

1. Equal Credit Opportunity Act (ECOA)

If an application is incomplete or declined, the Seller/Servicer must deliver written or oral notice to the Borrower on behalf of Freddie Mac within the applicable time frame stated in ECOA and in substantial conformity of the applicable model notices included in Appendix C of ECOA.

2. Fair Credit Reporting Act (FCRA)

In addition to the requirements above, if a Mortgage application is declined due to an adverse credit report of an individual Borrower Principal (i.e., the general partner in a partnership), the Seller/Servicer must comply with the FCRA, including the delivery of written notice solely to the individual Borrower Principal on behalf of Freddie Mac with the adverse credit report in accordance with Section 615 of FCRA, as amended from time to time.

The Seller/Servicer must maintain a record of all written notices that it sends out on behalf of Freddie Mac and must maintain copies in accordance with ECOA and FCRA, as applicable.

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The Seller/Servicer must issue the Borrower an Adverse Action Notice within 30 calendar days if:

- Freddie Mac declines to purchase a new Mortgage loan or a post-closing extension of credit (*e.g.,* a Transfer of Ownership/Assumption; refer to the FAQs on Adverse Action Notices for the entire list), and
- For loan originations, the Borrower does not accept the Seller's quote from another institution offering similar credit terms

Additionally, effective April 1, 2025, the Seller/Servicer must upload into DMS in the Adverse Action Notices folder (in accordance with the DMS Job Aid for Uploading Adverse Action Notices) within five Business Days following issuance of the Adverse Action Notice to the Borrower:

- A copy of a written Adverse Action Notice and evidence that the Seller/Servicer issued it to the Borrower (*e.g.*, email, certified mail receipt, courier receipt, etc.); or
- A written statement detailing the date that the Seller/Servicer issued an oral Adverse Action Notice to the Borrower to inform them of the application denial, including a statement that all ECOA required information was conveyed to the Borrower; or
- For Mortgage loan originations, a written statement detailing that the Seller did not issue an Adverse Action Notice because the Borrower accepted a quote from another institution offering similar credit terms. The statement must detail the date the Seller/Servicer was informed that the Borrower accepted another quote.

10.14 Mortgage not in default (09/08/04)

All costs, fees and expenses incurred in making, closing and recording the Mortgage must have been paid. Within the three-month period before the Delivery Date, there must not have been outstanding any advance of funds by the Seller or any prior holder of the Mortgage, or by another at the request of the Seller or any prior holder of the Mortgage, to or on behalf of the Borrower to be used by the Borrower for the payment of any monthly installment, principal, interest or other charges payable under the terms of the Mortgage.

10.15 Seller authorized to sell Mortgage; Purchase and Servicing Documents authorized (04/30/13)

As of the Freddie Mac Funding Date, the Seller must

- Be the sole owner of the Mortgage
- Have full legal authority to sell, transfer and assign the Mortgage to Freddie Mac, and
- Have duly taken all required corporate action and obtained any consents required to sell, transfer and assign the Mortgage to Freddie Mac free and clear of all claims, security interests, participations or other encumbrances

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The Seller must have duly authorized, executed and delivered the Purchase Contract, which must be valid, binding and enforceable according to its terms and conditions.

Compliance by the Seller with the terms and conditions of the Purchase and Servicing Documents must not conflict with, result in a breach of or default under, or be adversely affected by any of the following:

- Any terms and conditions of the charter or bylaws of the Seller
- Any agreement or instrument to which the Seller is a party
- Any judgment, order or regulation to which the Seller is subject

The Seller must be a Seller/Servicer in good standing on the date of the Seller's offer, on the Delivery Date and on the Freddie Mac Funding Date.

10.16 Characterization and nature of SBL Mortgages (06/30/16)

For SBL Mortgages:

1. The Seller and Freddie Mac agree that with respect to every SBL Mortgage purchase and sale transaction entered into under the Purchase and Servicing Documents, the Seller and Freddie Mac intend the transaction

    - To be construed as the Seller's sale, transfer, conveyance and delivery of each SBL Mortgage to Freddie Mac
    - To be construed as Freddie Mac's purchase and receipt of such SBL Mortgage
    - Not to be construed as the Seller's pledge to secure a debt or any other obligation

2. The Seller and Freddie Mac intend for the sale, transfer, conveyance and delivery of all SBL Mortgages to Freddie Mac by the Seller to be true, absolute and unconditional sales.

    If despite the intent of the Seller and Freddie Mac, the SBL Mortgages (or any of them) are determined to be the property of the Seller (i.e., the sale was not a true sale), Freddie Mac and the Seller agree that

    - The Purchase and Servicing Documents create a security agreement within the meaning of the Uniform Commercial Code (UCC) in effect in the applicable State, conveying to Freddie Mac a security interest in all of the Seller's right, title, and interest in and to the Mortgage and all proceeds from the Mortgage
    - Freddie Mac is the secured party under such security agreement
    - The possession by Freddie Mac of the Notes (and any related documents) will be deemed to be possession by Freddie Mac for purposes of perfecting the security interest pursuant to the UCC

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- The Seller will assist Freddie Mac with any reasonable actions necessary to ensure that Freddie Mac receives a perfected security interest of first priority under applicable law

- Freddie Mac will have all of the rights and remedies of a secured party and creditor under the UCC and may execute and file UCC financing statements as reasonably necessary

10.17 Purchase amount (09/08/04)

Generally, the amount paid by Freddie Mac to purchase a multifamily Mortgage will not exceed 100 percent of the outstanding principal balance of the Mortgage, adjusted for prepaid or accrued interest as of the day before the Freddie Mac Funding Date.

10.18 Permitted Mortgage amount - Acquisition financing and certain refinances (~~10/17~~06/24/25)

The Mortgage amount must be based on the lesser of the appraised value or the total acquisition cost. This section applies not only to acquisition transactions, but also to refinance loans in which the Property was acquired within ~~the~~ 12 months ~~prior to Mortgage origination when required by~~of the date of the ~~Letter of Commitment for the Mortgage~~full underwriting package submission to Freddie Mac. A description of the appraised value is found in Chapter 60. (See also Section 32.3 for settlement statement content regarding closing costs.)

a. Total acquisition costs (~~10/19/23~~06/24/25)

The total acquisition cost is defined as the sum of: (1) the purchase price and (2) permitted closing costs paid to third parties in connection with the acquisition in an amount no more than three percent of the purchase price~~.~~ and acceptable to Freddie Mac in its sole and absolute discretion. For SBL loans, capital improvements performed on refinance loans acquired within the past 12 months may also be permissible (see Section 10.18(b)(ii) below) (*Note:* See also Section 10.18(c) for additional adjustments if an allocation to intangible assets is contemplated.)

b. Permitted closing costs (~~10/19/23~~06/24/25)

(i) Permitted closing costs must be documented and may include:

- Mortgage origination fees payable in connection with the new Mortgage (including Seller/Servicer fees incurred by the Borrower in connection with the origination of the loan and Freddie Mac's application fee) if not included in the interest rate (*Note:* See also Sections 5.3(d) and 17.1(f) origination fee requirements)

- Broker fees or acquisition fees for the new Mortgage paid by the Borrower, subject to a sublimit of one percent

- Prepayment fees on the existing indebtedness if paid by the Borrower

- For adjustable rate mortgages, the actual cost of the initial interest rate cap

- Other reasonable closing or settlement costs paid by the Borrower, such as mortgage registration taxes, recordation fees, survey, title searches and title insurance

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premiums, attorney's fees, and credit report charges

- Fees to consultants for the preparation of third-party reports including Appraisals, environmental reports, and property condition reports

- Costs associated with the Borrower's voluntary capital improvements for the Property and/or Priority Repairs identified in the ~~property condition report~~Property Condition Report or SBL Physical Risk Report, so long as the following three requirements are met:

  - The total cost of the voluntary capital improvements and/or Priority Repairs is escrowed at Mortgage origination

  - The voluntary capital improvements and Priority Repairs will be completed within 12 months of Mortgage origination

  - The Loan Agreement must require that if there are remaining funds after satisfactory completion of the voluntary capital improvements and Priority Repairs, such funds must be deposited into the Replacement Reserve Fund

- In a Green Up or Green Up Plus Mortgage, costs associated with Green Improvements, so long as the following three requirements are met:

  - The total cost of the Green Improvements is escrowed at Mortgage origination

  - The Green Improvements will be completed within 24 months of Mortgage origination

  - The Loan Agreement must require that if there are remaining funds after satisfactory completion of the Green Improvements, such funds must be deposited into the Replacement Reserve Fund

(ii) For SBL loans, permitted closing costs for refinance loans acquired within 12 months of the date of the full underwriting package submission to Freddie Mac may include costs associated with the Borrower's Capital improvements that are verified at the time of the property inspection by the Seller/Servicer and Freddie Mac, as well as by the third-party consultant as documented within the SBL Physical Risk Report. These capital improvements costs are not subject to the three percent cap noted in Section 10.18(a) and must be acceptable to Freddie Mac.

c. Allocation to intangible assets (10/17/24)

With the exception of Seniors Housing Mortgages, if there is any allocation to intangible assets (including goodwill) in connection with the acquisition of the Property, such allocation may be permitted subject to the following:

- The final Mortgage amount, as reflected on the final settlement statement, cannot exceed 90% of the real property allocation (*i.e.*, total purchase price less any intangible asset allocation (including goodwill)). For purposes of this calculation, if any amount of the

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purchase price is allocated to personal property, such amount will be considered part of the real property allocation.

- If the transaction includes an allocation to goodwill, the total acquisition cost is defined as the sum of: (1) the purchase price excluding goodwill and (2) permitted closing costs paid to third parties in an amount no more than three percent of the purchase price excluding goodwill.

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18SBL.1 Overview (04/22/25)

This chapter describes the requirements and procedures that the Seller/Servicers must follow to originate a Mortgage under the SBL Purchase Product. SBL Mortgages submitted for purchase must comply with the requirements of this chapter and all other applicable chapters of the Guide including the requirements of the following chapters, which apply specifically to SBL Mortgages:

- Chapter 6SBL: SBL Legal Services for Mortgage Origination and Servicing
- Chapter 8SBL: SBL Property Fundamentals
- Chapter 9SBL: SBL Borrower/Borrower Principal Fundamentals
- Chapter 29: Title, Description, Survey, UCC Searches and Opinions
- Chapter 62SBL: SBL Physical Risk Report Requirements
- Chapter 64SBL: SBL Seismic Risk Assessment Requirements
- Chapter 41SBL: SBL Transfers of Ownership
- Chapter 46SBL: SBL Collateral, Loss, Repurchase, Servicing and Securities Purchase
- Chapter 55SBL: SBL Documentation and Deliveries

Freddie Mac, in its sole discretion, sets credit parameters for any transaction based on its underwriting criteria at the time of such request.

a. Description of the SBL Purchase Product (09/26/19)

Freddie Mac will purchase SBL Mortgages from SBL Seller/Servicers as described in Section 3.1(a). This chapter describes the unique requirements for the SBL Purchase Product.

Unless otherwise approved in writing by Freddie Mac, SBL Mortgages must have a principal balance between $1 million and $7.5 million.

Loans of this size may also be purchased by Freddie Mac under the Multifamily Conventional Cash Mortgage Purchase Program, which is described in Chapter 17.

Freddie Mac intends to securitize all SBL Mortgages. Seller/Servicer's obligations regarding repurchase of defaulted SBL Mortgages, loss sharing, and the securitization process are described in Chapter 46SBL.

b. Investment quality (06/30/16)

Each SBL Mortgage must have characteristics that demonstrate investment quality (see Section 10.7).

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c. Types of SBL Mortgages (06/30/16)

Freddie Mac may purchase any or all of the following types of SBL Mortgages:

- Fixed-rate SBL Mortgages in which the interest rate is unchanged for the entire SBL Mortgage term. (See Section 18SBL.2)
- Fixed to floating-rate "Hybrid ARM" SBL Mortgages in which the interest rate is fixed for an initial set term and is then adjusted periodically until the end of the term of the SBL Mortgage. (See Section 18SBL.2)
- Other types of SBL Mortgages as announced by Freddie Mac from time to time

d. Securitization of Mortgages and transfer of Servicing (06/30/16)

At the time of a securitization of an SBL Mortgage, as described in Chapter 46SBL, Freddie Mac will cease to own the applicable Mortgage and Servicing of the applicable SBL Mortgage will be terminated and transferred to a master servicer without compensation to the Seller/Servicer. Seller/Servicer must cooperate with all transfers of Servicing and SBL Securitization provisions described in Chapter 46SBL.

e. Delivery options (10/12/17)

For SBL Mortgages, Freddie Mac offers only the Standard delivery underwriting delivery option. The SBL Mortgage terms, conditions and interest rate are fixed after receipt and approval of the full underwriting package. For detailed information about standard delivery, see Sections 18SBL.3 through 18SBL.9.

f. Minimum Origination Fee (12/14/18)

A Seller must charge a Minimum Origination Fee in connection with the origination and sale of an SBL Mortgage to Freddie Mac as specified in the Freddie Mac Multifamily Small Balance Loan Pricing Grid Explanation document.

The Seller may satisfy the requirement for a Minimum Origination Fee with any combination of a premium buy-up and an origination fee.

The Minimum Origination Fee must be collected by the Seller and may not be used to reimburse closing costs.

g. Final delivery requirements (09/01/16)

Chapter 32 contains the requirements for final delivery of SBL Mortgages to Freddie Mac.

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18SBL.2 SBL Mortgage characteristics (~~12/12~~06/24/25)

Each SBL Mortgage must have the following characteristics:

Loan Purpose	Acquisition or refinance If the SBL Mortgage is a refinance with a return of equity and, at the time of submission of the full underwriting package to Freddie Mac, a Key Borrower Principal with Control has owned the Property for less than two years, evidence must be provided that previously completed capital expenditures or construction costs that have exceeded the greater of $50,000 or three percent of the SBL Mortgage amount. The improvements must be verified in the SBL Physical Risk Report (pursuant to Chapter 62SBL) and/or the Appraisal (pursuant to Chapter 60).
Loan Terms	• Fixed Rate SBL Mortgages - 5, 7, or 10 years • Hybrid ARM SBL Mortgages - Following the initial fixed rate period, there is an adjustable-rate period through maturity for Hybrid ARM SBL Mortgages - 10 years total term on hybrid loans with initial fixed-rate periods of 5 and 7 years, and 20 years total term on hybrid loans with an initial fixed-rate period of 10 years
Amortization	For amortizing SBL Mortgages, the maximum amortization period is 30 years. Any interest-only period will be followed by an amortization period of no more than 30 years.
Maturity Risk Analysis	Every SBL Mortgage requires a Maturity Loan-to-Value (LTV) of no greater than 70% Maturity LTV is the Loan-to-Value ratio calculated at loan maturity.
Interest Only	Partial-term and full-term interest-only debt service payments are available for Fixed Rate SBL Mortgages. Partial interest-only payment terms are available during the fixed rate period of the Hybrid ARM SBL Mortgage.
Interest Rate calculation – Hybrid ARM SBL Mortgages	Hybrid ARM SBL Mortgages will have initial fixed rate periods of 5, 7, or 10 years followed by an adjustable rate period through the maturity of the Hybrid ARM SBL Mortgage. During the adjustable rate period, the interest rate and amortization period may be adjusted every six months based on the index and margin specified in the Note Hybrid ARM - SBL. The adjustable interest rate will never be less than the initial fixed rate,

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	will not increase or decrease more than one percent at any one adjustment period, and will be capped at the initial fixed interest rate plus five percent, unless otherwise specified in the Note Hybrid ARM - SBL. Amortization will be based on an actual/360 interest schedule.
Prepayments	As specified in the Note Fixed Rate – SBL and the Note Hybrid ARM-SBL available at mf.freddiemac.com/lenders/legal
Sales or Transfers of Property or beneficial interest in Borrower	Transfer of Ownership to a qualified purchaser is permitted on terms approved by Freddie Mac, in accordance with the terms of the SBL Loan Documents and the Guide.
Borrower Recourse/Third-Party Guaranties	Generally non-recourse, except upon the occurrence of certain events specified in the SBL Loan Documents. See Section 10.2(b) in the event Freddie Mac requires one or more of the Key Borrower Principals, in the Key Borrower Principal's individual capacity, to guaranty the payment of all or a portion of the amounts due under the SBL Mortgage.
Servicing Spread	The Servicing Spread for each SBL Mortgage will be as stated in the Letter of Commitment for that SBL Mortgage.
Reserves	The Seller/Servicer must establish Reserves pursuant to the requirements of Sections 39.2 and 39.3 with the following exceptions specific to SBL Mortgages: • Reserves for real estate taxes may be deferred provided original LTV Ratio is 65 percent or less. • Reserves for insurance may be deferred. • Monthly Replacement Reserve deposits may be deferred at the discretion of Freddie Mac based on information from either the SBL Physical Risk Report or the Property site inspection.
Financing of Origination Fees	Proceeds of the SBL Mortgage may be used to pay loan origination fees or comparable fees to the Seller/Servicer only to the extent that such fees are reasonable and in accordance with general industry standards.
Late Charges/Default Interest	Requirements regarding late charges and default interest are set forth in the SBL Loan Documents. The Seller/Servicer may not change any provisions regarding late charges or default interest without Freddie Mac's prior approval. Freddie Mac reserves the right to waive any late charge, in its discretion.

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18SBL.3 Standard delivery—overview (06/30/16)

Freddie Mac will regularly publish a Pricing Grid indicating coupon rates applicable to Fixed-rate and Hybrid ARM SBL Mortgages.

Provided the SBL Mortgage presented in the full underwriting package meets the requirements of the SBL Purchase Product and has been approved by the *Small Balance Loan Team*, as evidenced by issuance from Freddie Mac of the Letter of Commitment, Seller/Servicers may rate lock the SBL Mortgage with Freddie Mac at the applicable published Coupon Rate included in the SBL Letter of Commitment.

18SBL.4 Standard delivery—underwriting package (06/29/17)

To begin the standard delivery process, Seller/Servicers must submit to Freddie Mac, via Freddie Mac's Document Management System (DMS), a full underwriting package including all documents specified in the SBL Underwriting Checklist, Section 1.2 of Exhibit 1. See Chapter 55SBL, SBL Documentation and Deliveries, for instructions on preparing and delivering the underwriting package and remitting any required fees to Freddie Mac as well as descriptions of Freddie Mac's requirements for each document in the underwriting package.

If the proposed SBL Mortgage does not meet one or more of the requirements for the SBL Purchase Product, Seller/Servicer must obtain a waiver from the *Small Balance Loan Team* prior to submitting the proposed SBL Mortgage to Freddie Mac.

If Freddie Mac approves the proposed SBL Mortgage, Freddie Mac will issue a Letter of Commitment as described in Section 18SBL.6.

18SBL.5 Standard delivery—application fee (04/22/25)

An application fee equal to 10 basis points of the Loan Amount will be deemed earned by Freddie Mac from Seller/Servicer at 2:00 pm Eastern time on the fifth Business Day following the day the Seller/Servicer entered the loan status as Under Application in the Pipeline Management Tool (PMT).

The application fee will be nonrefundable, except for Properties located in Top Markets, or unless otherwise specified in writing by Freddie Mac. For Properties located in Top Markets (identified in the document titled "Market Tiering (SBL)"), the application fee will be waived upon written confirmation from Freddie Mac that the Coupon Rate has been locked, unless otherwise specified in writing by Freddie Mac.

18SBL.6 Standard delivery—Letter of Commitment (04/22/25)

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

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a. Issuance of Letter of Commitment (04/15/21)

After the Seller/Servicer submits a full underwriting package meeting the requirements of Section 18SBL.4, Freddie Mac will determine if the SBL Mortgage is acceptable for purchase.

Freddie Mac intends to complete its review of the full underwriting package within nine Business Days of its receipt of the full underwriting package (including all third-party reports), but reserves the right to take such additional time as is reasonably necessary to complete its review.

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

The Letter of Commitment is valid for the period of time stated in the Letter of Commitment. If the Seller/Servicer fails to accept the Letter of Commitment offer within that stated time period, the Letter of Commitment will automatically expire, Freddie Mac will not be obligated to purchase the SBL Mortgage under any conditions, and the Seller must remit the application fee set as set forth in Section 18SBL.6(e). The Letter of Commitment will automatically incorporate by reference the terms set forth in the following sections of Chapter 27:

- Section 27.4: Seller Application
- Section 27.29: General Terms
- Section 27.30(e): O&M programs

b. Seller/Servicer acceptance (06/30/16)

The Seller/Servicer may accept the Letter of Commitment by following the procedures set forth in the Letter of Commitment.

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

c. Locking the Coupon Rate and fixing SBL Mortgage amount and terms (04/30/19)

Provided the Seller/Servicer has accepted the Letter of Commitment, per Section 18SBL.6(b), the Seller/Servicer may lock the Coupon Rate stated in the Letter of Commitment and fix the actual SBL Mortgage amount and terms by submitting the executed Letter of Commitment to Freddie Mac, via DMS, no later than 3:30 p.m. Eastern time on the "Commitment Expiration Date" as specified in the Letter of Commitment. If either the Seller/Servicer or Freddie Mac does not have access to Multifamily DMS for a period of time, and as a result, Freddie Mac is unable to lock the Coupon Rate before the Coupon Rate Expiration Date, Freddie Mac will not be liable for any damages whether direct or consequential.

If the Seller fails to lock the Coupon Rate by the Commitment Expiration Date, the Seller must remit the application fee as set forth in Section 18SBL.6(e).

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d. Contract Number and Mandatory Delivery Date (06/30/16)

Freddie Mac will provide the Seller/Servicer with the contract number of the Purchase Contract (Contract Number) and the Mandatory Delivery Date of the SBL Mortgage via email following its receipt of the countersigned Letter of Commitment in accordance with Section 18SBL.6(c) (Contract Number Confirmation Email). When it is issued, the Contract Number Confirmation Email is incorporated into and becomes a part of the Letter of Commitment. Seller/Servicer must upload the Contract Number Confirmation Email to DMS on the date of its receipt of the Contract Number Confirmation Email as part of the Letter of Commitment file.

e. Application fee (04/22/25)

The application fee will be deemed earned by Freddie Mac as set forth in Section 18SBL.5 and will be payable by Seller by wire transfer to Freddie Mac as follows:

(i) If the Seller locks the Coupon Rate as described above, Seller must remit the application fee to Freddie Mac by 2:00 p.m. Eastern time on the second Business Day following the Coupon Rate Lock.

(ii) If Freddie Mac determines that it will not issue a Letter of Commitment for any reason, Seller must remit the application fee upon demand by Freddie Mac.

(iii) If Freddie Mac issues a Letter of Commitment and Seller either fails to accept the Letter of Commitment or fails to lock the Coupon Rate by the Commitment Expiration Date, Seller must remit the application fee upon demand by Freddie Mac.

(iv) If the Under Application status in the Pipeline Management Tool (PMT) is changed to Lost by the Seller or Freddie Mac, the Seller must remit the application fee to Freddie Mac by 2:00 p.m. Eastern time on the second Business Day following the status change to Lost.

The Seller must send the wire transfer in accordance with the SBL Application Fee Wire Transfer Instructions.

18SBL.7 Standard delivery—final delivery (09/01/16)

At or before noon Eastern time on the Mandatory Delivery Date, the Seller/Servicer must deliver to Freddie Mac all of the documents listed in the Final Delivery Table of Contents – SBL. The Seller/Servicer must comply with the requirements for final delivery provided in Chapter 32 and the requirements in the SBL Final Delivery Instructions.

18SBL.8 Standard delivery—funding (09/01/16)

After final delivery of the SBL Mortgage, Freddie Mac will review the documentation and set the Freddie Mac Funding Date. See Chapter 32 for provisions relating to funding.

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18SBL.9 Standard delivery – late delivery; non-delivery (06/30/16)

a. Late delivery (06/30/16)

For SBL Mortgages delivered or to be delivered under the standard delivery option, Freddie Mac may, in its discretion, treat either of the following situations as a late delivery of an SBL Mortgage:

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

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

b. Remedies for late delivery (06/30/16)

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

- Terminating the Purchase Contract (Freddie Mac will elect not to purchase the Mortgage)

- Charging the Seller/Servicer a late delivery extension fee

- Taking any other action set forth in Chapter 4

c. Nondelivery (06/30/16)

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

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

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

d. Remedies for nondelivery (06/30/16)

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

- Terminating the Purchase Contract (Freddie Mac will elect not to purchase the Mortgage.)

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- Charging the Seller/Servicer a breakage fee
- Taking any other action set forth in Chapter 4

e. Calculation of the breakage fee (06/30/16)

As liquidated damages for the nondelivery of an SBL Mortgage, Freddie Mac will charge the Seller/Servicer a breakage fee equal to two percent of the proposed SBL Mortgage amount. Freddie Mac's collection of the breakage fee will not prevent it from exercising any other remedies set forth in the Guide.

18SBL.10 Reserved

18SBL.11 Reserved

18SBL.12 Reserved

18SBL.13 Reserved

18SBL.14 Reserved

18SBL.15 Reserved

18SBL.16 Reserved

18SBL.17 Reserved

18SBL.18 Reserved

18SBL.19 Reserved

18SBL.20 Reserved

18SBL.21 Reserved

18SBL.22 Reserved

18SBL.23 Reserved

18SBL.24 Accuracy of information (10/12/17)

Freddie Mac is relying upon the truth and accuracy of all representations, warranties, statements, certificates and other information furnished to Freddie Mac by the Seller/Servicer in connection with the Letter of Commitment and the SBL Mortgage regardless of whether any of such documents were prepared by the Seller/Servicer or whether the Seller/Servicer knew or had reason to know the accuracy of their contents.

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18SBL.25 SBL Purchase Product Loan Documents (SBL Loan Documents) (04/15/21)

The loan execution documents for the SBL Purchase Product ("SBL Loan Documents") can be found on mf.freddiemac.com; those not found on mf.freddiemac.com will be included in the Letter of Commitment for the applicable SBL Mortgage.

The Seller/Servicer may use any version of the SBL Loan Documents that have been included on the Currently Acceptable Multifamily Loan Documents-SBL list at https://mf.freddiemac.com/lenders/legal/ during the period between the date of the Letter of Commitment and the Origination Date.

18SBL.26 Maryland or Florida – Originating SBL Mortgages by Assignment, Amendment and Restatement; New York – Originating SBL Mortgages by Consolidation, Extension and Modification Agreement (06/30/16)

a. If the Property is located in Maryland or Florida, the Seller/Servicer may originate the SBL Mortgage by purchasing an existing mortgage from the current holder of that mortgage (MD/FL Existing Mortgage), and then modifying, extending, renewing, amending and/or consolidating the MD/FL Existing Mortgage (MD/FL Amended and Restated Mortgage).

b. If the Property is located in New York, the Seller/Servicer may originate the SBL Mortgage by combining and then restating the rights, obligations, promises and agreements stated in existing mortgages secured by the Property (NY Existing Mortgages) by using a Consolidation, Extension and Modification Agreement (CEMA) (NY CEMA Mortgage).

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

b. Specific delivery requirements for MD/FL Amended and Restated Mortgages and NY CEMA Mortgages are set forth in the SBL Final Delivery Instructions and SBL Tables of Contents.

c. If Freddie Mac holds the MD/FL Existing Mortgage or the NY Existing Mortgages, the Seller/Servicer must prepare and deliver to the Freddie Mac Multifamily Loan Accounting Payoff Team (mfopsloanacctpayoffs@freddiemac.com) at least five days before the scheduled origination date of the SBL Mortgage, the forms for completing the Assignment of the MD/FL Existing Mortgage or the NY Existing Mortgages from Freddie Mac to the Seller/Servicer. The Seller/Servicer must also notify the Payoff Team that the SBL Mortgage will be originated by Assignment in order to obtain the original note(s) and security instrument(s) for the MD/FL Existing Mortgage or NY Existing Mortgages. Freddie Mac will endorse the original note(s) for the MD/FL Existing Mortgage or NY Existing Mortgages to the Seller/Servicer and deliver it or them to the Seller/Servicer (delivery to Single Counsel will constitute delivery to the Seller/Servicer) to be held in escrow until Freddie Mac has

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received the funds for payment in full for the MD/FL Existing Mortgage or NY Existing Mortgages.

18SBL.27 South Carolina notice (06/30/16)

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

NOTICE OF WAIVER OF APPRAISAL RIGHTS

[Name and Address]

Re: [Describe Mortgage Transaction]

Dear [Insert name of Borrower and Guarantor]:

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

The Mortgage documents to be executed by you at closing will include the waiver. If you have any questions regarding the foregoing, please do not hesitate to contact the undersigned.

18SBL.28 Assignment (10/12/17)

Freddie Mac will have the right to assign or otherwise transfer the Letter of Commitment or any Purchase Contract to any affiliate or subsidiary of Freddie Mac without the consent of Seller/Servicer (Freddie Mac Assignment). After a Freddie Mac Assignment, all references to Freddie Mac in the Letter of Commitment, Purchase Contract, or in this Guide will be deemed to refer to the affiliate or subsidiary of Freddie Mac to which the Freddie Mac Assignment is made.

18SBL.29 Buy Up (Premium Pricing) (10/12/17)

If Freddie Mac purchases the Mortgage, in addition to the purchase price Freddie Mac pays to Seller/Servicer for the SBL Mortgage, Freddie Mac will pay Seller/Servicer an amount equal to the Buy Up Fee amount to be paid to Seller as set forth in the Letter of Commitment.

18SBL.30 Public Record Searches (08/15/24)

Seller/Servicers must conduct the Public Records Searches on applicable individuals and entities in accordance with the requirements set forth in the Guide and the Public Records Search Requirements. See also Section 2.28.

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- b. Requirements applicable only to SBL Mortgages (12/15/22)
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31.1 General insurance requirements and insurance terms (05/22/25)

This chapter states the Property and Liability Insurance requirements applicable to Multifamily loans purchased by Freddie Mac.

a. General requirements (06/30/16)

At all times during the term of the Mortgage, the Seller/Servicer must:

- Ensure that the Property is covered by all insurance policies required by the Loan Documents and the Purchase and Servicing Documents
- Ensure that the Borrower complies with all insurance requirements mandated by federal laws and by State and local laws of the jurisdiction where the Property is located
- Arrange for all insurance notices, policies, invoices and correspondence relating to any insurance policy to be delivered directly to the Seller/Servicer
- Comply with the stated insurance coverage and limit requirements in this Chapter 31 that are applicable to the Property
- Comply with all documentation, delivery and Servicing requirements of this Chapter 31

b. Requirements applicable only to SBL Mortgages (12/15/22)

1. Requirements for adequate property and liability insurance coverage

As of the Freddie Mac Funding Date and throughout the term of the SBL Mortgage, the Seller/Servicer must evaluate the insurance coverage and limits for each Property and ensure, to its satisfaction, that adequate property and liability insurance coverage is in place.

The term “Recommended Insurance Standards” means all of the standards for insurance coverage and limits as well as any related guaranty requirements set forth in this Chapter 31.

When evaluating the adequacy of the property and liability insurance coverage for the Property, the Seller/Servicer must refer to the Recommended Insurance Standards and must document, as specified in Section 31.1(b)(2), any insurance coverage limit, insured peril, or other aspect of the insurance coverage that differs from the Recommended Insurance Standards. The Seller/Servicer may approve insurance coverage for the Property that differs from the Recommend Insurance Standards provided that the Seller/Servicer ensures that the insurance coverage maintained for the Property includes adequate coverage for the kind of risks customarily insured against and in such minimum coverage and maximum deductibles as are customarily and generally acceptable to institutional lenders for properties comparable to the Property.

At all times during the term of the SBL Mortgage, the Seller/Servicer must also:

- Ensure that the Borrower and the Property are covered by all insurance policies required by the Loan Documents

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- Ensure that the Borrower complies with all insurance requirements mandated by federal laws and by State and local laws of the jurisdiction where the Property is located

- Comply with all documentation, delivery and servicing requirements of Sections 31.2 through 31.28

The Seller/Servicer is not permitted to exercise its discretion to approve coverage that differs from the following:

- The All-Risk insurance requirements in Section 31.5

- The Business Income/Rental Value Insurance requirements in Section 31.6

- The flood insurance requirements in Section 31.8

- The earthquake insurance requirements in Section 31.9

2. Representations of adequate insurance coverage; Coverage and Gap Reporting

As of the Freddie Mac Funding Date and throughout the term of each SBL Mortgage, the Seller/Servicer must document via the Insurance Compliance Tool (ICT) each of the following (collectively, "Coverage and Gap Reporting")

- The property and liability limit insurance coverage in place for the SBL Mortgage

- Any insurance coverage limit, insured peril or other aspect of insurance coverage for the SBL Mortgage that differs from the Recommended Insurance Standards applicable to the Property

Freddie Mac will accept the Coverage and Gap Reporting entered by the Seller/Servicer into the ICT as the Seller/Servicer's representation of adequate property and liability insurance coverage for the SBL Mortgage and justification of the adequacy of coverage where coverage gaps are present.

c. Form of coverage (05/22/25)

The required insurance coverage may be provided by one individual policy, separate individual policies, one or more Blanket Insurance Policies, a Master Insurance Policy, or any combination of these. Coverage may also be added to a policy through endorsements or riders. Regardless of the form, each policy, endorsement or rider must show the complete address of the Property.

d. Additional insurance terms (05/22/25)

The following insurance terms when used in this chapter have the following meanings:

1. Actual Cash Value (ACV)

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Actual Cash Value is a method used to determine the amount an insurer will pay in the event of loss. The ACV is intended as a proxy for the value of the property at the time of loss. It is typically calculated by establishing the cost to repair or replace damaged property with material of like kind and quality, and deducting the physical depreciation at the time of the damage or loss.

2. Agreed Amount Provision or Agreed Value Endorsement

An Agreed Amount Provision or Agreed Value Endorsement is an endorsement in a commercial property insurance policy in which the Borrower and the insurance company agree on the insurable value of a specific property. The provision has the effect of suspending the policy's Coinsurance Clause until a specified expiration date.

3. Blanket Insurance Limit

A Blanket Insurance Limit provides one "per occurrence" limit as a shared limit for more than one property or more than one category of coverage, or both. Blanket Insurance Limits may be provided by an individual policy or a blanket policy.

4. Blanket Insurance Policy

A blanket insurance policy provides coverage for multiple properties and/or multiple perils with a single, per-occurrence limit that is shared among the properties covered.

5. Captive Insurance Company or Captive Insurer

A captive insurance company or Captive Insurer is wholly owned and controlled by its insureds, whose primary purpose is to insure the risks of its owners, and its insureds benefit from the captive insurer's underwriting profits. See Section 31.27.

6. Claims Made Policy Form

A claims-made policy provides coverage that is triggered when a claim is made against the insured during the policy period.

7. Coinsurance Clause

The Coinsurance Clause requires the Property to be insured for a specific percentage of the Property's Replacement Cost Value (typically 80, 90 or 100 percent). If, at the time of loss, it is determined that the insurance purchased is less than the insurance required by the Coinsurance Clause, the loss recovery will be limited to the same percentage of loss as the ratio of the insurance amount carried to the insurance amount required.

8. Insurable Value

Insurable Value is an estimate of the maximum amount needed to replace, repair, or reproduce the Property, but excluding any land value.

Though the Seller/Servicer may use other reliable resources to determine estimated Insurable Value, the most common resources include:

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- **Insurance company –** the Insurable Value estimate provided by the insurance company that has underwritten or will underwrite the property damage insurance. Using the insurance company's estimate, where provided, will help reduce any disagreements about coverage if a claim is filed

- **Appraisal –** a document prepared by a qualified commercial real estate appraiser experienced in the market

- **Contractor –** a reputable commercial contractor with experience constructing and/or reconstructing properties in the area similar to the Property

- **Third-party vendor –** a third-party vendor that specializes in Insurable Value calculations or publishes data used for this purpose

9. Joint Loss Agreement

A policy provision used when more than one insurer affords coverage to the same property to temporarily allocate losses to ensure prompt payment to the policyholder. When there is a loss that is covered by both policies, the joint loss agreement provides that the insurers pay any undisputed amounts to the policyholder. All remaining sums are then paid in equal shares to the policyholder. The insurers then arbitrate among themselves to determine final responsibility for those sums.

10. Localized Peril or Regional Peril

A localized peril refers to unique geographical phenomena such as sinkholes, mine subsidence, volcanic eruptions, or avalanches.

11. Master Insurance Policy

A master insurance policy provides coverage for multiple properties and/or multiple perils through a single policy with Specific Insurance Limits scheduled for each property covered by the policy.

12. National Flood Insurance Program (NFIP)

The National Flood Insurance Program was established by the National Flood Insurance Act to offer primary flood insurance to properties with significant flood risk, and to reduce flood risk through the adoption of floodplain management standards.

13. Occurrence-based Policy Form

A policy covering claims that arise out of damage or injury that took place during the policy period, regardless of when claims are made.

14. Replacement Cost Value

The Replacement Cost Value (RCV) is the estimated cost to replace the property improvements on the same premises with improvements of comparable material and quality and used for the same purpose.

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The following items should not be included in the estimated RCV:

- Cost to reconstruct the foundation(s). (However, when determining the RCV of improvements for flood insurance, the value must include the cost to repair or replace the foundation and supporting structures)

- Cost of site improvements, such as driveways, parking lots, sidewalks, and landscaping

15. Specific Insurance Limit

A Specific Insurance Limit provides one "per occurrence" (per peril) limit that applies to a single location. Specific Insurance Limits may be provided through an individual policy or through a Master Insurance Policy with scheduled limits for each location.

16. Total Insurable Value (TIV)

The Total Insurable Value is the sum of the full value of the insured's covered property, business income values, and any other covered property.

17. Schedule of Values (SOV)

A Schedule of Values is a listing of insurable values (all elements of the TIV) provided to an insurance company for all properties for which an insured Borrower requires coverage under a property insurance policy.

31.2 General requirements for Borrower's property damage and general liability insurance (12/14/18)

As of the Freddie Mac Funding Date and throughout the term of the Mortgage, the Seller/Servicer must ensure that the Borrower has in force property damage and liability insurance coverage for the Property, including Cooperatives (Co-ops), that meets the requirements of the Purchase and Servicing Documents.

All property damage and general liability insurance forms and policies must provide coverage that is equivalent to the coverage contained in the Insurance Service Office (ISO) forms and policies.

a. Acceptable forms (06/30/16)

ISO's standard Special Causes of Loss Form (formerly referred to as "All Risk") and Commercial General Liability Form are acceptable forms of property damage and liability insurance, respectively.

b. Insurance term (12/14/17)

Generally, insurance policies are written for a term of 12 months. However, Freddie Mac will permit a policy of any term, as long as the policy is in full force and effect on the Origination Date of the Mortgage and coverage remains continuous throughout the term of the Mortgage.

See Section 31.22 for additional information on renewals.

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c. Reserve (05/22/25)

Unless otherwise set forth in the Loan Documents or otherwise deferred by Freddie Mac, the Servicer must collect sufficient funds on the Origination Date and through subsequent monthly Reserve payments to pay the premiums for all insurance policies required in the Purchase and Servicing Documents. The Servicer must also collect Reserves for an additional amount of the estimated cost of such premiums, if required by the Loan Documents. If National Flood Insurance Program (NFIP) flood insurance is required, the Seller/Servicer must collect Reserves for the NFIP flood insurance if the Seller/Servicer collects Reserves for other insurance on the Property.

Unless Freddie Mac has deferred the collection of the Reserves for insurance premiums for Blanket Insurance Policies, Master Insurance Policies, and liability insurance policies covering multiple properties, the Seller/Servicer must either:

- Collect Reserves for the premium allocation obtained from the insurance agent or broker, for each Property securing a Freddie Mac Mortgage that is insured under the applicable policy and serviced by the Servicer to ensure that the Servicer will have sufficient funds in the Reserve to pay the allocated premium due on the applicable policy or policies, or

- Collect Reserves for an amount sufficient to purchase an individual insurance policy or policies providing Specific Insurance Limits

If the Servicer collects a Reserve for insurance premiums, the Servicer must pay the premiums for all required insurance when due.

If the Servicer does not maintain a Reserve for insurance premiums, the Seller/Servicer must ensure that the Borrower has made the payments as required in Section 31.2(g).

See Section 39.2 for additional information regarding Reserves and payments.

d. Named insured (05/22/25)

The below insurance updates are effective for all **loans under Seller Application on or after June 2, 2025** and **insurance policy renewals on or after July 21, 2025**.

All insurance policies must list the Borrower as a named insured.

e. Mortgagee clause and additional insured (12/14/18)

Each property damage policy (including all perils within the scope of “Causes of Loss – Special Form” or “All Risk” policy, and any other cause for which Freddie Mac requires or may require property damage insurance) required by the Purchase and Servicing Documents must contain a standard mortgagee clause and a loss payable clause in favor of, and in a form acceptable to, Freddie Mac.

Each general liability policy (including commercial general liability (CGL), umbrella liability and excess liability) must name Freddie Mac as an additional insured. If umbrella or excess liability policies are “Follow Form” to the underlying CGL policy, verification of additional insured status on the umbrella or excess policies is not required.

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Freddie Mac must not be named as an additional insured in any professional liability insurance policies, including a primary, excess and/or umbrella professional liability insurance policy for a Seniors Housing Mortgage with assisted living, Alzheimer's care, and/or skilled nursing units.

Except as noted above, the mortgagee (for a property damage policy) and additional insured (for a liability policy including commercial general liability (CGL), umbrella liability and excess liability) in the Borrower's insurance policies must be designated as shown in the following example:

FREDDIE MAC its successors and assigns
C/O NAME OF SELLER/SERVICER
100 MAIN STREET
HOMETOWN USA 12345

f. Cancellation clause (05/05/17)

Unless required otherwise by State law, each property damage insurance policy must provide that the insurer will notify the named mortgagee in writing at least 10 days before cancellation of the policy by the insurer for nonpayment of the premium or nonrenewal, and at least 30 days before cancellation by the insurer for any other reason.

General liability and umbrella or excess liability insurance policies must provide that the insurer will notify at least the named insured in writing at least 10 days before cancellation of the policy by the insurer for nonpayment of the premium or nonrenewal, and at least 30 days before cancellation by the insurer for any other reason, unless otherwise required by State law. Note that under the terms of the Loan Documents, the Borrower must promptly deliver to the lender a copy of any notices received by the Borrower with respect to the insurance policies.

g. Proof of payment (10/31/12)

The Seller/Servicer must ensure that the Borrower:

- Has paid all initial insurance policy premiums in full prior to final delivery of the Mortgage to Freddie Mac, and
- Pays all insurance premiums for all renewals (or new policies, as applicable) in advance of the due date throughout the term of the Mortgage, unless the Servicer collects Reserves for insurance in accordance with Section 31.2(c).

31.3 Blanket or Master Insurance Policies (05/22/25)

Freddie Mac permits Blanket or Master Insurance Policies that insure multiple properties, including the Property and other properties that may or may not be encumbered by Mortgages purchased by Freddie Mac, provided that:

- The insurance documentation clearly identifies the complete street address of the Property;
- All properties insured on the blanket policy have common ownership by a single borrower, sponsor or parent company, or are managed by the same property management company on

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behalf of the Borrower; and

- The policy complies with all other applicable insurance requirements in this chapter.

The Seller/Servicer must, to its satisfaction, determine, support and document in the Mortgage File that any Blanket Insurance Limits provide adequate coverage relevant to the risks associated with the Property covered by the limits.

The Seller/Servicer must obtain and review sufficient information to evaluate the Borrower's Blanket Insurance Limits, including geographic concentrations of Insurable Value, such as adjacent or nearby properties covered by the same limits, and with respect to any peril applicable to the Property. The Seller/Servicer must collect appropriate documentation such as Schedules of Value, evidence of insurance coverage or insurance policies, portfolio risk modeling results, and other relevant information the Seller/Servicer deems necessary to complete its analysis. Other relevant information may include property addresses, number of buildings and stories, building RCV, business income/rental value, business personal property (if any), whether there are buildings located in a SFHA requiring flood coverage, whether a property is located in an Elevated Seismic Hazard Region as defined in Section 64.2 or Section 64SBL.2, as applicable.

Freddie Mac recognizes that some Borrowers purchase property insurance through large programs that insure entities and properties that do not share a common ownership with the Borrower. Freddie Mac perceives additional risk in the Blanket Insurance Policies for these properties and encourages the Seller/Servicer to carefully analyze these policies to determine if the Property and other Properties encumbered by a Freddie Mac Mortgage are adequately insured.

31.4 Acceptable insurers (05/22/25)

Each insurance carrier providing property damage and/or liability insurance, whether admitted or non-admitted, must comply with the minimum rating requirements below based on the carrier's aggregate exposure as follows:

<table>
<tr><th colspan="6">INSURANCE CARRIER RATINGS AND FINANCIAL SIZE CATEGORIES</th></tr>
<tr><th>Aggregate Carrier Exposure</th><th>Minimum A.M. Best Financial Strength Rating</th><th>AND</th><th>Minimum A.M. Best Financial Size Category</th><th>OR</th><th>Minimum Rating from:
Fitch Inc., Standard & Poor's Rating Services, or
Moody's Investors Service Inc.</th></tr>
<tr><td>≤ $5 million</td><td>A-</td><td>AND</td><td>VII</td><td rowspan="3">OR</td><td rowspan="3">• A- by Fitch Inc., or
• A- by Standard & Poors Ratings Services, or
• A3 by Moody's Investors Service Inc.</td></tr>
<tr><td>> $5 million & ≤ $25 million</td><td>A-</td><td>AND</td><td>VIII</td></tr>
<tr><td>> $25 million</td><td>A-</td><td>AND</td><td>IX</td></tr>
</table>

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Insurance carrier rating requirements and minimum financial size categories are based on the aggregate carrier exposure, which is defined in the chart below.

Aggregate Carrier Exposure (for each individual carrier)		
Insurance type		**Aggregate Carrier Exposure**
Property damage insurance	Specific Insurance Limit or policy for one Property	Required building coverage limits + required Business Income/Rental Value Insurance
	Blanket Insurance Policy or Master Insurance Policy from one carrier	Blanket Insurance Limit or Master Insurance Policy limit
	An individual policy, Blanket Insurance Policy or Master Insurance Policy with more than one carrier participating with layered limits	Total limit provided by the carrier in all layers in which the carrier participates
Liability insurance	Specific Insurance Limit or policy for one Property	Total aggregate limits (general liability **+** excess/umbrella)
	Liability insurance for multiple properties, or Master Insurance Policy from one carrier	Total aggregate limits (general liability + excess/umbrella)
	An individual policy, liability insurance policy for multiple properties or Master Insurance Policy with more than one carrier participating with layered limits	Total limit provided by the carrier in all layers in which the carrier participates

31.5 Property damage (All-Risk) insurance (~~05/22~~06/24/25)

Property damage insurance is required for all Mortgages to ensure the improvements are protected against loss or damage from fire and other perils covered within the scope of an Insurance Services Office (ISO) Special Causes of Loss or "All Risk" policy form. All-Risk insurance coverage must:

- Be written in an amount not less than 100 percent of the estimated RCV of the improvements without any deduction for depreciation, and
- Either not contain a Coinsurance Clause or contain a Coinsurance Clause that is offset by an Agreed Amount Provision. If an Agreed Amount Provision is used, the agreed amount must be no less than the estimated RCV.

In addition, coverage for roof coverings may be written on an Actual Cash Value basis.

Additionally, Freddie Mac recommends that the policy contain a Joint Loss Agreement if Boiler and Machinery Insurance is required and the insurance carrier providing Boiler and Machinery insurance is different from the carrier providing property damage insurance.

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Freddie Mac also recommends that the policy contain an Inflation Guard endorsement, providing for an annual adjustment of the insurance amount based on that geographic area's inflation rate, or a similar option. (Inflation Guard may not always be available.)

a. Property damage (All-Risk) deductible (~~02/22~~06/24~~/25~~)

The maximum deductible per occurrence for property damage (All-Risk) insurance policies providing Specific Insurance Limits is:

RCV	Maximum Deductible
< $10 million	$50,000
≥ $10 million	$100,000

Policies that include aggregate deductibles are acceptable if the Seller/Servicer confirms:

- The aggregate deductible amount is fully funded and held by the Borrower in a segregated bank account, by the Seller/Servicer in a tax and insurance escrow, or by a third party on behalf of the Borrower
- Any claim checks are required to list Seller/Servicer as payee c/o Freddie Mac
- Any claim checks are considered insurance loss proceeds per the Loan Documents

b. Expanded deductible (12/14/18)

For existing Mortgages, if the Borrower is unable to obtain a policy that complies with the maximum deductibles required by the applicable sections of this chapter, the Servicer may approve the following expanded maximum deductibles for all property damage policies providing Specific Insurance Limits (other than NFIP, windstorm and earthquake insurance) if all of the conditions below have been met.

Expanded Deductibles	
RCV	**Maximum Deductible**
< $10 million	$100,000
≥ $10 million	$150,000

- The Borrower is unable to obtain deductibles for the applicable property damage insurance in compliance with the other applicable sections of this chapter
- The Borrower or Borrower Principal demonstrates liquid assets at least four times the deductible amount
- The Mortgage has a Risk Rating of six or less
- The Mortgage is not currently delinquent and has not been delinquent within the last 12 months

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- The Property is in average or better condition according to the most recent inspection

The waiver of the maximum deductible is only valid for one policy term. At the end of that period, if the Borrower has been unable to obtain deductibles in compliance with the other applicable sections of this chapter, the Servicer may permit renewal of the waiver of the maximum deductibles in compliance with this sub-section.

c. Blanket All-Risk Insurance Limits (05/22/25)

For policies providing property damage (All-Risk) insurance coverage using Blanket Insurance Limits, the Seller/Servicer must, to its satisfaction, determine, support, and document that the Blanket Insurance Limits, including any sub-limits, are adequate for the risks applicable to the Property. In evaluating whether the Blanket All-Risk Limits provide adequate coverage for concentrations of Insurable Value, the Seller Servicer must take into consideration the TIV of nearby properties that are covered by the same blanket limit. The Seller Servicer must maintain a copy of its blanket-limit analysis in the associated loan file.

The blanket "All-Risk" limit must be no less than the greater of the following:

- The largest individual TIV covered by the Blanket Insurance Limit, or
- The aggregate TIV of the Property, any adjacent properties sharing a boundary with the Property, any properties separated from the Property by a street, alley, or public space, and any other properties within 100 feet of the Property and covered by the same blanket limit.

d. Deductible for All-Risk Blanket Insurance Limit (04/30/19)

The maximum per occurrence deductibles when All-Risk coverage is provided by a Blanket Insurance Limit is one percent per unit of insurance to a maximum of $250,000.

31.6 Business Income/Rental Value Insurance (05/22/25)

Business Income/Rental Value Insurance is required for all applicable property damage perils within the scope of the "Causes of Loss – Special Form" or "All Risk" policy, regardless of whether the coverage is provided on an All-Risk or separate policy.

The Business Income/Rental Value Insurance must be sufficient to cover the minimum number of months of effective gross income (EGI) based on underwritten EGI or the most recent year-end financials, and the minimum extended period of indemnity in accordance with the following:

Mortgage unpaid principal balance (UPB)	Minimum number of months EGI	Minimum extended period of indemnity
$50 million or less	12 months	None required
Greater than $50 million	18 months	90 days

When considering Business Income/Rental Value Insurance for Cooperative Properties, the calculation of the EGI required must include routine maintenance fees and special assessments for the Property.

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Business Income/Rental Value coverage may be provided on an Actual Loss Sustained (ALS) basis (i.e., coverage pays only for the insured's actual loss of income, up to the overall limit of the policy), provided that any limit associated with the ALS coverage is not less than the equivalent value of the minimum number of months EGI required.

The waiting period (also known as the deductible) for this coverage may not exceed seven days.

31.7 Windstorm insurance (05/22/25)

Windstorm insurance refers to coverage for damages caused by high winds, hail, tornados, and hurricane-force winds ("Named Storm"). If coverage for windstorm and/or windstorm related perils and/or Named Storms is excluded from the primary property insurance policy, separate windstorm coverage must be obtained, either through an endorsement or a separate policy.

a. Wind/hail coverage (04/30/19)

Wind/hail coverage must meet the requirements identified in Sections 31.5 and 31.6, with the exception of deductibles.

b. Wind/hail deductibles (02/22/24)

The maximum per-occurrence deductible when wind/hail coverage is provided by a Specific Insurance Limit is as follows:

- When expressed as a percentage, five percent per unit of insurance
- When expressed as a dollar amount:

TIV of the Property	Maximum deductible
< $10 million	$50,000
≥ $10 million	$100,000

The maximum per-occurrence deductible when wind/hail coverage is provided on a Blanket Insurance Limit basis is as follows:

- When expressed as a percentage, five percent per unit of insurance
- When expressed as a dollar amount, $250,000

c. Named Storm coverage (05/22/25)

For all properties located in Tier 1 Windstorm Risk counties, as defined by the insurer, Named Storm coverage must meet the requirements in Sections 31.5 and 31.6, with the exception of deductibles.

If Named Storm coverage is provided as part of a Blanket Insurance Limit, the Seller/Servicer must determine, to its satisfaction, that the blanket Named Storm limits are adequate for the Property and any concentrations of Insurable Value associated with other properties covered.

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The Blanket Insurance Limit for Named Storm may not be less than the greater of the following:

- The largest individual TIV of properties covered by the Blanket Insurance Limit, or
- 40 percent of the aggregate TIV within any State covered by the Blanket Insurance Limit (e.g., if the Blanket Insurance Limit covers properties in both Florida and Texas, then for Florida, 40 percent of the aggregate TIV of all properties within Tier 1 Windstorm Risk counties in Florida covered by the policy; for Texas, 40 percent of aggregate TIV of all properties in Texas covered by the policy that are located in Tier 1 Windstorm Risk counties in Texas).

d. Named Storm deductibles (02/22/24)

The maximum per-occurrence deductible when Named Storm coverage is provided by a Specific Insurance Limit is as follows:

- When expressed as a percentage, five percent per unit of insurance.
- When expressed as a dollar amount:

TIV of the Property	Maximum deductible
< $10 million	$50,000
≥ $10 million	$100,000

The maximum per-occurrence deductible when Named Storm coverage is provided on a Blanket Insurance Limit basis is as follows:

- When expressed as a percentage, five percent per unit of insurance.
- When expressed as a dollar amount, $250,000.

e. Windstorm insurance through a State Windpool (05/22/25)

If windstorm coverage is only available from a State Windpool, the policy must meet the requirements in 1, 2, or 3 below:

1. If the policy issued by the State Windpool does not contain a Coinsurance Clause, the policy must be written in an amount no less than 100 percent of the estimated RCV of the insurable improvements without any deduction for depreciation.

2. If the policy issued by the State Windpool contains a Coinsurance Clause that is offset or suspended by an Agreed Amount Provision:

   - The policy must be written in an amount no less than 100 percent of the estimated RCV of the insurable improvements without any deduction for depreciation, and
   - The agreed amount must equal the estimated RCV.

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3. If the policy issued by the State Windpool contains a Coinsurance Clause that is not offset or suspended by an Agreed Amount Provision, then all of following are required:

   - The policy must be written in an amount no less than 100 percent of the estimated RCV of the insurable improvements without any deduction for depreciation.
   - The RCV estimate must meet the requirements of the Guide.
   - The Servicer must document in the Mortgage File that there is a RCV estimate dated within 12 months of the request for coinsurance.
   - The policy must contain a Coinsurance Clause less than or equal to 80 percent.

   In addition, the guarantor must sign an additional guaranty for any losses incurred by Freddie Mac associated with the Borrower's failure to maintain the required Windstorm Coverage.

   If the Business Income/Rental Value Insurance required in Section 31.6 is not included in the State Windpool insurance policy, the Borrower must obtain separate Business Income/Rental Value Insurance relevant to Windstorm Coverage.

31.8 Flood insurance (05/22/25)

Flood insurance is required for any building that is part of the Property that is fully or partially located in a SFHA Zone A or V, as defined by FEMA.

Specific coverage requirements are identified below; however, the Seller/Servicer must ensure the coverage meets the minimum mandatory purchase requirements identified in the following Federal flood insurance statutes, as well as any applicable Federal agency rulemaking and publication:

- National Flood Insurance Act of 1968 (1968 Act)
- Biggert-Waters Flood Insurance Reform Act of 2012 (Biggert Waters)
- Flood Disaster Protection Act of 1973 (FDPA)
- Homeowner Flood Insurance Affordability Act of 2014

Freddie Mac may require flood insurance for buildings located outside of a SFHA Zone A or V, if it determines that flood insurance is warranted, such as for buildings with a history of prior flooding or subject to risk of storm surge flooding.

a. Flood zone determination (02/27/25)

Seller/Servicers must determine whether any buildings located at the Property are or will be fully or partially located in a SFHA, using the FEMA Standard Flood Hazard Determination Form (SFHDF). Seller/Servicers must ensure that all structures at the Property will be evaluated when ordering the SFHDF. In addition to the Property address listed in the Collateral Description of the SFHDF, Seller/Servicers must provide to the vendor supplemental information such as the Property's legal description or parcel descriptions. The

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resulting SFHDF and any subsequent versions, must be effective for the life of the related loan. A copy of the SFHDF along with a signed copy of the Notice to the Borrower of Special Flood Hazard and Federal Assistance must be included in the Mortgage File.

Any Property that has buildings located in a SFHA but is located in a community that does not participate in the National Flood Insurance Program (NFIP), is not eligible for sale to Freddie Mac, regardless of whether private flood insurance is available.

b. Flood coverage requirements (05/22/25)

For each building that is fully or partially located in a SFHA, Freddie Mac requires flood insurance equal to at least the following:

- The RCV of the first two floors of the building above grade, plus
- The RCV of any floors below grade, plus
- 12 months of business income/rental value associated with the building, and
- The Insurable Value of Borrower-owned contents or business personal property within the building.

The above coverage requirements can be met by obtaining flood insurance from private flood insurers or from insurers providing policies under the NFIP, or any combination thereof. Policies issued by private flood insurers must meet the minimum requirements for Acceptable Insurers identified in Section 31.3. Policies issued by insurers participating in the NFIP, as well as those insurers authorized to participate in the NFIP's Write Your Own program, are acceptable.

Contents or business personal property generally includes equipment and inventory owned by the Borrower which are used in connection with the ownership, management or operation of the Property that do not otherwise constitute fixtures. Seller/Servicers are responsible for having a process in place to obtain inventory and the Insurable Value of Borrower-owned contents or business personal property within buildings located in SFHAs in order to determine the required coverage. Seller/Servicers must provide documentation of the presence or absence of borrower-owned contents or business personal property within the building in the Mortgage file. Seller/Servicers must also provide a summary of the estimated building and business income/rental value coverage amounts required for each building located in a SFHA as an attachment within the ICT record.

Private flood insurance policies must:

- Be written on a RCV basis without any deduction for depreciation,
- Provide coverage and terms at least as broad as or better than the coverage and terms provided under a standard flood insurance policy issued under the NFIP private flood insurance policies, and
- Either not contain a Coinsurance Clause or contain a Coinsurance Clause that is offset by an Agreed Amount Provision. If an Agreed Amount Provision is used, the agreed amount must be no less than the estimated RCV.

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When an NFIP policy is used, the Seller/Servicer must consider the extent of recovery allowed under the NFIP policy for the type of building being insured in order to avoid creating a situation in which a Borrower would pay for more coverage than a NFIP policy would pay out in the event of a loss.

Freddie Mac does not require flood insurance for low-value, non-residential structures located in a SFHA that meet the exemption provisions of HFIAA. Such structures include maintenance buildings, storage sheds, pool houses, carports, laundry buildings, and gatehouses.

c. Flood coverage provided by Blanket Insurance Limit (05/22/25)

Blanket Insurance Limits providing private flood insurance for multiple properties are acceptable. The Seller/Servicer must evaluate concentrations of Insurable Value associated with properties covered by a Blanket Insurance Limit for flood resulting from adjacent properties and properties within the same MSA of the Property. The Blanket Insurance Limit providing flood coverage must be no less than the greater of the following:

- The largest individual amount of flood insurance that would be required under the terms of the Guide for any property with buildings located in an SFHA within the Property's MSA covered by the Blanket Insurance Limit for flood coverage, or

- 40 percent of the aggregate amount of flood insurance that would be required under the terms of the Guide for properties with buildings located in an SFHA within the Property's MSA that are covered by the Blanket Insurance Limit for flood coverage.

The Seller/Servicer must obtain and review sufficient information to evaluate the Borrower's portfolio of flood risk covered by the Blanket Insurance Limit for flood coverage. In order to evaluate this, the Seller/Servicer should consider the following information from the Borrower related to buildings within the Property's MSA that are located in SFHAs:

- Property location (address)
- Number of stories
- Building type (Residential, Other Residential, Non-Residential)
- Building RCV
- Building Business Income/Rental Value (BI/RV)
- Borrower-owned business personal property value
- NFIP limits in place
- Other coverage limits (excess flood) in place

The Seller Servicer may also need the following information to estimate values required for evaluation of the Blanket Insurance Limit for flood coverage:

- Total building RCV for each property
- Total BI/RV for each property
- Total number of buildings at each property
- Number of buildings at each property that are located in a SFHA

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d. Maximum deductible for flood insurance (12/14/18)

The following are maximum deductibles allowed for flood insurance policies:

For first-layer building coverage:

- $50,000 per building for a Property with 10 buildings or less located in SFHAs
- $500,000 per occurrence for a Property with more than 10 buildings located in SFHAs

For Business Income/Rental Value coverage:

- 15 day waiting period when expressed as a time-elements deductible
- $100,000 per occurrence when expressed as a monetary deductible

When NFIP policies are used as part of the coverage, the maximum deductible available under the NFIP for the type of building being insured is acceptable.

e. Seller/Servicer monitoring responsibilities (05/07/07)

The Seller/Servicer must have a process in place that allows it to:

- Identify any FEMA NFIP map changes, and

- Determine whether buildings that are part of any Property in a community affected by a map change are now located in, or are no longer located in, an SFHA as a result of the map change

f. Evaluating the need for flood insurance coverage (12/15/22)

1. **No change in the flood map, the Property remains in an SFHA**

   If all or any of the buildings that are part of the Property were previously in an SFHA and remain in an SFHA, flood insurance must remain in force.

2. **Change in the flood map, the Property is now in an SFHA**

   If all or any of the buildings that were not previously in an SFHA are now in an SFHA, Freddie Mac requires the Property to be covered by the required amount of flood insurance no later than 120 days after the effective date of the FEMA NFIP map change. Flood insurance may be obtained from NFIP and/or a private insurance company meeting Freddie Mac's requirements.

3. **Documentation required for coverage discontinuation**

   Freddie Mac will not require flood insurance for buildings at a Property that are no longer in an SFHA if the Servicer receives any one of the following:

   - Letter of Map Amendment (LOMA) from FEMA excluding the insurable improvements or the entire Property from the SFHA, or

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- Letter of Map Revision (LOMR) from FEMA removing the community's SFHA designation, or

- Letter of Determination Review (LODR) concluding that the insurable improvements are not in the SFHA

The Borrower must maintain flood insurance on the insurable improvements until FEMA issues a LOMA, LOMR or LODR. Upon issuance of a LOMA, LOMR or LODR, the Borrower may request from FEMA a refund of paid flood insurance premiums through the insurance agent servicing the flood insurance policy. A copy of the LOMA, LOMR or LODR, as applicable, must be maintained in the Mortgage File.

Within 10 days of authorizing the Borrower to discontinue flood insurance coverage, the Servicer must give written notice to Freddie Mac by emailing MF_Insurance_Compliance@FreddieMac.com noting the property name, loan number, and the changes. The Servicer must also complete and submit a Summary Update record in ICT with documentation including a copy of the LODR, LOMA, or LOMR and any other applicable documentation.

31.9 Earthquake insurance (12/15/22)

a. Earthquake terms used in this chapter (12/15/22)

These terms, when used in this chapter, have the following meanings:

- **Seismic Risk Assessment (SRA)**

  The Seismic Risk Assessment (SRA) uses modeling techniques to assess the risk to a Property from seismic events. It takes into consideration proximity to known faults, construction type and quality, building configuration, soil condition and other factors. See Chapter 64 or Chapter 64SBL, as applicable, for Freddie Mac's requirements for an SRA.

- **Scenario Expected Loss-475 (SEL-475)**

  The SEL-475 is defined as the SEL corresponding to the mean level loss resulting from the damage experienced due to a 475-year return period earthquake. For additional details regarding the determination of the SEL-475, see Section 64.8 or Section 64SBL.8, as applicable.

  For the purposes of this chapter, the term SEL-475 is used instead of the older term Probable Maximum Loss (PML).

b. Earthquake insurance requirements (12/15/22)

In accordance with Chapter 64 or Chapter 64SBL, as applicable, Freddie Mac requires an SRA at the Borrower's expense for a Property located in an Elevated Seismic Hazard Region. For Properties where multiple building construction types are present (for example, Properties that have buildings with and without tuck-under parking), a SEL-475 estimate is required for each building construction type. If any single building has a SEL-475 greater than 20 percent, then earthquake insurance or seismic retrofit is required for that building.

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1. Required earthquake coverage

Earthquake insurance is required per the table below:

SEL-475	Building Stability Concern*	
	No	Yes
≤ 20%	Insurance not required	Ineligible for purchase until seismic retrofit completed unless otherwise approved by Freddie Mac
> 20% & ≤ 40%	Insurance required, and seismic retrofit optional; if the retrofit results in a SEL-475 ≤ 20% at completion, then insurance will no longer be required	Ineligible for purchase until seismic retrofit completed unless otherwise approved by Freddie Mac
> 40%	The affected building(s) must have a seismic retrofit prior to the Mortgage being submitted to Freddie Mac for consideration	

***See Section 64.9 or Section 64SBL.9, as applicable, for Freddie Mac's requirements for the evaluation of building stability.**

For a Property or buildings for which Freddie Mac requires earthquake insurance, the coverage must be the greater of $1 million or 150 percent of the difference between the projected loss for the Property or buildings using the actual SEL-475 and the projected loss of the 20 percent SEL-475.

Business Income/Rental Value Insurance and Ordinance and Law coverage is required if the earthquake insurance does not provide that coverage for earthquake damage.

2. Maximum deductible

The maximum deductible for earthquake insurance is as follows:

Borrower Equity	Maximum Deductible (a reserve account is required for certain deductibles)	Reserve Account
≤ 30 percent	5 percent of coverage	Not required
≤ 30 percent	10 percent of coverage	Required for 5 percent of the coverage amount
≤ 30 percent	15 percent of coverage	Required for 10 percent of the coverage amount
> 30 percent	15 percent of coverage	Not required

3. Seismic risk changes subsequent to Freddie Mac's purchase of the Mortgage

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The requirements of this section apply to Mortgages that have been purchased by Freddie Mac.

a. Updates to the National Seismic Hazard Maps

If the United States Geological Survey (USGS) updates the National Seismic Hazard Maps data on its website such that a Property previously not located in an Elevated Seismic Hazard Region subsequently has a PGA (as calculated via the USGS website) equal to or greater than 0.15g, the Seller/Servicer must, within 60 days of the USGS update:

- Obtain an updated PGA calculation in accordance with Section 64.2(b) or Section 64SBL.2(b), as applicable
- Obtain an SRA in accordance with the requirements of Chapter 64 or Chapter 64SBL, as applicable
- Submit the seismic risk documentation described in Section 55.2 or Section 55SBL.2, as applicable, to *Multifamily Asset Management, Asset Performance and Compliance*

The Servicer must retain all such documentation in the Mortgage File. In addition, the engineer or firm completing the SRA must send a resume or statement of qualification with the completed SRA. Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance* will determine if and/or how much earthquake insurance is required.

If the USGS updates the National Seismic Hazard Maps data on its website such that a Property previously located in an Elevated Seismic Hazard Region now has a PGA less than 0.15g, and earthquake coverage was required based on the results of the previous SRA, the Seller/Servicer may request Freddie Mac approval to discontinue or reduce that earthquake coverage.

The Seller/Servicer must document the updated PGA calculation described in Section 64.2(b) or Section 64SBL.2(b), as applicable, and submit the documentation to Freddie Mac via the Property Reporting System (PRS) in order to request permission from Freddie Mac to discontinue or reduce earthquake insurance.

Closure of the Loan Item Tracking entry for the PGA calculation documentation will constitute Freddie Mac's notification to the Seller/Servicer that earthquake coverage may be discontinued or reduced.

The Servicer must retain all such evidence in the Mortgage File.

b. After a Property undergoes seismic retrofit

If a Property undergoes a seismic retrofit that results in a SEL-475 of less than or equal to 20 percent and addresses building stability concerns, if applicable, the Seller/Servicer may request Freddie Mac approval to discontinue or reduce the earthquake coverage.

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The Seller/Servicer must:

- Obtain an SRA in accordance with the requirements of Chapter 64 or Chapter 64SBL, as applicable
- Upload the SRA documentation for the related Loan Item Tracking (LIT) entry via the Property Reporting System (PRS) and select "Send to Freddie Mac"
- Freddie Mac will review the SRA and close the Loan Item Tracking entry if the SRA confirms that the SEL -475 is less than or equal to 20 percent and there are no building stability concerns, if applicable
- Closure of the Loan Item Tracking entry for the SRA will constitute Freddie Mac's notification to the Seller/Servicer that earthquake coverage may be discontinued or reduced.

The Servicer must retain all such documentation in the Mortgage File.

31.10 Boiler and Machinery insurance (05/22/25)

Boiler and Machinery insurance provides coverage for damage to the:

- Central heating, ventilation and cooling system (HVAC)
- Other portions of the Property, if the damage is the result of an explosion of steam boilers, pressure vessels and/or other steam equipment

Freddie Mac requires comprehensive Boiler and Machinery insurance for a Property with a central HVAC system where steam boilers and/or other pressurized systems are in operation and are regulated by the State where the Property is located. The insurance must cover loss or damage from explosion of steam boilers, pressure vessels and/or other steam equipment now or installed at a later date.

Coverage for Boiler and Machinery insurance must be in place for the buildings housing the central HVAC system, including the RCV of the central HVAC system and must meet the requirements in Sections 31.5 and 31.6. If the Boiler and Machinery insurance is provided by a different insurance carrier than the primary insurance carrier providing the property damage policy, Freddie Mac recommends that both policies include a Joint Loss Agreement.

The maximum per occurrence deductible for Boiler and Machinery ~~Insurance~~insurance is

- For a policy providing Specific Insurance Limits:

RCV of the Property	Maximum per occurrence deductible
< $10 million	$50,000
≥ $10 million	$100,000

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- For a policy providing Blanket Insurance Limits, one percent of the aggregate RCV of the covered properties to a maximum deductible of $250,000.

31.11 Builder's Risk insurance (02/22/24)

The term Builder's Risk insurance, when used in this chapter, means a policy that insures against loss to buildings, materials, equipment and fixtures during construction, rehabilitation, addition, significant alteration or repair. Freddie Mac requires such construction projects to be fully insured in accordance with the requirements of this Chapter 31. If insurance for such projects is not provided by the Borrower's primary property insurance policies, a separate Builder's Risk policy is required.

Coverage must be for at least 100 percent of the sum of the project contract or contracts and all materials to complete the work, as well as applicable soft costs.

Once construction is complete, Builder's Risk coverage may be discontinued.

The maximum per occurrence deductible for Builder's Risk insurance is

- For a policy providing Specific Insurance Limits:

Total Project Value	Maximum per occurrence deductible
< $10 million	$50,000
≥ $10 million	$100,000

- For a policy providing Blanket Insurance Limits, one percent of the aggregate RCV of the covered properties, to a maximum deductible of $250,000.

31.12 Ordinance and Law insurance (05/22/25)

Ordinance and Law coverage is not required for any property that is legally conforming under current building, zoning or land use laws.

Ordinance and Law coverage is required for any property that is non-conforming under current building, zoning or land use laws or ordinances unless the municipality or other governing authority will permit the Property to be rebuilt 100 percent to the specifications of the Property that existed at the time of the loss. The Seller/Servicer must provide evidence of 100 percent rebuild allowance to Freddie Mac to demonstrate the coverage is not required.

If the zoning law rebuild allowance is restricted to less than 12 months under which the reconstruction must be under permit or construction, then Ordinance and Law coverage is required.

If required, Ordinance and Law coverage must include the following:

a. **Coverage "A"** – **Loss to the undamaged portion of the Property**: Coverage no less than the estimated RCV of the Property; provided, however, if the damage threshold percentage of the zoning laws is known, the minimum for coverage A may be determined as follows:

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Minimum for Coverage "A" = (RCV– (RCV X damage threshold percentage))

For example:

- If the RCV of the Property is $20 million and the damage threshold percentage is 60 percent, the Coverage "A" limit must be at least $8 million ($20 million – ($20 million X 60 percent) = $8 million).

- If the damage threshold percentage is unknown, the minimum coverage must be no less than the estimated RCV of the Property, which is $20 million in this example.

b. Coverage "B" – **Demolition cost**: The cost to demolish and clear the site of undamaged parts of the Property if such demolition is required by enforcement of any zoning laws. Coverage "B" must equal no less than 10 percent of the estimated RCV of the Property.

c. Coverage "C" – **Construction cost**: Increased cost of construction to allow the Borrower to rebuild the Property to meet all applicable zoning laws. Coverage "C" must equal no less than 10 percent of the estimated RCV of the Property.

Ordinance and Law Coverage must include an Increased Period of Restoration endorsement that extends business income and extra expense coverage to provide additional time to restore operations when delayed due to enforcement of building or zoning laws.

31.13 Terrorism insurance (05/22/25)

Terrorism insurance is required for all Mortgages, including those being refinanced, to ensure the improvements are protected against loss or damage due to acts of terrorism. If terrorism coverage is excluded from the primary property insurance policy, separate terrorism coverage must be obtained either through an endorsement or a separate policy.

a. Terrorism coverage (05/22/25)

Terrorism coverage must meet all of the following requirements:

- Property damage insurance in an amount and with maximum deductibles in accordance with Section 31.4 and 31.5,

- Business Income/Rental Value Insurance in accordance with Section 31.6, and

- Liability insurance in accordance with Section 31.16 (not including Professional Liability Insurance).

b. Blanket terrorism insurance (05/22/25)

For policies providing terrorism insurance using Blanket Insurance Limits, the Seller/Servicer must, to its satisfaction, determine, support, and document that the Blanket Insurance Limits for terrorism coverage are adequate for the applicable risks. In evaluating whether the terrorism limits provide adequate coverage for concentrations of Insurable Value, the Seller Servicer must take into consideration the TIV of nearby properties that are covered by the

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same blanket limit. The Seller Servicer must maintain a copy of its blanket-limit analysis in the associated loan file.

The Blanket Insurance Limit for terrorism insurance must be no less than the greater of the following:

- The largest individual TIV covered by the Blanket Insurance Limit, or
- The aggregate TIV of the Property, any adjacent properties sharing a boundary with the Property, any properties separated from the Property by a street, alley, or public space, and any other properties within 100 feet of the Property and covered by the same blanket limit.

31.14 Localized Perils insurance (05/22/25)

A Property located in an area prone to Localized Perils, such as sinkhole, mine subsidence, volcanic eruption, and avalanche, must have one or more insurance policies in place to cover these perils. Sinkholes are particularly common in Florida. Mine subsidence may occur in any location where there is, or has been, subterranean mining, but is particularly common in Pennsylvania, Ohio, Illinois and Colorado.

If this insurance is not available and the Property is at risk for one or more of these perils, the Seller/Servicer must inform, as applicable,

- The *Applicable Freddie Mac Multifamily Regional Office,*
- The *Multifamily TAH Underwriter,* or
- Freddie Mac *Multifamily Asset Management, Borrower Transactions*.

Coverage must meet the requirements in Sections 31.5 and 31.6 for the buildings affected by the Localized Peril.

The maximum deductible for Localized Perils insurance is:

- For a policy providing Specific Insurance Limits:

RCV of the Property	Maximum Deductible
< $10 million	$50,000
≥ $10 million	$100,000

- For a policy providing Blanket Insurance Limits, one percent of the aggregate RCV of the covered properties, to a maximum deductible of $250,000.

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31.15 Sewer and drain insurance (01/01/13)

If the Property is prone to periodic sewer or drain back-ups caused by ground water, public or private water systems, or public sewers external to the Property, the Seller/Servicer must require the Borrower to obtain sewer and drain backup insurance.

Coverage and the deductible must be consistent with the coverage obtained by other lenders in the area.

31.16 General liability insurance (~~05/22~~06/24/25)

Standard Commercial General Liability (CGL) insurance on an Occurrence-based Policy Form insuring against liability resulting from bodily injury, property damage, personal injury, advertising injury and contractual liability is required with no exclusions for claims related to assault and battery, molestation**,** sexual abuse, animal attacks, or firearms. The policy must cover all of the following on the Property:

- Buildings
- Common areas and elements
- Commercial spaces
- Public ways (roads, driveways, alleys, walks, paths, and other similar areas)
- Home Sites and any Borrower-owned structures at an MHC Property

If the Borrower changes from a Claims Made Policy Form to an Occurrence-based Policy Form, a Supplemental Extended Reporting Period (also known as a Tail) endorsement must be obtained to prevent a gap in coverage.

a. Required CGL and umbrella or excess coverage (05/22/25)

The revisions made to this section announced in the May 22, 2025 Bulletin are effective for all **loans under Seller Application on or after June 2, 2025** and **insurance policy renewals on or after July 21, 2025**.

1. Borrower must maintain primary CGL coverage for:

   - $1 million per occurrence, and
   - $2 million in the general aggregate

   If the CGL policy covers multiple locations, Freddie Mac requires that the general aggregate limits apply per location.

2. In addition, the Borrower must maintain, at a minimum, the following umbrella or excess liability coverage:

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Aggregate number of residential units covered	Minimum umbrella or excess liability limits
Up to 250	$1 million
251 to 500	$2 million
501 to 1,000	$3 million
1,001 to 2,000	$5 million
2,001 to 5,000	$10 million
5,001 to 10,000	$15 million
10,001 to 20,000	$20 million
20,001 to 35,000	$25 million
More than 35,000	$50 million

The minimum coverage limits in this section are to be evaluated based upon the aggregate number of residential units covered by the umbrella and/or excess liability policy, and may be satisfied with any combination of primary CGL, umbrella and/or excess.

b. Maximum deductible and Self-Insured Retention (SIR) for liability insurance (~~12/15/20~~06/24/25)

The following maximum deductible or SIR, or combined deductible and SIR, apply to all forms of general liability insurance on the Property, including CGL, umbrella and/or excess policies:

- $35,000 for policies with individual or combined mortgage balances less than or equal to $25 million
- $50,000 for policies with individual or combined mortgage balances greater than $25 million
- $250,000 for Blanket Insurance Limits
- $10,000 for umbrella/excess liability policies

Policies that include aggregate deductibles are acceptable if the Seller/Servicer confirms:

- The aggregate deductible amount is fully funded and held by the Borrower in a segregated bank account, by the Seller/Servicer in a tax and insurance escrow, or by a third party on behalf of the Borrower

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c. Workers Compensation (05/22/25)

The revisions made to this section announced in the May 22, 2025 Bulletin are effective for all **loans under Seller Application on or after June 2, 2025** and **insurance policy renewals on or after July 21, 2025**.

The Borrower must maintain Workers Compensation and Employer Liability insurance (including terrorism coverage) if required by the State where the Property is located. The coverage amounts must meet Statutory limits.

31.17 Professional liability insurance requirements for certain Seniors Housing Mortgages (~~05/22~~06/24/25)

a. Professional liability (PL) insurance requirements (05/22/25)

The revisions made to this section announced in the May 22, 2025 Bulletin are effective for all **loans under Seller Application on or after June 2, 2025** and **insurance policy renewals on or after July 21, 2025**.

If the Property has assisted living, Alzheimer's care, and/or skilled nursing units, the Borrower must obtain professional liability insurance.

The professional liability policy may be written on a Claims Made Policy Form or an Occurrence-based Policy Form. If the Borrower changes from a Claims Made Policy Form to an Occurrence-based Policy Form, a Supplemental Extended Reporting Period (also known as a Tail) endorsement must be obtained to prevent a gap in coverage.

1. Borrower must maintain primary professional liability coverage of:

   - $1 million per occurrence
   - $2 million in the general aggregate

   If the professional liability policy covers multiple locations, Freddie Mac requires that the aggregate limits apply per location.

2. In addition, the Borrower must maintain the following minimum umbrella or excess professional liability coverage:

Total number of licensed beds covered by the policy	Minimum Umbrella/Excess Coverage
Less than or equal to 100	$1 million
101 to 500	$5 million
501 to 1,000	$10 million
Greater than 1,000	$25 million

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The minimum coverage limits in this section may be satisfied with any combination of primary PL, umbrella and/or excess. If CGL and PL insurance coverages are combined, the required umbrella and/or excess liability limit is the higher of the two requirements.

b. Additional insured (01/01/13)

Freddie Mac may not be named as an additional insured on professional liability insurance policies.

c. Deductibles and self-insured retention (SIR) (~~12/15/20~~06/24/25)

Freddie Mac allows the following maximum deductible or SIR, or combined deductible and SIR for Professional Liability:

- $100,000 for policies that insure 500 or fewer licensed beds
- $250,000 for policies that insure more than 500 licensed beds

Policies that include aggregate deductibles or SIRs are acceptable if the Seller/Servicer confirms:

- The aggregate deductible amount is fully funded and held by the Borrower in a segregated bank account, by the Seller/Servicer in a tax and insurance escrow, or by a third party on behalf of the Borrower.

31.18 Cooperative (Co-op) Requirements (01/01/13)

a. Fidelity bond/crime insurance coverage (01/01/13)

The Seller/Servicer must ensure that each Co-op Borrower maintains fidelity bond/crime insurance coverage for the Co-op's employees, officers and board members. The minimum coverage required is the greater of

- Two times the monthly gross association fees plus reserves, or six times the monthly gross association fees
- The maximum deductible is $25,000.

b. Co-op directors' and officers' liability insurance (01/01/13)

The Seller/Servicer must ensure that each Co-op maintains directors' and officers' liability insurance as follows:

- Minimum coverage of $1 million per occurrence
- Maximum deductible of $25,000

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31.19 Insurance records for origination and Servicing (02/27/25)

The Seller/Servicer must evaluate the Borrower's property and liability insurance coverage at loan origination and at each policy renewal throughout the term of the Mortgage to determine compliance with the Guide. Seller/Servicers and their vendors must use the ICT to document their assessment of the Borrower's insurance compliance and any recommended waiver requests.

a. Documentation of Borrower insurance compliance at loan origination (02/17/22)

Seller/Servicers must complete the Form 1133, *Certification of Borrower Insurance Compliance*, to document the insurance coverage that is or will be in place at loan closing. If any element of the Borrower's insurance coverage is not in compliance with the Guide and the Seller/Servicer recommends a waiver, the Seller/Servicer must indicate the noncompliance on the Form 1133 and submit a "New Origination Waiver Request" via the ICT for review and approval.

The Form 1133 and any waiver requests must be submitted via the ICT as follows:

- Form 1133 "Underwriting record~~."~~." Seller/Servicers must submit the Form 1133 "Underwriting record" with the Full Underwriting Package. This version is a draft of the insurance compliance record that Seller/Servicers and their vendors may update throughout the underwriting process.

- New Origination Waiver Requests. Seller/Servicer must submit any recommended waiver requests with the Full Underwriting Package. All waiver requests must be reviewed and processed final prior to rate lock for Standard Delivery loans and prior to final Acceptance Letter or Modification Letter, as applicable, for Early Rate-Lock loans.

- Form 1133 "Delivery record~~."~~." Seller/Servicers must submit the Form 1133 "Delivery record" when the final insurance compliance review is complete, but no later than the Origination Date. This version is the final Seller/Servicer record of insurance compliance.

The Form 1133 and waiver records must include Evidence of Insurance and supporting documentation, as appropriate, uploaded via the ICT. When the Form 1133 "Delivery record" is processed final by Freddie Mac, a PDF image of the form, along with any waiver requests, attached Evidence of Insurance, supporting documents, and Public Notes is automatically transferred to the Freddie Mac loan file in DMS.

b. Documentation of Borrower insurance compliance for Transfers of Ownership (02/27/25)

Seller/Servicers must complete the Seller/Servicer Certification of Insurance Coverage Form (Assumption Form 1133), Certification of Borrower Insurance Compliance, to document the insurance coverage that is or will be in place on the Transfer of Ownership closing date. If any element of the Borrower's insurance coverage is not in compliance with the Guide and the Seller/Servicer recommends a waiver, the Seller/Servicer must indicate the noncompliance on the Assumption 1133 and submit an "Assumption Waiver Request" via the ICT for review and approval.

The Assumption 1133 and any waiver requests must be submitted via the ICT as follows:

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- Assumption 1133 "Underwriting record~~".~~." Seller/Servicers must submit the Assumption 1133 "Underwriting record~~".~~." The record should be submitted at least 10 Business Days prior to the Transfer closing date.

- Assumption Waiver Requests. Seller/Servicer must submit any recommended waiver requests at least 10 Business Days prior to the Transfer closing date.

- Assumption 1133 "Delivery record~~".~~." Seller/Servicers must submit the Assumption 1133 "Delivery record" when the final insurance compliance review is complete, and any Assumption Waivers have been finalized but no later than the Transfer closing date. This version is the final Seller/Servicer record of insurance compliance.

- Records are to be submitted with MF Borrower Transactions selected as FM Underwriter.

The Assumption 1133 and waiver records must include Evidence of Insurance and supporting documentation, as appropriate, uploaded via the ICT. When the Assumption 1133 "Delivery record" is processed as final by Freddie Mac, a PDF image of the form, along with any waiver requests, attached evidence of insurance, supporting documents, and public notes is automatically transferred to the Freddie Mac loan file in DMS.

c. Post-purchase reporting of Borrower insurance compliance (12/14/23)

For all Mortgages serviced by Seller/Servicers on behalf of Freddie Mac, Seller/Servicers must evaluate the Borrower's insurance coverage as policies renew and provide updates to insurance records in ICT as set forth below.

- Update Summary Function. The Seller/Servicer must complete the Update Summary form to identify renewed or changed insurance coverage details, attach updated Evidence of Insurance and other supporting documentation, and submit the "Update Summary." Once the update has been submitted, a PDF image of the form, along with any attached Evidence of Insurance, supporting documents, and Public Notes is automatically transferred to the Freddie Mac loan file in DMS.

- Renewal Waivers. If any element of the Borrower's insurance coverage is not in compliance with the Guide and the Seller/Servicer recommends a waiver, the Seller/Servicer must submit a Renewal Waiver request in ICT for review and approval.

For Mortgages that have been securitized, Seller/Servicers are to evaluate coverage as policies renew and follow the processes established by the Master Servicer for updating coverage information and recommending waivers. Seller/Servicers are to use the ICT for processing updated records for loans for which Freddie Mac is Master Servicer.

31.20 Evidence of insurance (12/15/22)

The Seller/Servicer must obtain temporary or permanent evidence of Borrower's required property and liability insurance for the closing of new loans and for each renewal. This is applicable to all required insurance policies associated with the Property. After Freddie Mac loan purchase and after each insurance renewal, the Seller/Servicer must require the Borrower to provide copies of insurance policies in accordance with the Loan Agreement. The Seller/Servicer must maintain copies of all required evidence of insurance in its loan file.

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a. Temporary evidence of insurance (12/15/22)

The following are acceptable forms of temporary evidence of property insurance:

- ACORD 28, Evidence of Commercial Property Insurance (most recent version)
- ACORD 27, Evidence of Property Insurance (most recent version)
- Mortgage Bankers Association (MBA) Evidence of Insurance – Commercial Property Form
- ACORD 75, Insurance Binder
- Declaration pages from Property insurance policy
- Property insurance policies, including all endorsements and exclusions
- Other equivalent documentation issued by an insurance company or agent/broker that does not use ACORD forms (such as a certificate of insurance or evidence of insurance) that is deemed acceptable by the lender
- For NFIP flood insurance, NFIP policy declaration page or completed and executed NFIP Flood Insurance Application plus a copy of the paid receipt for the Borrower's premium payment
- For private flood insurance, policy declaration page, copy of flood insurance policy including all endorsements and exclusions, copy of policy binder, or copy of quote of flood insurance that will be in place

The following are acceptable forms of temporary evidence of liability insurance:

- ACORD 25, Certificate of Liability Insurance (most recent version)
- ACORD 75, Insurance Binder
- Liability insurance policies, including all endorsements and exclusions
- Other equivalent documentation issued by an insurance company or agent/broker that does not use ACORD forms (such as a certificate of insurance or evidence of insurance) that is deemed acceptable by the lender

b. Permanent evidence of insurance (12/15/22)

The following are acceptable forms of permanent evidence of property and liability insurance:

- Copy of the insurance policy(ies), including all endorsements and exclusions
- For insurance programs using layered insurance policies, copy of the primary insurance policy(ies), including all endorsements and exclusions

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- Mortgage Bankers Association (MBA) Evidence of Insurance – Commercial Property Form
- For NFIP flood insurance, NFIP policy declaration page
- For private flood insurance, copy of the flood insurance policy(ies)

31.21 General requirements applicable to all property and liability insurance documentation (12/17/19)

The Seller/Servicer must ensure that all of the following elements are included in the evidence of insurance documentation:

- Borrower, Borrower Principal, or affiliated management company as named insured
- Complete Property address
- Mortgagee and Additional Insured endorsements
- Policy effective dates evidencing current coverage
- Policy notice of cancellation provisions
- Coverage limits, sublimits, and deductibles
- Information clearly stating whether terrorism coverage is included
- If flood insurance is required, information indicating limits and deductibles specifically applicable to buildings located in SFHA

31.22 Verification of required and continuing property and liability insurance coverage (12/17/19)

a. Required coverage (04/30/19)

The Servicer must ensure that all insurance coverage required by the Purchase and Servicing Documents is in place for the life of the Mortgage. This may include:

- Adding coverage that is not currently in place (for example, FEMA has determined the Property is now in an SFHA and flood insurance is now required), and/or
- Increasing the coverage (for example, the RCV of the improvements on the Property has increased and the insurance coverage must be updated).

In addition, if there is insurance coverage in force on the Property that is no longer required by Freddie Mac (for example, FEMA has determined the Property is no longer in an SFHA and flood insurance is not required) the Servicer must provide the appropriate documentation to notify Freddie Mac *Multifamily Asset Management, Borrower Transactions* and explain that the insurance is no longer required.

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b. Continuing coverage (12/17/19)

At least annually, and prior to the expiration of each required insurance policy, the Servicer must verify that the Borrower will renew the existing coverage and/or obtain new insurance coverage in compliance with the Purchase and Servicing Documents. The Servicer must retain in the Mortgage File a copy of the applicable renewal and/or new insurance documentation.

The Servicer must require the Borrower to provide evidence of renewed insurance prior to the expiration date of each policy. The documentation required by Freddie Mac at renewal is as follows:

- A legible copy of the current continuation certificate, provided that the Servicer has the original policy on file and the coverage is renewed with the same insurer and under the same policy number(s), coverage terms and conditions
- The documents listed in Sections 31.20(a) and 31.20(b), as applicable

31.23 Reserved (12/14/18)

31.24 Ensuring continuous insurance coverage (~~04/30/19~~06/24/25)

a. General requirements for ensuring continuous insurance coverage (01/01/13)

If the Seller/Servicer determines that a Property's insurance has lapsed, is cancelled, is inadequate, or is not in force for any reason, the Seller/Servicer must prevent a gap in insurance by one or more of the following means:

- Contacting the Borrower and working with the Borrower to resolve the deficiency
- Having in place or obtaining a portfolio insurance policy and/or other insurance vehicle or vehicles designed to provide required coverage if one or more policies lapses, is cancelled, is inadequate or is not in force
- Implementing forced placed insurance

Any insurance policy intended to prevent a gap in insurance coverage, or to supplement inadequate coverage, must:

- Provide retroactive and/or automatic coverage
- Cover the Mortgages serviced for Freddie Mac
- Include deductibles no greater than those required by the Purchase and Servicing Documents

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- Provide all property damage and liability insurance required by the Purchase and Servicing Documents

- Be provided by an insurance carrier meeting the requirements of Section 31.3, based on the total unpaid principal balance (UPB) of the Mortgages insured under the policy by the Seller/Servicer

b. Forced placed insurance (~~04/30/19~~06/24/25)

Under certain circumstances, Freddie Mac requires the use of forced placed insurance to prevent a lapse in insurance coverage. ~~If the required forced placed insurance is not available, the Seller/Servicer must contact Freddie Mac *Multifamily Asset Management, Borrower Transactions.*~~

1. If one or more of the following conditions exists, the Seller/Servicer must force place insurance:

   - The required insurance has not yet lapsed or been cancelled, but will lapse within three days (or over an intervening weekend or holiday), and

     - The Servicer determines that the renewal of the existing insurance or new insurance is not forthcoming, or

     - The Servicer has not been able to determine that the renewal of the existing insurance or new insurance is forthcoming

   - Any insurance obtained by the Servicer to prevent a lapse in coverage is no longer in force or will no longer be in force within three days (or over an intervening weekend or holiday)

2. If both of the following conditions exist, the Seller/Servicer must contact the Borrower within two days of the Servicer's learning of the condition and must work with the Borrower to resolve the deficiency:

   - The insurance currently in force provides ~~less than~~up to 80 percent of the required Property coverage (see Note below)

   - A lapse in coverage is not imminent

   If the issue is not resolved with 15 days, the Servicer must either:

   - Force place insurance to the limits required in Purchase and Servicing Documents, or

   - Request a waiver of the insurance coverage from Freddie Mac or recommend an alternative solution to the insurance issue.

   The waiver request or recommendation must be submitted to Freddie Mac via the ICT. The Servicer must provide justification for the recommendation. *Multifamily Asset Management, Borrower Transactions* may accept the Servicer's recommendation, recommend an alternative solution, or require the Servicer to force place increased insurance coverage to the limits required in this chapter.

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Note: The percentage of coverage refers to the actual dollar amount of insurance coverage in force for a Property and not the deductible amounts. For example, if a Property has property damage insurance of $7 million, but the RCV is $10 million, the coverage is 70 percent of the required coverage.

3. If one or more of the following conditions exist, the Seller/Servicer must contact the Borrower within five days of the Servicer's learning of the condition and must work with the Borrower to resolve the deficiency:

   - The Property insurance coverage currently in force is greater than 80 percent, but less than 100 percent, of the required coverage (see Note above)
   - ~~Deductible amounts do not comply with the requirements~~
   - Any other failure of the insurance policy to be comply with the requirements of the Purchase and Servicing Documents

   If the issue is not resolved with 30 days, the Servicer must either:

   - Force place insurance to the limits required in the Purchase and Servicing Documents, or
   - Request a waiver of the insurance coverage or recommend an alternative solution to the insurance issue.

   The waiver request or recommendation must be submitted to Freddie Mac via the ICT. The Servicer must provide justification for the recommendation. Freddie Mac *Multifamily Asset Management, Borrower Transactions* may accept the Servicer's recommendation, recommend an alternative solution, or require the Servicer to force place increased insurance coverage to the limits required in this chapter.

   If any deficiencies identified in an exception request are not resolved within 90 days of submittal, then the Servicer must force place required insurance. The Servicer may charge the Borrower for the cost of force placed insurance.

c. Notice to Freddie Mac of forced placed insurance (04/30/19)

If coverage is forced placed as described in 31.24(b), the Servicer must immediately send written notification to Freddie Mac *Multifamily Asset Management, Borrower Transactions* detailing the insurance issues, the forced placed coverage and the deductibles. The Servicer must retain in the Mortgage File a copy of the written notification regarding forced placed insurance.

d. Payment for forced placed insurance (04/30/19)

The Servicer must adjust the Borrower's insurance Reserve payments for the forced placed insurance if the Borrower is required to make periodic Reserve deposits for insurance premiums or bill the Borrower to recover the advance (if the Servicer does not maintain an insurance Reserve for the Borrower). If an insurance Reserve account is not currently required, Freddie Mac may require the Servicer to set up a Reserve. If the Borrower refuses

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to reimburse the Servicer for the forced placed insurance, the Servicer must submit a completed Legal Referral Form, Form 1101, to the Director of Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance*. Freddie Mac will reimburse the Servicer for any advances that the Servicer has made for premiums for such forced placed insurance to the same extent that Freddie Mac would reimburse the Servicer for advances to pay required insurance premiums.

31.25 Indemnification (07/01/11)

Pursuant to Chapter 47, Freddie Mac may require the Seller/Servicer to indemnify Freddie Mac for any loss, damage or expense it may incur as a result of the Seller/Servicer's failure to:

- Obtain and maintain all insurance required by this chapter, or
- Ensure that each Property is adequately insured as required in this chapter

31.26 Reserved (06/30/16)

31.27 Captive Insurance Companies (05/22/25)

For information regarding the use of Captive Insurance Companies, contact the following:

- Prior to the Origination Date: the *Applicable Regional Office* or the *Multifamily TAH Underwriter*, as applicable
- After the Freddie Mac Funding Date: Freddie Mac *Multifamily Asset Management, Borrower Transactions*

31.28 Manufactured Housing Communities (07/01/14)

All MHC Properties must meet the requirements of this Chapter 31.

Generally, any improvements owned by the Borrower must be insured against loss or damage from relevant perils including fire, wind, hail, flood, and other related perils within the scope of a "Special Causes of Loss" or "All Risk" policy, in an amount not less than the RCV of the improvements, per Section 31.4. In addition, the Borrower must carry business income/rental value insurance for all relevant perils in an amount not less than the effective gross income attributable to the Property per Section 31.6.

Properties located partially or fully in a FEMA SFHA must meet the insurance requirements in Section 31.8, especially with regard to full business income/rental value relevant to flood losses.

The Borrower must carry Commercial General Liability (CGL) insurance against legal liability resulting from personal and bodily injury, property damage, and contractual liability, per Section 31.16.

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39.4 Required repairs, Green Improvements and Repair Reserve Servicing for non-SBL Mortgages, or for SBL Mortgages with Loan Agreement forms dated 11-02-2015 or earlier or dated on or after 07-30-2024 (~~10/17/24~~07/01/25)
- a. Monitoring and timely completion of repairs (02/28/19)
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c. Servicer's notice to Freddie Mac following approved addition, release, reduction or substitution of the Reserve or letter of credit (10/31/12)
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39.1 General requirements for the administration of Reserves and monitoring repairs (02/29/16)

a. Delivery of documents and notices to Freddie Mac (02/29/16)

1. Electronic Delivery

When this chapter requires electronic delivery of backup documentation related to the completion or partial completion of repairs, the Servicer must submit all items required to be delivered to Freddie Mac by uploading the documents into the Property Reporting System (PRS).

When this chapter requires electronic delivery of documents related to post-origination transactions, the Servicer must submit all items required to be delivered to Freddie Mac by uploading the documents into the Document Management System (DMS) and using the "File Submission" link to notify:

- For Structured Transactions, Tax Exempt Bond Credit Enhancements, Acquisition Rehabilitation/Lease-Up/Moderate Rehabilitation loan products, or Credit Facilities, *"Structured Transactions"*
- For all other Mortgages, *"Borrower Transactions"*

2. Delivery of original documents to Freddie Mac

When this chapter requires delivery of an original document with respect to any Mortgage, the Servicer must:

- Upload the document into DMS, and
- Deliver the original to
  - For Structured Transactions, Tax Exempt Bond Credit Enhancements, Acquisition Rehabilitation/Lease-Up/Moderate Rehabilitation loan products, or Credit Facilities, Freddie Mac *Multifamily Asset Management, Structured Transactions*
  - For all other Mortgages, Freddie Mac *Multifamily Asset Management, Borrower Transactions*

b. Reserve Custodial Accounts (05/01/14)

The Servicer must hold Reserves in Custodial Accounts in accordance with the requirements of the Loan Documents. If the Loan Documents do not contain specific requirements, then the Servicer must hold all Reserves in Custodial Accounts meeting the requirements of Chapter 52.

The Seller/Servicer must provide Freddie Mac all Custodial Account documentation required by Chapter 52.

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The Servicer must service all Reserve Custodial Accounts required or permitted under this chapter in accordance with the Loan Documents, this chapter, Chapter 52 and other applicable sections of the Guide, and industry-accepted practices.

39.2 Reserve requirements; Reserves for taxes, ground rents, assessments and other charges (10/19/23)

a. Reserve requirements (04/30/19)

1. Unless Freddie Mac has deferred its right to require a Reserve for any item(s), the Servicer must collect Reserves for:

   - Taxes
   - Ground rents
   - Assessments and charges that may, if not paid on a timely basis, become prior liens on the Property
   - Premiums on all insurance policies (individual policies, Blanket Insurance policies, master insurance policies, and liability insurance policies covering multiple properties) required by Chapter 31 and/or the Purchase and Servicing Documents. See Section 31.2(c) for additional information regarding Reserves for insurance premiums.
   - Cap fee deposits for an ARM with an interest rate cap or swap agreement with a third-party provider that expires before the Mortgage maturity date

2. For taxes, ground rents, assessments, cap fee deposits and premiums for individual insurance policies, if the Servicer is collecting a Reserve when Freddie Mac purchases the Mortgage, the Servicer must continue to collect 1/12 of the yearly charge for each Reserve together with each monthly installment payable under the Note.

3. For Blanket Insurance policies, master insurance policies, and liability insurance policies covering multiple properties, the Seller/Servicer must do one of the following:

   - Collect 1/12 of the premium allocation obtained from the insurance agent or broker, for each Property securing a Freddie Mac Mortgage that is insured under the applicable policy and serviced by the Servicer to ensure that the Servicer will have sufficient funds in the Reserve to pay the allocated premium due on the applicable policy or policies with each monthly installment payable under the Note.
   - Collect 1/12 of an amount sufficient to purchase an individual insurance policy or policies with each monthly installment payable under the Note.
   - Collect an amount sufficient to pay the annual premium for an individual insurance policy or polices for the Property.

4. If a Borrower obtains a Supplemental Mortgage, then beginning on the Origination Date of the Supplemental Mortgage, the Servicer of the most senior Mortgage will begin to collect Reserve deposits for taxes, ground rents (if applicable), insurance, and

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Replacement Reserves, unless one of the following circumstances exists:

- The Mortgaged Property is a Cooperative, and collection of those Reserves was deferred at origination of the most senior Mortgage

- The Loan Documents for the most senior Mortgage explicitly provide for continued deferral of Reserve deposits following origination of a Supplemental Mortgage (for items other than insurance)

- The Loan Documents for the most senior Mortgage explicitly provide for the continued deferral of Reserve deposits for insurance because the Mortgaged Property was covered under a Blanket Insurance policy or a master insurance policy and under the Supplemental Mortgage, the Mortgaged Property will continue to be covered under a Blanket Insurance policy or a master insurance policy.

5. The Servicer must pay, at its own expense, any interest payable to the Borrower for Reserve funds or any other funds held by the Servicer, whether due to contractual agreement or operation of law. The Servicer must use funds deposited in a Reserve only for items related to the purpose for which the Reserve was established. The Servicer may not withdraw miscellaneous costs, including Uniform Commercial Code (UCC) filing fees, overnight delivery charges and/or late payment fees, from the Reserve.

6. The Servicer must obtain bills for and pay all Reserve items before the applicable penalty or termination date. The Servicer must maintain adequate records to prove payment of all Reserve items.

7. At least annually, the Servicer must compute the required Reserve installment amounts based on reasonable estimates of assessments and bills to determine that sufficient funds are being collected or have been collected to meet all Reserve payments. If the amount held in Reserve by the Servicer, together with the future monthly Reserve installments, exceeds the amount required to pay Reserve items as they fall due, the Servicer must either repay the excess promptly to the Borrower (if there is no default under the terms of the Loan Documents) or credit the excess to the Borrower by a reduction in monthly Reserve installments.

8. If the Servicer deems the amount held in Reserve insufficient to pay Reserve items when due, the Servicer must obtain the necessary additional funds from the Borrower before the latest date on which the charges may be paid prior to penalty, lapse of insurance policies, etc. If the Borrower fails to remit the deficient amount, or if there is insufficient time to obtain the amount, the Servicer must pay any Reserve items due and reflect a shortage in the Borrower's Reserve. However, during any period in which the Borrower is in bankruptcy, the Servicer may not make any advance in excess of Reserve funds for Reserve items without the prior consent of Freddie Mac.

   For Mortgages originated under this Guide, the Servicer must advance the shortage in accordance with Section 52.15 and must notify Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance* if any advance is unresolved for 30 days.

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For Delegated TAH Mortgages, the Servicer must advance the shortage to the extent permitted or described in its Delegated TAH Master Agreement.

9. To the extent permitted by the Loan Documents and applicable law, the Servicer may, without Freddie Mac's prior approval, start collecting Reserves not previously required, but may not discontinue collecting Reserves without Freddie Mac's prior written approval.

b. Annual certification (02/06/17)

Any Servicer that has a Multifamily Servicing-only approval, as described in Section 3.1(e), must certify to Freddie Mac in writing that all of the following have been paid during the preceding fiscal year and are not then delinquent, except as otherwise set forth in the certification:

1. Insurance premiums
2. Ground rents
3. Assessments
4. Taxes
5. Other charges that may, if not paid on a timely basis, become prior liens on the Property

If any such items are delinquent, the certification must describe the nature of the delinquency and the steps being taken to cure that delinquency.

The certification must be made using Form 1110M, Multifamily Annual Certification Report – Servicer Only. Servicers must use the Multifamily Eligibility System, available on FreddieMac.com, to complete the Form and to submit it to Freddie Mac.

The Servicer must submit the completed Form 1110M within 90 days after the end of the Servicer's fiscal year following the instructions found on the form.

c. Requirements when Reserves are not collected (10/19/23)

If Freddie Mac has deferred its right to collect Reserves for any item, or if the Loan Documents or applicable law do not provide for the collection of Reserves or if Reserves were not being collected for some or all items when the Mortgage was sold to Freddie Mac, the Servicer must proceed as follows:

1. Verification of payment

At least annually, the Servicer must either require the Borrower to furnish proof of payment of all taxes, insurance premiums, ground rents, assessments and other charges or use other reliable means (such as tax services) commonly employed by private institutional mortgage investors to determine that these items have been paid.

2. Additional verification for Mortgages with a Risk Rating greater than six

On a semi-annual basis, for each Mortgage secured by a Property with a Risk Rating

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greater than six, or any Mortgage otherwise identified by Freddie Mac to the Servicer, the Servicer must:

- Require the Borrower to furnish proof of payment of water and sewer charges, or
- Require the Borrower to provide a certification that the water and sewer charges have been paid, or
- Use other reliable means commonly employed by private institutional mortgage investors to determine that water and sewage charges have been paid

Acceptable proof of payment includes copies of paid receipts and/or cancelled checks, and the corresponding water and sewer bills showing the previous amount paid.

3. Demand upon Borrower

If the Servicer discovers that any charge listed in item 1 or 2, above, has not been paid, the Servicer must immediately contact the Borrower in writing and require the Borrower to provide proof of payment within 10 days and provide Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance* and Freddie Mac *Multifamily Asset Management, Asset Resolution* with a copy of such notice.

4. Advances by Servicer

For Delegated TAH Mortgages, advances by the Servicer are governed by its Delegated TAH Master Agreement.

For all other Mortgages, if the Borrower fails to pay any charge listed in item 1 or does not provide proof of that payment within the required 10 days, the Servicer must advance funds for the unpaid charge and any applicable penalty unless the Borrower is in bankruptcy.

If the Servicer fails to advance funds for the unpaid charge, Freddie Mac will hold the Servicer solely responsible for any penalties, interest or related charges resulting from the Servicer's failure to make the advance. If the Borrower is in bankruptcy, the Servicer may not make any advances in excess of Reserve funds for Reserve items without the prior consent of Freddie Mac.

The Servicer must attempt to work out an arrangement with the Borrower for repayment of any advance and, if allowed by law and the Loan Documents, must begin to collect Reserves for future charges.

If the Servicer cannot reach an agreement with the Borrower for the Borrower's repayment of the advanced amount or if the Borrower fails to comply with the terms of any such arrangement or refuses to set up a Reserve for future charges, the Servicer must promptly notify Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance* and Freddie Mac *Multifamily Asset Management, Asset Resolution* of all advances and must immediately recommend, in writing, a plan to protect Freddie Mac's interest.

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39.3 Replacement Reserves, Repair Reserves, Rental Achievement and similar performance agreements – general requirements (10/12/17)

a. Reserve requirements (10/12/17)

For each Multifamily Mortgage, the Seller/Servicer must establish at the time of Mortgage closing a Repair Reserve, a Replacement Reserve, a Special Purpose Reserve, and a Rental Achievement Reserve to the extent required by Freddie Mac's Letter of Commitment or early rate-lock application. The Seller/Servicer must ensure that upon purchase of the Mortgage, Freddie Mac has a security interest in all amounts deposited in the Repair Reserve, Replacement Reserve, Special Purpose Reserve and Rental Achievement Reserve to further secure all of the Borrower's obligations under the Mortgage.

1. Repair Reserve

Funds deposited into the Repair Reserve may be used solely to defray the costs of required repairs to the Property, as set forth in Freddie Mac's Letter of Commitment or early rate-lock application.

Funds deposited into the Repair Reserve for the purpose of undertaking Green Improvements may be used solely to defray the costs of Green Improvements to the Property, as set forth in Freddie Mac's Letter of Commitment or early rate-lock application.

2. Replacement Reserve

For non-SBL Mortgages and for SBL Mortgages documented on Loan Agreement forms with a revision date of 11-02-2015 or earlier, funds deposited into the Replacement Reserve may be used solely to defray the costs of future replacements of items of real and personal property, as set forth in the Replacement Reserve Agreement or Loan Agreement.

For SBL Mortgages documented on Loan Agreement forms with a revision date after 11-02-2015, funds deposited into the Replacement Reserve may be used to defray the costs of future replacements of items of real and personal property specified in the Loan Agreement, including, if applicable, completion of Priority Repairs and PR-90 Repairs identified in the SBL Physical Risk Report, as set forth in the Loan Agreement.

For Supplemental Mortgages, no new replacement items should be permitted to be drawn from the Replacement Reserve that were not already permitted under the most senior Mortgage unless Replacement Reserve collection will increase accordingly. The Borrower and Seller/Servicer must request that the Loan Documents on the most senior Mortgage be modified to allow the increase to occur. The Borrower and Seller/Servicer must coordinate the request with the holder of the most senior Mortgage.

In all cases, this Section 39.3(a)(2) is subject to the provisions of Section 39.6(b).

3. Rental Achievement Reserve

Funds deposited into the Rental Achievement Reserve, or letters of credit securing

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Borrower's obligations under a Rental Achievement Agreement or Loan Agreement must be held as continued security for Borrower's obligations under the agreement.

4. Special Purpose Reserve

Funds deposited into the Special Purpose Reserve pursuant to the Loan Agreement must be held as continued security for Borrower's obligations under the Loan Agreement.

b. Recordkeeping (10/14/16)

The Servicer must maintain accurate and complete books and records in connection with its administration of the Repair Reserve and Replacement Reserve, Special Purpose Reserve, and Rental Achievement Agreement Reserve, including maintaining in its files every disbursement request received, together with any invoices, lien waivers, budgets, engineer's certification or other documentation received in connection with any such disbursement request.

c. Investment of funds (10/14/16)

Unless the Commitment or early rate-lock application specifies otherwise, the Servicer may accept only cash or a check (subject to collection) from the Borrower for deposit into the Repair Reserve, Replacement Reserve, Special Purpose Reserve or Rental Achievement Reserve. Funds deposited into the Repair Reserve, Replacement Reserve, Special Purpose Reserve or Rental Achievement Reserve must be held and invested by the Servicer in accordance with the provisions of the Loan Documents. If the Loan Documents do not contain specific requirements, then the Servicer must hold and invest the funds in accordance with the provisions of Section 52.4.

d. Annual certification (02/06/17)

Any Servicer that has a Multifamily Servicer-only approval, as described in Section 3.1(e), must certify to Freddie Mac in writing within 90 days after the end of the Servicer's fiscal year that all Reserve collections and disbursements have been made in accordance with the applicable Reserve agreements. The Servicer must explain in writing any discrepancies from the agreements and provide a description of the steps being taken to resolve each matter.

The certification must be made using Form 1110M, Multifamily Annual Certification Report – Servicer Only. Servicers must use the Multifamily Eligibility System, available at mf.freddiemac.com/lenders/guide, to complete the form and to submit it to Freddie Mac.

The Servicer must submit the completed Form 1110M within 90 days after the end of the Servicer's fiscal year following the instructions found on the form.

39.4 Required repairs, Green Improvements and Repair Reserve Servicing for non-SBL Mortgages, or for SBL Mortgages with Loan Agreement forms dated 11-02-2015 or earlier or dated on or after 07-30-2024 (~~10/17/24~~07/01/25)

This Section 39.4 applies to all non-SBL Mortgages and to any SBL Mortgages with Loan Agreement forms with revision dates of 11-02-2015 or earlier or dated on or after 07-30-2024.

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See Section 39.5 for all SBL Mortgages with Loan Agreement forms with revision dates after 11-02-2015 or before 07-30-2024.

For the purposes of this chapter, any Repair Agreement, Repair Escrow Agreement, Repair Agreement with LOC, Repair and Escrow Agreement, Loan Agreement Rider relating to repairs or other agreement involving repairs or improvements to the Property will be referred to as a "Repair Agreement."

a. Monitoring and timely completion of repairs (02/28/19)

1. The Servicer must monitor the applicable completion date(s) under each Repair Agreement and work with the Borrower to ensure that all repairs are completed on a timely basis.

   The Servicer must notify Freddie Mac within 10 Business Days following the Servicer's confirmation of the Borrower's completion of all repairs under a Repair Agreement.

   - For all repairs except Green Improvements, this notification must be on the Borrower Certification – Completion of Repairs form and must be submitted to Freddie Mac via PRS.

   - For repairs classified as a Green Improvements, this notification must be on the Green Improvements Verification Certification, which is an Exhibit to the Loan Agreement, which must be submitted to Freddie Mac via the Property Reporting System (PRS). The Servicer must collect the Green Improvements Verification Certification within 30 days of completion of the Green Improvements. The Verification Certification must provide the following:

     - The date of completion of the Green Improvements

     - The specifications of the completed Green Improvements

     - Confirmation that the Benchmarking Data Consultant uploaded current energy and water usage (Benchmarking Data) into ENERGY STAR® Portfolio Manager®, or if Portfolio Manager, is no longer available, into another benchmarking tool identified by Freddie Mac

     - If Freddie Mac no longer owns the Mortgage, the Servicer must submit the Green Improvements Verification Certification to Freddie Mac via DMS

2. Unless otherwise specified by Freddie Mac, the Servicer is responsible for documenting that all repairs are completed satisfactorily, including exercising the right of the lender under the Repair Agreement to hire an engineer to certify that the repairs have been completed in a good and workmanlike manner.

3. The Servicer must cause a qualified engineer to certify that repairs have been completed in a good and workmanlike manner when any one of the following conditions is present:

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- The repair, if improperly done, might contribute to material failure of any building component and/or the physical deterioration of the facility
- The repair is a structural repair
- The repair consists of repair to major building systems (for example, electrical, mechanical, fire protection, etc.)

The engineer must meet or exceed the qualification requirements in Section 62.8 or Section 62SBL.17, as applicable. If the Servicer does not have a qualified engineer on staff, the Servicer must retain a qualified third party engineer. When the scope of work requires specialized knowledge to verify completion and quality, the Servicer must retain an engineer with appropriate expertise.

4. The Servicer must maintain supporting documentation in the Mortgage File for each completed repair, including:
   - A list of the items that have been completed,
   - Color photographs documenting the completed repairs,
   - The final completion date, and
   - The engineer's certification, when required, that repairs have been completed in a good and workmanlike manner.
5. If the Servicer receives an Energy Certification from the Borrower for Green Improvements made at the Property, the Servicer must notify Freddie Mac of receipt of certification. If Freddie Mac no longer owns the Mortgage, the Servicer must submit the certification to ~~green_advantage_reporting~~Green_Advantage_Reporting@freddiemac.com.

   If requested by Freddie Mac for Green Improvement purposes, the Servicer must deliver to Freddie Mac any utility bills, reports or documentation supporting the usage of energy and water at the Property and if available, any calculations of any Borrower savings resulting from the Green Improvements. If Freddie Mac no longer owns the Mortgage, the Servicer must submit this information to ~~green_advantage_reporting~~Green_Advantage_Reporting@freddiemac.com.

b. Incomplete repairs, partially completed repairs and extension requests (~~10/17/24~~07/01/25)

If it becomes apparent to the Servicer that all required repairs will not be completed by the applicable completion date, or the required repairs are not complete within 30 days of the applicable completion date, the Servicer must work with the Borrower to determine whether an extension is appropriate, and to document that extension as required in this section.

1. Submitting documentation for incomplete or partially completed repairs

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a. At least ~~10~~30 days prior to the applicable completion date, the Servicer must notify Freddie Mac of partial completion of repairs on the ~~Borrower Certification – Partial Completion of Repairs~~Borrower Certification – Partial Completion of Repairs form, which must be submitted to PRS. In addition, the Servicer (or its permitted delegee) must submit an extension request, if appropriate, for incomplete repairs as described in Section 39.4(b)(3) or (4), as applicable. ~~The~~If processing an extension request, the Servicer must add an update comment to PRS that an extension request will be submitted. Upon approval of the extension request, the Servicer must update PRS with approval information, indicating that approval has been reflected in the Consent Request Tracker.

b. If the Servicer determines that repairs will not be completed by the applicable completion date and that an extension is not appropriate, then at least ~~10~~30 days prior to the completion date the Servicer must provide Freddie Mac with a detailed update in PRS of the:

- Status of the repairs~~,~~
- Prospects for ultimate completion of those repairs~~,~~
- Borrower's reasons for not completing the repairs in a timely manner~~, and~~

~~Servicer's~~
- Servicer's recommendation for resolving the matter, which must include evidence in PRS of Borrower intent to complete repairs. Such evidence may include an executed repair contract, estimate for repair work, or itemized progress of repair work.

- Notwithstanding Section 39.4(b)(1)(a) or (b) above, at least 10 days prior to the applicable completion date, for any repairs that remain outstanding, the Servicer must evaluate whether an extension is appropriate. If appropriate, the Servicer (or its permitted delegee) must submit an extension request for incomplete repairs as described in Section 39.4(b)(3) or (4), as applicable. The Servicer must add an update comment to PRS that an extension request will be submitted. Upon approval of the extension request, the Servicer must update PRS with the approval information, indicating that approval has been reflected in the Consent Request Tracker.

2. Extension requests that the Servicer is permitted to approve

a. During any period in which Freddie Mac owns the Mortgage, the Servicer may approve an extension of the completion date of a Repair Agreement unless one of the following applies:

i. The Mortgage was originated on a Note labeled “CME”

ii. The Mortgage was originated on a Note with a revision date on or after March 1, 2014

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iii. The Servicer has received notification from Freddie Mac that the Mortgage has been designated for inclusion in a Securitization

iv. The Mortgage backs a Freddie Mac Multifamily Participation Certificate or a Freddie Mac tax-exempt or taxable Multifamily bond securitization

b. For an eligible Mortgage, the Servicer may approve an extension only if all of the following conditions are met:

i. The required repairs pose no life, health or safety issues

ii. The remaining repairs represent no more than the lesser of $500,000 or five percent of the UPB

iii. The Borrower is making progress on required repairs, as evidenced by a recent inspection or current, dated photos and paid invoices provided by the Borrower

iv. There is no material adverse impact from an extension, including detriment to occupancy or marketing efforts, asset preservation consequences or negative cash flow impact

v. The Property condition was average or better as of the date of the last AIF, or if no AIF has been completed, as of the date of underwriting

vi. The Borrower has a reasonable business justification (not including cash flow issues) for requesting the extension

vii. The Servicer has not previously authorized an extension of the completion date

viii. The Mortgage:

- Has a Risk Rating of six or less,
- Has a UPB of less than $30 million,
- Is not in default,
- Was not originated under the Acquisition Rehabilitation product, the Acquisition Upgrade product, the Moderate Rehabilitation product, or the REO purchase and stabilization product, and
- Has no additional investors who have provided credit enhancements other than those provided by a Seller/Servicer, Borrower or Affiliates of the Borrower

ix. A supervisor or higher-level manager on the Servicer's staff approved the extension of the completion date using the Repair/Rehab Agreement Extension/Modification Request form

c. Notwithstanding the requirements of 39.4(b)(2)(~~A~~a) and (~~B~~b), if the Mortgage was originated as part of the SBL program, the Servicer may approve an extension only if

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all of the following conditions are met:

i. ~~There are no PR-90 Repairs, as identified within the Loan Agreement, or any outstanding~~The required repairs ~~that~~ pose no life, health~~,~~ or safety issues

ii. The remaining repairs represent no more than five percent of the UPB

iii. The Borrower is making progress on required repairs, as evidenced by a recent inspection or current, dated photos and paid invoices provided by the Borrower

iv. There is no material adverse impact from an extension, including detriment to occupancy or marketing efforts, asset preservation consequences or negative cash flow impact

v. The Property condition was average or better as of the date of the last AIF, or if no AIF has been completed, as of the date of underwriting

vi. The Borrower has a reasonable business justification (not including cash flow issues) for requesting the extension

vii. The Servicer has not previously authorized an extension of the completion date

viii. The Mortgage:

- Has a Risk Rating of six or less
- Is not in default

ix. A supervisor or higher-level manager on the Servicer's staff approved the extension of the completion date using the Repair/Rehab Agreement Extension/Modification Request form

d. For a non-SBL Mortgage, provided that all of the requirements in Section 39.4(b)(2)(~~A~~a) and (~~B~~b) are met, the Servicer has delegated authority to extend the completion date of a Repair Agreement by up to the same amount of time initially granted in the Repair Agreement, but not more than a date that is 12 months after the Origination Date of the non-SBL Mortgage. (For example, if the original completion date was 90 days following the Origination Date of the Mortgage, the Servicer may extend the completion date by no more than 90 days.)

For an SBL Mortgage, provided that all of the requirements in Section 39.4(b)(2)(~~C~~c) are met, the Servicer has delegated authority to extend the completion date of a Repair Agreement up to a date that is 12 months after the Origination Date of the SBL Mortgage.

e. For all Mortgages, the Servicer must notify Freddie Mac of any actions taken under this delegated approval within two days after the effective date of the approval by creating a record with the selection that Freddie Mac approval is not required for Mortgages owned by Freddie Mac, electronically submitting to Freddie Mac via DMS and updating the respective Loan Item Tracking in PRS.

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- The Repair/Rehab Agreement Extension/Modification Request form
- A copy of the approval letter that the Servicer provided to the Borrower
- Copies of any modified loan documents

3. Submitting extension requests requiring Freddie Mac approval

Freddie Mac approval is required for all modifications and extensions of the Repair Agreement with respect to any Mortgage not described in Section 39.4(b)(2)(~~A~~a) and (~~C~~c).

If a Borrower requests an extension or modification of a Repair Agreement, the Servicer must, within five Business Days of receiving such request, take the following actions:

- Enter the extension request into Consent Request Tracker (CRT). The CRT record should be created with the selection that Freddie Mac approval is required for Mortgages owned by Freddie Mac.
- Electronically deliver the Repair/Rehab Agreement Extension/Modification Request form, including any necessary supporting documentation via CRT or DMS.

The Servicer must charge the Borrower a nonrefundable extension/modification review fee as set forth in Exhibit 10. If a fee is applicable, the Servicer must remit to Freddie Mac 50 percent of the fee and may retain the remaining 50 percent.

4. Documentation of approved extensions

Within the time specified in Freddie Mac's approval of a modification or extension of a Repair Agreement, the Servicer must deliver any required documents and fees to Freddie Mac in accordance with the delivery requirements of the approval letter.

5. Managing outstanding Repair items

The Servicer must manage notifications to the Borrower until the Servicer receives acceptable proof of completion for all items identified in the Repair Agreement. For Repairs not completed as or when required, Freddie Mac requires the Servicer to take the following actions:

- Within 30 calendar days following the repair due date, send a "reservation of rights" letter to the Borrower in conjunction with enforcing the Loan Documents. The Servicer must use either the Notice of Default and Reservation of Rights (Conventional) or the Notice of Default and Reservation of Rights (SBL) form, as applicable, and must work closely with Freddie Mac in handling such matters.
- Within ~~five business days~~10 Business Days of sending the "reservation of rights" letter to the Borrower, the Servicer must provide Freddie Mac a copy of the letter via email at MF_Surveillance@freddiemac.com and upload a copy to the Document Management System (DMS). If collection of Reserve deposits for Replacement Reserves was deferred at the time of such Repair item noncompliance, the Servicer

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must begin collection of the Reserve deposits for Replacement Reserves. Collection of Reserve deposits for Replacement Reserves must commence not later than the second payment installment date immediately following the Repair item completion due date. The Servicer may include notice of the collection of Reserve deposits for Replacement Reserves in the "reservation of rights" letter to the Borrower or in a separate Borrower communication.

c. Disbursement from Repair Reserve (06/13/24)

The Servicer must review all estimates or contracts from contractors to determine that the bid amount for each repair is reasonable. The Servicer also must ensure that the bid price is reasonably sufficient to pay for all necessary labor and materials to be performed or supplied by that contractor. The Mortgage File retained by the Servicer must include all estimates and contracts.

Unless otherwise specified by Freddie Mac, the Servicer will be responsible for authorizing disbursements from the Repair Reserve and for documenting that all repairs are completed satisfactorily. If the Borrower has met all of the Repair Agreement conditions for disbursement, then the Servicer may make the requested disbursement to

- The Borrower, if the Borrower has submitted evidence that the work for which disbursement is requested has been fully paid for by the Borrower. This evidence must be in the form of copies of canceled checks, receipts or invoices that are in the amount of the disbursement request and that are marked "paid," and if required by Seller/Servicer, valid lien waivers.

- The Borrower and the contractor or vendor jointly, if the Borrower has not submitted evidence that the work has been paid for in full.

d. Requiring a Borrower to fund an unfunded Repair Reserve upon default (06/25/20)

Even if a Repair Agreement did not require immediate funding of a Repair Reserve, the Repair Agreement may require the Borrower to fund the Repair Reserve upon the occurrence of an event of default under the Loan Documents. The Servicer must consult with Freddie Mac *Multifamily Asset Management, Asset Resolution* upon the occurrence of an event of default by the Borrower, and must require the Borrower to establish the Repair Reserve within the time and in the amount specified by Freddie Mac. Within 10 days following funding of the Repair Reserve, the Servicer must deliver to Freddie Mac, at the address found on the form, the original of one of the following forms, as applicable, executed on behalf of the institution that maintains the Repair Reserve Custodial Account:

- If the Custodial Account for the Repair Reserve is held by an institution other than the Servicer, Form 1058, Letter Agreement for Servicer's Reserve Custodial Account

- If the Custodial Account for the Repair Reserve is held by the Servicer, Form 1060, Letter Agreement for Reserve Custodial Account

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e. Prohibited actions by the Servicer (09/18/14)

The Servicer may not take any of the following actions with respect to the Repair Agreement or Repair Reserve without Freddie Mac's prior written consent:

i. Charge a one-time fee in excess of the amount set forth in Exhibit 10 for establishing the Repair Reserve

ii. Charge a fee in excess of the amount set forth in Exhibit 10 (excluding travel and other reasonable expenses) for each inspection of the Property under the Repair Reserve Agreement

iii. Make disbursements from the Repair Reserve to any party other than the Borrower, except as permitted by Section 39.4(c)

iv. Require the Borrower to deposit funds into the Repair Reserve in excess of the deposits required pursuant to Freddie Mac's Letter of Commitment or early rate-lock application

v. Exercise the right of the lender under the Repair Reserve Agreement to perform any capital replacement

vi. Enter into any contract in its own or the Borrower's name, incur any indebtedness or advance its own funds to perform or complete any repair

vii. Exercise any of Freddie Mac's rights or remedies or disburse or otherwise apply to the indebtedness any amounts on deposit in the Repair Reserve upon the Borrower's default

viii. Approve any modifications to the Repair Agreement except as permitted by Section 39.4(b)(2)

39.5 Priority Repairs and Replacement Reserve Servicing for SBL Mortgages with Loan Agreement forms dated after 11-02-2015 or before 07-30-2024 (08/15/24)

This Section 39.5 applies to all SBL Mortgages with Loan Agreement forms with revision dates after 11-02-2015 or before 07-30-24. See Section 39.4 for all SBL Mortgages with Loan Agreement forms with revision dates on or before 11-02-2015 or on or after 07-30-2024.

a. Monitoring and completion of Priority Repairs (08/15/24)

1. In conjunction with the first annual property inspection and all subsequent property inspections, the Servicer must determine whether the Borrower has completed the Priority Repairs (including PR-90 Repairs) listed on Form 1104, SBL Physical Risk Report.

   Freddie Mac will create Loan Item Tracking (LIT) entries in PRS that capture the Priority Repairs and PR-90 Repairs identified on Form 1104. Within 30 calendar days of deeming any Priority Repair or PR-90 Repair item to be complete, the Servicer must update the respective PRS LIT accordingly.

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2. If the Servicer determines that any Priority Repair (including PR-90 Repairs) has not been completed, the Servicer must issue a notification to the Borrower documenting the outstanding Priority Repair and refer the Borrower to its obligation under the Loan Agreement to complete the identified Priority Repair. If the Borrower does not respond within 30 calendar days following such Servicer notification or if the Borrower timely responds but does not provide a satisfactory Priority Repair action plan, Freddie Mac requires the Servicer to issue a "reservation of rights" letter as soon as possible, and no later than 10 ~~business days~~Business Days following such Borrower inaction. The Servicer must use the Notice of Default and Reservation of Rights (SBL) form. Within five Business Days of sending the "reservation of rights" letter to the Borrower, the Servicer must provide Freddie Mac a copy of the letter via email at MF_Surveillance@freddiemac.com and upload a copy to the Document Management System (DMS).

   The Servicer must follow up and work closely with the Borrower on any outstanding Priority Repair items and any other Life Safety Hazards until they are remediated or resolved.

3. The Servicer must cause a qualified engineer to certify that repairs have been completed in a good and workmanlike manner when any one of the following conditions is present:

   - The repair, if improperly done, might contribute to material failure of any building component and/or the physical deterioration of the facility
   - The repair is a structural repair
   - The repair consists of a repair to a major building system (for example, electrical, mechanical, fire protection, etc.)

   The engineer must meet or exceed the qualification requirements in Section 62SBL.17. If the Servicer does not have a qualified engineer on staff, the Servicer must retain a qualified third-party engineer. When the scope of work requires specialized knowledge to verify completion and quality, the Servicer must retain an engineer with appropriate expertise.

4. The Servicer must maintain supporting documentation in the Mortgage File for each completed repair, including:

   - A list of the items that have been completed,
   - Color photographs documenting the completed repairs,
   - The final completion date, and
   - The engineer's certification, when required, that repairs have been completed in a good and workmanlike manner

b. Reserved (10/14/16)

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c. Disbursement from Replacement Reserve Fund for Priority Repairs (10/14/16)

1. The Servicer must review all estimates or contracts from contractors to determine that the bid amount for each repair is reasonable. The Servicer also must ensure that the bid price is reasonably sufficient to pay for all necessary labor and materials to be performed or supplied by that contractor. The Mortgage File retained by the Servicer must include all estimates and contracts.

2. Unless otherwise specified by Freddie Mac, the Servicer will be responsible for authorizing disbursements from the Replacement Reserve and for documenting that all repairs are completed satisfactorily. If the Borrower has met all of the conditions for disbursement, then the Servicer may make the requested disbursement to

   - The Borrower, if the Borrower has submitted evidence that the work for which disbursement is requested has been fully paid for by the Borrower. This evidence must be in the form of lien waivers, copies of canceled checks, receipts or invoices that are in the amount of the disbursement request and that are marked "paid."

   - The Borrower and the contractor or vendor jointly, if the Borrower has not submitted evidence that the work has been paid for in full.

d. Reserved (10/14/16)

e. Prohibited actions by the Servicer (10/14/16)

The Servicer may not take any of the following actions with respect to the Replacement Reserve Fund without Freddie Mac's prior written consent:

i. Charge a fee for establishing the Replacement Reserve Fund

ii. Charge a fee in excess of the amount set forth in Exhibit 10 (excluding travel and other reasonable expenses) for each inspection of the Property under the Loan Agreement

iii. Make disbursements from the Replacement Reserve Fund to any party other than the Borrower, except as permitted by Section 39.5(c)

iv. Require the Borrower to deposit funds into the Replacement Reserve Fund in excess of the deposits required pursuant to Freddie Mac's Letter of Commitment or early rate-lock application

v. Exercise the right of the lender under the Loan Agreement to perform any capital replacement

vi. Enter into any contract in its own or the Borrower's name, incur any indebtedness or advance its own funds to perform or complete any Capital Replacement or repair

vii. Exercise any of Freddie Mac's rights or remedies or disburse or otherwise apply to the indebtedness any amounts on deposit in the Replacement Reserve Fund upon the Borrower's default

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39.6 Replacement Reserve Servicing (06/13/24)

For the purposes of this chapter, the term “Replacement Reserve Agreement” means any Replacement Reserve Agreement, Replacement Reserve Rider to Loan Agreement, or other Loan Document establishing a Replacement Reserve, including the Loan Agreement.

a. Funded Replacement Reserves (06/13/24)

The Servicer is responsible for authorizing releases from the Replacement Reserve and for obtaining from the Borrower copies of canceled checks, bills, receipts or invoices that are in the amount of the disbursement request and that are marked "paid" and if required by Seller/Servicer, valid lien waivers. The Seller/Servicer must also document that all capital replacements are completed satisfactorily, including exercising the right of the lender under the Replacement Reserve Agreement to hire an engineer to certify that the capital replacements have been completed in a good and workmanlike manner.

b. Disbursements for additional capital replacement items (07/01/14)

1. Mortgages for which the Servicer is permitted to approve additional disbursements

During any period in which Freddie Mac owns the Mortgage, the Servicer may approve a disbursement for certain capital replacement items not specifically listed in the Replacement Reserve Agreement unless one of the following applies:

- The Mortgage was originated on a Note labeled “CME”
- The Mortgage was originated on a Note with a revision date on or after March 1, 2014
- The Servicer has received notification from Freddie Mac that the Mortgage has been designated for inclusion in a Securitization
- The Mortgage backs a Freddie Mac Multifamily Participation Certificate or a Freddie Mac tax-exempt or taxable Multifamily bond securitization

2. Types of additional disbursements the Servicer may approve

Subject to the limitations in ~~this Section39~~Section 39.6(b), the Servicer may authorize a disbursement for certain capital replacement items not specifically listed in the Replacement Reserve Agreement. The only permissible additional items are as follows:

a. A capital replacement item which was identified and made part of the projected expenditures in the property condition report

b. A capital replacement item that the Servicer reasonably determines is critical to the continued operation of the Property (“critical replacement”), if each of the following conditions is satisfied:

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i. The Servicer has determined that the Property's cash flow is insufficient to cover the cost of the critical replacement, and has taken one of the following actions:

- Confirmed that Replacement Reserve balances and projections are reasonably adequate to cover future disbursements for capital replacements listed in the Replacement Reserve Agreement, or

- Required the Borrower to amend the Replacement Reserve Agreement to increase the amount of future monthly deposits to cover the original capital replacements as well as the critical replacement, if the Servicer has determined that the disbursement for the critical replacement will cause the amount of the Replacement Reserve to fall below an adequate level. The Servicer must prepare the applicable amendment and submit it to Freddie Mac for its review, approval and signature.

ii. The Servicer must retain supporting documentation and copies of its approvals in the Mortgage File for all disbursements made pursuant to Section 39.6(b)(2).

c. The Servicer may only authorize a disbursement for a critical replacement described in Section 39.6(b)(2) when all of the following additional conditions are met:

i. The Property secures a Mortgage that has a Risk Rating of six or less and is not in default.

ii. The disbursement is for capital replacement items that are upgrades which add value to and prevent an adverse condition at the Property.

iii. A supervisor or higher-level manager on the Servicer's staff has approved the disbursement for the additional capital replacement items.

iv. No credit enhancement has been provided by any person or entity that is not a party to the Mortgage.

If any one or more of the conditions described in this Section 39.6(b)(1) or (2) is not met, the Servicer must seek Freddie Mac's approval, as described in Section 39.6(b)(2)(d) below.

d. Freddie Mac approval is required for any Replacement Reserve disbursement request for any capital replacement item that is not specifically listed in the Replacement Reserve Agreement nor permitted under Section 39.6(b)(1) or (2) (a) – (c). For all such disbursement requests, the Servicer must electronically deliver to Freddie Mac a written request for such modification using the General Servicing Request form, attaching any necessary supporting documentation.

c. Requiring a Borrower to fund an unfunded Replacement Reserve (05/01/14)

If the Replacement Reserve Agreement did not require immediate monthly funding of the Replacement Reserve, the Agreement may nonetheless require the Borrower to begin to make deposits to the Replacement Reserve upon the occurrence of certain conditions specified in the agreement. The Servicer must consult with Freddie Mac upon the occurrence of any of the specified conditions and must require the Borrower to commence

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funding of the Replacement Reserve when specified by Freddie Mac. Within 10 days following funding of the Replacement Reserve, the Servicer must deliver to Freddie Mac an original of one of the following forms, as applicable, executed on behalf of the institution that maintains the Replacement Reserve Custodial Account:

- If the Custodial Account for the Replacement Reserve is held by an institution other than the Servicer, Form 1058, Letter Agreement for Servicer's Reserve Custodial Account
- If the Custodial Account for the Replacement Reserve is held by the Servicer, Form 1060, Letter Agreement for Reserve Custodial Account

d. Unfunded Replacement Reserves with required capital expenditures (04/30/19)

1. If the Borrower is required to spend a minimum or specified amount on capital expenditures annually, or an average amount per year over a specified period of time, and a Replacement Reserve Custodial Account is not in place, the Servicer must monitor compliance with the expenditure requirements in accordance with the Replacement Reserve Agreement and may accept either of the following items as evidence of compliance:
    - An operating statement for the reporting period, certified by the Borrower, that includes sufficient details to confirm the capital expenditures were made, or
    - An itemized list, certified by the Borrower, of capital expenditures for the reporting period identifying the item, cost for the item, and total paid for capital expenditures for the period.
2. The Servicer must monitor the capital expenditures in accordance with the Replacement Reserve Agreement. If the Servicer determines the Borrower is not in compliance with the capital expenditure requirements, the Servicer must work with the Borrower to resolve the noncompliance. The Servicer must notify Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance* if any of the following conditions is present:
    a. The Property secures a Mortgage that has a Risk Rating greater than six or is in default
    b. The Property condition had a rating of
        - Less than Average on the Freddie Mac rating scale, if the last inspection took place before 2012, or
        - Four or five if the last inspection took place in 2012 or later
    c. There are significant outstanding Deferred Maintenance issues, or the Borrower is out of compliance in an amount that exceeds 20% of the required expenditures
    d. There are additional investors who have provided credit enhancements (other than those provided by a Seller/Servicer, Borrower, or Affiliates of the Borrower)

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e. The Mortgage backs a Freddie Mac Multifamily Participation Certificate or a Freddie Mac tax-exempt (or taxable) Multifamily bond securitization

e. Prohibited actions by the Servicer (09/18/14)

The Servicer may not take any of the following actions with respect to the Replacement Reserve without Freddie Mac's prior written consent:

1. Charge a one-time fee in excess of the amount set forth in Exhibit 10 for establishing the Replacement Reserve

2. Charge a fee in excess of the amount set forth in Exhibit 10 (excluding travel and other reasonable expenses) for each inspection of the Property under the Replacement Reserve Agreement

3. Make disbursements from the Replacement Reserve to any party other than the Borrower

4. Require the Borrower to deposit funds into the Replacement Reserve in excess of the deposits required pursuant to Freddie Mac's Letter of Commitment or early rate-lock application, except as authorized under Section 39.6(b)

5. Exercise the right of the lender under the Replacement Reserve Agreement to perform any capital replacement

6. Enter into any contract in its own or the Borrower's name, incur any indebtedness or advance its own funds to perform or complete any capital replacement

7. Exercise any of Freddie Mac's rights or remedies or disburse or otherwise apply to the indebtedness any amounts on deposit in the Replacement Reserve upon the Borrower's default

f. Mortgages with terms longer than 10 years (12/12/14)

1. For a Mortgage with a loan term longer than 10 years, the Replacement Reserve requirements in the Loan Documents may provide that the lender may adjust the Replacement Reserve amount following receipt of an updated property condition report. If the Loan Documents provide for such an adjustment, then on the 10th anniversary of the Origination Date of the Mortgage, the Servicer must conduct a re-evaluation of the adequacy of the Replacement Reserve.

2. If the Loan Documents permit the lender to adjust the Replacement Reserve amount, then the Servicer must take one of the following actions:

   - If the Loan Documents provide that the lender may obtain a property condition report and either charge the cost to the Borrower or deduct the cost from the Replacement Reserve Fund, then the Servicer must obtain an updated property condition report conducted in accordance with the requirements of Chapter 62.

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- If the Loan Documents do not contain a provision authorizing the lender to obtain a property condition report at the Borrower's expense, then the Servicer must conduct a property inspection in accordance with the requirements of Chapter 40 for annual inspections; however, third-party fee inspectors are not permitted.

3. Within 15 days following receipt of the updated property condition report or property inspection, as applicable, the Servicer must electronically submit a recommendation on the General Servicing Request to Freddie Mac regarding the need for adjustments to the Replacement Reserve amount.

4. Unless the Loan Documents provide otherwise, the Servicer must deduct from the Replacement Reserve Fund an amount sufficient to pay all reasonable fees and expenses charged by the property condition consultant or Servicer.

39.7 Rental achievement Reserve Servicing (09/18/14)

For the purposes of this section, any Property performance achievement agreement, such as a rental achievement guaranty, a Rental Achievement Escrow Agreement – Cash or Rental Achievement Agreement – Letter of Credit, or Rental Achievement Rider to Loan Agreement which a Borrower or Guarantor has executed with respect to a Mortgage, will be referred to as a "rental achievement agreement~~"~~."

If a rental achievement agreement exists with respect to the Property, the Servicer must require the Borrower to establish any required Reserve or post any required letter of credit within the time and in the amount specified by Freddie Mac. A rental achievement guaranty executed in connection with the Mortgage may include rental achievement provisions tied to a reduction in the amount of the base guaranty or other provisions. See Section 11.2 for the Seller/Servicer's obligations with respect to the approval and monitoring of Letters of Credit.

a. Monitoring of Property performance; requests for release or reduction of Reserve funds (09/18/14)

The Servicer must monitor the performance of the Property under the terms of the rental achievement agreement. If the Borrower or Guarantor submits a request for release of the Reserve or letter of credit, or a reduction in the base guaranty, the Servicer must:

- Collect all data required to analyze the request under the terms of the applicable document

- Review and analyze the data

- Submit the data and the Servicer's written recommendation with respect to the request to Freddie Mac electronically, using the Release/Extension of Monetary Collateral Request form, and attaching any necessary supporting documentation

If the rental achievement agreement includes an earn-out expiration date, the Servicer must monitor the earn-out expiration date, and must contact Freddie Mac, via email at least 30 days prior to the earn-out expiration date, providing the Servicer's discussion of the Property's performance in relation to the performance standard. In the email, the Servicer

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must advise Freddie Mac whether:

- The Servicer expects the Property to meet the performance standard prior to the earn-out expiration date,
- The Borrower or Guarantor is likely to request an extension of the earn-out expiration date, and
- The Servicer recommends any action by Freddie Mac.

b. Extension of earn-out expiration date (09/18/14)

If the Borrower or Guarantor requests an extension of the earn-out expiration date, the Servicer must advise the Borrower or Guarantor in writing that Freddie Mac is under no obligation to consider or agree to such a request. If Freddie Mac does agree to an extension, it may charge a fee as set forth in Exhibit 10.

The Servicer must submit any request for an extension of the earn-out expiration date to Freddie Mac electronically. The request must include all of the following:

- A determination of the performance of the Property with respect to the applicable performance standard
- The Servicer's assessment of the likelihood that the Property will meet the performance standard within the extended time requested
- An explanation from the Borrower or Guarantor of the reasons that the Property will not meet the performance standard by the earn-out expiration date
- The Servicer's recommendation regarding the extension request

c. Servicer's notice to Freddie Mac following approved addition, release, reduction or substitution of the Reserve or letter of credit (10/31/12)

If Freddie Mac approves the addition, release or reduction of the Reserve or letter of credit, or a substitution of collateral, then the Servicer must notify Freddie Mac by email within one Business Day after the completion of the addition, release, reduction or substitution. The Servicer must electronically deliver to Freddie Mac any background documentation regarding the addition, release, reduction or substitution.

d. Failure of Property to meet performance standard; application of collateral (10/31/12)

If the earn-out expiration date passes and the Borrower or Guarantor, as applicable, has not demonstrated that the Property has met the performance standard specified in the rental achievement agreement, then

- Freddie Mac may elect to apply the Reserve or the proceeds of the letter of credit to reduce the outstanding principal balance due under the Note, or to make a claim against the Guarantor, as applicable. If Freddie Mac determines to take such action, it will advise the Servicer in writing and direct the Servicer to take the action necessary to implement

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Freddie Mac's decision.

- Unless and until Freddie Mac elects to take any action described above, the Servicer must maintain the Reserve or letter of credit, as applicable, and any guaranty will remain in place.

e. Prohibited actions by the Servicer (10/31/12)

Without Freddie Mac's written approval, the Servicer may not:

- Take any action to reduce the amount of or release the Rental Achievement Reserve or letter of credit
- Extend any earn-out expiration date specified in the applicable agreement
- Exercise any of Freddie Mac's rights or remedies or disburse or otherwise apply any Reserve or letter of credit proceeds
- Otherwise amend the terms of the applicable agreement

39.8 Special Purpose Reserve Servicing (10/14/16)

If the Loan Agreement for a Mortgage requires a Special Purpose Reserve, the Servicer must require the Borrower to establish the Reserve within the time and in the amount specified by Freddie Mac.

a. Monitoring of Property performance; requests for release or reduction of Reserve funds (10/14/16)

The Servicer must monitor the performance of the Property under the terms of the Loan Agreement relative to the Special Purpose Reserve. If the Borrower submits a request for release of the Reserve, the Servicer must

- Collect all data required to analyze the request under the terms of the Loan Agreement
- Review and analyze the data
- Submit the data and the Servicer's written recommendation with respect to the request to Freddie Mac electronically, using the Release/Extension of Monetary Collateral Request form, and attaching any necessary supporting documentation

b. Extension of termination date (10/14/16)

If the Borrower requests an extension of the termination date for the Special Purpose Reserve, the Servicer must advise the Borrower in writing that Freddie Mac is under no obligation to consider or agree to such a request.

The Servicer must submit any request for an extension of the termination date to Freddie Mac electronically. The request must include all of the following:

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- A determination of the performance of the Property with respect to the applicable performance standard
- The Servicer's assessment of the likelihood that the Property will meet the performance standard within the extended time requested
- An explanation from the Borrower of the reasons that the Property will not meet the performance standard by the termination date
- The Servicer's recommendation regarding the extension request

c. Servicer's notice to Freddie Mac following approved addition, release, reduction or substitution of the Reserve or letter of credit (10/14/16)

If Freddie Mac approves the addition, release or reduction of the Reserve, then the Servicer must notify Freddie Mac by email within one Business Day after the completion of the addition, release, or reduction. The Servicer must electronically deliver to Freddie Mac any background documentation regarding the addition, release, or reduction.

d. Failure of Property to meet performance standard; application of collateral (10/14/16)

If the termination date passes and the Borrower has not demonstrated that the Property has met the performance standard specified in the Loan Agreement for the release of the Special Purpose Reserve, then

- Unless prohibited by the Loan Agreement, Freddie Mac may elect to apply the Reserve to reduce the outstanding principal balance due under the Note. If Freddie Mac determines to take such action, it will advise the Servicer in writing and direct the Servicer to take the action necessary to implement Freddie Mac's decision.
- Unless and until Freddie Mac elects to take the action described above, the Servicer must maintain the Reserve.

e. Prohibited actions by the Servicer (10/14/16)

Without Freddie Mac's written approval, the Servicer may not:

- Take any action to reduce the amount of or release the Special Purpose Reserve
- Extend any termination date specified in the applicable agreement
- Exercise any of Freddie Mac's rights or remedies or disburse or otherwise apply any Reserve
- Otherwise amend the terms of the applicable agreement

39.9 Servicing Moderate Rehabilitation (Mod Rehab) Mortgages (12/15/22)

Capitalized terms used but not defined in this section have the meanings given to them in Section 17.4(a).

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During the Interim Phase of a Mod Rehab Mortgage the Servicer disburses funds periodically at the request of the Borrower to reimburse renovation expenses; this disbursement is subject to holdbacks as identified in the Disbursement Agreement. The Servicer must disburse draws only upon receipt of documentation sufficient to indicate that the renovation work has been properly completed. A general overview of the draw process is as follows:

- To initiate the disbursement of funds, the Borrower submits a Disbursement Request to the Servicer.
- The Servicer requests that the Architectural Consultant inspect the Property.
- Based on the Architectural Consultant's inspection, the Servicer's review of the Borrower's Disbursement Request, and confirmation that the Mortgage meets the performance metrics as identified in the Disbursement Agreement, the Servicer sends a Disbursement Certification to Freddie Mac.
- Upon receipt of the funds from Freddie Mac, the Servicer forwards the funds to the Borrower.
- The Servicer submits the completed draw package described below to Freddie Mac within five Business Days after the Servicer submits the Disbursement Certification.

The Servicer may not submit a subsequent Disbursement Certificate or draw package to Freddie Mac unless Freddie Mac has approved the previous draw package.

The Borrower's responsibilities are found in the Disbursement Agreement and the Servicer's responsibilities are found in the Disbursement Servicing Agreement, each of which is executed at loan origination.

a. Servicer responsibilities (12/15/22)

As more fully detailed in the Disbursement Servicing Agreement, the Servicer must:

1. Evaluate each Disbursement Request from the Borrower (which consists of fully executed AIA Forms G702 and G703, or their equivalent) to confirm that work was adequately completed and properly represented by the request
2. Review construction monitoring reports for accuracy, completeness and compliance with Section 63.4
3. Review all change orders to ensure that revisions do not impact the scope or quality of renovations and to ensure that sufficient funds remain to complete the project
4. Confirm that the Property has met any performance metric requirement set forth in the Disbursement Servicing Agreement, typically related to net rental income
5. Submit a Disbursement Certification (the form of which is attached as an exhibit to the Disbursement Servicing Agreement) to ~~mfla@FreddieMac.com~~mfla@freddiemac.com and ~~MF_PhysicalRisk@FreddieMac.com~~MF_PhysicalRisk@freddiemac.com upon

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verification of the request

6. Within five Business Days after submitting the Disbursement Certification, submit the completed draw package to ~~MF_PhysicalRisk@FreddieMac.com.~~MF_PhysicalRisk@freddiemac.com. The draw package must include the following:

   - A cover letter that summarizes
     - Disbursement Request (including AIA Forms G702/G703 or their equivalent)
     - Budget status
     - Renovation progress
     - Construction monitoring report
     - Status of the performance metric(s)
   - Copy of the Disbursement Certification
   - Title update
   - Construction monitoring report meeting the requirements of Section 63.4
   - Current rent roll

7. Promptly upon receipt of the disbursement funds from Freddie Mac, and no more than 10 Business Days after receipt of the Disbursement Request, make the requested disbursement to the Borrower

b. Draw calculation (05/05/17)

Projects are generally subject to a funding source split between Freddie Mac and Borrower equity. Additionally, the full portion of each draw funded by Freddie Mac is subject to a retainage. The amounts of the Freddie Mac/Borrower equity split, and retainage are detailed in the Disbursement Agreement. The amount shown in the Disbursement Certification must reflect the amount owed to the Borrower, net of the equity portion and the retainage.

Sample Draw Calculation

- The Borrower submits a Disbursement Request in the amount of $1,300,000
- The Servicer confirms that the amount requested is appropriate and submits the Disbursement Certification to Freddie Mac. The amount submitted to Freddie Mac is the amount requested in the Disbursement Request less the Borrower's equity share of 20 percent and the retainage amount of five percent:
  - Borrower equity is subtracted first: $1,300,000 less (1,300,000 * 0.20) = 1,040,000

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- Retainage of five percent is then subtracted: $1,040,000 less (1,040,000 * 0.05) = $988,000

- The Servicer's Disbursement Certification requests the net amount of $988,000 for funding by Freddie Mac

c. Release of retainage and holdback amounts (05/05/17)

Upon substantial completion of the renovation project and Borrower submission to the Servicer of the documentation outlined in the Disbursement Agreement, Freddie Mac will release to the Servicer the retainage amount, less a $250,000 holdback.

Upon final completion of the renovation project, including completion of all remaining punch list items, and Borrower submission to the Servicer of final documentation outlined in the Disbursement Agreement, Freddie Mac will release to the Servicer the final $250,000 holdback balance.

39.10 Servicing a Mortgage with a Green Up® or a Green Up Plus® loan option (02/28/19)

Capitalized terms used but not defined in this section have the meanings given to them in the Glossary.

Green Improvements are treated as repairs. Funds earmarked for Green Improvements are included in the Repair Reserve, and the requirements of Sections 39.1 and 39.3 apply. The Servicer must monitor and report on Green Improvements in accordance with the requirements of Section 39.4.

a. Benchmarking Metrics (02/28/19)

1. As a requirement for a Green Up® or Green Up Plus® loan option, the Benchmarking Data Consultant must collect, input and monitor the energy and water usage for the Property in Portfolio Manager®, the online tool located on the ENERGY STAR® website of the EPA, to provide Benchmarking Metrics to Freddie Mac.

2. The Borrower, through the Benchmarking Data Consultant, will be required under the Loan Documents to provide Benchmarking Metrics generated through Portfolio Manager for the Property. The Benchmarking Metrics include:

   - ENERGY STAR® Score
   - Energy Use Intensity
   - EPA 1-100 Water Score
   - Water Use Intensity

3. Freddie Mac will monitor submission of the Benchmarking Metrics through Portfolio Manager and will notify the Servicer of any metrics not received by the date specified in the Loan Agreement. The Servicer must then contact the Borrower and request that the

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Borrower, through the Benchmarking Data Consultant submit the required Benchmarking Metrics.

4. The benchmarking process is as follows:

   - The Borrower sets up an account in Portfolio Manager
   - The Servicer assists the Borrower in gaining access to the information to be inputted for the Property by the Green Consultant in Portfolio Manager
   - The Benchmarking Data Consultant inputs on-going Property consumption data into Portfolio Manager
   - The Borrower, through the Benchmarking Data Consultant, submits the annual Benchmarking Metrics to Freddie Mac via Portfolio Manager

5. The responsibilities of the Borrower, Benchmarking Data Consultant and the Servicer, with respect to the on-going benchmarking process, are found in the Green Improvements Rider attached to the Loan Agreement.

b. Borrower, Green Consultant and Benchmarking Data Consultant Access to Portfolio Manager (02/28/19)

1. In accordance with Section 65.2, the Green Consultant must input historical Property energy and water consumption information into Portfolio Manager. To enable the Borrower to gain access to the Property information in ENERGY STAR® Portfolio Manager®, the Servicer must:

   - Ensure the Borrower has a Portfolio Manager account
   - Provide the Borrower's Portfolio Manager user name, email and the name of the Property to the Green Consultant

   The Green Consultant must send a connection request to the Borrower through Portfolio Manager. Once the Borrower accepts the connection request, the Green Consultant will share the Property information with the Borrower.

2. The Borrower will be responsible for ensuring the Benchmarking Data Consultant has access to the Property information in Portfolio Manager to begin inputting energy and water consumption usage in accordance with the ~~timeframes~~time frames provided in the Loan Agreement.

3. Prior to the Origination Date, the Seller/Servicer must follow up with:

   - The Borrower and the Green Consultant to ensure that the Borrower has access to the Property information which has been inputted by the Green Consultant in Portfolio Manager and

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- The Borrower to confirm that the Benchmarking Data Consultant has been given access to the Property information in Portfolio Manager and is able to input energy and water consumption usage

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40.1 General information regarding assessments and other post-purchase reporting (~~10/19/23~~07/01/25)
- a. General information regarding assessments (10/19/23)
- b. Additional Seller/Servicer post-purchase reporting for Mortgages purchased for Securitization (03/03/17)
- c. Additional reporting requirements for Special Product Type Mortgages including SBL ~~Mortgages (03/03/17~~, portfolio loans backing Participation Certificates ("PCs") and other loans warranting additional monitoring (07/01/25)

40.2 Types of assessments and timing of assessments (10/17/24)
- a. Types of assessments (10/19/23)
- b. Conditions requiring an assessment and timing of assessments (10/17/24)
- c. Requesting an adjustment of the Annual Financial due date (04/30/19)
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40.3 Completing and submitting the Annual Financial (04/27/18)
- a. Source documents for the Annual Financial (03/03/17)
- b. Completing the Annual Financial (04/27/18)
- c. Submitting the Annual Financial (04/27/18)

40.4 Completing and submitting the Quarterly Financial (04/27/18)
- a. Source documents for the Quarterly Financial (03/03/17)
- b. Completing the Quarterly Financial (04/27/18)
- c. Submitting the Quarterly Financial (12/14/17)

40.5 Completing and submitting the Mid-Year Rent Schedule (04/27/18)
- a. Source documents for the Mid-Year Rent Schedule (04/27/18)
- b. Submitting the Mid-Year Rent Schedule (04/27/18)

40.6 Completing and submitting the Loan Management Form (LMF) (10/19/23)
- a. Evaluating the Mortgage and determining whether an LMF is required (10/19/23)
- b. Completing and submitting the LMF (04/30/15)
- c. Timing of submission of the LMF (10/19/23)

40.7 Conducting the inspection of the Property (~~10/17/24~~07/01/25)
- a. Unit inspection requirements and minimum number of units to inspect (10/17/24)
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- d. Assessing the physical condition of the Property and any risk issues (~~10/17/24~~07/01/25)
- e. Assessing moisture or Mold issues during the inspection (02/28/19)
- f. Assessing the property management company (12/12/14)
- g. Assessing the neighborhood, adjoining land uses and any changes to submarkets impacting the occupancy or performance of the Property (12/12/14)

40.8 Timing of the property inspection and the inspection report (10/19/23)

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40.9 Completing and submitting the inspection; retention of inspection documentation (04/27/18)

40.10 Late, incomplete or unacceptable assessments; penalties and enforcement (06/13/24)

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40.12 Freddie Mac's rights (12/12/14)

40.13 Inspector requirements (10/19/23)
- a. General inspector requirements for all Mortgages (06/25/20)
- b. Specific inspector requirements (10/19/23)
- c. Waiver of inspector requirements (03/03/17)
- d. Guidance for a quality control program for staff inspectors (12/12/14)
- e. Servicer conflicts of interest and required independent inspections (06/25/20)

40.14 Third-party fee inspector company requirements (~~06~~07/01/25~~/20~~)
- a. Restrictions on the use of a third-party fee inspector company (~~06~~07/01/25~~/20~~)
- b. FIC acceptability (05/31/12)

40.15 Additional ~~Seller/Servicer reporting~~financial statement and rent roll submission requirements for Seller/Servicers for non-SBL Mortgages ~~prior to Securitization (04/30/19~~(07/01/25)

40.16 Reporting for Special Product Type Mortgages (~~04/14/22~~07/01/25)
- a. SBL Mortgages (03/03/17)
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- c. Mortgages secured by Properties deemed unstabilized by Freddie Mac (06/27/19)
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- e. MHC Mortgages with MHC Tenant Protections (04/14/22)
- f. Portfolio loans, including but not limited to loans backing Participation Certificates (PCs) (07/01/25)

40.17 Mortgages with Rent Restrictions Rider to the Loan Agreement – reporting requirements (04/13/23)

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40.1 General information regarding assessments and other post-purchase reporting (~~10/19/23~~07/01/25)

a. General information regarding assessments (10/19/23)

Freddie Mac requires the Servicer to perform periodic assessments of each Property to assist Freddie Mac in preventing Mortgage defaults and losses through the early detection and resolution of concerns about a Mortgage.

The Servicer must complete the assessment in a sufficiently detailed manner to provide a framework for Freddie Mac to monitor the performance of the Mortgage. The Servicer must complete all sections of each assessment using the best information available. If the Servicer is unable to accurately complete any section or obtain any required document, the Servicer must provide a satisfactory explanation for the incomplete section or missing document with the assessment submission.

To accomplish competently the objectives of each assessment, the Servicer must employ experienced and trained personnel. Minimum training and experience requirements for all inspectors are set forth in Section 40.13. Section 40.14 sets forth training and experience requirements for the employees and contractors of a fee inspector company (FIC). The Servicer is responsible for the completed assessment submission regardless of who performed the inspection and will be held responsible for material mistakes, misrepresentations or omissions in the assessment submission as outlined in Section 40.10.

b. Additional Seller/Servicer post-purchase reporting for Mortgages purchased for Securitization (03/03/17)

For Mortgages purchased for Securitization, the Seller/Servicer must provide additional reporting prior to Securitization. These requirements are outlined in Section 40.15.

~~a.~~c. Additional reporting requirements for Special Product Type Mortgages including SBL ~~Mortgages (03/03/17~~, portfolio loans backing Participation Certificates ("PCs") and other loans warranting additional monitoring (07/01/25)

Special Product Type Mortgages, including SBL Mortgages, portfolio loans, including but not limited to loans backing PCs, have additional or different reporting requirements, as outlined in Section 40.16. Except as provided in Section 40.16, Special Product Type Mortgages are subject to all of the requirements of this chapter.

40.2 Types of assessments and timing of assessments (10/17/24)

a. Types of assessments (10/19/23)

During any period in which Freddie Mac holds a Mortgage, Freddie Mac requires the following:

1. The Annual Financial is a year-end operating statement analysis in which the Servicer reviews the Property's financial condition for the most recent calendar year to identify any risks associated with the Property's financial performance. The Annual Financial includes an analysis of the Property's financial condition, the historical performance of the Mortgage and

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other pertinent data related to the Mortgage. Section 40.2(b) describes the use and timing of the Annual Financial submissions:

- A-CREFC-MF prepared for multifamily loans in accordance with the Commercial Real Estate Financial Council Investor Reporting Package (CREFC IRP)

- A-CREFC-HC prepared for multifamily healthcare/Seniors Housing loans in accordance with the CREFC IRP

Annual Financial interest rate cap/derivative income and expense reporting for Floating-Rate Mortgages: Notwithstanding anything to the contrary contained in the CREFC IRP, any payments (income) received pursuant to interest rate caps or other derivatives must be excluded from "other income." Any expenses related to replacement interest rate caps or other derivatives must be excluded from "other expenses." Accordingly, the reported debt service must reflect the sum of uncapped interest, principal and replacement rate cap escrow amounts less any income received from interest rate caps or other derivatives.

2. The Quarterly Financial is a quarterly submission in which the Servicer reviews the Property's financial condition for the most recent quarter to identify any risks associated with the Property's financial performance. Section 40.2(b) describes the use and the timing of the Q-CREFC submissions; Section 40.16 provides additional Quarterly Financial instructions for Special Project Type Mortgages.

   - Q-CREFC-MF prepared for multifamily loans in accordance with the CREFC IRP

   - Q-CREFC-HC prepared for multifamily healthcare/Seniors Housing loans in accordance with the CREFC IRP

   Quarterly Financial interest rate cap/derivative income and expense reporting for Floating-Rate Mortgages: Same as Annual Financial reporting. See final paragraph of Section 40.2(a)(1) above.

3. A Mid-Year Rent Schedule is required for any SBL Mortgage originated on a Loan Agreement with a revision date on or after 11/08/2016. For the purposes of this Chapter 40, the Mid-Year Rent Schedule consists of a rent roll dated within five calendar days of the end of the second calendar quarter (or the end of the second quarter of the Borrower's fiscal year if the Borrower has adopted fiscal year financial reporting).

   The Servicer must submit the Mid-Year Rent Schedule and the following three data elements via the Property Reporting System (PRS) by August 31 of each year:

   - The effective date of the rent schedule date

   - The physical occupancy percentage

   - The total actual rent for each loan in PRS (total actual rent received for occupied units; no income should be counted for vacant units).

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4. The Loan Management Form (LMF) is an analysis of the Borrower's compliance with the Loan Documents intended to highlight any potential problems associated with the Borrower or the loan.

   Beginning with 2024 submissions, Freddie Mac will automatically add LMFs for every portfolio loan in PRS with a due date of 12/31 of that year. If at any time during the year the Servicer is made aware of any condition that merits reporting per Section 40.6(a), the Servicer must complete the LMF assessment and submit it via PRS. If there is a subsequent event that requires notification per Section 40.6(a), the Servicer must provide notification of the subsequent event by sending an email to MF_Surveillance@freddiemac.com. Each December, the Servicer must evaluate all loans that have an LMF with a "Due" status and submit the remaining LMFs for their portfolio(s). The Servicer may use the bulk LMF assessment submission for multiple submissions.

5. For purposes of this chapter only, rent roll shall mean a document certified by the Borrower that contains the following key data points:

   a. Tenant name

   b. Unit number or some other physical identification point

   c. Contract rent

   d. Lease start date

   e. Lease end date

   f. Commercial units, where applicable

   g. Market rent (required for vacant units, as available for occupied units)

   h. Subsidy amount (if any), as available

   i. Past due balance (if any), as available

   j. Additional fees or charges (i.e., pet, utilities, etc.), as available

   k. Unit type, name or description, as available

   l. Unit size, as available

6. The property inspection report is prepared after the physical inspection of the Property and documents the condition of the Property. When used in this chapter, the term "property inspection report" refers to either:

   - The Annual Inspection Form (AIF), which applies during any period in which Freddie Mac holds the Mortgage, or

   - The MBA Property Inspection Form, for securitized loans.

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The AIF uses the same format as the MBA Property Inspection Form, but the Servicer must submit it to Freddie Mac via the Property Reporting System (PRS).

For all types of assessments, the Servicer must use the appropriate version of the form to complete the assessment. In completing the assessment, the Servicer must provide information addressing all of the issues set forth in this chapter. For any assessment issue that does not have a corresponding field in the applicable form, the Servicer must provide a response in the comments section of the form. All assessments must be submitted to Freddie Mac via the Property Reporting System (PRS). If a Servicer discovers that an assessment has not been submitted as required by the chart below, the Servicer must contact Freddie Mac at MF_Asset_Perf@freddiemac.com with details about the loan and assessment.

b. Conditions requiring an assessment and timing of assessments (10/17/24)

Beginning with the Quarterly Financial Submissions for second quarter 2017, the QIE assessment format will no longer be in use. The Q-CREFC-MF or Q-CREFC-HC, as applicable, will be required.

Beginning with the 2018 Annual Financial Submissions, the AIE assessment format will no longer be used. The A-CREFC-MF or A-CREFC-HC, as applicable, will be required.

Assessment Type	Conditions requiring an assessment	Timing of the Assessment
A-CREFC-MF or A-CREFC-HC, as applicable	A Mortgage with a UPB > $250,000	• March 31 – a Mortgage with a Risk Rating > 6, or a Special Product Type Mortgage specified in Section 40.16, except SBL Mortgages • May 31 – all other Mortgages, including SBL Mortgages
Q-CREFC-MF or Q-CREFC-HC, as applicable, Non-SBL Mortgages	• A Mortgage with a UPB > $250,000 • A Mortgage with an Origination Date on or after 01/01/2003	• May 31 (first quarter) – ○ A Special Product Type Mortgage specified in Section 40.16, except SBL Mortgages ○ A Mortgage with a Risk Rating > 6 • August 31 (second quarter) • November 30 (third quarter)

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Assessment Type	Conditions requiring an assessment	Timing of the Assessment
Q-CREFC-MF or Q-CREFC-HC, as applicable, SBL Mortgages	A Mortgage with a Risk Rating > 6 as of the applicable quarter-end	• May 31 (first quarter) • August 31 (second quarter) • November 30 (third quarter)
Mid-Year Rent Schedule – SBL Mortgages	An SBL Mortgage originated on a Loan Agreement form with a revision date on or after 11/08/2016	Within five calendar days of the end of the Borrower's second calendar quarter (or the end of the second quarter of the Borrower's fiscal year), Unless otherwise notified by Freddie Mac, August 31. See Section 40.2(a)(3).
LMF Applicable during any period in which Freddie Mac holds the Mortgage	• A Mortgage with a UPB > $1 million, or • A Mortgage with a Risk Rating > 6, or • A Mortgage held by Freddie Mac and subordinate to a securitized loan, or • A Mortgage where the Servicer has specific concerns regarding the Borrower's compliance with the original Loan Documents	• See Section 40.6(c).
Property inspection report – Non-SBL Mortgages	A Mortgage with a UPB ≤ $2 million	The calendar quarter end of the biennial anniversary of the Origination Date. Unless otherwise notified by Freddie Mac: • March 31, • June 30, • September 30, or • December 31

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Assessment Type	Conditions requiring an assessment	Timing of the Assessment
	• A Mortgage with a UPB > $2 million, or • A Mortgage with a Risk Rating > 6, or • A Mortgage held by Freddie Mac and subordinate to a securitized loan	The calendar quarter end of the annual anniversary of the Origination Date. Unless otherwise notified by Freddie Mac: • March 31, • June 30, • September 30, or • December 31 For a Mortgage with a Transfer of Ownership or subordinate financing, a property inspection report is due at the time of the transfer or subordinate financing. For a Mortgage with a tax lien, a property inspection report is due when the tax lien is filed.
Property inspection report – Moderate Rehabilitation (Mod Rehab) Mortgages	Mod Rehab Mortgage	The calendar quarter end of the anniversary of the date of the post-construction analysis report. Unless otherwise notified by Freddie Mac: • March 31, • June 30, • September 30, or • December 31

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Assessment Type	Conditions requiring an assessment	Timing of the Assessment
Property inspection report – SBL Mortgages	A Mortgage with a Risk Rating ≤ 6	First report will be due the calendar quarter end of the annual anniversary of the Origination Date. Unless otherwise notified by Freddie Mac: • March 31, • June 30, • September 30, or • December 31 Thereafter, report will be due the calendar quarter end on the biennial anniversary of the Origination Date, unless otherwise notified by Freddie Mac
	A Mortgage with a Risk Rating > 6	The calendar quarter end of the annual anniversary of the Origination Date. Unless otherwise notified by Freddie Mac: • March 31, • June 30, • September 30, or • December 31

Notes to above table:

- Annual inspections may be required on SBL Mortgages if the Property has an outstanding hazard loss, or if the prior year inspection resulted in property condition issues for which the Borrower hasn't provided updates in a timely manner.

- Subject to Section 40.12, Freddie Mac will not require a Servicer to prepare a Quarterly Financial for a Mortgage secured by a Property owned by a Cooperative.

- When submitting assessments for a Property owned by a Cooperative using the A-CREFC assessment format, the Servicer must complete the Excel® Co-op Assessment Supplemental Form and submit it via PRS. The form can be found under the PRS Assessment: CREFC heading on the *Multifamily Asset Management* page of mf.freddiemac.com.

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- When submitting assessments for a Property securing a Bond Credit Enhancement Mortgage using the A-CREFC assessment format, the Servicer must complete the Excel® Bond ADS Supplemental Form and submit it via PRS (the Bond ADS Supplemental Form is not required for quarterly submissions). The form can be found under the PRS Assessment: CREFC heading on the *Multifamily Asset Management* page of mf.freddiemac.com.

Due dates for the submission of any assessment type may be otherwise specified in the Letter of Commitment, any Servicing Agreement, or by other written communication from Freddie Mac.

For any assessment submitted via PRS in connection with a securitized Mortgage for which Freddie Mac is the master servicer, the due date will be the earlier of the date specified in the applicable sub-servicing agreement or the date set forth in the above table.

For Mortgages with a Transfer of Ownership, subordinate financing, or a tax lien filing, an LMF and a property inspection report are not required if the Servicer has submitted an LMF and a property inspection report within the previous 180 days and the Servicer does not know of any material changes with respect to the condition of the Property or the Borrower's compliance with the Loan Documents.

c. Requesting an adjustment of the Annual Financial due date (04/30/19)

The Servicer may contact Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance* via PRS to request an adjustment of the Annual Financial due date if:

- The Borrower's fiscal year end would prevent the Servicer from submitting the Annual Financial by June 30 or other date required by Freddie Mac.

- The Mortgage was for the acquisition of the Property, and the purchase occurred so late in the preceding calendar year that the number of months of data available for review would prevent the Servicer from making a meaningful evaluation.

d. Reporting to senior Mortgage servicers (03/03/17)

If the Servicer is reporting Annual Financial or Quarterly Financial information to Freddie Mac with respect to a Supplemental Mortgage related to one or more securitized senior lien Mortgages, the Servicer is authorized to provide that same information to the Servicer(s) of the securitized senior Mortgage(s).

40.3 Completing and submitting the Annual Financial (04/27/18)

This section applies during any period in which Freddie Mac holds a Mortgage.

a. Source documents for the Annual Financial (03/03/17)

The Servicer must conduct a review of the Property's income and expense statement to determine the Property's financial condition for the most recent calendar year and identify any risks associated with the Property's financial performance.

The Property's income and expense statement must be for the immediate preceding fiscal year. If the Borrower cannot provide an income and expense statement with 12 months of data, the

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Servicer may accept a partial-year statement from the Borrower. For non-SBL Mortgages, the assessment may be waived if less than six months of data is available from the Borrower. For SBL Mortgages, the assessment may be waived if less than three months of data is available from the Borrower.

The rent roll must be no older than six months prior to the Annual Financial submission date.

b. Completing the Annual Financial (04/27/18)

Prior to submission of the Annual Financial, the Servicer must enter all Property income and expense items into the appropriate fields on the template. Generally the Servicer must enter income details that correspond with the level of detail contained in the Property's income and expense statement. For detailed instructions on completing the A-CREFC templates, see the PRS CREFC Individual Desk Reference, which can be found at mf.freddiemac.com, or any other such documentation as Freddie Mac may provide.

c. Submitting the Annual Financial (04/27/18)

The Servicer must submit all of the following components of the Annual Financial via PRS in order for Freddie Mac to deem the submission of the Annual Financial to be complete:

1. The completed A-CREFC template

   The Servicer must provide additional reporting for Seniors Housing Mortgages, Bond Credit Enhancement Mortgages, Mortgages secured by Cooperative (Co-op) Properties and Properties currently deemed unstabilized by Freddie Mac in PRS along with the assessment. All of these additional reporting templates can be found at mf.freddiemac.com/lenders/asset.

2. Annual statement of income and expense for the Property for the most recent fiscal year, certified by the Borrower (the signature of the Borrower is sufficient)

3. Current rent roll, identifying commercial units where applicable, certified by the Borrower

For the purposes of the Annual Financial, a rent roll is considered to be current if it is dated no more than six months prior to the original due date. For example, if the Annual Financial due date is June 1, the rent roll is considered current if dated on or after December 1 of the prior year.

40.4 Completing and submitting the Quarterly Financial (04/27/18)

This section applies during any period in which Freddie Mac holds a Mortgage.

a. Source documents for the Quarterly Financial (03/03/17)

To complete a Quarterly Financial, the Servicer must conduct a review of the Property's financial condition for the most recent fiscal year to quarter end, as requested, and identify any risks associated with the Property's financial performance.

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b. Completing the Quarterly Financial (04/27/18)

Generally, the Servicer must enter income details that correspond with the level of detail contained in the Property's income and expense statement when completing the applicable Q-CREFC template.

For detailed instructions on completing the Q-CREFC templates, see the PRS CREFC Individual Desk Reference, which can be found at mf.freddiemac.com, or any other such documentation as Freddie Mac may provide.

c. Submitting the Quarterly Financial (12/14/17)

The Servicer must submit the following components of the Quarterly Financial in order for Freddie Mac to deem the submission of the Quarterly Financial to be complete:

- The completed template
- For a Mortgage with a Freddie Mac Funding Date
    - Prior to March 1, 2014, a year-to-date or trailing 12-month, quarter-ending property financial statement certified by the Borrower (the signature of the Borrower is sufficient)
    - On or after March 1, 2014, a trailing 12-month property financial statement certified by the Borrower (the signature of the Borrower is sufficient)
- The current rent roll, identifying commercial units where applicable, certified by the Borrower (the signature of the Borrower is sufficient)

For the purposes of the Quarterly Financial, a rent roll is considered to be current if it is dated no more than two months prior to the original due date. For example, if the Quarterly Financial due date is August 31, the rent roll is considered current if dated on or after June 30.

The Servicer must submit the second and third quarter reporting through PRS. Additional quarterly reporting requirements for Special Product Type Mortgages are found in Section 40.16.

40.5 Completing and submitting the Mid-Year Rent Schedule (04/27/18)

This section applies to any SBL Mortgage originated on a Loan Agreement form with a revision date on or after 11/08/2016.

a. Source documents for the Mid-Year Rent Schedule (04/27/18)

The Servicer must receive and review a rent roll for the Property (statement of rents), identifying any commercial units (as applicable), to determine current physical occupancy.

b. Submitting the Mid-Year Rent Schedule (04/27/18)

The Servicer must submit the Mid-Year Rent Schedule dated within five calendar days of the end of the Borrower's second calendar quarter (or the end of the second quarter of the Borrower's

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fiscal year) to PRS by August 31 annually. To deem the submission complete, the Servicer must also enter, via PRS, the following data elements:

- Effective date of the Rent Schedule
- Physical occupancy rate
- Total actual rent

40.6 Completing and submitting the Loan Management Form (LMF) (10/19/23)

This section applies during any period in which Freddie Mac holds a Mortgage.

a. Evaluating the Mortgage and determining when an LMF is required (10/19/23)

To determine when submission of an LMF is necessary, the Servicer must evaluate the Borrower's compliance with Loan Documents, including whether any of the following conditions exist:

1. The Borrower or Property is in non-monetary default with respect to the Loan Documents.
2. There is unauthorized rehabilitation or construction underway at the Property.
3. The Borrower or Borrower Principal is the subject of a bankruptcy or insolvency proceeding.
4. There are problems or issues associated with any Reserve (*e.g., Reserve payments have not been made when due, Reserve is insufficient, etc.).*
5. The Servicer cannot certify that the UCC filings are current.

b. Completing and submitting the LMF (04/30/15)

To complete an LMF, the Servicer must enter the Borrower's compliance information into the appropriate fields on the LMF. For detailed instructions on completing the form, see the PRS Loan Management Form (LMF) Desk Reference, which can be found at mf.freddiemac.com, or other such documentation that Freddie Mac may provide.

The Servicer must upload the completed LMF to PRS in order for Freddie Mac to deem the submission of the LMF to be complete.

c. Timing of submission of the LMF (10/19/23)

Servicers must submit the LMF within 10 Business Days of determining that any of the conditions in Section 40.6(a) above have occurred regardless of the due date in PRS. If not submitted earlier in the year, the LMF must be submitted annually on or before December 31st via PRS. See also Section 40.2(b).

40.7 Conducting the inspection of the Property (~~10/17/24~~07/01/25)

For the purposes of this chapter, any Repair Agreement, Repair Escrow Agreement, Repair Agreement with LOC, Repair and Escrow Agreement, Loan Agreement or Loan Agreement Rider

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relating to repairs or other agreement involving repairs or improvements to the Property will be referred to as a "Repair Agreement."

The Servicer must conduct a property inspection and complete and submit the applicable property inspection report.

The AIF uses the same format as the MBA Property Inspection Form.

The Servicer must perform a comprehensive property inspection, including:

- An evaluation of property management, including specifics regarding the property manager's tenure at the Property, on-site staffing levels, and adequacy of management's response to any changing trends in market occupancy and rental rates

- The current condition of the Property and any trends, including the condition of the site features, building exteriors, interior common spaces, amenities, building systems, vacant and Down Units, and the number of rent-ready vacant units

- Providing specificity for any declining conditions around the ~~property~~Property, such as excessive properties for sale in immediate areas, multiple dark buildings, or excessive vacancies. Also note, any specific ingress or egress issues at the Property and any changes to adjoining land uses or major thoroughfares impacting the Property

- Any early warning signs of risk, including evidence of any Life Safety Hazards, significant Deferred Maintenance, especially if related to moisture or Mold issues; environmental issues such as lead-based paint; incomplete Operational Repairs; Repair Agreement compliance; evidence of crime or vandalism; or failure to comply with local laws

The Servicer must request copies of any violations or other notices received regarding compliance with local laws. In addition, the Servicer must request information from the property manager regarding any property condition concerns to enable the Servicer to understand the cause of any problem and the Borrower's plans to remedy the situation.

a. Unit inspection requirements and minimum number of units to inspect (10/17/24)

The units inspected must be randomly selected by the inspector, not by the property manager or the Borrower. The units inspected must also include a cross-section of unit types and locations, including the following:

- Each of the major unit types

- Units on different floors, including top floor and below-grade units, or grade-level units if there are no units below grade

- For Properties with numerous buildings, units in a sampling of various buildings across the Property

- Representative sample of occupied and vacant units

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Taking into account the cross-section of unit types and locations described above, the inspector must inspect at least the following number of units:

- Occupied and vacant units:
  - 5 percent of total occupied and vacant units, with a minimum of **five units** and a maximum of 15 units
  - For SBL Mortgages where the Property has a total of 50 units or less: 5 percent of total occupied and vacant units, with a minimum of **three units** and a maximum of 15 units
- Down Units: 100 percent (Note: If there is a significant number of Down Units due to large renovation project or hazard loss, inspector may choose to inspect a representative sampling of Down Units)
- Commercial space: 100 percent

The inspector must conduct additional occupied and vacant unit inspections, as needed, to determine whether any problems detected in units or specific buildings are restricted to the specific units/buildings or pervasive throughout the Property.

b. Requirements for photographs (10/14/16)

Photographs are essential to convey the condition of the Property. Freddie Mac's requirements for photographs are as follows:

1. The photographs must illustrate any emerging or existing risks, inform the viewer of the trend of the Property and show a representative sample of the Property materials and conditions.
2. The photographs must include views of
   - All Life Safety Hazards
   - Samples of each type of Deferred Maintenance, any Down Units and items requiring significant capital expenditure
   - Moisture~~/~~ or Mold issues or environmental concerns
   - Samples of interiors of typical unit types
   - Grounds (including parking lots, sidewalks, street views and signage)
   - Typical building exterior (including windows, balconies and exterior stairs)
   - Building systems (for example, boiler, roof and HVAC)
   - Amenities, interior common areas, clubhouse, maintenance shop and office, if applicable
   - Commercial space, if applicable

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- Significant repairs and capital improvements completed subsequent to the previous inspection (including, for SBL Mortgages, all Priority Repairs and PR-90 Repairs identified in the Form 1104, SBL Physical Risk Report)

3. Photographs must be compressed and added to the inspection submission. All photographs must include identifying captions.

c. Guidance for photographs (12/12/14)

Taking into account the above requirements, the size of the Property and the characteristics of the Property, the Servicer should submit 20 to 25 photographs with the inspection submission.

For Properties with fewer than 100 units, limited common areas and/or few amenities, fewer photographs may be sufficient to meet the requirements in Section 40.7(b). If the Servicer believes that fewer than 20 photographs are sufficient for a Property, the Servicer must provide a justification in the comment section of the inspection submission.

d. Assessing the physical condition of the Property and any risk issues (~~10/17/24~~07/01/25)

The Servicer must assess the physical condition of the Property and any risk issues as follows:

1. In evaluating the Property's physical condition, the Servicer must assess the current condition and trend of all major components of the Property. The Servicer must include in its assessment:

   - Incomplete items in any Repair Agreement,
   - Items in any Repair Agreement that were completed subsequent to the previous inspection,
   - Incomplete Operational Repair items,
   - Deferred Maintenance items,
   - Imminent Life Safety Hazards and Potential Life Safety Hazards, as defined in the Glossary,
   - Environmental issues and any moisture~~/~~ or Mold concerns,
   - Capital improvements that have been made subsequent to the last inspection and/or plans for future capital improvements at the Property,
   - Status of all Deferred Maintenance items from most recent prior inspection, and
   - Any concerns from the property manager regarding site and/or building components

2. The Servicer must estimate and report the cost to remediate any Deferred Maintenance, Life Safety Hazards, environmental issues and moisture or Mold issues. Sources for these cost estimates include:

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- Bids received by the property manager,
- Cost projections by the property manager, and
- The inspector's estimate based on experience or industry cost standards

3. If ~~the estimated sum for remediation~~any of ~~all Deferred Maintenance items is greater than $10,000, or if there are Life Safety Hazards, environmental issues or moisture or Mold~~the property related issues identified ~~during the property inspection~~below occur, the Servicer must ~~notify~~issue a notification to the Borrower within 30 days following the inspection of the need to undertake corrective action to address ~~the specific~~all identified ~~risk.~~risks and refer the Borrower to its obligations under the Loan Agreement. The foregoing notice must ~~distinguish~~detail all Imminent Life Safety Hazards ~~from~~and Potential Life Safety Hazards. ~~Imminent Life Safety Hazards pose the highest risk to tenants, (see~~The Servicer must confirm that the ~~Glossary).~~Borrower has received such notice.

- The ~~Servicer must confirm that the Borrower has received any notices regarding Deferred Maintenance. Additionally, if the~~ estimated sum for remediation of ~~the~~all Deferred Maintenance ~~or other identified issues~~items is greater than $~~25~~10,000 or ~~the Deferred Maintenance represents a~~10% of the UPB
- An Imminent or Potential Life Safety Hazard
- A significant deficiency affecting the structure or value~~,~~ of the Property (including moisture or ~~other identified issues represent an Imminent Life Safety Hazard for the~~Mold issues or environmental concerns), or that could reasonably affect the health or safety of tenants~~, then the Servicer must follow up~~
- The Property has had an unauthorized change in ~~a timely manner until such risks have been remediated or resolved. Quarterly reporting will be required to PRS Loan Item Tracking (LIT) for Properties~~property manager
- The Property has any unauthorized significant capital improvements or renovations that ~~have:~~are likely to or are already negatively impacting occupancy or cash flow
- ~~A~~The Property received an overall property condition rating of 4 or 5

4. The Servicer must promptly and, in any case, no later than 10 Business Days from submitting the AIF assessment into PRS, notify Freddie Mac via email at MF_Surveillance@freddiemac.com if any of the following property related issues occur and have not been previously reported to Freddie Mac:

- The Property has had an unauthorized change in property manager
- The Property has a significant deficiency affecting the structure or value of the Property (including moisture or Mold issues or environmental concerns), or that could reasonably affect the health or safety of tenants

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- The Property has any unauthorized significant capital improvements or renovations that are likely to or are already negatively impacting occupancy or cash flow

The Servicer must retain a copy of such notification for its records.

5. Monthly PRS Loan Item Tracking (LIT) reporting will be required for Properties that have:

- An estimated sum for remediation of all Deferred Maintenance ~~totaling more~~items greater than 10 ~~percent~~% of the UPB
- ~~An identified~~ Imminent Life Safety ~~issue, or~~ Hazards
- ~~A situation that may require additional monitoring (at the discretion of Freddie Mac)~~
- A significant deficiency affecting the structure or value of the Property (including moisture or Mold issues or environmental concerns), or that could reasonably affect the health or safety of tenants
- An overall property condition rating of 4 or 5
- ~~A~~n unauthorized change in property manager
- Any unauthorized significant capital improvements or renovations that are likely to or are already negatively impacting occupancy or cash flow
- A physical occupancy rate of less than 65%
- Greater than 10 percent (in the aggregate) of Down Units

Freddie Mac may require periodic reporting to PRS LIT for Properties that exhibit any area of concern regardless of whether such concern is included in the above list.

~~5. For an SBL Mortgage originated on a Loan Agreement form with a revision date on or after 11/02/2015 where the Servicer determines that any Priority Repair or PR-90 Repair on Form 1104, SBL Physical Risk Report, has not been completed, the Servicer must issue a notification to the Borrower documenting the outstanding Priority Repairs and PR-90 Repairs and refer Borrower to its obligation under the Loan Agreement to complete the identified repairs. The Servicer must work with the Borrower until each PR- 90 Repair consisting of an Imminent Life Safety Hazard is remediated or resolved. The Servicer must follow up on any outstanding Priority Repair items at the next scheduled inspection.~~

Freddie Mac will create LIT entries in PRS for the identified area of concern. The Servicer must work closely with the Borrower to provide appropriate and timely remediation plans or other documentation depending on the identified risk. The Servicer must update the LIT with such information no later than the Revisit or Due Date (as such terms are used in PRS LIT). Freddie Mac will require monthly PRS LIT reporting until it determines, in its sole discretion, that such frequency may be reduced or is no longer required.

6. For ~~that captures~~all loans:

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- Upon Freddie Mac's purchase of the Mortgage, Freddie Mac will create LIT entries in PRS that capture Priority Repairs and PR-90 Repairs identified ~~on the Form 1104, SBL Physical Risk Report~~ in the Loan Documents. Within 30 calendar days of deeming any Priority Repair item or PR-90 Repair item complete, the Servicer must go into PRS and update ~~the respective~~ LIT accordingly.

~~6. For all loans:~~

~~Any~~ Notwithstanding the above, for any item listed as a PR-90 Repair ~~that has not been completed must be classified as an Imminent Life Safety Hazard on the inspection.~~ or

- ~~Any~~ ~~item listed as a~~ Priority Repair that has not been completed ~~must be classified as a~~ at the time of the inspection, the Servicer must include the item as a Deferred Maintenance item on the inspection report and evaluate and detail whether the item constitutes an Imminent Life Safety Hazard or Potential Life Safety Hazard ~~on the inspection unless it is the cause of ongoing substantive damage~~. The Servicer must issue a notification to the ~~asset, in which case it must be classified as~~ Borrower documenting the outstanding Repair(s) and refer the Borrower to its obligation under the Loan Documents to complete the identified repairs. If the item is determined to be an Imminent Life Safety Hazard~~.~~

- ~~For loans~~ or Potential Life Safety Hazard, it should be identified as such in communications with ~~HUD involvement, the Servicer must obtain a copy of the latest HUD REAC (Real Estate Assessment Center) Inspection and review it as an additional data point to the current inspection. The Servicer must discuss any material differences with the Borrower. If there are items included in the REAC inspection that a Freddie Mac inspection did not identify, the Servicer must explain why such items were not addressed in the AIF comments. The Servicer must include information regarding the latest REAC inspection score and note any material differences between the two inspections within~~ the ~~General Comments section of the AIF assessment.~~ Borrower and on internal records.

~~8.~~7. ~~The Servicer must work closely with Freddie Mac in handling adverse matters.~~ If the Borrower does not fully remediate ~~the~~ identified adverse matters or provide an action plan acceptable to Lender within 30 days from the Servicer's notifications, the Servicer must issue a notice of default letter as soon as possible, and no later than 10 Business Days after ~~such Borrower inaction.~~the expiration of such initial 30 day cure period. The Servicer must use the Notice of Default and Reservation of Rights (Conventional) or the Notice of Default and Reservation of Rights (SBL) form.

Adverse matters include:

Any ~~The Servicer must evaluate such noncompliance, including the loan risk and proposed action. Within 10 Business Days, the Servicer must notify the Freddie Mac Surveillance team via email at MF_Surveillance@freddiemac.com to detail the Deferred Maintenance, potential risk and proposed action.~~

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- circumstance in which the Borrower is found to be out of compliance with the Loan Documents, including an unauthorized change in property manager or an unauthorized significant capital improvement or renovation project

- Imminent Life Safety Hazard

- A significant deficiency affecting the structure or value of the Property (including moisture or Mold issues or environmental concerns), or that could reasonably affect the health or safety of tenants

- Property received an overall property condition rating of 4 or 5

The Servicer must forward a copy of any reservation of rights letter and notice of default to Freddie Mac via email at MF_Surveillance@freddiemac.com~~.~~ within 10 Business Days of letter issuance. The Servicer must include in its communication with Freddie Mac an evaluation of the noncompliance, including the potential risk(s) and proposed remedial action(s) relating to such noncompliance.

~~9.~~8. The Servicer may consider obtaining a limited scope property inspection report for ~~the~~any specified ~~areas~~area of concern. The terms of the Loan Documents will determine whether the Servicer may charge the Borrower for the cost of the property inspection report. The follow-up should take into account the nature of the risk. The Servicer must provide a copy of any limited scope property inspection and related decisions made based on the Servicer's review of the inspection to the Freddie Mac Surveillance team as follows:

- If there is an open LIT for the property condition, provide an update in PRS

- If there is not an open LIT for the property condition, send an email to MF_Surveillance@freddiemac.com

~~10. Notwithstanding the above, the Servicer must promptly and, in any case, not later than 10 Business Days from submitting the AIF assessment into PRS, notify Freddie Mac via email at MF_Surveillance@freddiemac.com if any of the following property related issues occur and have not been previously reported to Freddie Mac:~~

- ~~Property has a very low physical occupancy which is defined as less than 65% and the very low physical occupancy has not been previously reported~~

- ~~Property has had an unauthorized change in property manager~~

- ~~Deferred Maintenance is estimated at greater than 15 percent of the UPB~~

- ~~There is a property condition rating of 4 or 5~~

- ~~Property has a total of greater than 10 percent of Down Units~~

- ~~Property has any catastrophic conditions that require immediate action~~

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- ~~Property has any unauthorized significant capital improvements or renovations that are likely to or are already negatively impacting occupancy or cash flow~~

~~The Servicer must retain a copy of this communication for its records.~~

9. If: (i) the Servicer submits an assessment inspection with a property condition rating of 4 or 5~~,~~ or (ii) there is an Imminent Life Safety Hazard at the Property that is not cured within 90 days of Borrower notice and an acceptable plan to cure the item has not been received by the Servicer, then the Servicer must begin collection of Reserve deposits for Replacement Reserves (if such Reserve deposits have been deferred pursuant to the terms of the Loan Agreement~~,~~). The Servicer must timely notify the Borrower in writing of such collection requirement and provide a copy of the notice to Freddie Mac.

   - For an SBL Mortgage originated on a Loan Agreement form with a revision date prior to 07-31-2024, the Servicer must use the Notice of Default and Reservation of Rights (SBL) form. ~~Collection~~

   - For loans with an overall property condition rating of 4 or 5, collection of Reserve deposits for Replacement Reserves (if such Reserve deposits have been deferred pursuant to the terms of the Loan Agreement) must begin no later than the second payment installment date immediately following the assessment inspection submission.

   - For loans with an uncured Imminent Life Safety Hazard, collection of Reserve deposits for Replacement Reserves (if such Reserve deposits have been deferred pursuant to the terms of the Loan Agreement) must begin no later than the second payment installment date immediately following the date that is 90 days from the date of the initial notice of Imminent Life Safety Hazard sent to the Borrower.

   Deposits for Replacement Reserves will be disbursed pursuant to the terms of the related Replacement Reserve Agreement.

10. Effective July 1, 2025, if the Servicer submits an assessment inspection with a property condition rating of 3, 4, or 5, the inspection must be reviewed and certified by a Servicer representative to ensure accuracy and completeness of the report. The "Seller/Servicer Certification" is located on the "Agency Assmt Addendum" tab of the MBA Inspection form and requires the date, name, title, and contact information of the Servicer representative certifying the form. This person must have experience equal to that of a Certified or Exempt Inspector.

    The following guidelines outline key areas for review when certifying the inspection form. This list is not exhaustive, and reviewers should exercise professional judgment in identifying any additional issues that may affect the accuracy, completeness, or quality of the report.

    Ensure:

    - Data is accurate as of the time of submission
    - All required fields have been completed
    - Details are provided for all negative responses

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- The rating is supported by the comments and photos
- All outstanding deferred maintenance or outstanding required repairs are listed on the "Repairs Verification" tab and deferred maintenance table
- Any information from a third-party inspector is verified or corrected as necessary
- In addition to the guidance provided in this chapter, further guidance for the MBA Inspection Form completion can be found in the Assessments Completion Best Practices and AIF Desk Reference on the Freddie Mac Asset Management website

e. Assessing moisture or Mold issues during the inspection (02/28/19)

1. Special Moisture or Mold Inspection

See Section 8.3(b) and (c) for information regarding when Freddie Mac may require a Special Moisture or Mold Inspection, and for the parameters of such an inspection.

2. Increased Scrutiny for Moisture or Mold

See Section 8.3(b) for information regarding when Freddie Mac may require the Servicer to inspect a Property using the Increased Scrutiny for Moisture or Mold protocols described below.

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

- Conduct a specific evaluation of the integrity of the building envelope; roof and drainage; heating, ventilation and air conditioning (HVAC) system; plumbing system and associated spaces (for example, mechanical closets) for each building on the Property and document that evaluation
- Inspect a minimum of 10 percent of the units, including those units that the Servicer deems most likely to be exposed to moisture conditions
- Conduct a specific evaluation of the condition of finishes in inspected dwelling units and in all common areas and document that evaluation
- Inspect any areas where the Borrower or property manager has detected a musty odor or observed Mold, all spaces typically associated with moisture issues, water intrusion or leaks, such as basements and unheated storage areas and all areas previously identified with significant moisture or Mold issues
- Evaluate all completed repairs to correct water intrusion or leak issues since the last assessment and document that evaluation
- Evaluate and comment on all areas where Mold has been removed since the last assessment and document that evaluation

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3. Standard moisture and Mold inspection requirements

For all Properties that are not subject to a Special Moisture and Mold Inspection or Increased Scrutiny for Moisture or Mold Issues, as a part of the inspection, the Servicer must:

- Search for visual or olfactory evidence of moisture or Mold issues in each area identified as part of the inspection
- Make inquiries of the property owner, manager or other knowledgeable property staff regarding past and current water intrusion; potentially damaging leaks; known Mold issues; and tenant complaints regarding health problems, musty odors, water intrusion or potentially damaging leaks
- Inspect areas where water intrusion or leaks were reported
- Identify any defective building condition that would likely lead to future water intrusion or leaks
- Provide comments to describe any moisture or Mold issues and recommend further action, including conducting a Special Moisture or Mold Issues Inspection (see Section 8.3(c) or Section 8SBL.3(c), as applicable)

f. Assessing the property management company (12/12/14)

The property management company is a key component of the success of the Property, and the Servicer must evaluate the property management company's performance, including a review of the following:

- Company experience, property manager’s experience and length of time at this site and on-site staffing levels
- Whether routine maintenance matters are appropriately addressed
- Leasing status, concessions, occupancy and adequacy of management’s response to any significant changes in market occupancy or market rental rates
- Operations & maintenance (O&M) plan compliance, lead-based paint (LBP) compliance, Moisture Management Plan (MMP) compliance and income compliance reports for income-restricted Properties

g. Assessing the neighborhood, adjoining land uses and any changes to submarkets impacting the occupancy or performance of the Property (12/12/14)

The inspector must provide an overview and assessment of the Property's immediate neighborhood, including details on specific ingress or egress issues at the Property. It is the inspector's responsibility to:

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- Drive through the neighborhood, identify trends and determine if there are any changes to adjoining land uses,
- Identify changes in nearby thoroughfares or major employers that could impact the performance of the Property, and
- Comment on any new construction in the immediate area.

40.8 Timing of the property inspection and the inspection report (10/19/23)

The Servicer must submit the inspection report no later than two calendar months after the date of the actual inspection, even if the inspection report has a later due date. For example, if the inspection took place on April 21, the inspection report must be submitted no later than June 21, even if the inspection report due date would otherwise be June 30.

Servicers can submit the inspection report earlier than the due date, as long as the submission date is within two calendar months of the actual inspection date.

For all Mortgages held by Freddie Mac, if a Servicer submits the AIF in an earlier quarter than the due date, Freddie Mac will change future AIF due dates to the quarter in which the AIF was submitted. For example, if the AIF is due September 30, 2024 and is submitted by June 30, 2024, Freddie Mac will move the 2025 AIF due date from September 30 to June 30, 2025 to make sure that the timing between inspections is maintained at approximately 12 months.

If a property condition report performed on the Property is more current than the most recent inspection, the inspection date of the most recent property condition report can be used as the date to set the new anniversary date for the next property inspection. For example, if the last property inspection was April 15, 2025 and another property condition report was completed on December 15, 2025 in conjunction with the origination of a supplemental loan on the Property, the Servicer can request in PRS that the due date for the next inspection be moved to December 31, 2026. The Servicer should confirm in their PRS due date change request that the property condition report has been uploaded into DMS.

40.9 Completing and submitting the inspection; retention of inspection documentation (04/27/18)

To complete an inspection submission, the Servicer must enter the Borrower's property inspection information into the appropriate fields on the inspection submission. If the Property is a Seniors Housing Property, the Servicer must complete the additional Seniors Housing Supplement tab.

For detailed instructions on completing the form, see the Annual Inspection and Loan Management Forms Desk Reference, which can be found at mf.freddiemac.com, or any such documentation that Freddie Mac may provide.

During any period that Freddie Mac owns the Mortgage, the Servicer must submit the following components of the AIF into PRS in order for Freddie Mac to deem the submission of the AIF to be complete:

- The completed AIF

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- The current rent roll, identifying commercial units where applicable, certified by the Borrower or an individual or entity (which may include the property manager) authorized by the Borrower to execute the certification on the Borrower's behalf (the signature of the Borrower or designee is sufficient). If an individual or entity other than the Borrower provides the certificate, the Servicer must obtain and retain in the Mortgage File a copy of the Borrower's authorization for that certifying individual or entity to execute the certificate on behalf of the Borrower

For the purposes of the AIF, a rent roll is considered to be current if it is dated no more than two months prior to or after the inspection date. For example, if the Property was inspected on May 10, the rent roll is considered current if dated from March 10 through July 10.

If the Servicer is submitting an AIF for a Seniors Housing Property, the Servicer must submit the following additional items via PRS for Freddie Mac to deem the submission of the AIF to be complete:

- Completed Seniors Housing Supplement sections of the AIF
- Copies of licenses or certificates and any reports by regulating agencies
- Copies of any violations cited by any regulatory agency and notices of any fines

The Servicer must retain copies of the completed inspection submission, all attachments and any other documentation that supports the summary information shown on the inspection submission, including correspondence with the Borrower regarding any identified risk issue.

40.10 Late, incomplete or unacceptable assessments; penalties and enforcement (06/13/24)

Freddie Mac considers an assessment to be late if not received in complete form on or before the due date of the assessment or if, for an AIF, the assessment is not submitted within 60 days of the Property inspection date.

If the Servicer submits the assessment without all of the necessary attachments, the assessment will continue to have a status of Due and will be late after the due date in PRS until the Servicer submits all necessary items.

If Freddie Mac, in its sole discretion, determines an assessment to be unacceptable, Freddie Mac will identify such assessment deficiencies and require the Servicer to resubmit a corrected, complete assessment and/or to re-inspect the Property as soon as practicable after such determination. Freddie Mac will consider an assessment unacceptable if such assessment: (i) materially misrepresents, misstates or conceals information about the condition of the Mortgaged Property that would otherwise be properly disclosed pursuant to industry-accepted multifamily property inspection standards; and/or (ii) fails to meet the requirements set forth in the Guide.

The Servicer must diligently and in good faith remedy any such identified deficiencies. In doing so, the Servicer must keep Freddie Mac apprised of its efforts, including actions to be taken and related timing, by sending updates to MF_Surveillance@freddiemac.com.

The following penalties are payable to Freddie Mac for: (i) late or incomplete submission of an assessment, or (ii) submission of an unacceptable assessment:

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Complete assessment received during the first month following due date month	$1,000
Complete assessment received during the second month following due date month	$2,500
Complete assessment not received by the end of the second month following due date	$5,000
Submission by a Servicer of an unacceptable assessment	$25,000
Submission by a Servicer of an unacceptable assessment more than one time	$50,000

The Servicer must pay any penalty assessed against it within 10 Business Days of Freddie Mac's request. If a Servicer fails to comply with any of its assessment/inspection obligations pursuant to this Chapter 40, including the failure to timely remit to Freddie Mac any penalty assessment, the Servicer will be subject to: (i) increased or targeted audits related to the Servicer's quality and control standards; and/or (ii) disciplinary action(s) "with cause" (as described in Chapter 4).

40.11 Obligation to review and verify the General Loan Information (02/18/21)

During any period in which Freddie Mac holds a Mortgage, the Servicer must review, no less than annually, the General Loan Information (GLI) displayed in the Property Reporting System (for example, Property name and total units). If any GLI data is incorrect, the Servicer must submit proposed changes via email noting such changes to MF_Asset_Perf@freddiemac.com.

40.12 Freddie Mac's rights (12/12/14)

In addition to other rights and remedies set forth in the Guide, Freddie Mac reserves the right, in its sole discretion, to:

- Require more frequent assessments
- Request the Seller/Servicer to submit to Freddie Mac the following:
  - Copies of all tax returns filed by the Borrower, within five days after receipt of tax returns from the Borrower
  - Other financial information or property management information that Freddie Mac may require (including information on tenants under leases to the extent that such information is available to the Borrower, copies of bank account statements from financial institutions where funds owned or controlled by the Borrower are maintained, and an accounting of security deposits)
  - With respect to each guarantor and each SPE Equity Owner, a certified balance sheet and profit and loss statement (or if such party is an individual, such party's personal financial statement) and any additional information as Freddie Mac may request
- Reject unsatisfactory inspectors, including FICs

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- Perform its own assessment (the property inspection and/or any analysis) at the Servicer's expense if the Servicer fails, when required, to perform an assessment or to submit an assessment in accordance with the requirements of this chapter

- With respect to Mortgages secured by a Property owned by a Cooperative, require one or more of the following:

  - A current maintenance roll

  - A statement of income and expenses for a Cooperative Borrower's operation of the Property

  - The most recent approved annual operating budget

  - The most recent capital expense study/plan

40.13 Inspector requirements (10/19/23)

a. General inspector requirements for all Mortgages (06/25/20)

The Servicer must retain qualified inspection staff within its asset management department to inspect Properties securing Freddie Mac Mortgages. Under certain circumstances, the Servicer may use other qualified personnel to perform inspections, such as loan production staff or third-party inspectors, in accordance with the requirements in Sections 40.14. All inspectors must meet the following requirements, as well as the specific requirements in 40.13(b):

- Know Freddie Mac's Guide requirements relating to inspections

- Be able to make independent judgments on the condition of the Property

- Have sufficient multifamily real estate knowledge and experience to assess general functionality and maintenance of the Property, and to conduct a property inspection as described in Section 40.7.

The property inspector cannot be the originator of the Mortgage, unless the Servicer ensures that there is no Equity Conflict of Interest for the Mortgage originator and that the Mortgage originator is able to make an independent, unbiased assessment of the condition of the Property. The Servicer must retain adequate documentation with the property file to justify this determination.

The appraiser who conducted the Appraisal when the Mortgage was originated may not perform the physical property inspection for an assessment.

b. Specific inspector requirements (10/19/23)

Beginning with all inspections with a PRS submission year of 2024, Freddie Mac requires inspectors to have at least the following specific experience and training based on the level of risk.

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Mortgage Characteristics	Eligible Inspector
Mortgage is not on the CREFC Watchlist at the time the inspection is scheduled or the Mortgage's Risk Rating is 6 or less	1. Industry Trained Inspector, or 2. Certified Inspector, or 3. Exempt Inspector
Mortgage is on the CREFC Watchlist at the time the inspection is scheduled, or the Mortgage's Risk Rating is > 6	1. Certified Inspector, or 2. Exempt Inspector
All Mortgages with Significant Repairs and/or Replacements	1. Certified Inspector, or 2. Exempt Inspector
All affordable housing loans originated in the TAH program, and/or with property-based HUD Section 8 involvement, regardless of CREFC Watchlist or Mortgage's Risk Rating	Exempt Inspector at least every other inspection
All Mortgages for Properties that are older than 40 years from the current year and haven't had a renovation (see below) in the prior 20 years from the current year	Exempt Inspector at least every other inspection

Notes:

1. An Industry Trained Inspector has:

    - Successfully participated in a Freddie Mac-approved training program relating to property inspections, such as the Mortgage Bankers Association of America's (MBA) Multifamily Property Inspection Workshop, Fannie Mae's Property Risk Management Training or an equivalent inspection program,

    - Completed at least 25 multifamily asset inspections under supervision by a Certified or Exempt Inspector, and

    - At least one year of experience in analyzing the physical and/or financial condition of commercial real estate assets

2. A Certified Inspector has:

    - Successfully participated in a Freddie Mac-approved training program relating to property inspections, such as the Mortgage Bankers Association of America's (MBA) Multifamily Property Inspection Workshop, Fannie Mae's Property Risk Management Training or an equivalent inspection program,

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- Completed more than 50 multifamily inspections comparable to Freddie Mac's property inspections, and
- At least two years' experience performing multifamily inspections comparable to Freddie Mac's property inspections

3. An Exempt Inspector:
   - Has at least five years' experience performing multifamily inspections comparable to Freddie Mac's inspections and has completed more than 100 of such inspections, or
   - Meets the qualifications for a property condition consultant set forth in Section 62.8 or Section 62SBL.17, as applicable
4. Renovation Criteria – Properties over 40 years old will not require an Exempt Inspector if the date of the renovations is less than 20 years from the current year and all of the following criteria are met:
   - The documented property renovations amount to at least $10,000/unit
   - At least 75% of units were renovated
   - Renovations include updates to at least two major building systems (electrical, heating, ventilation, air conditioning, plumbing, fire protection, elevators roofs, etc.)

c. Waiver of inspector requirements (03/03/17)

If the Servicer determines that an inspector on its staff is the most qualified individual to inspect a particular Property, but that person does not meet the experience requirements in Section 40.13(b), the Servicer may allow the inspector to perform that inspection. However, the Servicer must retain adequate documentation with the property file to justify this determination. The Servicer may use this waiver on an exception basis when warranted, not on an ongoing basis. Freddie Mac reserves the right, in its sole discretion, to determine that a Seller/Servicer may not continue to exercise this waiver.

d. Guidance for a quality control program for staff inspectors (12/12/14)

Freddie Mac recommends that the Servicer establish an inspector quality control (QC) program to ensure that inspections completed by staff and/or third-party fee inspector company (FIC) inspectors are accurate, reliable and in compliance with Freddie Mac's requirements.

e. Servicer conflicts of interest and required independent inspections (06/25/20)

The property inspector must not have an Equity Conflict of Interest, as defined in Section 2.25. If there is a Seller/Servicer-Level Owner Equity Conflict of Interest and/or an Employee-Level Owner Equity Conflict(s) of Interest with respect to all employee(s) who could perform the inspection, an independent third-party fee inspector company must perform the physical inspection, regardless of the Risk Rating or CREFC Watchlist status of the Mortgage.

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40.14 Third-party fee inspector company requirements (~~06~~07/01/25~~/20~~)

a. Restrictions on the use of a third-party fee inspector company (~~06~~07/01/25~~/20~~)

~~The Servicer may not engage an FIC to conduct any inspection for a Property securing a Mortgage that is held by Freddie Mac and that has a current Risk Rating greater than six. However, for other inspections, the Servicer may use an FIC~~The Servicer may use a third-party fee inspector company (FIC) that meets all Freddie Mac inspector and FIC requirements if the FIC has no ownership interest in the Borrower or other conflict of interest with the Borrower. For the purpose of determining a conflict of interest, the Servicer should apply the Equity Conflict of Interest standards set forth in Section 2.25, as if the FIC were the Employee-Level Owner or the Seller/Servicer Level Owner, as applicable.

The Servicer is responsible for working with the FIC to ensure inspectors have the minimum requirements per Section 40.13. If a FIC is used, the Servicer must be diligent in providing the FIC any pertinent information that will aid them while on-site. This includes, but is not limited to, questions the FIC needs to ask in relation to property operations or negative news, and required repair follow-ups. The Servicer is ultimately responsible for the accuracy of all information included in the inspection, whether ~~or not~~ the Servicer performed the inspection directly.

b. FIC acceptability (05/31/12)

Freddie Mac does not select, hire or approve any specific FIC for the performance of physical property inspections for assessments. However, Freddie Mac does reserve the right to refuse to accept an assessment for which the property inspection was performed by an FIC or inspector that Freddie Mac deems unacceptable. Freddie Mac will maintain, on FreddieMac.com, the Multifamily Restricted Vendor List. If an FIC appears on the Multifamily Restricted Vendor List, the Seller/Servicer may not use that FIC for future Freddie Mac assessments until notified otherwise by Freddie Mac. The Multifamily Restricted Vendor List is made available to Seller/Servicers for the sole purpose of ensuring that unacceptable vendors do not prepare reports for Multifamily and will constitute “Confidential Information” as defined in Section 2.8.

An FIC may not at any time represent itself to third parties as being approved by Freddie Mac.

Freddie Mac may revoke the Servicer's general right to use an FIC for physical property inspections for assessments if the Servicer does not administer the selection and use of FICs in a manner that ensures compliance with all Freddie Mac requirements.

An FIC may employ contract workers who meet the inspector requirements and follow all inspection requirements contained in this chapter.

40.15 Additional ~~Seller/Servicer reporting~~financial statement and rent roll submission requirements for Seller/Servicers for non-SBL Mortgages ~~prior to Securitization (04/30/19~~(07/01/25)

For ~~any non-SBL Mortgage~~portfolio loans and loans scheduled for Securitization, the Seller/Servicer must submit all documentation via ~~DMS with a notice to MF_Asset_Perf@freddiemac.com.~~the Property Reporting System (PRS). The Seller/Servicer must provide all Borrower and Property financial data as presented by the Borrower. No analysis of the data is required. The Loan Documents may permit the Seller/Servicer to assess a late charge if the Borrower does not submit the

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documentation listed below within a specified time. The Seller/Servicer may retain 100 percent of this late charge.

The Seller/Servicer must submit, in an electronic format acceptable to Freddie Mac, the following documentation:

1. Rent roll and financial statements

A rent roll, a statement of income and expenses for the Borrower's operation of the Property, and a statement of changes in financial position and balance sheet, as follows:

a. Except for Mortgages secured by a Property owned by a Cooperative, within 30 days after the end of each calendar quarter following purchase:

1. Current rent roll dated no earlier than the date five days prior to the end of such quarter

2. Income and expenses for the Borrower's operation of the Property either

- For the 12-month period ending on the last day of such quarter, or

- If, at the end of such quarter, the Borrower and any Affiliate of the Borrower have owned the Property for less than 12 months, for the period commencing with the first full month of operations following the acquisition of the Property by the Borrower or its Affiliates and ending on the last day of such quarter.

b. Within 100 days after the end of each fiscal year:

1. Annual statement of income and expenses for the Borrower's operation of the Property for that fiscal year

2. Statement of changes in financial position of the Borrower relating to the Mortgaged Property for that fiscal year

3. Balance sheet showing all assets and liabilities of the Borrower relating to the Mortgaged Property as of the end of that fiscal year and a profit and loss statement for the Borrower

4. Accounting of all security deposits held pursuant to all leases meeting the requirements of the Loan Documents

If the Loan Documents have been modified to allow the Borrower more than 90 days to deliver the documents set forth above, the Seller/Servicer must deliver the documents within five days after receiving them from the Borrower.

c. At any time prior to securitization upon Freddie Mac's request, the Seller/Servicer must submit to Freddie Mac the following:

1. Current rent roll

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2. Income and expense statement for the Borrower's operation of the Property for the most recent month or months, as applicable

3. Statement that identifies all owners of any interest in the Borrower and any controlling entity meeting the requirements of the Loan Documents

2. Other documentation

Upon Freddie Mac's request, the Seller/Servicer must submit to Freddie Mac the following:

a. Copies of all tax returns filed by the Borrower, within five days after receipt of returns from the Borrower

b. Other financial information or property management information that Freddie Mac may require (including information on tenants under leases to the extent such information is available to the Borrower, copies of bank account statements from financial institutions where funds owned or controlled by the Borrower are maintained, and an accounting of security deposits)

c. With respect to each guarantor and each SPE Equity Owner, a certified balance sheet and profit and loss statement (or if such party is an individual, such party's personal financial statement) and any additional information as Freddie Mac may request

40.16 Reporting for Special Product Type Mortgages (~~04/14/22~~07/01/25)

The following Mortgages are considered "Special Product Type Mortgages" for the purposes of this chapter:

- SBL Mortgages
- Value-Add Mortgages
- Mortgages secured by Properties deemed unstabilized by Freddie Mac in PRS
- Moderate Rehabilitation (Mod Rehab) Mortgages
- MHC Mortgages with MHC Tenant Protections
- Portfolio loans, including but not limited to, loans backing Participation Certificates

Except as modified by this Section 40.16, Special Product Type Mortgages are subject to all of the requirements of this chapter.

a. SBL Mortgages (03/03/17)

Additional documentation requirements for SBL Mortgages prior to securitization will be limited to the following:

- At any time prior to securitization upon Freddie Mac's request, the Seller/Servicer must submit to Freddie Mac the following:

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a. Current rent roll

b. Income and expense statement for the Borrower's operation of the Property for the most recent month or months, as applicable

c. Statement that identifies all owners of any interest in the Borrower and any controlling entity meeting the requirements of the Loan Documents

d. Copies of all tax returns filed by the Borrower, within five days after receipt of returns from the Borrower

e. Other financial information or property management information that Freddie Mac may require (including information on tenants under leases to the extent such information is available to the Borrower, copies of bank account statements from financial institutions where funds owned or controlled by the Borrower are maintained, and an accounting of security deposits)

f. With respect to each guarantor and each SPE Equity Owner, a certified balance sheet and profit and loss statement (or if such party is an individual, such party's personal financial statement) and any additional information as Freddie Mac may request

b. Value-Add Mortgages (09/30/20)

The Servicer must submit the Annual Financial and Quarterly Financial assessments for a Value-Add Mortgage as outlined in Sections 40.2(a) and 40.2(b).

In addition, starting with the end of the first quarter after the Origination Date (unless the end of the quarter is within one calendar month of the Origination Date), and continuing every quarter thereafter until the loan has paid off, the Servicer must report on renovation progress and rental conditions at the Property via the **Value-Add Reporting** LIT. The report is due within one month after the close of the quarter. The Servicer must submit the following documentation:

- **Form 1028, Value-Add Monitoring Form**

  A version of Form 1028 customized by Freddie Mac for each Property will be attached to the LIT within 45 days of the Freddie Mac Funding Date and must be used for all reporting requirements. The copy available at mf.freddiemac.com/lenders/asset is for informational purposes only and should not be used for reporting. This completed form must be submitted in its original Excel format.

  In the event there are errors in the form, corrections should be requested via the **Value-Add Reporting** LIT. Freddie Mac will make form corrections as needed.

  The reporting options available (and explained in more detail in the *Help Me Choose* menu in the form) are:

  - Quarterly update – work has not commenced
  - Quarterly update – work has commenced
  - Quarterly update – post renovation completion monitoring
  - Close-out

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- **Borrower Quarterly Certification, Value-Add Transaction**

  A copy of the certification was included in the original Loan Documents. This certification must be fully executed by the Borrower and must include all relevant attachments as defined in the certification.

In addition to the Value-Add Reporting LIT, the Servicer must use the **Construction Completion Date – Value-Add** LIT to document the Value-Add completion date. Upon completion of the renovation, Form 1028 must be submitted to this LIT – using the *Close-out* option – with the following documentation (which, except for the first bullet, are defined further in the Rider to Multifamily Loan and Security Agreement Value-Add Transaction):

- Certification of substantial completion by the Architect of Record using AIA Form G-704 (if applicable)
- Engineer's certificate
- Final and unconditional lien waiver from the general contractor
- Evidence of Compliance with Laws
- Evidence of Minimum Expenditure Requirement
- Other Certificates and Items as detailed in the Rider to Multifamily Loan and Security Agreement Value-Add Transaction

Any additional comments regarding these documents should be made on Form 1028.

In the event close-out documentation is being submitted concurrently with quarterly reporting, then two Form 1028s must be submitted – one to the **Construction Completion Date – Value-Add** LIT using the "Close-out" reporting option, and the other to the **Value-Add Reporting** LIT using the "Quarterly update – post renovation completion monitoring" reporting option.

All reporting must reflect trailing 12-month financial statements, unless indicated otherwise on Form 1028.

With respect to the AIF described in Section 40.7, the Servicer must address the status of each Value-Add component described in the Value-Add Schedule of Work that was included in the final loan package in the "Repairs Verification" tab of the AIF and provide a representative number of photographs. Once the work is completed, the AIF must be performed by an individual meeting the qualifications of either a Certified or Exempt Inspector as identified in Section 40.13(b); an engineer/architect or off-cycle site visit will not be necessary.

c. Mortgages secured by Properties deemed unstabilized by Freddie Mac (06/27/19)

In conjunction with the requirements described in Sections 40.3 and 40.4, the Servicer must submit the following items for Mortgages secured by Properties deemed unstabilized by Freddie Mac in PRS:

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- The appropriate Q-CREFC Assessment template with financial spreads provided on a trailing 12-month basis (instead of year-to-date annualized)

- Most recent construction or engineering report, as available, added as an attachment (unless already provided to Freddie Mac)

- The Excel® Unstabilized Monitoring Form, completed as specified in Section 40.3(c), when submitting assessments using the Q-CREFC or A-CREFC assessment format, except for Value-Add Mortgages, which require the use of Form 1028.

The Excel® Unstabilized Monitoring Form can be found under the PRS Assessment: CREFC heading on the *Multifamily Asset Management* page of mf.freddiemac.com.

The Servicer must submit a Quarterly Assessment for the first, second and third quarter reporting to Freddie Mac through PRS by May 31, August 31 and November 30.

d. Moderate Rehabilitation (Mod Rehab) Mortgages (05/05/17)

In addition to the requirements described in Section 40.2(b), the Servicer must submit various reports and documentation to Freddie Mac when disbursing funds periodically to reimburse renovation expenses. See Section 39.9 for a description of these requirements.

e. MHC Mortgages with MHC Tenant Protections (04/14/22)

In addition to the requirements described in Section 40.2(b), to validate Borrower's compliance with the MHC Tenant Protections, the Servicer must:

1. Submit the "Borrower's Certificate - MHC Tenant Protections" through Loan Item Tracking (LIT) in PRS no more than 45 days after the first anniversary of the Origination Date, and thereafter no more than 45 days after each successive anniversary of the Origination Date

2. Conduct an annual audit of the residential leases with the Applicable MHC Residents and any other MHC Tenant Protection Document(s) that contain the MHC Tenant Protections, to confirm:

   A. The MHC Tenant Protections are included in the MHC Tenant Protections Document(s)

   B. The applicable MHC Tenant Protection Document(s) have been executed by the Applicable MHC Residents; and

   C. The Applicable MHC Residents are existing residents of the Property

   If the Borrower has elected to (i) incorporate the MHC Tenant Protections in the MHC rules and regulations and (ii) deliver to each Applicable MHC Resident an MHC Tenant Protections Notification as described in Guide Section 22.2(p), then in lieu of item B above, the Servicer must conduct an audit of the MHC Tenant Protections Notifications to confirm they include all the MHC Tenant Protections and were correctly addressed to the Applicable MHC Residents.

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3. In connection with any audit conducted under this Section 40.16(e)(2):

   A. The Servicer must request electronic copies of the residential leases and/or applicable MHC Tenant Protections Document(s) and/or applicable MHC Tenant Protections Notifications no more than 10 days after the first anniversary of the Origination Date, and thereafter no more than 10 days after each successive anniversary of the Origination Date

   B. The Servicer must randomly select residential leases and/or Applicable MHC Residents chosen for the audit and cannot include residential leases and/or Applicable MHC Residents from a prior annual audit unless all residential leases and/or Applicable MHC Residents have already been audited

   C. The Servicer must review at least five percent, but no greater than 20 residential leases and/or applicable MHC Tenant Protections Document(s) and/or applicable MHC Tenant Protections Notifications

4. Upon completion of the applicable annual audit required under Section 40.16(e)(2) above, the Servicer must submit, through LIT in PRS, the related Chief Servicing Officer (CSO) Certification (MHC Tenant Protections - Compliance) found on mf.freddiemac.com at https://mf.freddiemac.com/lenders/asset/#ServicerSpecialRequestForms certifying as to the status of Borrower's compliance with the MHC Tenant Protections. The Servicer must submit the CSO Certification no more than 45 days after the first anniversary of the Origination Date, and thereafter no more than 45 days after each successive anniversary of the Origination Date.

   If the Servicer certifies to the Borrower's "substantial compliance" with the MHC Tenant Protections on any Mortgage, the Servicer will be required to provide a written status update to Freddie Mac every six months addressing the Borrower's efforts to obtain executed copies of the MHC Tenant Protections Document(s) from all Applicable MHC Residents until such time as the Borrower has fully complied with the applicable requirements. The status updates must be submitted through LIT in PRS.

f. Portfolio loans, including but not limited to loans backing Participation Certificates (PCs) (07/01/25)

The Servicer must submit monthly CREFC Watchlist reports into the Property Reporting System (PRS) for portfolio loans as requested in PRS. The submission is for loans meeting CREFC Watchlist Code criteria and follow CREFC Watchlist Guidelines. The reports are due by 3:00 p.m. one day after the 11th calendar day of the month or the next Business Day (matching reporting for Mortgages that have been included in a Securitization).

40.17 Mortgages with Required Rent Restrictions Rider to the Loan Agreement – reporting requirements (04/13/23)

In addition to the other requirements described in this chapter, to validate the Borrower's compliance with the Required Rent Restrictions Rider to the Loan Agreement, the Servicer must submit through the Loan Item Tracking (LIT) in the Property Reporting System (PRS):

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- Within 15 Business Days after the initial reporting date and each anniversary thereafter (or 10 Business Days after the end of the related cure period, if such cure period is available), the Borrower's Affordability Certification evidencing the Borrower's compliance with the Required Rent Restrictions Rider to the Loan Agreement

- Within 30 days after the initial reporting date and each anniversary thereafter (or 10 Business Days after the end of the related cure period, if such cure period is available), a notice to Freddie Mac of the Borrower's failure to comply with the Required Rent Restrictions Rider to the Loan Agreement, together with Servicer's calculation of any related noncompliance fee

- Within 60 days after the initial reporting date and each anniversary thereafter (or 30 days after the related cure period, if such cure period is available), the Chief Servicing Officer Certification (Required Rent Restrictions - Compliance) form, certifying that the Servicer has validated the Borrower's compliance or noncompliance with the Required Rent Restrictions Rider to the Loan Agreement and, if applicable, has calculated any related noncompliance fee

- As soon as practicable upon request by Freddie Mac or any regulatory body having regulatory authority over Freddie Mac, any other information pertaining to the loan as may be specified in the request, and copies of any leases or other data received and used by the Servicer to: (i) confirm Borrower's compliance or noncompliance with the Required Rent Restrictions Rider to the Loan Agreement, and (ii) calculate any noncompliance fee

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43.1 Specific Servicing responsibilities; delivery of documents (04/18/24)

43.2 IRS Form 1098, Mortgage Interest Statement (09/28/12)
- a. Completing IRS Form 1098 (05/06/05)
- b. Retention of IRS Form 1098 (05/06/05)
- c. Penalties (09/28/12)

43.3 IRS Form 1099-A and 1099-C requirements (10/21/21)
- a. General instructions for filing IRS Forms 1099-A and 1099-C with IRS (10/21/21)
- b. Instructions for filing IRS Form 1099-A, Acquisition or Abandonment of Secured Property (06/29/17)
- c. Instructions for filing IRS Form 1099-C, Cancellation of Debt (06/29/17)
- d. Instructions for filing Freddie Mac Form 1065M, Report of IRS Form 1099-A and Form 1099-C Filings (04/15/21)

43.4 IRS Form 1099-MISC, Miscellaneous Income, and IRS Form 1099-NEC, Nonemployee Compensation (08/18/22)

43.5 Continuation of Uniform Commercial Code (UCC) financing statements; termination (06/27/19)
- a. UCC continuation statements (12/14/18)
- b. Termination statements (05/06/05)
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- d. Copies to Freddie Mac (04/18/24)
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43.1 Specific Servicing responsibilities; delivery of documents (04/18/24)

This chapter sets forth the Servicer's responsibilities for transaction-related requirements in Servicing the Mortgage.

- **Delivery of documents and notices to Freddie Mac: electronic delivery**

  When this chapter requires electronic delivery of any document, the Servicer must submit all items required to be delivered to Freddie Mac by uploading the documents into the Document Management System (DMS) and using the "File Submission" link to notify:

  - For Structured Transactions, Tax Exempt Bond Credit Enhancements, Acquisition Rehabilitation/Lease-Up/Moderate Rehabilitation loan products, or Credit Facilities, "*Structured Transactions*"
  - For all other Mortgages, *"Borrower Transactions"*

  CRT can also be used to upload any applicable documentation for the consent request rather than uploading the document directly into DMS.

- **Delivery of original documents to Freddie Mac.** Unless otherwise stated, when this chapter requires delivery of an original document with respect to any Mortgage, the Servicer must:

  - Upload the document into DMS, and
  - Deliver a hard copy to:
    - For Structured Transactions, Tax Exempt Bond Credit Enhancements, Acquisition Rehabilitation/Lease-Up/Moderate Rehabilitation loan products, or Credit Facilities, Freddie Mac *Multifamily Asset Management, Structured Transactions*
    - For all other Mortgages, Freddie Mac *Multifamily Asset Management, Borrower Transactions*

- **Servicing responsibilities – insurance**

  For non-SBL Mortgages, the following sections of Chapter 31 state the Servicer's ongoing responsibilities with regard to insurance:

Section 31.8	Flood insurance requirements
Section 31.12	Ordinance and Law coverage
Section 31.22	Verification of required and continuing property and liability insurance coverage
Section 31.24	Ensuring continuous coverage and forced placed insurance

  For SBL Mortgages, throughout the term of the SBL Mortgage, the Servicer must evaluate the insurance coverage and limits for each SBL Mortgage and determine, to its satisfaction, that

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adequate property and liability insurance coverage is in place. Servicers must follow the requirements of Chapter 31 to ensure that they comply with their ongoing responsibilities with regard to evaluating and documenting adequate insurance coverage.

43.2 IRS Form 1098, Mortgage Interest Statement (09/28/12)

a. Completing IRS Form 1098 (05/06/05)

The Servicer must provide IRS Form 1098, Mortgage Interest Statement, to the IRS and the Borrower as required under section 6050H of the Internal Revenue Code. This reporting must be done for each Mortgage owned in whole or in part by Freddie Mac. The Servicer's name, address and federal identification number must be reported for "Recipient." The Borrower's name, address and Social Security number must be reported for "Payer."

b. Retention of IRS Form 1098 (05/06/05)

The Servicer must maintain copies of all statements and reports that Freddie Mac requires the Servicer to provide directly to the Borrowers and the IRS in compliance with section 6050H of the Internal Revenue Code and make such copies available for examination by Freddie Mac upon request.

c. Penalties (09/28/12)

The Servicer is responsible for any penalty levied by the IRS for not reporting timely, nonreporting or reporting of inaccurate information, as applicable, with respect to those statements and reports that Freddie Mac requires the Servicer to provide directly to the Borrowers and the IRS.

43.3 IRS Form 1099-A and 1099-C requirements (10/21/21)

Whenever Freddie Mac or a third party acquires an interest in a Property in full or partial satisfaction of Freddie Mac's Mortgage or when Freddie Mac or the Servicer knows or has reason to know that a Property has been abandoned, the Servicer must provide Internal Revenue Service (IRS) Form 1099-A, Acquisition or Abandonment of Secured Property. For all cancellations of mortgage debt on or after January 1, 2005 with respect to a Mortgage owned or guaranteed in whole or in part by Freddie Mac, the Servicer must report the cancellation of the Borrower's mortgage debt to the IRS on IRS Form 1099-C, Cancellation of Debt.

The Servicer must file Forms 1099-A and 1099-C with the IRS, the Borrowers and the States (as required). The Servicer must also notify Freddie Mac of its filings with the IRS on Freddie Mac Form 1065M, Report of IRS Form 1099-A and Form 1099-C Filings.

a. General instructions for filing IRS Forms 1099-A and 1099-C with IRS (10/21/21)

The Servicer must file all IRS Forms 1099-A and 1099-C with the IRS electronically. Paper filing is not an option as the number of forms that will be filed under Freddie Mac's tax identification number will exceed the maximum allowed for paper filing.

The Servicer must file its forms with the IRS no later than March 31 of the year following the calendar year that the Property is abandoned (Form 1099-A) or the debt is canceled (Form

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1099-C). The Servicer must furnish the Borrower with a copy of any Forms 1099-A and 1099-C filed with the IRS on or before January 31 of the calendar year the form is filed with the IRS.

IRS requirements for filing electronically are set forth in IRS Publication 1220, Specifications for Electronic Filing of Forms 1097, 1098, 1099, 3921, 3922, 5498 and W2-G. A Servicer may obtain this publication by downloading it from the IRS website at www.irs.gov or by calling the IRS at 1-800-TAX-FORM (1-800-829-3676). Instructions for completing IRS Forms 1099-A and 1099-C are set forth in Freddie Mac Form 1065M.

The Servicer must insert appropriate header information on the electronic report it files with the IRS in accordance with the record descriptions in the following table:

Field Name	Data Description
Payer "A" Record	
Payer's TIN	For non-securitized loans, use 520904874 and for securitized loans, use the trust's TIN
First Payer Name Line	Federal Home Loan Mortgage Corporation
Payer Shipping Address	8200 Jones Branch Drive
Payer City	McLean
Payer State	VA
Payer ZIP Code	22102
Payer's Telephone Number & Extension	Servicer's telephone number
"B" Record	
Payee's TIN	Borrower's TIN
Payer's Account Number for Payee	The nine-digit Freddie Mac loan number followed by one space and the six-digit Seller/Servicer number
First Payee Name Line	First Borrower's name
Second Payee Name Line	Second Borrower's Name, if appropriate
Payee Mailing Address	Most recent address for Borrower
Payee City	Most recent address for Borrower
Payee State	Most recent address for Borrower
Payee Zip Code	Most recent address for Borrower

The Borrower's TIN is required to complete Forms 1099-A and 1099-C. If the Servicer does not have the Borrower's TIN, the Servicer must make a reasonable effort to obtain the TIN. Such request must clearly notify the Borrower that the IRS requires the Borrower to provide its TIN and that failure to do so subjects the Borrower to a $50 penalty imposed by the IRS. To request the TIN, the Servicer must use IRS Form W-9, Request for Taxpayer Identification Number and Certification. However, the Borrower is not required to certify the TIN under penalties of perjury.

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To correct or void previously submitted IRS Forms 1099-A or 1099-C, the Servicer must refer to IRS requirements to determine how to report either for electronic corrections or voids. To avoid or minimize penalties that may be imposed by the IRS, the Servicer must report corrections or voids to the IRS when an error is discovered.

The Servicer is responsible for completing the IRS Forms 1099-A and 1099-C and for providing the information to the IRS and to the Borrower in a timely and accurate manner. If the IRS penalizes Freddie Mac or assesses any fee for failure to produce such information or because a Servicer failed to file a report, or filed an untimely, incorrect or incomplete report, the Servicer must reimburse Freddie Mac for all costs incurred by Freddie Mac as a result of such penalty or assessment.

The Servicer must maintain copies of all statements and filings that Freddie Mac requires the Servicer to provide directly to the Borrowers and the IRS in compliance with the Internal Revenue Code. The Servicer must make such copies available for examination by Freddie Mac upon request until Freddie Mac agrees, in writing, that such records may be destroyed.

The Servicer must comply with the IRS's and the various States' requirements, as amended from time to time, for filing IRS Forms 1099-A and 1099-C. The Servicer is also responsible for providing a copy of any forms filed with the IRS to those States that have filing requirements. The Servicer should consult with its tax advisors, the States or the IRS concerning questions on such requirements.

b. Instructions for filing IRS Form 1099-A, Acquisition or Abandonment of Secured Property (06/29/17)

The Servicer must provide Form 1099-A to the IRS and the Borrower as required under Section 6050J of the Internal Revenue Code. This reporting must be done whenever Freddie Mac or a third party acquires an interest in a Property in full or partial satisfaction of Freddie Mac's secured debt or when Freddie Mac or the Servicer knows or has reason to know that a Property has been abandoned.

For the purposes of filing this report, the following instructions apply:

- Freddie Mac acquires an interest in the Property either:
    1. On the date of the foreclosure sale or the date the Borrower's right of redemption, if any, expires, whichever occurs later, or
    2. At the time a deed-in-lieu of foreclosure is recorded.
- A third party acquires an interest at the time of the foreclosure sale.
- Abandonment has occurred when Freddie Mac or the Servicer has reason to know from all the facts and circumstances concerning the status of the Property that the Borrower intended to and has permanently discarded the Property from use. If a Servicer determines that an abandonment has occurred and expects to commence foreclosure proceedings within three months, the reporting obligation generally arises at the end of the three-month period.

The following events trigger the reporting requirement:

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- **Freddie Mac acquisition** – Freddie Mac acquires the Property at a foreclosure sale or by deed-in-lieu of foreclosure
- **Third party sale** – a third party acquires the Property at a foreclosure sale
- **HUD, RHS or VA acquisition** – the Property was acquired by HUD, RHS, or the VA
- **Abandonment** – the Property has been abandoned, three months have passed and foreclosure proceedings have not begun

A completed IRS Form 1099-A must be filed electronically with the IRS on or before March 31 of the year following the calendar year in which the reportable event occurred. A copy of the Form 1099-A must be mailed to each Borrower on or before January 31 of the same calendar year as the Form 1099-A was filed with the IRS.

See Section 43.3(c) in the event that both IRS Forms 1099-A and 1099-C may be filed as the result of a cancellation of debt in connection with a foreclosure or similar action in the same year for the same Borrower.

c. Instructions for filing IRS Form 1099-C, Cancellation of Debt (06/29/17)

The Servicer must report cancellations of Borrower's Mortgage debt on Internal Revenue Service (IRS) Form 1099-C as required under Section 6050P of the Internal Revenue Code for all cancellations of mortgage debt of $600 or more occurring on or after January 1, 2005, with respect to Mortgages owned or guaranteed in whole or in part by Freddie Mac. Form 1099-C must be filed regardless of whether the Borrower must report the cancellation of debt as income.

If in the same calendar year, the Servicer cancels a debt in connection with a foreclosure or abandonment of the Property, it is not necessary to file both Forms 1099-A and 1099-C for the same Borrower. The Servicer will meet the filing requirement for Form 1099-A by completing boxes 4, 5, and 7 on Form 1099-C. However, the Servicer may complete both Forms 1099-A and 1099-C separately; in that case, the Servicer should not complete boxes 4, 5, and 7 on Form 1099-C. See Form 1065M for filing instructions for IRS Forms 1099-A and 1099-C.

Servicers are not required to report the following on IRS Form 1099-C:

- **Interest** - Servicers do not need to include interest as part of the canceled debt in box 2. However, if interest is reported as part of the canceled debt in box 2, show the interest separately in box 3.
- **Nonprincipal amounts** - Nonprincipal amounts include penalties, fines, fees and administrative costs.
- **Release of a Borrower** - IRS Form 1099-C does not need to be filed if one of the Borrowers on a Mortgage is released, as long as the remaining Borrowers remain liable for the full amount of the unpaid Mortgage.
- **Guarantor or surety** - A guarantor is not a debtor for purposes of Form 1099-C, even if demand for payment is made to the guarantor.

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For Mortgages originated after 1994 that involve Borrowers who are jointly and severally liable for the Mortgage, the Servicer must report the entire amount of the canceled debt on each Borrower's Form 1099-C. Multiple Borrowers are jointly and severally liable for a debt if there is no clear and convincing evidence to the contrary. If the Servicer can show that joint and several liability does not exist, the Servicer must file Form 1099-C for each Borrower for whom the Servicer canceled a debt of $600 or more.

For Mortgages originated before 1995, the Servicer must file Form 1099-C only for the primary (or first-named) Borrower. If the Servicer knows or has reason to know that the multiple Borrowers were husband and wife who were living at the same address when the debt was incurred, and the Servicer has no information that these circumstances have changed, the Servicer may file only one Form 1099-C.

For purposes of Form 1099-C, the following instructions apply:

- A debt may include all amounts owed, including stated principal, stated interest, fees, penalties, administrative costs and fines. However, only stated principal is required to be reported. If accrued interest is included in the amount of the stated debt in box 2, then it must be reported in box 3.

- A debt is canceled on the date an identifiable event occurs. An identifiable event is:

    1. Discharge in bankruptcy under Title 11 of the U.S. Code. The Servicer must report the debt canceled in bankruptcy for the later of the year in which the amount of canceled debt first can be determined, or the year in which the debt is canceled in bankruptcy.

    2. A cancellation or extinguishment making the debt unenforceable in a receivership, foreclosure or similar proceeding.

    3. A cancellation or extinguishment when the statute of limitations for collecting the debt expires, or when the statutory period for filing a claim or beginning a deficiency ~~judgement~~judgment proceeding expires. Expiration of the statute of limitations is an identifiable event only when the Borrower's affirmative statute of limitations defense is upheld in a final ~~judgement~~judgment or decision of a court and the appeal period has expired.

    4. A cancellation or extinguishment when deficiency rights were not preserved during the foreclosure process.

    5. A cancellation or extinguishment when Freddie Mac makes the determination not to pursue a deficiency action post-foreclosure and notifies the Servicer of such determination.

    6. A cancellation or extinguishment when Freddie Mac elects foreclosure remedies that by law end or bar the creditor's right to collect the debt. This event applies if collection is barred by local law after a "power of sale" in the Mortgage or deed of trust is exercised.

    7. A cancellation or extinguishment due to a probate or similar proceeding.

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8. A discharge of indebtedness under an agreement with the debtor to cancel the debt at less than full consideration (*e.g.*~~.~~,, a short ~~sale~~payoff). Freddie Mac will advise the Servicer if such an agreement is reached with a Borrower.

9. A discharge of indebtedness because of a decision or a defined policy of the creditor to discontinue collection activity and cancel the debt. A creditor's defined policy can be in writing or an established business practice. A practice to stop collection activity and abandon a debt when a particular nonpayment period expires is a defined policy.

Facts and circumstances indicating that a debt was not canceled include the existence of a lien relating to the debt (up to the value of the security) or the sale or packaging for sale of the debt by the creditor.

In the event of a foreclosure sale where deficiency rights were preserved, the Servicer must not initially file a Form 1099-C. Freddie Mac will determine whether to pursue collection of the deficiency of that Mortgage. If Freddie Mac makes a determination not to pursue collection of the deficiency, Freddie Mac will notify the Servicer and the Servicer must then file the IRS Form 1099-C.

Each Servicer must file its reports with the IRS not later than March 31 of the year following the calendar year in which the cancellation of debt occurs.

d. Instructions for filing Freddie Mac Form 1065M, Report of IRS Form 1099-A and Form 1099-C Filings (04/15/21)

The Servicer must notify Freddie Mac that the Servicer reported to the IRS electronically. When the Form 1099-A or Form 1099-C is sent to the IRS, the Servicer must submit Form 1065M to Freddie Mac. The Servicer should not send Freddie Mac copies of the Form 1099-A or Form 1099-C that it filed with the IRS.

When corrections or voids are submitted to the IRS, a copy of Form 1065M must be submitted to Freddie Mac. Form 1065M should indicate the number of corrected or voided IRS Forms 1099-A and 1099-C that were submitted to the IRS.

Form 1065M should be mailed to Freddie Mac at the address shown on the form.

43.4 IRS Form 1099-MISC, Miscellaneous Income, and IRS Form 1099-NEC, Nonemployee Compensation (08/18/22)

Servicers must not prepare or file IRS Form 1099-MISC, Miscellaneous Income, or IRS Form 1099-NEC, Nonemployee Compensation, using Freddie Mac's name or Taxpayer Identification Number (TIN). The Servicer should consult with its tax advisor to review its reporting obligations with regard to the filing of Forms 1099-MISC and 1099-NEC.

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43.5 Continuation of Uniform Commercial Code (UCC) financing statements; termination (06/27/19)

a. UCC continuation statements (12/14/18)

During the term of the Mortgage, the Servicer must maintain the continuity of Freddie Mac's perfected security interest in personal property relating to the Property (including chattel and fixtures). The Servicer must monitor the expiration dates of financing statements filed and recorded with respect to such personal property, and must ensure that all necessary continuation statements (including so-called "in-lieu" filings, if applicable) are filed in a timely manner and recorded with the proper office(s) in accordance with applicable law, prior to the expiration date. Promptly after filing or recordation, the Servicer must electronically deliver evidence of such continuation statements to Freddie Mac.

b. Termination statements (05/06/05)

Following payment in full of a Mortgage, the Servicer must promptly file and record termination statements evidencing the release of Freddie Mac's security interest in the personal property located on the Property. The Servicer must file such termination statements, at the Servicer's expense, in each office in which a financing statement has been filed or recorded.

c. Freddie Mac signature (05/31/12)

In instances where the Servicer determines that Freddie Mac's signature is required by local law in order for a continuation or termination statement to be accepted for filing or recordation, or to be effective, the Servicer must forward the completed continuation or termination statements to Freddie Mac *Multifamily Asset Management, Borrower Transactions* for signature by Freddie Mac. Freddie Mac will return the signed forms to the Servicer, and the Servicer must then file and record them at its own expense. If Freddie Mac has provided written authorization to the Servicer to execute continuation or termination statements on behalf of Freddie Mac, it is unnecessary for the Servicer to send the statements to Freddie Mac for signature.

d. Copies to Freddie Mac (09/28/12)

Promptly following recording or filing, the Servicer must electronically deliver to Freddie Mac a copy of the continuation or termination statement showing all recording or filing information (recorder's stamp, book and page numbers, or instrument number).

e. Limited power of attorney (06/27/19)

A Servicer may elect to request a limited power of attorney from Freddie Mac that enables the Servicer to execute continuation and termination statements on behalf of Freddie Mac. The Servicer must request this limited power of attorney in writing from Freddie Mac *Multifamily Asset Management, Borrower Transactions*.

This limited power of attorney is not available to a Servicer that is not a member of the Optigo Lender network.

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43.6 Unauthorized transfers (04/18/24)

The Servicer must be alert to unauthorized Transfers of Ownership. Section 41.8 or Section 41SBL.8, if applicable, describes what the Servicer must do if it learns of an unauthorized Transfer of Ownership. In order to determine whether and under what circumstances a Borrower may carry out a Transfer of Ownership, the Servicer must first determine what actions the Loan Documents permit. Chapter 41 fully describes the requirements with regard to Transfers of Ownership.

43.7 Late charges; default interest (04/18/24)

a. Mortgages originated on or after July 8, 1992 (06/30/16)

For Mortgages originated on or after July 8, 1992, the Servicer must remit collected late charges and default interest to Freddie Mac as described below:

- For fixed-rate Mortgages, other than TAH bond credit enhancement Mortgages, the Servicer may retain all late charges collected by the Servicer within 30 days after the Due Date of the related installment. The Servicer must remit to Freddie Mac *Multifamily Loan Accounting* 50 percent of any late charges collected by the Servicer more than 30 days after the Due Date of the related installment. Freddie Mac reserves the right to waive any late charge, in its discretion.

- For ARMs, the Servicer must remit to Freddie Mac *Multifamily Loan Accounting* 50 percent of all late charges collected by the Servicer. Freddie Mac reserves the right to waive any late charge, in its discretion.

- For SBL Hybrid ARM Mortgages:

  - During the period in which the fixed interest rate is in effect, the Servicer may retain all late charges collected by the Servicer within 30 days after the Due Date of the related installment. The Servicer must remit to Freddie Mac *Multifamily Loan Accounting* 50 percent of any late charges collected by the Servicer more than 30 days after the Due Date of the related installment.

  - During the period in which the adjustable interest rate is in effect, the Servicer must remit to Freddie Mac *Multifamily Loan Accounting* 50 percent of all late charges collected by the Servicer.

  - Freddie Mac reserves the right to waive any late charge, in its discretion.

- The Servicer must remit all collected default interest to Freddie Mac *Multifamily Loan Accounting*.

b. Mortgages originated prior to July 8, 1992 (08/30/13)

For Mortgages, other than TAH bond credit enhancement Mortgages, originated prior to July 8, 1992, the Servicer may retain late charges and default interest as additional Servicing compensation. In imposing late charges and/or default interest, the Servicer:

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- May collect increased interest (default interest) during Delinquencies or other defaults only to the extent expressly provided for in the Note
- May not impose any late charge for any monthly installment received within 10 days after the payment is due (If the grace period ends on a weekend or holiday, it is extended to the next Business Day.)
- May not impose a late charge in an amount more than five percent of the monthly principal and interest installment that is late (or any lesser amount specified in the Note)

c. Collection of late charges and default interest (04/30/13)

To the extent permitted by applicable law, the Servicer must use its best efforts to collect unpaid late charges and default interest. For example, if allowable under local law, the Servicer must require the Borrower to pay such amounts prior to release of the Mortgage.

For all Mortgages, regardless of the date of origination or any provision to the contrary in the Loan Documents, the Servicer may not use any of the following methods to collect due and unpaid late charges or default interest:

- Charging the Borrower's Reserves
- Deducting from a regular payment of the monthly installment
- Deducting from a payment made to partially or fully cure a Delinquency
- Adding to the outstanding principal balance of the Mortgage
- Bringing a legal collection action against the Borrower, unless:
  - The Servicer projects that the expected recovery will exceed the cost of the action, and
  - The Servicer obtains the prior written consent of Freddie Mac for such action

d. Waiver of the collection of a late charge (04/18/24)

For all fixed-rate Mortgages, the Servicer has the authority to waive, without the consent of Freddie Mac, the collection of a late charge for a payment received less than 30 days after the scheduled payment date. The Servicer may grant this waiver up to three times during the life of a Mortgage, provided that:

- The Servicer determines that the Borrower has a justifiable reason for the request,
- The late payment is not due to cash flow problems, and
- The Mortgage:
  - Has not been late within the last 12 months,

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- Has a Risk Rating of six or less,
- Is not in default,
- Has not been securitized, and
- Is not credit-enhanced by a third party.

If the late payment is due to cash flow problems, the Seller/Servicer may not waive the late charge and must contact Freddie Mac *Multifamily Asset Management, Borrower Transactions* or, for Structured Transactions, *Multifamily Asset Management, Structured Transactions*, to approve this request.

The Servicer may only agree to a third waiver request if the Borrower agrees to, or in the case of a fixed-rate SBL Mortgage, is already required to, auto-debit the required payment for a minimum of the next 12 months.

The waiver must be approved by a supervisor or a higher-level manager of the Servicer and the Servicer must notify Freddie Mac of any actions taken under the delegated approval within 30 days of the effective date of the approval by electronically delivering to Freddie Mac the General Servicing Request, along with any supporting documentation.

The Servicer must document the waiver and retain evidence of the waiver in the Mortgage File. The Servicer may not waive collection of any late charge payable under the Note for an ARM, an SBL Hybrid ARM, or a TAH bond credit enhancement Mortgage.

e. Request for waiver (04/18/24)

After a Servicer has granted three waivers of the collection of late charges per Section 43.7(d), or if Section 43.7(d) otherwise does not permit the Servicer to approve a waiver request, if the Servicer determines that a waiver is necessary or desirable, the Servicer must take the following actions:

1. Enter the waiver request into CRT. The CRT record should be created with the selection that Freddie Mac approval is required for Mortgages owned by Freddie Mac.
2. Electronically deliver the General Servicing Request form, including any necessary supporting documentation.

43.8 Casualty losses and natural disaster losses (09/14/23)

a. Form 1140, Hazard Loss Notification (09/14/23)

1. Form 1140, Part I – Notification

The provisions of Section 43.8(a)(1) apply to a Mortgage secured by a Property that suffers a loss or damage and meets any of the following conditions:

- There has been an event of default under the Loan Documents
- Death or serious injury has resulted from the event

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- The Mortgage is an SBL Mortgage and the estimated loss is greater than $25,000
- The Mortgage is a non-SBL Mortgage and the estimated loss is greater than $50,000

As soon as possible, but in no event more than 14 calendar days after a Servicer learns that a loss or damage has occurred with respect to a Property, regardless of whether the Borrower plans to submit an insurance claim, the Servicer must:

- Complete Form 1140, Part I - Notification
- Upload the completed form to the Document Management System (DMS), using the "File Submission" link to "Submit to Hazard Loss"

If the restoration is already 100 percent complete, the Servicer must upload a fully completed Form 1140, Part I – Notification and either a fully completed Part I – Follow Up or Part II – Restoration Plan for Approval (depending on whether Freddie Mac approval is required under Section 43.8(a)(3)) to DMS and use the "File Submission" link to "Submit to Hazard Loss~~"~~."

2. Form 1140, Part I – Follow Up

If none of the Freddie Mac approval conditions listed in Section 43.8(a)(3) exist, then within 90 calendar days after the Servicer submitted Part I – Notification, or earlier upon Freddie Mac request, the Servicer must upload a fully completed Part I – Follow Up to the corresponding Property Reporting System ("PRS") entry.

3. Form 1140, Part II – Restoration Plan for Approval:

If none of the Freddie Mac approval conditions listed below exist, then the Servicer is not required to complete Part II of Form 1140.

If one or more of the following conditions exists, Freddie Mac approval of the Borrower's restoration plans is required:

- There has been an event of default under the Loan Documents
- Death or serious injury has resulted from the event
- The percentage of units that sustained any damage is 10 percent or more of the Property's total units
- The estimated loss amount is greater than $500,000 or 10 percent of the outstanding UPB
- For non-SBL Mortgages, the estimated loss exceeds the Borrower Proof of Loss Maximum (as defined in the Loan Agreement)
- The Mortgage has not been securitized, has a Risk Rating greater than six and the estimated loss is greater than $50,000

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- The Borrower's insurance coverage is insufficient to cover the loss to the Property or loss of rents/business income and the estimated loss amount is greater than $50,000

If Freddie Mac approval is required for the Borrower's restoration plans, the Servicer must complete Form 1140, Part II – Restoration Plan for Approval within 90 calendar days after the Servicer submitted Part I – Notification, and provide it to Freddie Mac as follows:

- If the Servicer has not previously submitted Form 1140, Part I – Notification, the Servicer must upload the completed Part I – Notification and Part II to DMS and use the "File Submission" link to "Submit to Hazard Loss"

- If the Servicer has previously submitted Form 1140, Part I – Notification, the Servicer must upload Part II – Restoration Plan for Approval directly to the corresponding PRS entry

Freddie Mac will review the Servicer's recommendations and provide its approval or directions for alternate action. Under most circumstances, Freddie Mac will delegate responsibility for managing and approving disbursement requests to the Servicer. If delegation of disbursement requests is not approved, the Servicer must submit Form 1140-DR to the corresponding PRS entry.

If the Servicer is requesting approval to permit the Borrower to pay down the Mortgage in lieu of restoring all or a portion of the damaged Property, the Servicer must make a Consent Request Tracker (CRT) entry and submit corresponding consent request approval documentation to Freddie Mac.

b. Reserved (03/30/12)

c. Use of insurance proceeds (06/30/16)

1. The Servicer must require the Borrower to obtain either a "repair or replacement" settlement to use the insurance proceeds to rebuild/repair the damaged Property or to obtain an "actual cash value" settlement to pay down the principal balance of the Mortgage; the type of settlement required for the Mortgage will be determined in Freddie Mac's discretion in accordance with the applicable terms of the Loan Documents, and additionally for SBL Mortgages, in accordance with Sections 43.8(c)(3) and 43.8(c)(4). If, in its discretion, Freddie Mac requires that the Borrower obtain an actual cash value settlement to use the proceeds to pay down the principal balance of the Mortgage, the Borrower may request that the Servicer and Freddie Mac review current income and expense information to assess the economic viability of the Property and reconsider the decision regarding the use of the proceeds.

2. Unless the Loan Documents provide otherwise, if the Borrower uses the proceeds to pay down the principal balance of the Mortgage, no prepayment premium will be assessed with respect to that payment. If 20 percent or more of a building or Property is damaged or destroyed and Freddie Mac agrees to allow the use of the proceeds to repair or rebuild the Property, Freddie Mac may, in its discretion, require that the Servicer hold the proceeds in escrow and disburse them as work is completed in a workmanlike manner, bills are presented and the work is inspected.

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3. For SBL Mortgages, if none of the conditions set forth in Section 43.8(c)(4) exist, then following a casualty that results in damage to the Property for which the cost of repairs will be less than $100,000, the Servicer may authorize the Borrower to make proof of loss and adjust and compromise the claim without the prior consent of Freddie Mac, and the Servicer must hold the applicable insurance proceeds to be used to reimburse the Borrower for the cost of restoration of the Property and will not apply such proceeds to the payment of the principal amount of the SBL Mortgage.

4. For SBL Mortgages, Freddie Mac may require the Servicer to apply insurance proceeds to pay down the principal balance of the SBL Mortgage if Freddie Mac determines, in Freddie Mac's discretion, that any of the following conditions are exist:

   - An event of default (or any event, which, with the giving of notice or the passage of time, or both, would constitute an event of default) has occurred and is continuing.

   - There will not be sufficient funds from insurance proceeds, anticipated contributions of the Borrower of its own funds or other sources acceptable to Freddie Mac to complete the restoration.

   - The rental income from the Property after completion of the restoration will not be sufficient to meet all operating costs and other expenses, deposits to reserve funds required by the Loan Agreement and loan repayment obligations relating to the Property.

   - The restoration will be completed less than (i) six months prior to the maturity date of the loan if re-leasing will be completed prior to the maturity date, or (ii) 12 months prior to the maturity date if re-leasing will not be completed prior to the maturity date.

   - The restoration will not be completed within one year after the date of the loss or casualty.

   - The casualty involved an actual or constructive loss of more than 30 percent of the fair market value of the Property, and rendered untenantable more than 30 percent of the residential units of the Property.

   - After completion of the restoration the fair market value of the Property is expected to be less than the fair market value of the Property immediately prior to such casualty (assuming the affected portion of the Property is re-let within a reasonable period after the date of such casualty).

   - Leases covering less than 35 percent of the residential units of the Property will remain in full force and effect during and after the completion of restoration.

d. Servicer responsibilities following a casualty loss (09/14/23)

Upon learning of loss or damage to the Property, the Servicer must:

1. Verify the extent of the loss or damage to the Property, including any impact on the habitability of units, health and safety of residents, condition of common areas, and the expected effect on the occupancy and financial strength of the Property.

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2. Complete and submit Parts I and II of the Form 1140, Hazard Notification and Plan, in accordance with Sections 43.8(a) and (b) above.

3. Ensure that the Borrower has taken all necessary and timely steps to:

   a. Secure the Property

   b. Give adequate notice of the loss to the insurance carriers

   c. Process the claim

   d. If applicable, file for any disaster relief aid and notify Freddie Mac of the filing

4. Ensure that all insurance proceeds are delivered to the Servicer in the form of checks or drafts made jointly payable to Freddie Mac in care of the Servicer and to the Borrower. Freddie Mac hereby grants the Servicer authority to endorse such checks or drafts on Freddie Mac's behalf.

5. Ensure the judicious disbursements of insurance proceeds. The Servicer may only disburse insurance proceeds to a Borrower or release the proceeds from escrow upon the Servicer's verification that the work the funds will pay for has been satisfactorily completed.

   If Freddie Mac approval of the Servicer's recommendation is required, the Servicer may not make any disbursements of insurance proceeds to the Borrower until Freddie Mac has given its written approval to the Servicer regarding the handling of the loss or damage.

   - Under most circumstances, the Servicer will be responsible for managing and approving disbursement requests. However, if Freddie Mac approval of disbursement requests is required, the Servicer must complete and submit to Freddie Mac Form 1140-DR, Hazard Loss Disbursement Request, for each draw request. The Servicer may not make any disbursements of insurance proceeds to the Borrower until Freddie Mac has received this form and has provided Freddie Mac's written approval to the Servicer of the Servicer's recommendations regarding the disbursement of insurance proceeds. For an SBL Mortgage, the Servicer's recommendation must include a confirmation that none of the conditions set forth in Section 43.8(c)(4) exist. The first Form 1140-DR, Hazard Loss Disbursement Request, may be submitted with Part II – Restoration Plan for Approval of the Form 1140, Hazard Loss Notification and Plan, if the situation requires simultaneous review of the hazard loss recommendations and the first Disbursement Request.

   - If Freddie Mac approval of disbursements is not required, the Servicer is not required to complete or submit the Form 1140-DR.

   - The Servicer is responsible for monitoring the repair or restoration of the Property, including, when appropriate or in Freddie Mac's discretion, the employment of a qualified inspector or physical engineer to inspect the repairs or restoration.

6. Protect the priority of the Mortgage by obtaining, when the Servicer deems it necessary in the exercise of its prudent judgment or when required by Freddie Mac, waivers or releases of liens from all contractors and suppliers supplying labor or materials for the repairs and restorations.

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7. Record in the servicing loss file details of the loss or damage, the repairs or restoration to the Property, and disposition of insurance proceeds. Include any inspection reports (with photographs) completed by Servicer or third parties of the initial damage, progress inspections and completion inspection.

e. Freddie Mac Annual Inspection Form (AIF) (06/28/13)

In any subsequent AIF the Servicer must report on the status of the loss until it is fully resolved.

f. Notice of completion of restoration of the Property (09/14/23)

The Servicer must use its prudent judgment in determining whether all loss or damage has been resolved or repaired, as applicable. The Servicer may take the following actions, as appropriate, to ensure full remediation has taken place:

- Employing a qualified inspector or physical engineer to inspect the repairs or restoration
- Obtaining waivers or releases of liens from all contractors and suppliers supplying labor or materials for the repairs and restorations
- Requiring the Borrower to submit the Freddie Mac Multifamily Completion of Restoration Certificate when Freddie Mac restoration plan for approval is required

Within 30 days after the Servicer determines and documents that full remediation has occurred, the Servicer must provide written notification to Freddie Mac *Multifamily Asset Management*, *Surveillance Compliance* via email at MF_Loan_Compliance@freddiemac.com or upload to the corresponding Loan Item Tracking ("LIT") in the Property Reporting System ("PRS"). If the Servicer reports closure of the item in any other report to *Multifamily Asset Management*, the Servicer is held to the same standard regarding ensuring full remediation of the loss or damage.

g. Servicer responsibility following a natural disaster loss (09/14/23)

When a Servicer learns of a natural disaster (hurricane, earthquake, flood, tornado, etc.) via media or otherwise, the Servicer must take the following steps:

- Review its Freddie Mac Servicing portfolio and identify Properties potentially impacted by a Federal Emergency Management Agency (FEMA) Major Disaster declaration authorizing Individual Assistance
- Contact the Borrower for each potentially impacted Property to determine if the Property suffered any damage due to a natural disaster and if so, the extent of such damage

  Note that FEMA Major Disaster areas authorized for Individual Assistance are designated by county and a Property may not be specifically located within the area of the county actually impacted by a disaster (wildfires for example).

  Therefore, the Servicer should:

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- Perform additional due diligence and assess and monitor local information available to determine if damage could have occurred at a Property; and
- Contact a Borrower in instances where the Servicer is unable to determine if a Property lies within an area of a FEMA designated county actually impacted by a natural disaster

- Promptly send an email to *Multifamily Asset Management*, *Surveillance Compliance* via email at MF_Loan_Compliance@freddiemac.com listing the potentially impacted Properties and initial details as to whether damage occurred

If the natural disaster has resulted in losses or damage to a Property the Servicer must:

1. Verify the extent of the losses or damages
2. Secure any abandoned Property
3. Assist the affected Borrower in filing for any disaster relief aid available
4. Notify Freddie Mac *Multifamily Asset Management*, *Surveillance Compliance* via email at MF_Loan_Compliance@freddiemac.com to determine appropriate follow-up actions and instructions regarding repairs

43.9 Reserved (06/30/16)

43.10 Easements (04/18/24)

This Section 43.10 does not apply to Infrastructure Agreement Servicing Requests, as described in Section 43.32.

a. Easements the Servicer is permitted to approve (04/18/24)

1. During any period in which Freddie Mac owns the Mortgage, the Servicer may approve the types of easements described in Section 43.10(a)(3) if all the following conditions are satisfied:
   - The Servicer determines, in its discretion, that the easement will not materially affect the operation or value of the Property or Freddie Mac's interest in the Property.
   - The Borrower is not requesting that Freddie Mac subordinate the lien of its Mortgage to the easement. For any such Borrower request, see Section 43.10(e).
   - The Servicer has not received notification from Freddie Mac that the Mortgage has been designated for inclusion in a Securitization.
   - The Mortgage does not back a Freddie Mac Multifamily Participation Certificate, a Freddie Mac Bond Credit Enhancement transaction or a Freddie Mac tax-exempt or taxable Multifamily bond securitization.

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- There are no investors who have provided credit enhancements for the Mortgage other than a Seller/Servicer, the Borrower or an Affiliate of the Borrower.

2. The Servicer must enter the Borrower request into the Consent Request Tracker as required by Section 36.25. The Consent Request Tracker record should be created with the selection that Freddie Mac approval is not required for Mortgages owned by Freddie Mac.

3. For any Mortgage which meets the requirements of Section 43.10(a)(1), the Servicer may approve the following types of easements:

   A. Easements for local residential distribution of gas, water, electricity or other public utilities that do not have any adverse effect on the value of the Property.

   B. Infrastructure Agreements constituting easements that Servicer is permitted to approve under Section 43.32.

   C. Easements for the benefit of a third party (other than for local residential distribution of gas, water, electricity or other public utility) if all the following conditions are satisfied:

      i. The Servicer has determined that there is no material adverse impact on the Property's value, operation, access, marketability, or on the income production of units or other income-producing improvements.

      ii. The Property secures a Mortgage having a UPB of $30 million or less as of the date of the Borrower's easement application with the Servicer.

      iii. The Property secures a Mortgage with a Risk Rating of six or less.

      iv. The Mortgage is current, with no evidence of default.

      v. Compensation for the easement is less than the lesser of 0.5 percent of the UPB or $100,000.

      vi. The proposed easement is compatible with the use of the Property and would be generally acceptable to prudent lenders.

      vii. A supervisor or higher-level manager on the Servicer's staff has approved the easement using the Easement Request.

b. Documentation for an easement not requiring Freddie Mac approval (04/18/24)

Within 30 days after the grant of an easement not requiring Freddie Mac approval, the Servicer must:

- Notify Freddie Mac of any actions taken under the delegated approval within 30 days of the effective date of the approval by electronically delivering the Easement Request.

- Electronically deliver to Freddie Mac a copy of the Borrower request and the executed, recorded easement agreement. If a recorder or clerk delay makes it impossible to effect timely delivery of a copy showing the required information, the Servicer may provide a copy

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that the Title Company or closing attorney has certified as a "true and correct copy of the recorded original." The Servicer must electronically deliver a copy showing the required information as soon as such information is available.

For any easement that does not require Freddie Mac approval, the Servicer may charge the Borrower a nonrefundable review fee for an application in the amount specified in the Loan Documents, or, if no amount is specified, in the amount set forth in Exhibit 10. The Servicer may retain the entire fee, if any.

c. Recordation of an easement not requiring Freddie Mac approval (09/22/17)

For an easement not requiring Freddie Mac approval, Freddie Mac will provide each Servicer with a written limited power of attorney. The limited power of attorney will delegate to each Servicer the authority to sign certain documents on behalf of Freddie Mac for the limited purpose of approving an easement of one of the types set forth in Section 43.10(a). Any documents necessary to evidence the approval of such an easement must be executed by the Servicer as "[Name of Servicer], as Attorney-in-Fact for Freddie Mac."

The Servicer must maintain a record of each jurisdiction in which the limited power of attorney is recorded. Freddie Mac may require that the Servicer identify to Freddie Mac all jurisdictions where Freddie Mac's limited power of attorney has been recorded. The Servicer must comply with all local recording requirements and is solely responsible for paying any recording fee assessed by the applicable authority.

d. File retention requirements for an easement not requiring Freddie Mac approval (09/22/17)

The Servicer must maintain a file that contains the following information for a delegated easement approval:

- Borrower's original request for approval and required information
- Evidence of the Servicer's analysis and approval of the request
- Copies of the Servicer's notification of the approval to the Borrower and Freddie Mac
- Copies of the executed easement agreement and any other document signed on Freddie Mac's behalf

The Servicer must maintain the file in accordance with the requirements set forth in Section 34.4.

e. Procedure for an easement requiring Freddie Mac approval (04/18/24)

For any Mortgage for which the Servicer is not delegated approval authority under Section 43.10(a), the Servicer must take the following actions:

- Enter the Borrower request into the Consent Request Tracker as required by Section 36.25

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- Promptly upon receipt of all applicable items listed in 1 - 8 below, electronically deliver those items to Freddie Mac, together with the Borrower's request and the Servicer's recommendation

For all easements that require Freddie Mac approval, the Servicer must charge the Borrower a nonrefundable review fee in the amount specified in the Loan Documents, or, if no amount is specified, in the amount set forth in Exhibit 10. The Servicer must remit to Freddie Mac 50 percent of the review fee, if any, and may retain the remaining 50 percent. The Servicer may not charge the Borrower any additional fees for processing an application for approval of an easement.

At the time of delivery of the request to Freddie Mac, the Servicer must remit to Freddie Mac the Freddie Mac portion of any review fee. The Servicer must:

- Obtain wire transfer instructions from Freddie Mac *Multifamily Asset Management, Borrower Transactions* or *Multifamily Asset Management, Structured Transactions*, as applicable
- Send the wire transfer to the attention of *Multifamily Cash Management*
- Reference the Property name, the Freddie Mac contact person and the Freddie Mac loan number

The Servicer must deliver each of the following documents:

1. A completed Easement Request, available via mf.freddiemac.com/lenders/asset, which must include the Servicer's analysis along with the Servicer's recommendation for action
2. Form 1125, Borrower Application for Partial Release or Easement, completed and signed by the Borrower and any Guarantor(s)
3. Copy of the proposed easement agreement (including a complete legal description of the land that will be subject to the easement) and any proposed agreement to subordinate the Mortgage to the easement
4. Survey that shows the land subject to the easement (including a complete legal description) and any affected improvements and clearly delineates the location of the easement (If the easement is a blanket easement, a survey is not required. If the easement can be shown on a copy of the survey delivered to Freddie Mac at final delivery of the Mortgage, the Seller may use that copy to delineate the easement.)
5. Title update report, if requested by Freddie Mac
6. If the Servicer determines that there may be legal issues raised by the easement, a preliminary legal issues memorandum (PLIM) meeting the requirements of Section 6.4 or Section 6SBL.7, if applicable. If the Servicer does not submit a PLIM, and Freddie Mac determines that the transaction raises legal issues, Freddie Mac reserves the right to request that the Servicer deliver a PLIM
7. After the Servicer receives notification from Freddie Mac that a Mortgage has been designated for inclusion in a Securitization, if requested by Freddie Mac, the Servicer

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must deliver an opinion of counsel addressed to Freddie Mac and obtained at no expense to Freddie Mac which meets each of the following requirements:

- The counsel providing the opinion is acceptable to Freddie Mac
- The opinion is in form and substance satisfactory to Freddie Mac in its sole and absolute discretion
- The opinion confirms each of the following:
  - The grant of such easement has been effected in accordance with the requirements of Treasury Regulation Section 1.860G-2. (a)(8) (as such regulation may be modified, amended or replaced from time to time)
  - If the grant of easement occurs following the Securitization, then the qualification and status of the REMIC trust as a REMIC will not be adversely affected or impaired as a result of such grant
  - If the grant of easement occurs following the Securitization, then the REMIC trust will not incur a tax under Section 860G(d) of the Tax Code as a result of such grant

8. Any other information requested by Freddie Mac

Freddie Mac will determine whether to approve the proposed easement and subordination, if applicable, and will advise the Servicer, in writing, of that decision. The approval letter will set forth any further requirements, including payment of counsel fees.

If Freddie Mac approves the request, the Servicer must submit to Freddie Mac an execution-ready easement agreement, the subordination agreement (if applicable) and any other document that must be executed by the lender. Before submitting documents to Freddie Mac for signature, the Servicer and its counsel must review the documents to ensure that they:

- Are in the proper form
- Contain the proper signature lines and acknowledgments
- Correctly describe the easement, lease or subordination approved by Freddie Mac, including the legal description supported by the survey

f. Recordation of an easement requiring Freddie Mac approval (09/22/17)

The Servicer must comply with all local recording requirements and arrange for recordation of the easement agreement, the subordination agreement (if applicable), and any other applicable document at no cost to Freddie Mac.

g. Required documentation for an easement requiring Freddie Mac approval (04/18/24)

Within the time specified in the Freddie Mac approval letter, the Servicer must electronically deliver to Freddie Mac a copy of:

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- The easement agreement and subordination agreement (if applicable), showing signatures and recording information. If a recorder or clerk delay makes it impossible to effect timely delivery of a copy showing the required information, the Servicer may provide a copy that the Title Company or closing attorney has certified as a "true and correct copy of the recorded original." The Servicer must deliver a copy showing the required information as soon as such information is available.

- Any other document required by the Freddie Mac approval letter

43.11 Request for partial release of Property (04/18/24)

a. Partial releases the Servicer is permitted to approve (06/30/16)

1. During any period in which Freddie Mac owns the Mortgage, the Servicer may approve certain partial releases unless one of the following applies:

   - The Mortgage was originated on a Note labeled “CME”

   - The Mortgage was originated on a Note with a revision date on or after March 1, 2014

   - The Servicer has received notification from Freddie Mac that the Mortgage has been designated for inclusion in a Securitization

   - The Mortgage backs a Freddie Mac Multifamily Participation Certificate or a Freddie Mac tax-exempt or taxable Multifamily bond securitization

2. For any Mortgage which meets the requirements of Section 43.11(a)(1), the Servicer may approve only partial releases that meet the following criteria:

   a. The request for the partial release is not for improved collateral.

   b. The request for the partial release does not relate to a TAH Bond credit enhancement transaction with compensation for the partial release.

   c. The partial release is in favor of a municipality or government agency.

   d. The partial release will have no adverse impact on the Property value. (The LTV Ratio after the partial release is not greater than before the partial release.)

   e. The Property secures a Mortgage that has a Risk Rating of six or less, is not in default, is not credit-enhanced by a third party and is not a credit-enhanced bond.

   f. Compensation for the partial release is less than the lesser of 0.5 percent of the UPB or $100,000.

   g. The Servicer has received and reviewed either:

      - A zoning report, or

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- A Preliminary Legal Issues Memorandum meeting the requirements of Section 6.4 or Section 6SBL.7, as applicable, confirming that the Property will remain in compliance with all zoning regulations after the partial release.

h. If the Servicer determines that legal issues may be raised by the partial release, the Servicer has received and reviewed a preliminary legal issues memorandum meeting the requirements of Section 6.4 or Section 6SBL.7, as applicable.

i. A supervisor or higher-level manager on the Servicer's staff approved the partial release using the Property Partial Release Request.

j. There are no additional investors who have provided credit enhancements (other than those provided by a Seller/Servicer, Borrower or Affiliates of the Borrower).

For any partial release that does not require Freddie Mac approval, the Servicer may charge the Borrower a nonrefundable review/processing fee in the amount specified in the Loan Documents, or, if not specified, in the amount set forth in Exhibit 10. The Servicer may retain the entire fee.

b. Documentation required following Servicer's delegated approval of a partial release (09/18/14)

Following a delegated approval of a partial release, the Servicer must electronically deliver to Freddie Mac, using the Property Partial Release Request, each of the following:

- A copy of the Servicer's approval
- Survey that shows both the land to be released and the land remaining under the lien of the Mortgage, including a complete legal description of both the land to be subject to the partial release and the land remaining under the lien of the Mortgage, (If the land to be released and the land remaining can be shown on a copy of the survey delivered to Freddie Mac at final delivery of the Mortgage, the Servicer may use that copy to delineate the land to be released. The Servicer must be able to delineate clearly on the survey the location of the land to be released and the land remaining under the lien of the Mortgage.),
- Copy of the proposed partial release (including a complete legal description of the land to be released)

The Servicer must also deliver original documents to be executed by Freddie Mac to complete and record the partial release.

c. Information required with a request for Freddie Mac approval of a partial release (04/30/19)

For any Mortgage for which the Servicer is not delegated approval authority under Sections 43.11(a) and (b), the Servicer must take the following actions:

- Enter the Borrower request into the Consent Request Tracker as required by Section 36.25

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- Promptly upon receipt of all applicable items listed in 1-13 below, the Servicer must electronically deliver those materials to Freddie Mac, together with the Borrower's request and the Servicer's recommendation

For all partial releases that require Freddie Mac approval, the Servicer must charge the Borrower a nonrefundable review/processing fee for an application in the amount specified in the Loan Documents, or, if no amount is specified, in the amount set forth in Exhibit 10. The Servicer must remit to Freddie Mac 50 percent of the review/processing fee, if applicable, and may retain the remaining 50 percent. The Servicer may not charge the Borrower any additional fees for processing an application for approval of a partial release.

At the time of delivery of the partial release request to Freddie Mac, the Servicer must remit to Freddie Mac by wire transfer the Freddie Mac portion of the review/processing fee. The Servicer must:

- Obtain wire transfer instructions from Freddie Mac *Multifamily Asset Management, Borrower Transactions or Structured Transactions*, as applicable
- Send the wire transfer to the attention of *Multifamily Cash Management*
- Reference the Property name, the Freddie Mac contact person and the Freddie Mac loan number

The Servicer must deliver each of the following documents:

1. A completed Property Partial Release Request, which must include the Servicer's analysis along with the Servicer's recommendation for action
2. Form 1125, Borrower Application for Partial Release or Easement, completed and signed by the Borrower and any Guarantor(s)
3. Survey that shows both the land to be released and the land remaining under the lien of the Mortgage, including a complete legal description of both the land to be subject to the partial release and the land remaining under the lien of the Mortgage (If the land to be released and the land remaining can be shown on a copy of the survey delivered to Freddie Mac at final delivery of the Mortgage, the Seller may use that copy to delineate the land to be released. The Servicer must be able to clearly delineate the location of the land to be released and the land remaining under the lien of the Mortgage on the survey.)
4. Copy of the proposed partial release (including a complete legal description of the land to be released)
5. Title update report dated not earlier than 45 days before the date of Form 1125, Borrower Application for Partial Release or Easement
6. Written explanation of the process to be followed in separating the tax lots, if applicable
7. Payment history of the Freddie Mac Mortgage for the previous 12 months
8. Color photographs of the land to be released, if requested by Freddie Mac

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9. A Freddie Mac Annual Inspection Form (AIF), if requested by Freddie Mac

10. A zoning report or preliminary legal issues memorandum confirming that the Property will remain in compliance with all zoning regulations after the partial release

11. If the Servicer determines that there are possible legal issues raised by the partial release, a preliminary legal issues memorandum (PLIM) meeting the requirements of Section 6.4 or Section 6SBL.7, if applicable. If the Servicer does not submit a PLIM, and Freddie Mac determines that the transaction raises legal issues, Freddie Mac reserves the right to request that the Servicer deliver a PLIM.

12. The Servicer's DCR and LTV analysis, addressing any changes resulting from the release and mitigating any negative changes (Note that an appraisal may be required to establish value for the proposed release parcel)

13. Any other information requested by Freddie Mac

d. Freddie Mac approval (04/30/19)

Freddie Mac will determine whether to approve the proposed partial release and will advise the Servicer, in writing, of that decision. Freddie Mac may require that any consideration being paid to the Borrower for the released land be applied to the UPB of the Mortgage to obtain an LTV Ratio no higher than the LTV Ratio of the Mortgage immediately before the partial release or to reduce the LTV Ratio (if Freddie Mac determines that the intended use of the released land would adversely affect the value of the remaining Property).

The approval letter will set forth any further requirements and will require the Servicer to collect a counsel fee to reimburse Freddie Mac for the fees, expenses and costs of Freddie Mac's legal counsel, including its in-house counsel. The Servicer must remit the counsel fee by wire transfer to Freddie Mac at the same time it submits the approval letter that the Servicer executes and returns to evidence its acceptance of the terms, or as otherwise instructed in the approval letter. The Servicer must obtain wire transfer instructions from Freddie Mac *Multifamily Asset Management, Borrower Transactions or Structured Transactions,* as applicable. The Servicer must send the wire transfer to the attention of *Multifamily Cash Management*. The wire transfer must reference the Property name, the Freddie Mac contact person and the Freddie Mac loan number.

If Freddie Mac approves the proposed partial release, the Servicer must submit to Freddie Mac an execution-ready partial release and, if applicable, any other documents that must be executed by the lender. Before submitting the proposed partial release and any other applicable documents to Freddie Mac for signature, the Servicer and its counsel must review the documents to assure that they:

- Are in the proper form
- Contain the proper signature lines and acknowledgments
- Correctly describe the partial release approved by Freddie Mac, including a legal description supported by the survey

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e. Recordation (05/07/07)

The Servicer must comply with all local recording requirements and arrange for recordation of the partial release and any other applicable documents at no cost to Freddie Mac.

f. Documents required after partial release (04/18/24)

Within the time specified in the Freddie Mac approval letter, the Servicer must deliver the following documents to Freddie Mac:

- By electronic delivery, the partial release, showing signatures and recording information (If a recorder or clerk delay makes it impossible to effect timely delivery of a copy showing the required information, the Servicer may provide a copy that the Title Company or closing attorney has certified as a "true and correct copy of the recorded original." The Servicer must deliver a copy showing the required information as soon as such information is available.)
- The original title endorsement updating the Property legal description and reflecting recording of the partial release
- Any other document required by the Freddie Mac approval letter

43.12 Condemnation/eminent domain (06/30/16)

a. Requirements applicable to both non-SBL and SBL Mortgages (06/30/16)

For any full or partial taking of the Property by condemnation or eminent domain, the Servicer must take the following actions after receiving notice of the initiation of such action:

- Enter the Borrower request into the Consent Request Tracker, as required by Section 36.25
- Promptly upon receipt of all applicable items listed in 1-13 of Section 43.11(c), electronically deliver those materials to Freddie Mac, together with the Borrower's request and the Servicer's recommendation; for an SBL Mortgage, the Servicer's recommendation must include an analysis of the requirements set forth in Section 43.12(b)
- Charge the Borrower a nonrefundable review fee in the amount specified in the Loan Documents, or, if no amount is specified, in the amount set forth in Exhibit 10, and submit the review fee, if applicable, by wire transfer in the manner described in Section 43.11(c)
- Advise Freddie Mac whether either of the following circumstances exists:
    - The Property will be taken in whole and the consideration to be paid to the Borrower will be insufficient to satisfy the UPB of the Mortgage
    - The Property will be taken in part and the ratio of the UPB of the Mortgage to the current appraised value of the remaining Property is higher than the LTV Ratio of the Mortgage immediately before the taking, even after applying any consideration to reduce the UPB of the Mortgage.

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b. Additional requirements applicable to SBL Mortgages (06/30/16)

Subject to the terms of the Loan Agreement (including Section 6.11(c) of the Loan Agreement), in the event of a partial condemnation of the Property, if the Servicer has determined that no event of default, or any event which, with the giving of notice or the passage of time, or both, would constitute an event of default, has occurred and is continuing, then in the event of a partial condemnation resulting in proceeds or awards in the amount of less than $100,000, the Servicer may authorize the Borrower to make proof of loss, adjust and compromise the claim and collect and receive any proceeds directly without the approval or prior consent of Freddie Mac so long as the proceeds or awards are used solely for the restoration of the Property.

In the event of a partial condemnation of the Property resulting in proceeds or awards in the amount of $100,000 or more and subject to the terms of the Loan Agreement, Freddie Mac may require the Servicer to apply condemnation proceeds to the principal balance of the Mortgage if Freddie Mac, in Freddie Mac's discretion, determines that any of the following conditions is met:

- An event of default (or any event, which, with the giving of notice or the passage of time, or both, would constitute an event of default) has occurred and is continuing.
- There will not be sufficient funds from condemnation proceeds, anticipated contributions of Borrower of its own funds or other sources acceptable to Freddie Mac to complete the restoration.
- The rental income from the Property after completion of the restoration will not be sufficient to meet all operating costs and other expenses, deposits to Reserve funds and Mortgage repayment obligations relating to the Property.
- The restoration will not be completed at least one year before the maturity date of the Mortgage (or six months before the maturity date if re-leasing of the Property will be completed within such six-month period).
- The restoration will not be completed within one year after the date of the condemnation.
- The condemnation involved an actual or constructive loss of more than 15 percent of the fair market value of the Property, and rendered untenantable more than 25 percent of the residential units of the Property.
- After restoration the fair market value of the Property is expected to be less than the fair market value of the Property immediately prior to the condemnation (assuming the affected portion of the Property is re-let within a reasonable period after the date of the condemnation).
- Leases covering less than 35 percent of residential units of the Property will remain in full force and effect during and after the completion of restoration.

43.13 Maturing Mortgages (04/18/24)

As a Mortgage approaches its maturity date, the Servicer must maintain contact with the Borrower and must keep Freddie Mac informed about the Borrower's plans regarding payoff of the Mortgage. Approximately six months prior to the maturity date of the Mortgage, *Multifamily Special Servicing*

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may request the Servicer to complete a Form 1101, Legal Referral Form, and provide certain other information. The Servicer must return the completed Form 1101 and any other requested information to Freddie Mac within 10 days of the request.

a. Refinance candidates (06/27/19)

The Servicer must evaluate each maturing Mortgage to determine whether the Mortgage may qualify for refinancing under a Freddie Mac purchase program or product and whether the Borrower is interested in pursuing such a refinance. The Servicer must advise Freddie Mac of the results of its analysis. Additional action to be taken depends upon whether the Servicer is a member of the Optigo Lender network.

1. If the Servicer is a member of the Optigo Lender network

If the Mortgage appears to qualify for a refinancing under a Freddie Mac purchase program or product and the Borrower is interested, the Seller/Servicer must contact the Applicable Freddie Mac *Multifamily Regional Office* to initiate a transaction.

2. If the Servicer is not a member of the Optigo Lender network

Freddie Mac may, in its sole discretion, elect to provide the Borrower with a list of Optigo Lenders for the geographic region in which the Property is located.

b. Monitoring of payoff plans (04/18/24)

The Servicer must keep Freddie Mac informed of the Borrower's efforts to secure alternate refinancing or to market and sell the Property to pay off the maturing Mortgage.

1. Letters to Borrower

The Servicer must send letters to the Borrower at the following times, requesting information about the Borrower's plans to pay off the Mortgage at maturity:

- Nine months prior to maturity
- Six months prior to maturity, if the Borrower has not responded to the previous letter
- Three months prior to maturity, if the Borrower has not responded to any prior letters

The Servicer may send each letter by certified mail, return receipt requested or via email. A copy of the Servicer's letter and any Borrower response must be sent to the assigned *Multifamily Asset Resolution Analyst* upon request.

Each letter listed above must emphasize that Freddie Mac expects that the Mortgage will be paid in full in accordance with its terms on or before the maturity date and that a failure to do so will constitute a default under the terms of the Mortgage.

2. Additional contacts with Borrower

If the Servicer has received no response from the Borrower within 30 days following its letter sent six months prior to the maturity date, the Servicer must attempt to contact the Borrower

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by telephone or in person to request the information regarding the Borrower's plans to pay off the Mortgage at maturity.

If the Servicer has not received a request for a payoff statement by the 30th day prior to the maturity date of the Mortgage, the Servicer must attempt to contact:

- The Borrower by telephone to confirm Borrower's source of funds to pay off the Mortgage at maturity, or
- The new lender directly for confirmation of its commitment to the Borrower, in the case of a third-party refinance.

3. Extensions

On a case-by-case basis, Freddie Mac may consider extension of a Mortgage to enable a Borrower to obtain funds to pay off a maturing Mortgage. Any extension will be on conditions specified by Freddie Mac. Those terms may include payment of an extension fee, an increase in the Mortgage interest rate, revised amortization, a paydown of the loan amount, and payment of all administrative costs in connection with the extension.

c. Transfer of Servicing of a matured Mortgage (10/07/08)

If a Mortgage has not been paid in full by its maturity date, Freddie Mac may, in its sole discretion, transfer Servicing of that Mortgage to another Servicer. If Freddie Mac elects to transfer Servicing of the matured Mortgage, the existing Servicer will not be compensated and must cooperate fully with Freddie Mac and the transferee Servicer.

43.14 Modification; release; waivers (06/17/21)

a. Limits on Servicer (04/30/13)

The Servicer must not modify, waive or release any term of any Note, Security Instrument or other Loan Document, accept any prepayment, or consent to any postponement of performance by any Borrower of any obligation under a Note, Security Instrument or other Loan Document except as authorized by the Purchase and Servicing Documents.

b. Collateral release (06/17/21)

For the requests listed below, the Servicer must complete and electronically deliver to Freddie Mac a written request and recommendation using the Release/Extension of Monetary Collateral Request, attaching any necessary supporting documentation to include:

1. Release or reduction of Guaranty
2. Release of Rental Achievement Agreement
3. Release of Letter of Credit
4. Release of other Reserve

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c. Waivers (06/17/21)

The Servicer must complete and submit a waiver request via the Freddie Mac Insurance Compliance Tool (ICT), which must include the Servicer's analysis along with the Servicer's recommendation for action, to request any waiver of the insurance requirements if the right to grant such a waiver has not been delegated to the Servicer. A certificate executed by a Chief Servicing Officer will not be required for any such request.

For any other type of waiver or requested adjustment to the Loan Documents, the Servicer must complete and submit a General Servicing Request and a certificate executed by a Chief Servicing Officer, both of which are available at https://mf.freddiemac.com/lenders/guide/ under Forms for Asset Management.

43.15 Rate Reset Mortgages (04/30/19)

a. Submission of information to Freddie Mac (04/30/19)

Within 10 days following receipt of notice that the Borrower wishes to exercise its option to extend the term of a Rate Reset Mortgage and reset the interest rate, the Servicer must notify Freddie Mac *Multifamily Asset Management, Structured Transactions*. The Borrower must notify the Servicer of its intent to exercise the Rate Reset option no earlier than 180 days, and no later than 110 days prior to the maturity date of the original term. The Servicer must deliver the following items to Freddie Mac *Multifamily Asset Management, Structured Transactions*:

1. A copy of the Borrower's notice to the Seller

2. A certificate in a form acceptable to Freddie Mac, stating the following for each Borrower and Borrower Principal:

   - Bankruptcy or insolvency experience during the original Mortgage term

   - Default experience with respect to any Mortgage made by the same Borrower and held by Freddie Mac during the original Mortgage term

3. An AIF, dated within 60 days prior to submission

4. The Servicer's written analysis of whether the Borrower meets all requirements specified in the applicable Loan Documents for approval of the request to extend the Mortgage term and to reset the interest rate

The Servicer must remit the Rate Reset fee received from the Borrower by wire transfer. Unless otherwise specified in the Loan Documents, the fee must be equal to the amount set forth in Exhibit 10. The Servicer must obtain wire transfer instructions from Freddie Mac *Multifamily Asset Management, Structured Transactions*. The Servicer must send the wire transfer to the attention of *Multifamily Cash Management*. The wire transfer must reference the Property name, the Freddie Mac contact person and the Freddie Mac loan number.

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b. Conditions for approval of extension/reset request (05/06/05)

Freddie Mac will review the materials submitted by the Servicer and will make its determination whether the Borrower meets the applicable requirements for extension of the Mortgage term and resetting of the interest rate.

c. Notification and determination of eligibility for Rate Reset and extension (05/06/05)

Within 30 days after receipt of all documents from the Servicer as specified in Section 43.15(a), Freddie Mac will make a determination on whether the Borrower is eligible to extend the Mortgage term and reset the interest rate, and will deliver written notice of its determination to the Servicer.

1. Adverse determination

If Freddie Mac determines that the Borrower has not met all conditions for exercise of the option, Freddie Mac will return the Borrower's Rate Reset fee to the Servicer.

2. Approval determination

If Freddie Mac determines that the Borrower has met all conditions for exercise of the option, the Borrower's Rate Reset fee will be nonrefundable, and the notice will specify:

- The period that is not more than 70 days or less than 60 days prior to the original maturity date of the Mortgage during which the Servicer must lock the interest rate for the extended term, and
- The procedure that the Servicer must use to lock the reset interest rate

d. Execution of extension documentation (05/06/05)

After the Servicer locks the rate for the extended term, Freddie Mac will deliver to the Servicer the documentation (with instructions for completion) to be executed by the Borrower to evidence the reset interest rate effective during the extended term, the new monthly payment amount and the new maturity date of the Mortgage. The Servicer must arrange for the prompt execution and recording of the required documents.

e. Delivery of extension documentation to Freddie Mac (05/31/12)

The Servicer must deliver the following to Freddie Mac *Multifamily Asset Management, Structured Transactions* at least 30 days prior to the maturity date of the original term of the Mortgage:

- If required by Freddie Mac, copies of all recorded extension documents, each showing the recorder's stamp, book and page numbers, or instrument number
- Originals of any other documents required by Freddie Mac, and
- If required by Freddie Mac, an endorsement to the title insurance policy in a form acceptable to Freddie Mac and at no expense to Freddie Mac, insuring the continuing First Lien priority

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of the Mortgage following the extension of the Mortgage term and resetting of the interest rate

If required by Freddie Mac, the Servicer must deliver the original recorded documents to Freddie Mac *Multifamily Asset Management, Structured Transactions* as soon as the Servicer receives them from the recorder or clerk.

f. Reimbursement of Servicer's costs (05/06/05)

The Servicer may obtain from the Borrower reimbursement of the Servicer's actual costs incurred in connection with the execution and recording of the documents evidencing the terms of the extended Mortgage, including attorneys' fees, recording costs and other out-of-pocket expenses.

g. Borrower's failure to complete extension process (05/06/05)

If the Borrower fails to complete the extension and Rate Reset process following a determination by Freddie Mac that the Borrower satisfies all conditions for exercise of the extension option, then Freddie Mac will retain the Borrower's Rate Reset fee, and the Mortgage will be due and payable in full on its original maturity date.

43.16 Risk detection and notification; Risk Ratings and monitoring responsibilities (06/29/17)

a. Loan compliance and risk detection responsibilities (05/01/14)

1. Risk detection

The Servicer must identify increased risk associated with a Property or Mortgage by:

a. Inspecting the Property (including physical findings, market review and management evaluation)

b. Reviewing the Mortgage during the assessment process

c. Monitoring Mortgage compliance (for example, Mortgage payments and Reserves)

d. Applying market knowledge

e. Interacting with the Borrower

f. Determining whether a disaster in the Property's location has caused any damage to the Property

2. Assessing Mortgage Document compliance by the Borrower

The Servicer must monitor the Borrower’s compliance with the terms and conditions of the Loan Documents, including:

a. Monitoring insurance to ensure compliance with coverage requirements

b. Ensuring completion of all required repairs

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c. Ensuring compliance with other Mortgage conditions (for example, obtaining or maintaining a tax abatement or tax exemption, clearing code violations, complying with regulatory requirements, or complying with any financial covenants)

d. Monitoring letters of credit to ensure compliance with the requirements set forth in Section 11.2

If the Borrower has failed to comply with the terms and conditions of the Loan Documents, other than monetary defaults (which are addressed in Chapter 44), the Servicer must attempt to resolve the noncompliance as authorized in the Guide and the Purchase and Servicing Documents. If the Servicer is unable to resolve the Borrower's noncompliance, the Servicer must notify Freddie Mac *Multifamily Asset Management, Surveillance* within 30 days of the Servicer's identification of the Borrower's noncompliance and provide the Servicer's recommended action or actions.

b. Risk outlook, notification and recommendation (09/28/12)

The Servicer must notify Freddie Mac *Multifamily Asset Management, Surveillance* of any change in the Servicer's risk outlook of the Mortgage within five Business Days and discuss its findings with its Freddie Mac *Multifamily Asset Management, Surveillance* representative.

The Servicer must provide its recommendations regarding its view of the loan's risk and detail any further action needed.

c. Risk Ratings and monitoring (05/31/12)

If Freddie Mac determines that the Mortgage meets its criteria for a Risk Rating greater than six, Freddie Mac will notify the Servicer that it has assigned that Mortgage a Risk Rating greater than six. With the notification, Freddie Mac will include any additional steps that the Servicer must take to monitor the risk. The Servicer must comply with all elements of the Freddie Mac request and continue to monitor the risk factors associated with the Property and the Mortgage.

d. Quarterly reporting based on Risk Rating (06/29/17)

The Servicer must report quarterly on the performance of each Property that secures a Mortgage with a Risk Rating greater than six. The Servicer must submit each report by the due date specified by Freddie Mac and must use the quarterly report format provided by Freddie Mac. The Servicer must notify Freddie Mac *Multifamily Asset Management, Surveillance* of any changes in the risk factors. See Chapter 40 for additional information on the Quarterly Financial assessment (QIE).

43.17 Mortgages paid in full (12/14/18)

a. Mortgage paid in full at maturity (04/30/15)

The Servicer is responsible for the review of a Borrower's request to pay a Mortgage in full. Before responding to any inquiry regarding the full satisfaction of a Mortgage, the Servicer must carefully review the terms of the Note to determine the full amount due.

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The Servicer must notify Freddie Mac *Multifamily Loan Accounting* of the Borrower's request to pay in full any Mortgage serviced for Freddie Mac. The Servicer must submit a completed Loan Payoff Notice, available via mf.freddiemac.com/lenders/reporting, (which must include the Servicer's analysis along with the Servicer's recommendation for action) and must forward the following information to Freddie Mac *Multifamily Loan Accounting* within five Business Days after receipt by the Servicer of the Borrower's request to pay in full:

1. Copy of any Consolidation, Modification and Extension Agreement (if applicable)

2. Copy of the Borrower's payoff request

b. Mortgage paid in full prior to the maturity date (05/06/05)

Additional requirements for any Mortgage being paid in full prior to the actual maturity date are located in Section 51.1.

c. Requests for Freddie Mac execution of documents (12/07/07)

The Servicer must submit to Freddie Mac *Multifamily Loan Accounting* all requests for Freddie Mac execution of documents necessary to complete the release, discharge or satisfaction of debt. The Servicer or its attorney must forward the original satisfaction documents to Freddie Mac *Multifamily Loan Accounting* for signature by Freddie Mac. For documents that require Freddie Mac execution, the Servicer must include a letter explaining:

1. The nature of the request (release of Note or execution of documents)

2. The reason for the request (maturity, full prepayment, repurchase approved by Freddie Mac, repurchase demanded by Freddie Mac or repurchase in compliance with a recourse agreement)

3. Any special endorsement to the Note required by Freddie Mac or by applicable law

4. The date applicable funds were remitted to Freddie Mac

5. The address and identity of the official of the Servicer to whom Freddie Mac should return the executed documents

d. Documentation delivered after payment-in-full (12/14/18)

After Freddie Mac receives payment in full, whether at maturity or by prepayment, Freddie Mac will return to the Servicer the original Note stamped "Paid and Cancelled~~.~~." It is the Servicer's responsibility to return the original Note to the Borrower and to record or file any satisfaction documents.

43.18 Noncompliance fees (06/12/23)

Freddie Mac separately monitors Servicing reporting, accounting reporting and Delinquency reporting and separately assesses noncompliance fees. Freddie Mac will send the Servicer a written notification of each violation. Fees are due to Freddie Mac no later than the fifth Business Day after the first accounting cutoff date following the missed reporting due date. The Servicer must remit the

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fee using the myOptigo® Servicer Remittance system described in Section 53.7. The cash statement for the accounting cycle in which the fee is due will reflect the fee. Freddie Mac reserves the right to change all fees and other remedies at any time and at its sole discretion.

43.19 Property management (10/17/24)

a. General property management requirements (10/17/24)

For non-SBL Mortgages, the Servicer must ensure that the property management company and proposed property management agreement comply with all requirements of the Loan Documents, and if the Loan Documents are silent, with all requirements of Section 8.13.

For SBL Mortgages, the Servicer must ensure that the property management company and proposed property management agreement comply with all requirements of the SBL Loan Documents.

For all Mortgages, with respect to each proposed property management company and/or proposed sub-management company, the Servicer must certify that it has performed the applicable searches with respect to such entity that are required under Sections 2.18, 2.23, 2.24 and 9.3, including Freddie Mac Exclusionary List, FHFA SCP List and OFAC screening, and Web Searches to identify adverse information related to Financial Crimes, litigation, negative credit events and adverse actions that may pose reputational risk.

b. When full Freddie Mac review of a property management change (including delegation to a sub-manager) is not required (10/17/24)

Freddie Mac full review of a property management change is not required if the new property management company is on the Freddie Mac Property Management Company List Freddie Mac will be deemed to have approved the change in property management, if each of the following conditions is satisfied:

1. The Servicer delivers to Freddie Mac *Multifamily Asset Management, Borrower Transactions* or, for Structured Transactions, *Multifamily Asset Management, Structured Transactions,* each of the following:

   - A summary of the new property manager's qualifications and experience
   - A Property Management Change Certification, executed by the Borrower, the new property manager, and the Servicer, with no changes other than blanks filled in, required boxes checked, and signature blocks completed (a Chief Servicing Officer Certification is not required)
   - A copy of the fully-executed Management Agreement
   - A copy of the fully-executed Sub-Management Agreement (if applicable)

   If any provision of the form requires revision to correctly reflect the proposed transaction, the Property Management Change Certification is inapplicable, and the Servicer must follow the review process detailed in Section 43.19(c).

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- For non-SBL Mortgages, each of the following, as applicable:
    - Assignment of Management Agreement and Subordination of Fees (New Property Manager), executed by the Borrower and the new property manager
    - Assignment of Management Agreement and Sub-Management Agreement and Subordination of Management Fees and Sub-Management Fees executed by the Borrower, the new property manager and new property sub-manager
    - If the new property manager is affiliated with the Borrower, and the Borrower was required to provide a nonconsolidation opinion at the origination of the Mortgage, an updated nonconsolidation opinion

2. The Servicer has entered the Borrower request into the Consent Request Tracker, as required by Section 36.25. The Consent Request Tracker record should be created with the selection that Freddie Mac approval is required for Mortgages owned by Freddie Mac.

Freddie Mac will execute the Property Management Change Certification and the Assignment of Management Agreement and Subordination of Fees (New Property Manager), and will upload the fully-executed document to DMS.

c. When Freddie Mac review of a property management change (including delegation to a sub-manager) is required; review process (10/17/24)

If any of the conditions set forth in Section 43.19(b) are not satisfied, Freddie Mac must review and approve the request for a property management company change, and the provisions of Sections 43.19(c), (d) and (e) will apply.

Upon receiving a request for approval of or notice of a property management change, the Servicer must take the following actions:

- Enter the Borrower request into the Consent Request Tracker, as required by Section 36.25
- Promptly upon receipt of all applicable items listed below, electronically deliver those materials to Freddie Mac
    1. Completed Property Management Change Request, including the Servicer's analysis and the Servicer's recommendation for action
    2. Copy of the Borrower's request explaining the reason for the property management change
    3. Certification from the Borrower of each of the following:
        - The management agreement does not include any terms that are not customary in the market area in which the Property is located.
        - The Mortgage is current and the Borrower is not aware of any event of default which has occurred and is continuing with respect to the loan
        - The Borrower has obtained the consent of any other party required to consent to a change of the property management company for the Property

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4. Copy of the proposed new property management agreement

5. Copy of the proposed Sub-Management Agreement (if applicable)

6. Resume, brochure and/or the web address for the proposed management company

d. Freddie Mac's review of the property management change request (including delegation to a sub-manager) (10/17/24)

In conducting its review of the property management change request, Freddie Mac may consider the following factors:

1. The Property's Risk Rating

2. Whether the Mortgage is current with no continuing event of default

3. Whether the proposed property manager is a third-party property management company with at least five years of experience managing properties similar to the subject Property in size and type and in the same market as the subject Property

4. Whether the proposed property management company is a for-profit or a non-profit entity

5. Whether the proposed compensation for the property management company exceeds:

   - For non-SBL Mortgages, the percentage of overall gross monthly rents provided for in the previously approved contract with the prior property management company

   - For SBL Mortgages, the greater of seven percent of the overall gross monthly rents or the percentage of overall gross monthly rents provided for in the previously approved contract with the prior property management company

6. If the Borrower will not assign its interests under the property management agreement to Freddie Mac (such as for an SBL Mortgage), whether the contract is terminable upon not more than 30 days' notice without the necessity of establishing cause and without payment by Borrower or its successors of a penalty or termination fee

7. The extent of any planned or started rehabilitation at the Property

8. The extent of any Deferred Maintenance shown on the latest annual risk assessment and the Property rating

e. Documentation required following approved property management change (including delegation to a sub-manager) (10/17/24)

If Freddie Mac has approved a property management change, then within the time specified in the Freddie Mac approval letter, the Servicer must electronically deliver to *Freddie Mac Multifamily Asset Management Borrower Transactions* each of the following items, as applicable:

- For non-SBL Mortgages:

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- Property management agreement in the form approved by Freddie Mac
- For a change of property management company, a copy of the fully executed Assignment of Management Agreement
- For changes involving only a modification of the property management agreement (and not involving a change of property management company), an amendment to the applicable Assignment of Management Agreement replacing the form of property management attached thereto as an exhibit
- A copy of the fully executed Assignment of Management Agreement and Sub-Management Agreement and Subordination of Management Fees and Sub-Management Fees, if applicable
- An updated non-consolidation opinion (if required)
- Any other documents specified in the approval letter

- For SBL Mortgages:
  - Each of the documents specified in the approval letter
  - An Assignment of Management Agreement and Subordination of Management Fees is not required or applicable

43.20 Advance written notice to the Borrower for ARM payments (06/30/16)

The Servicer must provide the Borrower with advance written notice of each interest rate adjustment and each new monthly payment due under the Note for an ARM or an SBL Hybrid ARM. The Servicer must give each such notice in the manner specified in the Loan Documents for the giving of notices, and the Servicer must give each such notice at least 15 calendar days prior to the due date of the new monthly payment.

43.21 Third-party cap agreement (07/01/14)

a. Payments by cap provider (07/01/14)

As long as there is not an event of default, if the Borrower has paid in full the applicable monthly payment of principal and interest or interest only due under the Note, the Servicer must remit to the Borrower any payment received under a third-party interest rate cap agreement ("cap agreement") from the provider of the cap agreement (“cap provider”).

b. Collection of cap agreement payments for conventional Mortgages (02/07/08)

The Servicer, on behalf of Freddie Mac, must diligently attempt to collect all payments under the cap agreement or interest rate cap guaranty at the times they are due and payable.

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43.22 Subsequent cap agreements for cash Mortgages (~~02/28/18~~06/24/25)

See Sections 28.12 and 28.18 for interest rate cap requirements for Bond Credit Enhancement Mortgages. See Sections 25.12 and 25.18 for interest rate cap requirements for TEL Mortgages.

a. Deposits to cap fee Reserves (02/28/18)

The Borrower must deposit ("cap fee Reserve") an amount sufficient to accumulate funds equal to 125 percent of the amount estimated by the Servicer to be sufficient to purchase, immediately prior to termination of the then-existing cap agreement, a subsequent cap agreement ("subsequent cap agreement") with (1) a term expiring on the earlier of the date that is two years after the termination of the then existing cap agreement or the maturity date of the Mortgage, (2) a notional amount equal to the outstanding principal balance due under the Note on the commencement date of the subsequent cap agreement and (3) a strike rate equal to the original strike rate.

On the Origination Date, the Servicer must calculate the initial monthly cap fee Reserve based on the purchase price of the cap agreement and inform the Borrower of that amount. The process for adjusting the monthly cap fee Reserve amount is as follows:

1. Within 30 days after the Origination Date, the Servicer must complete the information on the first page of the Kensington Cap Escrow Adjustment Form and submit the form to Kensington Capital Advisors LLC (“Kensington”) at capinfo@kensington-advisors.com, together with a copy of the Rate Cap Rider from the Loan Agreement.

2. 30 days prior to the due date of each cap fee Reserve adjustment, Kensington will provide each Servicer with a list of Mortgages requiring review of the cap fee Reserves. Upon receipt of the list of Mortgages, the Servicer must provide Kensington with the anticipated unpaid principal balance at the time of cap renewal and the current cap fee Reserve balance for each of the Mortgages on the list.

3. Kensington will determine the new monthly deposit to the cap fee Reserve and return the completed Kensington Cap Escrow Adjustment Form to the Servicer.

4. The Servicer must review and sign the completed Kensington Cap Escrow Adjustment Form indicating its approval.

5. The Servicer must notify the Borrower of the amount of the new monthly deposit for the cap fee Reserve.

6. With respect to each subsequent cap fee Reserve adjustment, the Servicer must provide to Kensington not less than 15 days prior to the date on which the cap fee Reserve will be adjusted, (1) the anticipated unpaid principal balance at the time of cap renewal and (2) the then current cap fee Reserve balance.

7. Thereafter, the Servicer must review and approve all subsequent adjustments to monthly cap fee Reserve payments required under the loan agreement in the manner set forth in this section and in accordance with the terms of the Loan Documents.

Freddie Mac reserves the right, after notice to the Servicer, to require the Servicer to obtain Freddie Mac’s approval for all cap deposits Reserve adjustments for a Mortgage. This

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notification may be in the form of an email from Freddie Mac's *Multifamily Asset Management* representative.

b. Interest on cap deposits (09/25/15)

Unless applicable law requires, or the Loan Documents provide otherwise, Freddie Mac will not require the Servicer to pay the Borrower any interest, earnings or profits on the cap deposits related to Mortgages.

c. Excess cap deposits (~~09~~06/24/25~~/15~~)

If the Borrower delivers a subsequent cap agreement and there are excess cap deposits, the Servicer must continue to hold such excess cap deposits and apply the accumulated deposits to purchase a subsequent cap agreement~~, unless authorized by Freddie Mac to release the funds to the Borrower.~~. When the Borrower has paid the indebtedness in full, or has purchased a cap agreement with a termination date no earlier than the maturity date of the Mortgage, Freddie Mac will authorize the Servicer to return any cap deposits to the Borrower.

d. Terms of subsequent cap agreements (07/01/14)

Any subsequent cap agreement must have:

- A term not earlier than one year from its effective date,
- A strike rate that does not exceed the original strike rate set forth in the Loan Documents, and
- A notional amount equal to the outstanding indebtedness on the effective date of the subsequent cap agreement.

e. Cap deposits Reserve Custodial Account (09/25/15)

Unless otherwise stated in the Loan Documents, cap deposits Reserve Custodial Accounts must meet the requirements of Chapter 52.

f. Cap agreement and cap provider requirements (02/07/08)

See Section 11.3 for the requirements regarding the cap agreement and cap provider.

43.23 Property Improvement Alterations for non-SBL Mortgages (06/16/22)

For non-SBL Mortgages, in accordance with the Loan Agreement, the Borrower must notify the lender when it intends to begin Property Improvement Alterations. After receipt of the Property Improvement Alterations Notice from the Borrower, the Servicer must notify Freddie Mac of the planned Property Improvement Alterations and monitor the Borrower's compliance with the terms of the Loan Agreement.

For purposes of this Section 43.23, the term "Borrower's certificate" means either of the following:

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- A certificate from the Borrower in substantially the form attached to the Loan Agreement for documenting Property Improvement Alteration matters, if applicable, or

- If no form of certificate is attached to the Loan Agreement, then a certificate from the Borrower which includes the information specified in Section 43.23(b) or 43.23(c), as applicable.

Note that the provisions of Section 43.23 do not apply to repairs, capital replacements, restoration and other work required to be performed at the Property pursuant to the terms of the Loan Documents.

a. Notifying Freddie Mac of Property Improvement Alterations (02/27/15)

Within five Business Days after receiving a Property Improvement Alterations Notice from a Borrower, the Servicer must:

- Electronically deliver to Freddie Mac Form 1126, Acknowledgement of Property Improvement Alterations, along with a copy of the Property Improvement Alterations Notice received from the Borrower, and

- Provide the Borrower with a copy of Form 1126, Acknowledgement of Property Improvement Alterations, submitted to Freddie Mac.

For a Mortgage that has been designated for inclusion in a Securitization, if any Property Improvement Alterations described in a Property Improvement Alterations Notice received by the Servicer have commenced but have not yet been completed, then prior to the Securitization, but no later than 15 days following a request by Freddie Mac, the Servicer must deliver to Freddie Mac a Borrower's certificate detailing the status of the Property Improvement Alterations.

b. Monitoring ongoing Property Improvement Alterations (04/30/19)

While Property Improvement Alterations are taking place, the Servicer must obtain and review the rent roll on a quarterly basis. If the rent roll shows that the occupancy of the Property has decreased to less than the Minimum Occupancy set forth in the Loan Agreement, the Servicer must:

- Inform Freddie Mac *Multifamily Asset Management, Asset Performance and Compliance* via email, and

- Obtain a Borrower's certificate which includes the following:

  - A list of all of the Property Improvement Alterations described in the Property Improvement Alterations Notice that the Borrower has commenced but not yet completed and anticipated completion dates for all such Property Improvement Alterations

  - A list of all of the Property Improvement Alterations described in the Property Improvement Alterations Notice that the Borrower has completed

  - If required by the Loan Agreement, a statement that any commenced or planned Property Improvement Alterations that would cause dwelling units to be unavailable for

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rental have been suspended until the Minimum Occupancy threshold is satisfied

- Any other information required by Freddie Mac

The Servicer is responsible for monitoring any undertaken Property Improvement Alterations, including, when appropriate, employing a qualified inspector or physical engineer to inspect the Property Improvement Alterations.

c. Completion of Property Improvement Alterations (06/16/22)

When all Property Improvement Alterations described by the Property Improvement Alterations Notice have been completed, the Servicer must obtain a Borrower's certificate specifying that the completed Property Improvement Alterations were completed in a good and workmanlike manner and in compliance with all laws (including life safety laws, environmental laws, building codes, zoning ordinances and laws for the disabled).

43.24 Commercial/non-residential leases (04/18/24)

This Section 43.24 does not apply to Infrastructure Agreement Servicing Requests, as described in Section 43.32.

a. When Freddie Mac approval is required (04/18/24)

Freddie Mac approval is required for:

- Any new or modified non-residential (commercial) lease, including an extension or termination of such lease (a "Nonresidential Lease"), except (i) an Infrastructure Agreement Servicing Request for a lease satisfying the requirements under Section 43.32(b), (ii) any lease expressly permitted by the Loan Documents, or (iii) for an SBL Mortgage, a lease satisfying the requirements of Section 43.24(e)

- Any new lease related to drilling, oil or gas exploration at the Property

b. Servicer's request for Freddie Mac approval (05/05/17)

Upon receiving a request for approval of any new or modified commercial lease or oil and gas lease, the Servicer must take the following actions:

- Enter the Borrower request into the Consent Request Tracker as required by Section 36.25

- Electronically deliver to Freddie Mac the General Servicing Request, and any necessary supporting documentation

- For an SBL Mortgage, the Servicer must include with the General Servicing Request a Commercial Lease Analysis and Estoppel – SBL summarizing the terms of the commercial lease; a PLIM is only required for an oil and gas lease, or if otherwise requested by Freddie Mac

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c. Freddie Mac's review of lease approval request (05/05/17)

In conducting its review of the requested commercial or drilling, oil, or gas lease, Freddie Mac may consider factors including the following:

1. For a non-SBL Mortgage, whether income from the lease is less than five percent of total gross potential rent for the Property.
2. Whether approval of the lease will cause a decline in gross potential income for the Property.
3. Whether the new tenant is equal to or better in quality than the exiting tenant
4. Whether the new lease and tenant present any negative environmental impact
5. The Risk Rating of the Mortgage
6. Whether the Mortgage is in default

d. Required documentation following Freddie Mac approval (05/05/17)

Within the time specified in Freddie Mac's approval letter, the Servicer must electronically deliver to Freddie Mac the following documents:

- Copy of the signed lease agreement
- For a Non-SBL Mortgage, a copy of Lessor's Estoppel Certificate
- For an SBL Mortgage, a copy of the Commercial Lease Analysis and Estoppel – SBL, executed by the tenant
- Any additional documentation required by the approval letter

e. Non-residential leases the Servicer is permitted to approve for an SBL Mortgage (06/15/23)

During any period in which Freddie Mac owns an SBL Mortgage until the Servicer receives notification from Freddie Mac that the SBL Mortgage has been designated for inclusion in a Securitization, the Servicer may approve a non-residential lease provided that the non-residential lease satisfies each of the following requirements:

- The tenant under the non-residential lease is not an Affiliate of the Borrower or an affiliate of any Guarantor
- The terms of the non-residential lease are at least as favorable to the Borrower as those customary in the applicable market at the time the Borrower enters into the non-residential lease
- The rents paid to the Borrower pursuant to the non-residential lease are not less than 90 percent of the rents paid to the Borrower pursuant to the non-residential lease, if any, for that

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portion of the Property that was in effect prior to the non-residential lease

- The term of the non-residential lease, including any option to extend, is 10 years or less
- The intended use of the space that is the subject of the non-residential lease may not allow the leased premises to be used or operated, in whole or in part, for any illegal activity or any Restricted Non-Residential Use
- The aggregate of the income derived from the space leased pursuant to the Nonresidential Lease accounts for less than 20 percent of the gross income of the Property on the date that the Borrower enters into the Nonresidential Lease

43.25 Product-specific general Servicing requirements (09/18/14)

For additional general Servicing requirements for the Freddie Mac Multifamily Seniors Housing Product, see Section 21.19.

For additional general Servicing requirements for Multifamily Housing Bond Credit Enhancements, see Sections 28.8, 28.9, 28.12 and 28.18.

43.26 Radon and what to report to Freddie Mac (05/22/25)

A Property secured by an SBL Mortgage is not required to be tested for the presence of radon.

For a Property securing a non-SBL Mortgage for which the environmental consultant determined that radon testing was warranted, the following table lists the appropriate and timely steps required to notify Freddie Mac for any follow-up radon testing described in Section 61.14.

The Servicer must follow this protocol. The Borrower's certificate is not sufficient evidence to satisfy radon requirements set forth in the loan documents.

Radon Follow-Up Test Results - Environmental Consultant Determination	**Required Action**
If the environmental consultant determines based on the follow-up test results that no further action is necessary	Servicer must upload the follow-up test results to PRS, naming the file as Radon Test Results Follow-Up, by the Completion Date for Follow-Up Radon Testing (as defined in the Loan Documents).
If the environmental consultant determines based on the follow-up test results that remediation is necessary	Remediation will be required along with the following steps: **Step 1.** Servicer uploads test results to PRS, naming the file as Radon Test Results Follow-Up, by the Completion Date for Follow-Up Radon Testing.

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	Step 2. Servicer must provide Borrower with a Radon Remediation Notice (as defined in the Loan Documents) within two Business Days. **Step 3.** Servicer must upload copy of the Radon Remediation Notice to PRS, naming the file as Radon Remediation Notice. **Note:** Borrower will have 30 days after the date of the Radon Remediation Notice to provide Servicer with a signed, binding fixed price radon remediation contract with a qualified service provider. Borrower will have 90 days to complete remediation after the date of the Radon Remediation Notice. **Step 4.** After completion of radon remediation, Servicer must upload to PRS written certification from a qualified environmental consultant stating the remediation methods that were used, that remediation has been satisfactorily completed, that post-remediation testing has been conducted and that the units with completed radon remediation now demonstrate radon levels below 4 pCi/L. Servicer must name the file as Post-Mitigation Test Results.

43.27 Delivery of written notice of incomplete application or confirmation of withdrawn application (11/30/12)

If an application for a modification to the Mortgage that would result in a change in the collateral or a change in a Borrower Principal or Guarantor, or any other credit extension is incomplete, the Servicer must provide the Borrower with a written request on behalf of Freddie Mac for any missing items in compliance with the Equal Credit Opportunity Act.

If the Borrower withdraws the application either orally or in writing, the Servicer must send on behalf of Freddie Mac written confirmation to the Borrower (letter or email) confirming the Borrower's withdrawal of the application for a modification. The Servicer must maintain a copy of the Borrower's written notice of withdrawal or its confirmation of the oral withdrawal.

The Servicer must maintain a record of all written notices sent on behalf of Freddie Mac and maintain copies of each such notice in the Mortgage file in accordance with the requirements of Chapter 34.

43.28 Ongoing Screening of Restricted Party Lists (07/01/25)

The revisions to this section announced in the April 22, 2025 Bulletin are effective July 1, 2025.

The Servicer must periodically and at least monthly screen Borrowers, Borrower Principals, Guarantors, Non-U.S. Equity Holders, and any applicable property management company related to Mortgages that the Servicer services for Freddie Mac against the Restricted Party Lists (as defined in Section 7.1).

In addition to the periodic screenings required above, upon receipt of any Borrower request for lender consent to a transaction, the Servicer must screen Borrowers, Borrower Principals, Guarantors, Non-U.S. Equity Holders, and the property management company against the Restricted Party Lists prior to approving, or requesting approval from Freddie Mac for, such Servicing-related transaction.

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A Servicer that identifies a valid match against any Restricted Party List must notify Freddie Mac via an email to the *Multifamily Fraud Investigation Unit* within one Business Day of a valid Borrower, Borrower Principal, Guarantor, Non-U.S. Equity Holder, or property management company match. Such email notification must also provide the following information:

- Freddie Mac loan number
- Borrower, Borrower Principal, Guarantor, any Non-U.S. Equity Holder, and any property management company identifying information
- Name, title, email address, and telephone number for the point of contact at the Servicer who will be able to discuss the Restricted Party List match

If a Servicer identifies a valid match in a screening conducted in connection with a Borrower request for lender consent to a transaction, then in addition to following the procedure to notify Freddie Mac set forth above, the Servicer must not approve, or request approval from Freddie Mac for, such transaction until it receives further instruction from Freddie Mac.

Upon receipt of the email notification, a representative from Freddie Mac will contact the Servicer to discuss the Restricted Party List match and any potential next steps. Freddie Mac may also require the Servicer to provide documentation or additional information regarding the Restricted Party List match.

With respect to any confirmed match against the OFAC SDN List or Consolidated Sanctions List, notifying Freddie Mac does not absolve the Servicer from its responsibility to file any reports with OFAC, as required by OFAC Regulations.

See Section 7.3(b) for ongoing screening requirements applicable to Freddie Mac Matters Employees and Freddie Mac Matters Contractors.

43.29 Subordinate Financing for non-SBL Mortgages (04/18/24)

a. Conditions for Freddie Mac approval of Subordinate Financing for a non-SBL Mortgage (06/30/16)

For any Mortgage purchased for Securitization, Freddie Mac does not permit Subordinate Financing other than Subordinate Financing pursuant to the Freddie Mac Multifamily Supplemental Mortgage Product.

For any other Mortgage, Freddie Mac may, in its sole discretion, consider allowing Subordinate Financing if Freddie Mac determines that the Property would benefit from the Subordinate Financing. If the Loan Documents either require the noteholder's consent to place any Subordinate Financing on the Property or prohibit Subordinate Financing (but Freddie Mac has agreed to consider the Borrower's request), then the Servicer must electronically deliver to Freddie Mac a written request and recommendation for such modification using the General Servicing Request, attaching documentation addressing each item required in Section 43.29(b).

Freddie Mac may reject a request for Subordinate Financing at its discretion. Freddie Mac will consider consenting to Subordinate Financing only if the request meets the following conditions

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(However, the fact that the Subordinate Financing meets these requirements does not mean that Freddie Mac is obligated to consider or approve the Subordinate Financing.):

1. The subordinate lender must enter into the standard Freddie Mac Subordination Agreement, which provides, among other things, that the subordinate lender will:

    - Provide notice of default to Freddie Mac,
    - Give Freddie Mac the right (but not the obligation) to cure defaults, and
    - Not exercise its remedies under the Subordination Agreement for the period specified in the Subordination Agreement after notice to Freddie Mac in which it sets forth the specific remedy that the subordinate lender intends to exercise.

2. The Subordination Agreement must be recorded in the land records of the jurisdiction in which the Property is located.

3. The combined debt may not result in a Loan-to-Value (LTV) Ratio that exceeds 85 percent and the combined debt service may not result in a Debt Coverage Ratio (DCR) that is below 1.20x.

4. The Subordinate Financing must be based on a fixed interest rate for the entire term or an adjustable interest rate with a rate cap for the entire term.

5. If the Subordinate Financing is not fully amortizing, the maturity of the Subordinate Financing must be at least equal to the maturity of the Freddie Mac Mortgage.

6. The Servicer must perform a refinance test acceptable to Freddie Mac on the combined debt.

7. All tax and insurance Reserves must be in place, or the Borrower must agree to establish such Reserves.

8. The Servicer must analyze any Replacement Reserve based on the current condition of the Property. If the Property is not being properly maintained, Freddie Mac will reject the Subordinate Financing request unless at least one of the following conditions is met:

    - The Borrower's monthly Replacement Reserve deposit is increased to a sufficient level to adequately maintain the Property, or
    - A Replacement Reserve is established with ongoing funding requirements, and/or
    - The Borrower makes identified repairs prior to incurring the Subordinate Financing.

9. The Subordinate Financing must not provide for recourse against the Borrower or a third-party guarantee by a Borrower Principal.

10. The Borrower must be a single asset entity. If the Loan Documents for the Freddie Mac Mortgage do not require the Borrower to be a single asset entity, then Freddie Mac will require the Borrower to amend the Loan Documents to include such a requirement.

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11. The Property must have an acceptable operating history and the Borrower must have an acceptable Mortgage payment history during the period the Borrower has owned the Property. No event of monetary or nonmonetary default may have occurred during the term of the Mortgage.

12. The Servicer's counsel must have provided a preliminary legal issues memorandum meeting the requirements of Section 6.4.

b. Information required with a request for Freddie Mac approval of Subordinate Financing (04/13/23)

If a Borrower requests Freddie Mac's approval of Subordinate Financing, the Servicer's package must include:

1. A nonrefundable review/processing fee in the amount specified in the Loan Documents, or, if no amount is specified, in the amount set forth in Exhibit 10 (The Servicer may retain 50 percent of the review/processing fee and must remit the remaining 50 percent to Freddie Mac when submitting the application for the Subordinate Financing. The Servicer must remit the fee by wire transfer and obtain wire transfer instructions from Freddie Mac *Multifamily Asset Management, Borrower Transactions* or Freddie Mac *Multifamily Asset Management, Structured Transactions*, as applicable. The Servicer must send the wire transfer to the attention of *Multifamily Cash Management*. The wire transfer must reference the Property name, the Freddie Mac contact person and the Freddie Mac loan number. The Servicer may not charge the Borrower any additional fees for processing a request for Subordinate Financing.)

2. The Servicer's charge to the Borrower of a nonrefundable counsel fee of $500 (The counsel fee is for the legal fees, expenses and costs of Freddie Mac's legal counsel, including its in-house counsel, and may exceed $500 for complex transactions. Freddie Mac will collect the remainder of the fee, if applicable, after Freddie Mac issues the approval letter, and the Servicer must remit its payment by wire transfer. The Servicer must obtain wire transfer instructions from Freddie Mac *Multifamily Asset Management, Borrower Transactions* or Freddie Mac *Multifamily Asset Management, Structured Transactions*, as applicable. The Servicer must send the wire transfer to the attention of *Multifamily Cash Management*. The wire transfer must reference the Property name, the Freddie Mac contact person and the Freddie Mac loan number.)

3. A copy of a completed General Servicing Request. The Request must include the Servicer's analysis of the Subordinate Financing along with the Servicer's recommendation for action.

4. A copy of the signed commitment from the proposed subordinate lender, containing the Subordinate Financing amount, interest rate (including the factors relating to a floating rate), term to maturity and anticipated amount of annual debt service

5. Copies of the proposed Subordinate Financing loan documents that have been completed with the applicable loan amount, interest rate, payment schedules and all other transaction-related information (All Subordinate Financing loan documents must be approved by Freddie Mac prior to execution.)

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6. Payment histories for any existing Subordinate Financing on the Property, including the amount of annual debt service

7. A description of the proposed use of the Subordinate Financing proceeds

8. Information about the proposed subordinate lender and its financial strength

9. A Freddie Mac Annual Inspection Form (AIF) dated within 180 days. (If the most recent AIF was not conducted within the previous 180 days, the Servicer must complete and submit an AIF.) The AIF can be found at https://mf.freddiemac.com/lenders/asset/ under PRS Assessment.

10. An assessment by the Servicer of the Property condition, whether the funds held in the Replacement Reserve are adequate, and whether an increase in Replacement Reserve deposits and/or establishment of a Repair Reserve is required, based on the condition of the Property

11. Current credit report on any Borrower or Guarantor that is an individual. Credit reports must comply with the requirements set forth in Chapter 55.

12. Financial statements for the Borrower and each Key Borrower Principal. Financial statements must comply with the requirements set forth in Chapter 55.

13. Current property financial statements meeting the requirements set forth in Chapter 55, along with Servicer's DCR and LTV analysis

14. Current rent roll meeting the requirements set forth in Chapter 55

15. Title update report dated no earlier than 45 days before the date of the Subordinate Financing request

16. For all transactions in which the Borrower is a Cooperative (Co-op), an analysis of the potential impact of Subordinate Financing on the cash flow associated with any non-owner-occupied units (The Servicer must also analyze increased maintenance fees to owner-occupied units.)

c. Freddie Mac approval (04/30/19)

Freddie Mac will determine whether to approve the proposed Subordinate Financing and will advise the Servicer, in writing, of that decision. The approval letter will set forth any further requirements and will notify the Servicer if any additional counsel fee is due. The Servicer must remit any additional counsel fee by wire transfer at the same time the Servicer executes and returns the approval letter to Freddie Mac to evidence its acceptance of the terms. The Servicer must obtain wire transfer instructions from Freddie Mac *Multifamily Asset Management, Borrower Transactions or Structured Transactions* as applicable. The Servicer must send the wire transfer to the attention of *Multifamily Cash Management*. The wire transfer must reference the Property name, the Freddie Mac contact person and the Freddie Mac loan number.

If Freddie Mac approves the Subordinate Financing, the Servicer must deliver any document that must be signed by Freddie Mac, including the Subordination Agreement, in accordance with the approval letter issued by Freddie Mac.

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d. Documents required after settlement of Subordinate Financing (04/18/24)

Within the time specified in the Freddie Mac approval letter, the Servicer must electronically deliver to Freddie Mac a copy, a certified copy or an original (as noted) of the following executed Subordinate Financing documents listed below.

If the provisions of this subsection require delivery of a certified copy of a filed or recorded document, the copy must show the recorder's stamp, book and page numbers or instrument numbers. If recorder or clerk delays make it impossible to effect timely delivery of a copy showing the required information, the Servicer may provide a copy that the Title Company or closing attorney has certified as a "true and correct copy of the recorded/filed original." The Servicer must then deliver to Freddie Mac a copy of the recorded/filed original showing the required information as soon as the copy becomes available.

1. Recorded Subordination Agreement (certified copy)
2. Subordinate note (copy)
3. Recorded Subordinate Financing security instrument (certified copy)
4. Any third-party guaranties executed in connection with the Subordinate Financing (copy)
5. Recorded or filed subordinate UCC financing statements (certified copy)
6. Settlement statement (copy)
7. Any new Replacement Reserve Agreement or Repair Reserve Agreement (original)
8. Modifications to any existing Freddie Mac Loan Documents, if required (original of any unrecorded modifications and certified copies of any recorded modifications)
9. A satisfactory endorsement to the title insurance policy covering the Freddie Mac Mortgage, effective as of the date of recordation of the security instrument for the Subordinate Financing, that insures that the lien of the Freddie Mac Mortgage is superior to the lien of the Subordinate Financing (The endorsement must also reflect the recordation of the security instrument for the Subordinate Financing and the Subordination Agreement.)

e. Warranties (09/28/18)

When a Servicer delivers the final Subordinate Financing documentation, the Servicer will be deemed to have made the warranties in Section 5.2, 5.4 and 5.5 as of the date of delivery to Freddie Mac of the documentation for the Subordinate Financing.

f. Unauthorized Subordinate Financing (08/30/13)

The Servicer must carry out Freddie Mac's instructions in dealing with proposed Subordinate Financing and must be alert to the unauthorized placement of Subordinate Financing on the Property. If the Servicer learns that unauthorized Subordinate Financing has been, or is about to be, placed on the Property, it must immediately notify Freddie Mac in writing.

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43.30 Subordinate Financing for SBL Mortgages (04/18/24)

a. Conditions for Freddie Mac approval of Subordinate Financing for an SBL Mortgage (06/30/16)

For any SBL Mortgage securitized in an SBL Securitization, Subordinate Financing is permitted provided that each of the following conditions set forth below is met:

1. The subordinate lender is a Freddie Mac-approved Seller/Servicer at the time of origination of the Subordinate Financing.

2. The subordinate lender has not accepted applications from the Borrower for Subordinate Financing until after the settlement of the SBL Securitization that includes the SBL Mortgage.

3. If the Directing Certificateholder of the applicable SBL Securitization has the right to consent to the Subordinate Financing, the Directing Certificateholder has provided such consent within the time periods and under the conditions specified in the applicable Pooling and Servicing Agreement.

4. The Borrower pays all fees and other expenses of the Servicer of the SBL Mortgage required by such Servicer in connection with the Subordinate Financing.

5. The SBL Mortgage is not in default and is in good standing with satisfactory payment history.

6. The SBL Mortgage has three years or more remaining in its loan term.

7. The Subordinate Financing is not less than $750,000.

8. The Subordinate Financing has a loan term equal to or longer than the remaining loan term of the SBL Mortgage but cannot exceed 30 years.

9. The start of any open or par period for the Subordinate Financing begins on or after the date of any open or par period for the SBL Mortgage.

10. The combined loan amount after the making of the Subordinate Financing does not result in a Loan-to-Value (LTV) Ratio that exceeds 80 percent and the combined debt service after the making of the Subordinate Financing does not result in a Debt Coverage Ratio (DCR) that is below 1.25x, using the following to calculate the LTV and DCR:

    - The combined loan amount used to calculate the LTV must be the aggregate outstanding principal balances of all of the following:

        - The SBL Mortgage

        - Any other previously originated subordinate financing

        - The proposed loan amount of the Subordinate Financing

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- The value used to calculate the LTV is the value for the Property determined by using the as-is market value conclusion for the Property set forth in a third party current Appraisal that meets the requirements of Section 60.12.

- When calculating the DCR and determining whether the DCR requirement has been met, the combined debt service must be the aggregate of the annual principal and interest payable on all of the following:

  - The SBL Mortgage

  - Any other previously originated subordinate financing

  - The proposed loan amount of the Subordinate Financing

- Amortization Period: An interest only debt service calculation can only be used if the applicable loan term is full term interest only. In the case of partial interest only, the applicable amortization debt service is used even if the Mortgage is in an interest only period. For a fully amortizing Mortgage, the applicable amortization debt service must be used.

- Interest Rate: For any Mortgage that has a fixed interest rate for its entire loan term, the debt service is calculated using the fixed interest rate then in effect. For any Mortgage that has an adjustable interest rate for any portion of its loan term and has entered into an adjustable interest rate period, debt service is calculated using the interest rate then in effect plus 100 basis points.

- Net Operating Income (NOI) for DCR Calculation

  The NOI is calculated using the year one pro forma net operating income at the Property using the direct capitalization approach concluded in a third party current Appraisal that meets the requirements of Section 60.12.

11. If the Borrower is required to be an SPE under the terms of the SBL Mortgage, then the Borrower's organizational documents have been amended to permit the Borrower to incur additional debt in the form of the Subordinate Financing.

12. The Subordinate Financing loan documents contain a cross-default provision requiring a default under the SBL Mortgage to constitute an event of default under the Subordinate Financing.

13. The Subordinate Financing does not provide for recourse against the Borrower or the Guarantor.

14. The subordinate lender has entered into Freddie Mac's Intercreditor Agreement.

15. The Intercreditor Agreement will be recorded in the land records of the jurisdiction in which the Property is located.

16. If the subordinate lender requires the Borrower to fund Reserves for taxes, insurance premiums or ground rents under the Subordinate Financing, the Servicer of the SBL

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Mortgage may require the collection of any such Reserves that are currently deferred under the SBL Mortgage. The collection of such Reserves under the SBL Mortgage will commence on the date that the Subordinate Financing is originated and continue for so long as the Subordinate Financing is outstanding.

If all of the conditions above are met, a subordinate lender may place one or more Subordinate Financings against the Property.

The requirements of this Section 43.30 are not to be construed to require the Servicer of the SBL Mortgage to agree to any changes to the SBL Mortgage other than to permit the Subordinate Financing to be placed against the Property and to meet the requirements of Section 43.30(a)(12).

b. Information required with a request for Subordinate Financing (06/30/16)

If a Borrower requests Subordinate Financing, the subordinate lender's package to the Servicer must include at a minimum:

1. A copy of the signed commitment from the proposed subordinate lender, containing the Subordinate Financing amount, interest rate (including the factors relating to a floating rate), term to maturity and amount of annual debt service.

2. A certification to the Servicer of the SBL Mortgage that the combined LTV/DCR requirements set forth in Section 43.30(a) have been satisfied.

3. Copies of the proposed Subordinate Financing loan documents that have been completed with the applicable loan amount, interest rate, payment schedules and all other transaction-related information.

4. The Intercreditor Agreement required by Section 43.30(a) executed by the subordinate lender.

c. Approval of the Subordinate Financing (06/30/16)

The Servicer of the SBL Mortgage must verify that the requirements of Section 43.30(a) have been met, then countersign the Intercreditor Agreement and return it to the subordinate lender within five days of such verification.

d. Documents required after settlement of Subordinate Financing (04/18/24)

The subordinate lender must electronically deliver to the Servicer of the SBL Mortgage a copy, a certified copy or an original (as noted) of the executed Subordinate Financing documents listed below.

If the provisions of this subsection require delivery of a certified copy of a filed or recorded document, the copy must show the recorder's stamp, book and page numbers or instrument numbers. If recorder or clerk delays make it impossible to effect timely delivery of a copy showing the required information, the subordinate lender may provide a copy that the Title Company or closing attorney has certified as a "true and correct copy of the recorded/filed original~~.~~." The subordinate lender must then deliver to the servicer of the SBL Mortgage a copy

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of the recorded/filed original showing the required information as soon as the copy becomes available.

1. Recorded Intercreditor Agreement (certified copy)
2. Subordinate Financing note (copy)
3. Recorded Subordinate Financing security instrument (certified copy)
4. Loan Agreement, if applicable (copy)
5. Any third-party guaranties executed in connection with the Subordinate Financing (copy)
6. Recorded or filed subordinate UCC financing statements (certified copy)
7. Settlement statement (copy)
8. Any new replacement reserve agreement or repair reserve agreement (copy)
9. Modifications to any existing SBL Mortgage Loan Documents, if required (original of any unrecorded modifications and certified copies of any recorded modifications)
10. A satisfactory endorsement to the title insurance policy covering the SBL Mortgage, effective as of the date of recordation of the security instrument for the Subordinate Financing, that insures that the lien of the SBL Mortgage is superior to the lien of the Subordinate Financing (The endorsement must also reflect the recordation of the security instrument for the Subordinate Financing and the Intercreditor Agreement.)
11. A copy of third party Appraisal
12. Copies of environmental analysis, if applicable

e. Unauthorized Subordinate Financing (06/30/16)

The Servicer of the SBL Mortgage must be alert to the unauthorized placement of Subordinate Financing on the Property. If the Servicer of the SBL Mortgage learns that unauthorized Subordinate Financing has been, or is about to be, placed on the Property, it must immediately notify Freddie Mac in writing.

43.31 General Servicing requirements for Credit Facilities (revolving lines of credit) (06/29/17)

NOTE: This section is not applicable to a Credit Facility with a Servicing Agreement.

If there is a conflict in terms between the Guide and the applicable Credit Agreement, then the terms used in the Credit Agreement will govern. Whenever used in this Section 43.31, the following words and phrases will have the meanings found in Section 43.31(a), below, unless the context requires otherwise.

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a. Defined terms (06/29/17)

1. **Accounting Cutoff Date.** The Accounting Cutoff Date is defined in Section 50.8.

2. **Borrower.** Individually or collectively, as the context may require, each person or entity identified as "Borrower" in any Credit Agreement.

3. **Credit Agreement.** Individually or collectively, the applicable Credit Agreement or Credit Agreements, which has/have been assigned to Freddie Mac, and/or any subsequent Credit Agreement entered into by an affiliate of the Sponsor (as defined in the Credit Agreement) and Freddie Mac (or the Servicer, to be assigned to Freddie Mac). Parties to the Credit Agreement include the Borrower and the Servicer (as "Lender").

4. **Credit Facility.** A revolving credit loan in a specified amount issued to the Borrower by a Servicer (as "Lender") pursuant to the Credit Agreement.

5. **Credit Facility Documents.** The Loan Documents, as defined in the Credit Agreement, and all other documents evidencing, securing, perfecting and governing, whether delivered now or in the future, in connection with the Credit Facility, all of which have been assigned to Freddie Mac.

6. **Mortgaged Property.** Individually or collectively, as the context may require, the land, improvements and fixtures defined in the Credit Agreement as the Collateral Pool Property.

7. **Seller.** Servicer, in its capacity as Seller under the Commitment.

8. **Servicing Spread.** The fee set forth in the Commitment, calculated monthly on the aggregate principal balance of the Credit Facility outstanding during the previous month.

b. Undertaking to Service (06/29/17)

The Servicer will service the Credit Facility and the Credit Facility Documents in accordance with the Guide. Except as set forth in Sections 43.31(c)-(q), all references in the Guide to "Mortgage" or "Mortgages" will include the Credit Facility and all references in the Guide to "Loan Documents" will mean the Credit Facility Documents.

c. Additional collateral (06/29/17)

If any Borrower or any Proposed Borrower proposes to add additional Mortgaged Property to the Collateral Pool, then the Servicer must provide Freddie Mac with all applicable fees and materials required under the Addition of a Collateral Pool Property section of the Credit Agreement, and all documents and reports required to underwrite such additional collateral pursuant to Chapter 17.

No such addition of collateral will be effective unless and until Freddie Mac has reviewed, approved and executed the final forms of all documents to be delivered in connection with any such addition. The Servicer must collect from the Borrower all costs and expenses of Freddie Mac in connection with the addition of any such collateral, and remit those funds to Freddie Mac.

Upon delivery of the documents and fees to Freddie Mac as required under the Credit Agreement, the Servicer will have been deemed to have made to Freddie Mac all of the

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representations and warranties required under the Guide pertaining to a newly originated Mortgage as if the Servicer were assigning such documents to Freddie Mac pursuant to a sale of a Mortgage under the Guide, as modified by the terms of the Credit Agreement.

d. Release (06/29/17)

If a Borrower requests a release of a Collateral Pool Property that it is entitled to have released pursuant to the Release of a Collateral Pool Property section of the Credit Agreement, then the Servicer must provide Freddie Mac with a certification ("Servicer's Release Certification") at least five Business Days prior to the date on which Freddie Mac is required to effect the release, confirming each of the following to the best of the Servicer's knowledge:

1. At the time of the request for such release, no Event of Default or Potential Default exists under the Credit Facility,

2. After giving effect to such release, no Event of Default or Potential Default exists, and

3. The Borrower is in compliance with the Sublimits.

If the Borrower will not be in compliance with the Sublimits absent a prepayment of the Loan, a release of a Collateral Pool Property or an addition of collateral prior to or simultaneously with the proposed release, then the Servicer's Release Certification must:

1. Set forth the method by which the Borrower will cause itself to be in compliance with the Sublimits, and

2. Be supplemented prior to such release with a separate certification of the Servicer that the Borrower has taken all necessary action to cause itself to be in compliance with the Sublimits subsequent to the release.

Within five Business Days after any Borrower's request for a release of a Collateral Pool Property, the Servicer must provide notice of such request to Freddie Mac. If Freddie Mac approves the Borrower's request, then the Servicer must provide a "payoff letter" to the Borrower with respect to the to-be-released Collateral Pool Property pursuant to the terms of the Credit Agreement. In connection with the release of a Collateral Pool Property, the Servicer must collect from the Borrower all amounts and reasonable fees and expenses of Freddie Mac in connection with the release and deliver Freddie Mac's portion of such amounts, fees and expenses to Freddie Mac.

e. Release of a Collateral Pool Property followed by a Securitized Loan (06/29/17)

If the Borrower requests a release of Lender's lien on a Collateral Pool Property and a conversion to a Securitized Loan pursuant to the Credit Agreement, then the Servicer must deliver to Freddie Mac each of the following within five Business Days following the Servicer's receipt of such fees and documents:

1. A copy of the Borrower's request

2. Any fees required to be paid by the Borrower under the Credit Agreement or the Guide

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3. The appropriate underwriting package and completed application required under the Guide

4. All the documents and reports required to underwrite each Collateral Pool Property proposed by the Borrower to be subject to the Securitized Loan, pursuant to Chapter 17 of the Guide (defined in the Credit Agreement as the "Underwriting Materials")

Freddie Mac will only release the lien of the Security Instrument with respect to the Collateral Pool Property in connection with a conversion upon the receipt of the Servicer's Release Certification required under above Section 43.31(c). For such a conversion to a Securitized Loan, the Servicer may collect from the Borrower and retain all fees and expenses set forth in the Credit Agreement.

f. Annual Property valuations (06/29/17)

Pursuant to the Valuations section of the Credit Agreement, the Servicer must, within 30 days after its receipt of the rent rolls and operating statements for the Mortgaged Properties, provide to Freddie Mac all assessments for each of the Mortgaged Properties. Freddie Mac will perform the valuation for each Collateral Pool Property, and will provide the Servicer with written notice of the results of the Valuation. If the Valuation for the Collateral Pool Properties discloses that the Market Value or Net Operating Income of any Collateral Pool Property has decreased below the previously established Market Value or Net Operating Income of such Mortgaged Property, and such reduction will cause the Borrower to be in non-compliance with the Sublimits set forth in the Credit Agreement, then within one Business Day after receipt of the Valuation from Freddie Mac, the Servicer must notify the Borrower to cure such non-compliance pursuant to the Credit Agreement.

g. Annual Borrower and Guarantor evaluation (06/29/17)

Annually, as prescribed in the Credit Agreement, the Servicer must notify the Borrower to deliver the items set forth in the Credit Agreement. The Servicer must deliver all such items to Freddie Mac within 30 days following receipt from the Borrower.

h. Material Adverse Change to Borrower or Mortgaged Property (06/29/17)

If the Servicer receives notification from any Borrower or Freddie Mac of a Material Adverse Change affecting a Collateral Pool Property, then the Servicer must deliver to Freddie Mac a current rent roll (dated no more than 30 days prior to delivery to Freddie Mac) and a trailing 12-month operating statement for each of the Collateral Pool Properties. Following receipt of the required financial information, Freddie Mac will conduct a Valuation in accordance with the valuation requirements set forth in the Credit Agreement. If the Valuation discloses that the Market Value or Net Operating Income of the Mortgaged Property has decreased so that the Borrower fails to comply with the Sublimits of the Credit Agreement, then, within one Business Day, the Servicer must notify the Borrower to cure such non-compliance pursuant to the Credit Agreement.

If the Servicer receives notification from the Borrower or Freddie Mac or otherwise becomes aware of a Material Adverse Change affecting the Borrower or any Guarantor, then the Servicer must promptly notify Freddie Mac and must (i) collect and deliver to Freddie Mac all documents required to be provided pursuant to the Credit Agreement and (ii) in the instance of a Material Adverse Change affecting the enforceability of any Credit Agreement or any other Credit Facility Documents, collect and/or prepare, as may be appropriate, all appropriate replacement

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documents and opinions required pursuant to the Credit Agreement, each in form and substance acceptable to Freddie Mac, naming Freddie Mac as lender and executed by all appropriate parties.

i. Debt Service Coverage Ratio (06/29/17)

The Servicer must determine and re-determine the Property/Facility DSCR when required under the Credit Agreement and change the Margin as necessary in accordance with the terms of the Credit Agreement, if applicable. If the Property/Facility DSCR determination results in a ratio below the Sublimit requirement, then the Servicer must collect from the Borrower and remit to Freddie Mac any additional payment obligations set forth in the Non-Compliance with Sublimits section of the Credit Agreement.

j. Loan-to-Value Ratio (06/29/17)

The Servicer must determine and re-determine the Property/Facility LTV Ratio when required under the terms of the Credit Agreement. If the Property/Facility LTV Ratio determinations result in a ratio above the Sublimit requirement, then the Servicer must collect from the Borrower and remit to Freddie Mac any additional payment obligations set forth in the Non-Compliance with Sublimits section of the Credit Agreement.

k. Transfers (06/29/17)

If the Borrower requests lender's consent to a Transfer, as defined in the Loan Documents, and Freddie Mac approves the Transfer, then the Servicer must collect from the Borrower and remit to Freddie Mac each of the following:

1. A Transfer Processing Fee in the amount set forth in the Loan Documents

2. The amount of Freddie Mac's out-of-pocket costs and attorney's fees incurred in reviewing the Transfer request

3. Any Transfer Fee prescribed in the Loan Documents

l. Monitoring of Borrower Covenants (06/29/17)

The Servicer must monitor each Borrower's obligations set forth in the Covenants section of the Credit Agreement, collect and review any required documentation, and immediately report to Freddie Mac any violations of those Covenants.

m. Expansions (06/29/17)

If the Borrower elects to increase the amount of the Loan pursuant to the terms of the Credit Agreement, then the Servicer must do each of the following:

1. Collect from the Borrower the Expansion Fee in the amount set forth in the Credit Agreement,

2. Retain the portion of the Expansion Fee due to the Servicer and remit to Freddie Mac the portion of the Expansion Fee due to Freddie Mac under the terms of the Credit Agreement,

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3. Collect from the Borrower and remit to Freddie Mac the amount of Freddie Mac's costs and expenses (including attorney's fees) incurred in connection with such increase, and

4. Collect and review any required documentation evidencing the increase.

n. Contractions (06/29/17)

If the Borrower elects to contract the Loan pursuant to the Credit Agreement, then the Servicer must (i) collect from the Borrower and remit to Freddie Mac the amount of Freddie Mac's costs and expenses (including attorney's fees) incurred in connection with such contraction, and (ii) collect and review any required documentation evidencing such contraction.

o. Commitment fees (06/29/17)

The Servicer will be entitled to retain its portion of each of the Addition Fees and the Expansion Fees as set forth in the Credit Agreement.

p. Servicing requests (06/29/17)

For all Servicing-related Borrower requests, including Releases, Transfers, Expansions and Contractions, the Servicer must electronically deliver to Freddie Mac a written request for Freddie Mac's approval, using the General Servicing Request Form available via mf.freddiemac.com/lenders/asset, attaching all applicable supporting documentation.

q. Credit Agreements (06/29/17)

The Servicer must perform all other obligations required to be performed by the Servicer under the Credit Agreements and the Credit Facility Documents.

43.32 Infrastructure Agreement Servicing Requests (04/22/25)

This section applies only to Borrower consent requests with respect to Infrastructure Agreements, as defined in Section 8.22, and Solar Agreements, as defined in Section 8.21 ("Infrastructure Agreement Servicing Requests"), which may be comprised of any combination of the following:

- Leases or licenses
- Any other possessory interest in or right to occupy or control the Property
- Any option to purchase the Property or an interest in the Property
- Easements, restrictive covenants or other encumbrances
- Other covenants, conditions, restrictions, rights, profits or interests running with the land and binding upon subsequent transferees of the Property

a. Permitted Infrastructure Agreements not requiring consent (04/18/24)

Infrastructure Agreements only involving licenses, personal agreements or other interests binding solely on the parties (and non-binding upon future transferees of the Property) do not fall

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within the meaning of Infrastructure Agreement Servicing Requests and are permitted without Freddie Mac or Servicer approval ("Permitted Infrastructure Agreements"). For example, a marketing support agreement or revocable license agreement that is a personal agreement between the Borrower and the service provider and that does not bind a subsequent transferee of the Property will not require Freddie Mac consent even if the definition of "Lease" in the Loan Agreement includes "any license."

The Servicer must determine, in consultation with its counsel, as appropriate, whether the proposed instrument will require (Freddie Mac and/or Servicer) consent because it falls within the meaning of an Infrastructure Agreement Servicing Request, but a PLIM is not necessarily required for this preliminary determination. For example, an agreement captioned as a "license" (for which consent is not typically required) may also contain other legal terms that instead render the instrument a covenant or easement that will attach to the Property and bind subsequent owners (for which Freddie Mac and/or Servicer consent is always required). Examples include "license agreements" that (i) include express granting language, (ii) include language indicating that the instrument "runs with the land" or (iii) require substantial investment by licensee in reliance on the license.

Without preparing a PLIM, Servicer's counsel may review the document and send an email to Servicer (with a copy to Freddie Mac at the mailbox specified below) confirming that the proposed Infrastructure Agreement constitutes a Permitted Infrastructure Agreement under this Section 43.32 ("Permitted Infrastructure Agreement Determination"). Upon receipt (and electronic delivery to Freddie Mac at the mailbox specified below) by Servicer of a Permitted Infrastructure Agreement Determination, no further action is required:

- For structured transactions, Tax Exempt Bond Credit Enhancement Mortgages, acquisition rehabilitation/lease-up/moderate rehabilitation loan products, Targeted Affordable Housing Mortgages or credit facilities, to mf_structured_transactions@freddiemac.com
- For all other Mortgages, to mf_borrower_transactions@freddiemac.com

b. Infrastructure Agreement Servicing Requests the Servicer is permitted to approve (04/18/24)

During any period in which Freddie Mac owns the Mortgage, the Servicer may approve an Infrastructure Agreement Servicing Request only if the proposed Infrastructure Agreement meets each of the following requirements:

- It satisfies all applicable Loan Document requirements relating to the approval of easements, non-residential leases and other encumbrances
- It will not be recorded against the Property
- It will be subordinate to the lien of the Mortgage
- The Infrastructure Agreement Servicing Request does not include a request to subordinate the lien of the Mortgage or a request for the lender to enter into a non-disturbance agreement
- It is not a Solar Agreement

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- The "lender" is not named as a party to, nor is it being requested to sign, the agreement or any related document
- It is compatible with the use of the Property
- It contains terms and provisions, including compensation, that are customary for the market in which the Property is located
- It does not impose on the Property owner any financial obligations equal to or greater than $100,000
- It will not have any material adverse impact on the Property value, operations, access, income, or marketability
- If the Infrastructure Agreement Servicing Request involves a lease, the tenant is not an Affiliate of Borrower, any Borrower Principal or any Guarantor
- It does not reduce the income from any residential units or other income-producing improvements
- It does not impose any financial obligations on any mortgagee, and/or subsequent owner by foreclosure, deed in lieu of foreclosure or other conveyance (including reimbursement of any up-front fee paid by the provider to the Property owner upon termination of the agreement)
- The Servicer has not received notification from Freddie Mac that the Mortgage has been designated for inclusion in a Securitization
- The Mortgage does not back a Freddie Mac Multifamily Participation Certificate, a Freddie Mac Bond Credit Enhancement transaction or a Freddie Mac tax-exempt or taxable Multifamily bond securitization
- There are no investors who have provided credit enhancements for the Mortgage other than a Seller/Servicer, the Borrower or an Affiliate of the Borrower

Generally, Freddie Mac will not require delivery of a preliminary legal issues memorandum (PLIM) for an Infrastructure Agreement Servicing Request that satisfies the above requirements; however, the Servicer may request that its counsel prepare a PLIM to confirm the requirements set forth above in this Section 43.32(b) or to address a material legal issue that Servicer has identified.

The Servicer may require the Borrower to pay or reimburse the Servicer upon demand for all costs and expenses, including all attorneys' fees and costs, incurred by the Servicer in connection with the review of the Telecommunications Agreement Servicing Request.

c. Documentation for an Infrastructure Agreement Servicing Request not requiring Freddie Mac approval (04/18/24)

Upon receiving an Infrastructure Agreement Servicing Request, the Servicer must take the following actions:

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- Enter the Borrower request into the Consent Request Tracker as required by Section 36.25. The Consent Request Tracker record should be created with the selection that Freddie Mac approval is not required for Mortgages owned by Freddie Mac.

- Within 30 days after the Servicer's approval of an Infrastructure Agreement Servicing Request, the Servicer must notify Freddie Mac of any actions taken under the delegated approval by electronically delivering the Borrower's request, along with a copy of the fully executed Infrastructure Agreement.

d. File retention requirements for an Infrastructure Agreement Servicing Request not requiring Freddie Mac approval (04/18/24)

The Servicer must maintain a file that contains the following information relating to a delegated Infrastructure Agreement Servicing Request approval:

- Borrower's original request for approval and required information

- Evidence of the Servicer's analysis and approval of the request

- Copies of the Servicer's notification of the approval to the Borrower and Freddie Mac

- Copies of the executed Infrastructure Agreement

The Servicer must maintain the file in accordance with the requirements set forth in Section 34.4.

e. Infrastructure Agreement Servicing Request requiring Freddie Mac approval (04/22/25)

For any Infrastructure Agreement Servicing Request for which the Servicer is not delegated approval authority under Section 43.32(b), the Servicer must take the following actions:

- Enter the Infrastructure Agreement Servicing Request into the Consent Request Tracker as required by Section 36.25

- Promptly upon receipt of all applicable items listed in 1 - 4 below, electronically deliver those items to Freddie Mac, together with the Borrower's request and the Servicer's recommendation

The Servicer must deliver each of the following documents:

1. A completed General Servicing Request or Easement Request, as applicable, which must include the Servicer's analysis and recommendation for action

2. A copy of the proposed Infrastructure Agreement and any additional documents or instruments associated with the Borrower Request

3. A PLIM addressing each issue under 43.32(b) raised by the Infrastructure Agreement Servicing Request (e.g., Borrower fails to satisfy one of the applicable Loan Document requirements) and any other legal issue that Servicer determines is raised by the

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Infrastructure Agreement Servicing Request. In addition, if the proposed Infrastructure Agreement will not be subordinate to the lien of the Mortgage or if the Infrastructure Agreement Servicing Request includes a request for non-disturbance protection, the PLIM must also analyze the proposed instrument under Section 8.22 (Infrastructure Agreements), Chapter 29 (title policy and endorsement requirements), and if applicable, Section 8.21 (Solar Agreements), Section 43.10 (Easements), Section 43.24 (Non-Residential Leases), Section 43.12 (Easement in lieu of condemnation), or other applicable Guide provisions. If Freddie Mac determines that the transaction raises legal issues (or inadequately addresses any of the Section 43.32(b) items), Freddie Mac may request a supplementary PLIM. Unless instructed otherwise, the appropriate PLIM form is the Short Form PLIM (Infrastructure Agreements) available via mf.freddiemac.com/lenders/legal.

4. Any other information requested by Freddie Mac

   If Freddie Mac approves the Borrower request, Servicer must submit to Freddie Mac an execution-ready form of any document or instrument that must be executed by the lender. Before submitting documents to Freddie Mac for signature, the Servicer and its counsel must review the documents to ensure that they:

   - Are in the proper form
   - Contain the proper signature lines and acknowledgments
   - Correctly describe the Infrastructure Agreement or related instrument approved by Freddie Mac, including the legal description (if applicable)

For all Infrastructure Agreement Servicing Requests that require Freddie Mac approval, the Servicer must charge the Borrower a nonrefundable review fee in the amount specified in the Loan Documents, or, if no amount is specified, in the amount set forth in Exhibit 10. The Servicer must remit to Freddie Mac 50 percent of the review fee, if any, and may retain the remaining 50 percent. The Servicer may not charge the Borrower any additional fees for processing an application for approval of an Infrastructure Agreement Servicing Request.

At the time of delivery of the Borrower request to Freddie Mac, the Servicer must remit to Freddie Mac the Freddie Mac portion of any review fee. The Servicer must:

- Obtain wire transfer instructions from Freddie Mac *Multifamily Asset Management, Borrower Transactions or Multifamily Asset Management, Structured Transactions*, as applicable
- Send the wire transfer to the attention of *Multifamily Cash Management*
- Reference the Property name, the Freddie Mac contact person and the Freddie Mac loan number.

NOTE: Review fees for Infrastructure Agreement Servicing Request are only payable under rare circumstances (such as an easement request for a Loan originated prior to July 1, 2014).

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f. Recordation of an Infrastructure Agreement requiring Freddie Mac approval (04/18/24)

If applicable, Servicer must comply with all local recording requirements and arrange for recordation of the Infrastructure Agreement and any other applicable document at no cost to Freddie Mac.

g. Required documentation for an Infrastructure Agreement Servicing Request requiring Freddie Mac approval (04/18/24)

Within the time specified in the Freddie Mac approval letter, the Servicer must electronically deliver to Freddie Mac a copy of:

- The final, executed Infrastructure Agreement and any related document or instrument executed in connection with the Infrastructure Agreement Servicing Request
- Any other document required by the Freddie Mac approval letter.

43.33 Deadlines in Article I (Key Loan Terms) and Exhibits and Riders to the Loan Agreement (10/20/22)

Article I and Exhibits and Riders to the Loan Agreements may contain deadlines for various loan requirements that the Borrower must address. Servicers must notify Borrowers of these deadlines. Freddie Mac's Property Reporting System (PRS) is a tool for Servicers to identify such loan requirements and deadlines. If a deadline extension is needed, then 10 Business Days prior to the deadline, Servicers must submit an extension request to Freddie Mac via Document Management System (DMS) and Consent Request Tracker (CRT), and update PRS Loan Item Tracking (LIT) regarding submitted extension requests.

43.34 Reporting of Property and Borrower news and events (~~04/18~~06/24/25)

If the Seller/Servicer becomes aware of any news articles or recent events within the last 12 months that could reflect adversely upon the Borrower, any Borrower Principal or the Property, the Seller/Servicer must report such information within five Business Days to Freddie Mac via email at MF_Loan_Compliance@freddiemac.com. The Seller/Servicer must have written procedures for notifying Freddie Mac of applicable news articles or recent events as required by this section.

43.35 Nonstandard processing fees payable by borrower in Loan Documents (02/27/25)

For other types of Lender review and/or processing fees identified as "Nonstandard Processing Fees" on Exhibit 10, the Servicer must charge the Borrower the fee in the amount specified in the Loan Documents to cover such review and/or processing.

The Servicer must remit to Freddie Mac 50 percent of such fee and may retain the remaining 50 percent.

The Servicer must remit the fee by wire transfer and obtain wiring instructions from Freddie Mac *Multifamily Asset Management, Borrower Transactions* or Freddie Mac *Multifamily Asset Management,*

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Structured Transactions, as applicable. The Servicer must reference the Property name, the Freddie Mac contact person and the Freddie Mac loan number in its fee remittance.

The Servicer may not charge the Borrower any additional fees in connection with the related request.

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46SBL.1 Overview (08/18/22)

This chapter describes the collateral, repurchase and loss determination requirements for SBL Mortgages originated under the SBL Purchase Product as described in Chapter 18SBL. In this chapter, the term "Servicer" will refer to the applicable SBL Seller/Servicer in its role as Servicer of an SBL Mortgage.

46SBL.2 SBL Collateral requirements – establishment, use and replenishment (02/16/23)

Each Seller/Servicer must post $5 million in collateral, either in cash or a letter of credit ("SBL Collateral"), to ensure that it can meet its obligations to Freddie Mac described in this Chapter 46SBL (collectively, the "SBL Obligations"). The SBL Collateral must be posted within 30 days after the Seller/Servicer's approval as an SBL Seller/Servicer. Freddie Mac will not accept an underwriting package or rate lock an SBL Mortgage prior to the Seller/Servicer's posting of the SBL Collateral.

If the Seller/Servicer fails to timely reimburse Freddie Mac for an SBL Obligation as provided in this Chapter 46SBL, then Freddie Mac may apply the SBL Collateral to satisfy the outstanding SBL Obligation without any further notice to the Seller/Servicer.

If Freddie Mac withdraws funds from the SBL Cash Collateral Account (defined below) or draws on the Letter of Credit – SBL (defined below) in accordance with this Section 46SBL.2, then Freddie Mac will notify the Seller/Servicer of such action in writing. Within three Business Days following the Seller/Servicer's receipt of such notice, it must wire funds to the designated SBL Cash Collateral Account or provide an additional Letter of Credit – SBL, as applicable, to Freddie Mac in an amount sufficient to ensure that the Seller/Servicer continues to satisfy the SBL Collateral requirement specified in this Section 46SBL.2.

a. SBL Collateral Requirements – Cash (02/16/23)

If the Seller/Servicer satisfies the SBL Collateral requirement with cash, then all the following requirements apply:

- The Seller/Servicer must remit a cash collateral fee to Freddie Mac in the amount of $50,000 ("Cash Collateral Fee") by wire transfer prior to establishment of the SBL Cash Collateral Account described below. The Seller/Servicer must obtain wire transfer instructions from Freddie Mac *Multifamily Counterparty Risk & Compliance*. The Seller/Servicer must send the wire transfer to the attention of *Multifamily Cash Management*. The wire transfer must reference the Seller/Servicer name, Seller/Servicer number and the Freddie Mac contact person.

- The Cash Collateral Fee is non-refundable. However, the Cash Collateral Fee will be returned to the Seller/Servicer if the Seller/Servicer subsequently determines that it will satisfy the SBL Collateral requirement in the form of a letter of credit instead, and the change to a letter of credit is made:

  - Prior to the establishment of the SBL Cash Collateral Account, and
  - Within 30 days after the Seller/Servicer's approval as an SBL Seller/Servicer

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- The Seller/Servicer must deposit the SBL Collateral in an account for the benefit of Freddie Mac ("SBL Cash Collateral Account").

- Although the SBL Cash Collateral Account is not a Custodial Account, it is subject to the requirements of Chapter 52 pertaining to Custodial Accounts (as modified by this Chapter 46SBL), including recordkeeping and reporting requirements.

- The Seller/Servicer must establish the SBL Collateral Account with a depository institution that (A) is neither the Seller/Servicer or an affiliate of the Seller/Servicer, (B) meets the eligible depository requirements of Section 52.2(3), and (C) that is otherwise acceptable to Freddie Mac.

- The SBL Cash Collateral Account must be designated exactly as shown in one of the following:

  - "(Name of Seller/Servicer) – Freddie Mac SBL Cash Collateral Account"

  - "Freddie Mac SBL Cash Collateral Account – (Name of Seller/Servicer)"

- Interest earned on the SBL Cash Collateral Account, if any, less the fees and expenses for establishing and maintaining the account, will accrue and be applied to the SBL Cash Collateral Account.

- In lieu of the requirements of Section 52.6, the Seller/Servicer must deliver to Freddie Mac each of the following documents governing the SBL Cash Collateral Account (in a form and substance acceptable to Freddie Mac):

  - An SBL Cash Collateral Pledge, Security and Custody Agreement among the Seller/Servicer, the depository institution and Freddie Mac.

  - If required by the depository institution, a deposit account control agreement or similar agreement.

b. SBL Collateral Requirements – Letter of Credit (02/16/23)

1. If the Seller/Servicer satisfies the SBL Collateral requirement by providing a letter of credit, then all the following requirements apply:

   - The Seller/Servicer must deliver to Freddie Mac a letter of credit in an amount equal to the SBL Collateral requirement and otherwise satisfying the requirements of this Section 46SBL.2(b) ("SBL Letter of Credit").

   - The SBL Letter of Credit is subject to the requirements of Section 11.2 pertaining to letters of credit, as modified by this Chapter 46SBL.

   - The required forms of the SBL Letter of Credit and Form 921, Letter of Credit Certification – SBL, are available at mf.freddiemac.com.

   - Each time a new Letter of Credit – SBL (or an amendment to an existing Letter of Credit – SBL) is required, the Seller/Servicer must deliver the original Letter of

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Credit – SBL (or any amendment to an existing Letter of Credit – SBL) to Freddie Mac together with a Form 921, Letter of Credit Certification – SBL, and an opinion of issuer's counsel approved by the applicable Freddie Mac *Multifamily Attorney.*

- All documentation required under this Section 46SBL.2(b) must be delivered to *Multifamily Counterparty Risk & Compliance.*

- If the Seller/Servicer is replacing an SBL Cash Collateral Account with an SBL Letter of Credit, the Seller/Servicer must contact *Multifamily Counterparty Risk & Compliance* at least 60 days prior to the anticipated replacement date for complete requirements related to the replacement.

2. In addition to Freddie Mac's right to draw upon the Letter of Credit – SBL, if the Seller/Servicer fails to timely meet its SBL Obligations as described in Section 46SBL.2, Freddie Mac may also draw upon the Letter of Credit – SBL for any of the following reasons:

   - The Seller/Servicer fails to provide Freddie Mac with a renewal or replacement of the Letter of Credit – SBL at least 30 days prior to the expiration of the Letter of Credit – SBL.

   - The Letter of Credit Issuer ceases to be an Eligible Institution.

   These reasons, individually and collectively, are an "Expiration or Non-Eligible Institution Draw Trigger."

   If Freddie Mac draws on a Letter of Credit – SBL following the occurrence of an Expiration or Non-Eligible Institution Draw Trigger, Freddie Mac will deposit the proceeds of the draw into a Freddie Mac account until the Seller/Servicer establishes an SBL Cash Collateral Account in accordance with the requirements set forth in Section 46SBL.2(a). The proceeds of the Letter of Credit – SBL held in the Freddie Mac account are SBL Collateral. If the Seller/Servicer fails to timely reimburse Freddie Mac for an SBL Obligation, then Freddie Mac may apply the SBL Collateral to satisfy the outstanding SBL Obligation without any further notice to the Seller/Servicer.

46SBL.3 Secondary Market Transaction (08/18/22)

Freddie Mac intends to include the SBL Mortgages as assets of a Secondary Market Transaction. "Secondary Market Transaction" means: (i) any sale or assignment of the Loan Agreement, the Note and the other Loan Documents to one or more investors as a whole loan, (ii) a participation of the SBL Mortgage to one or more investors, (iii) any deposit of the Loan Documents with a trust or other entity which may sell certificates or other instruments to investors evidencing an ownership interest in the assets of such trust or other entity, (iv) any other sale, assignment or transfer of the SBL Mortgage or any interest in the SBL Mortgage to one or more investors, or the use of the SBL Mortgage as part of any transaction's reference pool.

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46SBL.4 Repurchase Obligations (~~04/22~~06/24/25)

The Seller/Servicer must repurchase an SBL Mortgage if that SBL Mortgage is (i) deemed ineligible for inclusion as an asset of a Secondary Market Transaction that is a securitization, as described in Section 46SBL.4(b) and/or (ii) the subject of a monetary or nonmonetary default described in Sections 46SBL.4(c) and 46SBL.4(d) (collectively, the "SBL Repurchase Obligations") and Freddie Mac elects to require the Seller/Servicer to repurchase the SBL Mortgage as described in Section 46SBL.4(g).

a. Applicability of Repurchase Obligations (08/18/22)

The SBL Repurchase Obligations only apply if the underlying event giving rise to the SBL Repurchase Obligation occurs during the SBL Repurchase Period, as described in Section 46SBL.4(e).

The SBL Repurchase Obligations apply notwithstanding that the Seller/Servicer may have endorsed any SBL Mortgage Note or other Loan Document to Freddie Mac "without recourse."

The SBL Repurchase Obligations do not limit or otherwise impair Freddie Mac's ability to enforce its rights against the Seller/Servicer identified elsewhere in this Guide.

b. Ineligible for Securitization (08/18/22)

1. **Qualified Mortgage.** The SBL Mortgage will be deemed ineligible for inclusion as an asset of a Secondary Market Transaction that is a securitization if the SBL Mortgage is not a "Qualified Mortgage." For the purpose of this Section 46SBL.4(b), a Qualified Mortgage is a mortgage that is "principally secured" by an interest in real property, and "principally secured" means that the fair market value of the real property collateral for the SBL Mortgage is at least 80 percent of the outstanding principal balance of the SBL Mortgage (or a loan-to-value ratio of 125 percent or less), tested both as of the Origination Date and when the SBL Mortgage is put into the applicable securitization.

2. **Condemnation Valuation.** The SBL Mortgage will be deemed ineligible for inclusion as an asset of a Secondary Market Transaction that is a securitization if any portion of the Property is released from the lien of the SBL Mortgage in connection with a Condemnation (as defined in the Loan Agreement) and the ratio of (i) the unpaid principal balance of the SBL Mortgage to (ii) the value of the Property (taking into account only the related land and buildings and not any personal property or going-concern value), as determined by Freddie Mac in its sole and absolute discretion based on a commercially reasonable valuation method permitted in connection with a securitization, is greater than 125 percent immediately after the Condemnation and before any Restoration (as defined in the Loan Agreement) or repair of the Property (but taking into account any planned Restoration or repair of the Property as if such planned Restoration or repair were completed).

   If Freddie Mac enforces an SBL Repurchase Obligation with respect to an SBL Mortgage for this reason, Freddie Mac will credit to the Seller/Servicer any net proceeds or awards from such Condemnation received by Freddie Mac, less any costs and expenses incurred by Freddie Mac in connection with the Condemnation and the Repurchase.

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c. Monetary default (04/22/25)

As of March 30, 2020, the Seller/Servicer is subject to an SBL Repurchase Obligation if an SBL Borrower is in default under the applicable SBL Mortgage for failure to pay or deposit when due any amount required by the Loan Documents ("Required Loan Payment(s)") when the Required Loan Payment has been delinquent for the period of time specified in the chart below ("Delinquency Period"):

Delinquency Period			
	SBL Mortgage for which Borrower participates in the COVID-19 forbearance	**SBL Mortgage includes a COVID-19 Debt Service Reserve**	**All other SBL Mortgages**
Applicable Delinquency Period*	120 consecutive days beginning on the date the Required Loan Payment following the end of the forbearance period was due	60 consecutive days beginning on the date the Required Loan Payment was due	60 consecutive days beginning on the date the Required Loan Payment was due (a "60 Day Delinquency")
*Calculated without considering any grace or cure period that may be applicable to the Required Loan Payment in the Loan Documents.			

d. Non-monetary default (08/18/22)

The Seller/Servicer is also subject to an SBL Repurchase Obligation if an SBL Borrower is in default under the applicable SBL Mortgage for any of the following non-monetary "Events of Default" described in the Loan Agreement for that SBL Mortgage ("Non-Monetary Defaults"):

- Section 9.01(d) or Section 8.01(b) (fraud, material misrepresentation or material omission)
- Section 9.01(f) or Section 8.01(g) (transfers that violate the provisions of Article VII of the Loan Agreement, including liens on the Mortgaged Property)
- Section 9.01(g) or Section 8.01(h) (forfeiture proceeding)
- Section 9.01(j and n) or Section 8.01(i and j) (uncured defaults(s) under other lien(s) on the Mortgaged Property)
- Section 9.01(k) or Section 8.01 (l and m) (bankruptcy, insolvency and related matters)
- Section 9.01(p) or Section 8.01(n) (Guarantor bankruptcy)

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Note that references above to Loan Agreement Sections 9.01 apply to Mortgages with Loan Agreements that have a form revision date prior to 11/02/15.

e. Repurchase Period (08/18/22)

As of March 30, 2020, the repurchase period for Seller/Servicer's SBL Repurchase Obligations begins on the Origination Date of the SBL Mortgage and remains in effect until the earlier to occur of the events set forth in Sections 46SBL.4(e)(1) through (4) (collectively, the "Repurchase Period").

1. The date of settlement or closing of a Secondary Market Transaction that includes the SBL Mortgage.

2. The last day of the applicable initial Repurchase Period specified in the chart in Section 46SBL.4(e)(3) below ("Initial Repurchase Period") unless one of the following conditions is applicable:

   (A) Freddie Mac has provided a Repurchase Notice to the Seller/Servicer for the SBL Mortgage, as set forth in 46SBL.4(g) and the SBL Mortgage repurchase has not been completed, in which case the Repurchase Period for the SBL Mortgage is extended until the repurchase has been completed.

   (B) An Extended Repurchase Period Trigger has occurred as provided in subsection 46SBL.4(e)(3).

3. The last day of the applicable extended Repurchase Period specified in the chart below ("Extended Repurchase Period") if any of the following conditions are applicable (each an "Extended Repurchase Period Trigger"):

   (A) Borrower fails to make any Required Loan Payment during the final three months of the Initial Repurchase Period.

   (B) Funds from the COVID-19 Debt Service Reserve, if applicable, are used to make any Required Loan Payment during the final three months of the Initial Repurchase Period.

   (C) An event that could trigger a Repurchase Obligation has occurred and is continuing at the expiration of the Initial Repurchase Period.

If Freddie Mac has provided a Repurchase Notice to the Seller/Servicer for an SBL Mortgage during the Extended Repurchase Period, the Repurchase Period for that SBL Mortgage is extended until the repurchase has been completed.

Repurchase Period			
	SBL Mortgage for which Borrower participates in the COVID-19 forbearance	**SBL Mortgage includes a COVID-19 Debt Service Reserve**	**All other SBL Mortgages**

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Repurchase Period			
Initial Repurchase Period	12 months from the Origination Date of the SBL Mortgage plus the number of months for which the SBL Mortgage receives forbearance	12 months from the Origination Date of the SBL Mortgage	12 months from the Origination Date of the SBL Mortgage
Extended Repurchase Period* *When subject to an Extended Repurchase Period Trigger	6 months from the end of the Initial Repurchase Period	6 months from the end of the Initial Repurchase Period	6 months from the end of the Initial Repurchase Period

4. The occurrence of a Secondary Market Transaction Standstill Event (as defined below) unless one of the following is applicable:

   (A) If Seller/Servicer is subject to a Repurchase Obligation during any applicable Repurchase Period and such Repurchase Obligation is in effect prior to the Secondary Market Transaction Standstill Event, notwithstanding the Secondary Market Transaction Standstill Event, the SBL Repurchase Obligation will remain in effect for any such SBL Mortgage.

   (B) If Freddie Mac has provided a Repurchase Notice to the Seller/Servicer for an SBL Mortgage during any applicable Repurchase Period, notwithstanding the Secondary Market Transaction Standstill Event, the SBL Repurchase Obligation will remain in effect for any such SBL Mortgage until the repurchase has been completed.

A "Secondary Market Transaction Standstill Event" will be deemed to be in effect when one of the following occurs:

i. Either the Federal Housing Finance Agency (FHFA), the U.S. Department of Treasury (Treasury), any successor to the FHFA or Treasury, or any other conservator or regulator with authority over Freddie Mac directs Freddie Mac to stop including SBL Mortgages as assets of a Secondary Market Transaction, and as a result, Freddie Mac has not included any SBL Mortgages as part of a Secondary Market Transaction for 30 consecutive calendar days.

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ii. Freddie Mac has declined to or is unable to include SBL Mortgages as assets of a Secondary Market Transaction for 120 consecutive calendar days for any reason other than the reasons set forth in Section 46SBL.4(e), subsection 4(i) above.

f. Notice of repurchase event (08/18/22)

Within five Business Days following its discovery of the occurrence of a 60 Day Delinquency or a Non-Monetary Default, the Seller/Servicer will provide Freddie Mac written notice of the occurrence of such event. If Freddie Mac discovers the occurrence of a 60 Day Delinquency or a Non-Monetary Default, Freddie Mac will provide written notice to the Seller/Servicer of such event.

g. Repurchase determination and notification to Seller/Servicers (08/18/22)

If an SBL Mortgage is subject to an SBL Repurchase Obligation during a Repurchase Period and Freddie Mac elects to require the Seller/Servicer to repurchase the SBL Mortgage ("SBL Repurchase Mortgage"), Freddie Mac will provide written notice to the Seller/Servicer of such election ("Repurchase Notice").

The Seller/Servicer must purchase the SBL Repurchase Mortgage from Freddie Mac no later than 10 Business Days after its receipt of a Repurchase Notice from Freddie Mac ("Mandatory Repurchase Date") by paying to Freddie Mac the Repurchase Price, which is described in Section 46SBL.4(h)(1).

Until the Seller/Servicer's repurchase of an SBL Repurchase Mortgage, Freddie Mac, in its sole discretion, will direct and control any loss mitigation activities with respect to the SBL Repurchase Mortgage.

h. Repurchase requirements (~~08/18/22~~06/24/25)

1. **Repurchase Price.** The "Repurchase Price" is the sum of the following amounts as of the date specified in the Repurchase Notice:

   - The unpaid principal balance of the SBL Repurchase Mortgage as of the anticipated date of repurchase (payoff)
   - Accrued interest at the Accounting Net Yield rate from the Due Date of the Last Paid Installment (as described in Chapter 50) through the day before the anticipated repurchase
   - Any amounts advanced by Freddie Mac in connection with the SBL Repurchase Mortgage for which Freddie Mac has not been reimbursed
   - The greater of (a) any prepayment premium that would otherwise be payable by Borrower, pursuant to the terms of the Loan Documents, on the date of the repurchase, or (b) any hedge breakage costs incurred by Freddie Mac related to unwinding its hedge on the Mortgage

2. **Repurchase Expenses.** The Seller/Servicer will be responsible for all expenses payable in connection with the transfer of the SBL Repurchase Mortgage to the

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Seller/Servicer, including all documentary stamp taxes, recording fees, title insurance fees, transfer taxes and legal fees ("Repurchase Expenses").

3. **Repurchase Statement.** The Repurchase Notice will include an informational statement listing the Repurchase Price information described in Section 46SBL.4(h)(1) above, as well as any Repurchase Expenses owed to Freddie Mac. It will also include the Freddie Mac account information required for the Seller/Servicer's wire transfer and any Repurchase Expenses incurred by Freddie Mac ("Repurchase Statement").

4. **Completion of Repurchase.** An SBL Repurchase Obligation with respect to an SBL Repurchase Mortgage will not be satisfied until the Seller/Servicer has satisfied the remittance and reporting requirements of Chapters 53 and 54 with respect to the repurchase.

5. **Repurchase Obligation Default.** If the Seller/Servicer fails to repurchase the SBL Repurchase Mortgage by the Mandatory Repurchase Date ("Repurchase Obligation Default"), in addition to the Repurchase Price, Repurchase Expenses, and any other rights and remedies Freddie Mac may have with respect to the Seller/Servicer under the Guide (including suspension or termination of selling and servicing rights), Freddie Mac may charge the Seller/Servicer an interest reimbursement fee as provided in Section 53.11.

   Following a Repurchase Obligation Default, Freddie Mac will recalculate the Repurchase Price, determine whether additional amounts are due, and provide the Seller/Servicer with a revised Repurchase Statement.

   If the Seller/Servicer fails to repurchase an SBL Repurchase Mortgage within 10 Business Days following Freddie Mac's transmission of a revised Repurchase Statement to the Seller/Servicer, in addition to the Repurchase Price and all other amounts due to Freddie Mac under this Section 46SBL.4(h)(5), the Seller/Servicer will become obligated to Freddie Mac for all SBL Losses (as defined in Section 46SBL.6) with respect to the SBL Repurchase Mortgage.

6. **Statement Errors.** The Seller/Servicer and Freddie Mac must each bring to the other's immediate attention any arithmetic or other error in any Repurchase Statement and diligently attempt to resolve any questions or claimed errors in the Repurchase Statement. Absent patent error, Freddie Mac's determination of the amount of the Repurchase Price will be final.

46SBL.5 Repurchase Options (04/22/25)

This Section 46SBL.5 is applicable to all SBL Mortgages that have not been included as an asset for a Secondary Mortgage Transaction, irrespective of the date of origination of such SBL Mortgage. The Seller/Servicer may repurchase an SBL Mortgage ("Repurchase Option") as provided below.

a. During Repurchase Period (04/22/25)

Prior to the expiration of the Repurchase Period for any SBL Mortgage, the Seller/Servicer may elect to exercise a Repurchase Option for any SBL Mortgage if the conditions below are satisfied.

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1. SBL Borrower is in default under the applicable SBL Mortgage for either (i) a 60 Day Delinquency, or (ii) a Non-Monetary Default that has not been cured within 60 days (either a "Repurchase Option Eligible Default").

2. The Seller/Servicer must exercise the Repurchase Option (i) not less than two Business Days prior to the initial pricing date of the Secondary Market Transaction for which the SBL Mortgage has been preliminarily designated as collateral, and (ii) prior to the Seller/Servicer's receipt of a Repurchase Notice from Freddie Mac for any SBL Mortgage subject to a SBL Repurchase Obligation as described in Section 46SBL.4.

3. The Seller/Servicer must provide written notice to Freddie Mac of its Repurchase Option election, which notice must include all the following:

   - Freddie Mac loan number
   - Property name
   - Reason for the repurchase (*e.g.*, the underlying default(s) triggering the applicable Repurchase Option Eligible Default)
   - Seller/Servicer's estimate of the Repurchase Price (as defined in Section 46SBL.4(h))

4. Freddie Mac will verify the Repurchase Price and provide written confirmation of the Repurchase Price to the Seller/Servicer.

5. The Seller/Servicer must repurchase the SBL Mortgage within 10 Business Days following the receipt of written confirmation of the Repurchase Price from Freddie Mac. In addition to payment of the Repurchase Price, the Seller/Servicer will be responsible for the payment of any Repurchase Expenses (as defined in Section 46SBL.4(h)).

b. During the Loss Obligation Period (04/22/25)

During the Loss Obligation Period, the Seller/Servicer may exercise a Repurchase Option with respect to a Defaulted Mortgage (as defined in Section 46SBL.6(d)(1)) if all the conditions below are satisfied:

1. The SBL Mortgage has not been included as an asset for a Secondary Market Transaction.

2. The Seller/Servicer provides Freddie Mac written notice of its election to exercise its Repurchase Option that includes all of the requirements in Section 46SBL.5(a)(3).

3. The Seller/Servicer's exercise of the Repurchase Option complies with Sections 46SBL.5(a)(4) and (5).

4. In addition to payment of the Repurchase Price and any Repurchase Expenses, the Servicer pays to Freddie Mac any applicable SBL Losses with respect to the Defaulted Mortgage as provided in Section 46SBL.6.

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46SBL.6 Loss Obligation (~~08/18/22~~06/24/25)

a. SBL Loss Obligation (08/18/22)

For each SBL Mortgage, upon a Mortgage Default (as defined in Section 46SBL.6(d)(1)), if Freddie Mac suffers a loss with respect to an SBL Mortgage that has not yet been included as an asset for a Secondary Market Transaction or otherwise sold or disposed of (whether through securitization, note sale, deed-in-lieu, foreclosure or otherwise), the Seller/Servicer will be liable to Freddie Mac for the first loss/top loss on that SBL Mortgage up to the Loss Maximum defined in Section 46SBL.6(c) ("SBL Loss Obligation"), for the period set forth in Section 46SBL.6(b), calculated as set forth in Section 46SBL.6(d).

Notwithstanding the endorsement to Freddie Mac of any SBL Mortgage Note or other Loan Document by the Seller/Servicer "without recourse," the Seller/Servicer acknowledges and agrees that it will be liable for the payment to Freddie Mac of its SBL Loss Obligation.

b. Loss Obligation Period (08/18/22)

The "Loss Obligation Period" for an SBL Mortgage is set forth in Sections 46SBL.6(b)(1) - (2).

1. The Seller/Servicer's Loss Obligation Period commences immediately upon the expiration of the Repurchase Period for any SBL Mortgage that Freddie Mac has not yet been included as an asset for a Secondary Market Transaction or otherwise sold or disposed of (whether through securitization, note sale, deed-in-lieu, foreclosure or otherwise).

2. The Loss Obligation Period for an SBL Mortgage will terminate upon the earlier to occur of the following:

   - The date of settlement or closing of a Secondary Market Transaction that includes the SBL Mortgage.

   - The Seller/Servicer's payment of the applicable Loss Obligation for the SBL Mortgage as set forth on the Loss Statement, as described in Section 46SBL.6(e), subject to the Loss Maximum specified in Section 46SBL.6(c).

   - The Seller/Servicer's payment of the SBL REO Price for the Property secured by the SBL Mortgage, if the Seller/Servicer selected the REO Property Repurchase Option described in Section 46SBL.6(g).

   - The occurrence of a Secondary Market Transaction Standstill Event (as defined in Section 46SBL.4(d) above); provided, however, that if an SBL Mortgage is in the Loss Obligation Period and a Mortgage Default has occurred prior to the effective date of the Secondary Market Transaction Standstill Event, the SBL Loss Obligation will remain in effect for any such SBL Mortgage until the SBL Loss Obligation for that SBL Mortgage is satisfied.

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c. Loss Maximum (08/18/22)

The maximum Seller/Servicer loss with respect to an SBL Loss Obligation ("Loss Maximum") for any SBL Mortgage will equal ten percent of the principal balance of the SBL Mortgage as of the Origination Date for the SBL Mortgage. The amount of the SBL Loss Obligation will be calculated as provided in Section 46SBL.6(d).

d. SBL Loss Obligation Calculation (09/28/18)

1. During the Loss Obligation Period for an SBL Mortgage, the occurrence of any event that entitles Freddie Mac to accelerate the indebtedness or seek other relief against the Borrower pursuant to the Loan Documents (subject to any applicable grace or cure period in the Loan Documents) is a "Mortgage Default," and the SBL Mortgage is a "Defaulted Mortgage."

2. For purposes of calculation of the amount of the loss for an SBL Mortgage ("SBL Loss"), if the Loan Documents provide a grace or cure period with respect to a failure by the Borrower to comply with one or more of its obligations, the Mortgage Default will be deemed to have occurred on the date of the failure, not the end of the grace or cure period.

3. The date on or after the Mortgage Default on which Freddie Mac calculates the SBL Loss is the "SBL Loss Obligation Calculation Date."

4. The terms "SBL Loss" or "SBL Losses" mean the sum of each of the following, minus any applicable Default Recoveries or Modification Recoveries:

   - The unpaid principal balance of the Defaulted Mortgage as of the Mortgage Default
   - Default or Modification Resolution Costs as of the SBL Loss Obligation Calculation Date
   - Interest due from Borrower under the Loan Documents from the date of the Mortgage Default until the SBL Loss Obligation Calculation Date not otherwise included in the calculation of Default or Modification Resolution Costs

5. "Default or Modification Resolution Costs" means the sum of the following paid or incurred by, or on behalf of, Freddie Mac:

   - The cost, if any, of servicing by a third-party servicer of the SBL Mortgage while a Mortgage Default is continuing
   - All costs and expenses, including legal fees, and receivership fees and expenses, incurred in connection with any Loss Mitigation Activities
   - All costs and expenses, including legal fees, incurred in connection with a Bankruptcy Proceeding or a forbearance or the modification of the Loan Documents
   - All costs and expenses, incurred in connection with the rehabilitation, maintenance and/or operation of the Property securing the SBL Mortgage, including legal fees,

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receivership fees and expenses, taxes, insurance, management fees, maintenance salaries, utilities, leasing commissions and the cost of any repairs or improvements necessary to restore the Property to decent, habitable, safe and sanitary condition and necessary to maximize the value of the Property

- All costs and expenses, including legal fees, sales commissions and third-party costs incurred in connection with the disposition of the Property or a forbearance or the modification of the Loan Documents

- Any other payments due and owing from the Borrower to Freddie Mac

The reasonableness and necessity of all Default or Modification Resolution Costs will be determined by Freddie Mac in its sole discretion.

6. "Default Recoveries" means all the following amounts received by Freddie Mac:

   - If the Property or Note evidencing or securing the SBL Mortgage has been sold, any amounts received from the sale of the Property or Note, net of any sales commissions, legal fees or costs of sale, other than those described in Section 46SBL.6(d)(5) above (excluding any fees, interest or other charges in connection with a mortgage made or purchased to facilitate the sale of the Property or Note)

   - If the Property or Note evidencing or securing the SBL Mortgage has not been sold, and the Property has been owned by Freddie Mac for 30 or more months, the Appraised Value of the Property (less necessary and reasonable operating costs)

   - All rental or other income received by Freddie Mac from the operation of the Property (or from a court-appointed receiver) since the date of the Mortgage Default

   - Any other amounts received from the Borrower on account of the SBL Mortgage since the date of the Mortgage Default

   - Any amounts received from any guarantor(s) of the Borrower's obligations since the date of the Mortgage Default

   - Any amounts received from any third party with respect to the Property, including insurance proceeds, condemnation proceeds, insurance premium rebates, property tax refunds, and vendor refunds rebates

   - Any escrows, reserves or previously unapplied amounts that are applied against amounts owed under the SBL Mortgage

   - The proceeds of any insurance policies not applied to restoration of the Property or obligations of the Borrower

7. "Modification Recoveries" means all the following amounts received by Freddie Mac:

   - Any amounts received from the Borrower or any guarantor on account of the SBL Mortgage since the date of the Mortgage Default, which amounts have not been applied to principal or interest

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- The present value (calculated at the original gross interest rate of the Note secured by the SBL Mortgage) of all payments due and owing to Freddie Mac through the date of maturity of the SBL Mortgage under the original terms of the Loan Documents, as modified or forborne

e. Loss Statement (08/18/22)

1. **Issuance of the Loss Statement.** Following the calculation of the SBL Loss and the applicable Loss Maximum, Freddie Mac will issue a loss statement to the Seller/Servicer ("Loss Statement") that includes the following information:

   - An itemized calculation of the SBL Loss with respect to the Defaulted Mortgage
   - The Freddie Mac account information required for the Seller/Servicer's wire transfer to Freddie Mac in satisfaction of the SBL Loss Obligation

2. **Remittance Due Date.** The Seller/Servicer must remit the amount due and payable to Freddie Mac identified on the Loss Statement within 10 Business Days after the date of the Loss Statement. Payment must be made by wire transfer of funds to the account as Freddie Mac designates in the Loss Statement.

3. **Statement Errors.** The Seller/Servicer and Freddie Mac must each bring to the other's immediate attention any arithmetic or other error in any Loss Statement and diligently attempt to resolve any questions or claimed errors in the Loss Statement. Absent patent error, Freddie Mac's determination of the amount of the SBL Loss Obligation will be final.

f. Interim SBL Loss Information Statement (08/18/22)

Upon the request of the Seller/Servicer, if a Mortgage Default has occurred and is continuing, Freddie Mac will transmit to the Seller/Servicer an informational statement setting forth the accrued SBL Loss for the SBL Mortgage as of the date of the informational statement ("Interim Loss Information Statement").

The Interim Loss Information Statement will contain the same information that would be provided in a Loss Statement, with the amounts calculated as though the date of the Interim Loss Information Statement was an SBL Loss Obligation Calculation Date. Freddie Mac will not be required to provide the Seller/Servicer with an Interim Loss Information Statement for a Defaulted Mortgage more than once each calendar quarter. The Seller/Servicer agrees that any Interim Loss Information Statement is for informational purposes only and if there is a conflict between an Interim Loss Information Statement and an SBL Loss Statement, the SBL Loss Statement will control.

g. REO Property Repurchase Option (~~08/18/22~~06/24/25)

If the Property securing a Defaulted Mortgage becomes an REO Property ("REO Property"), the Seller/Servicer may elect to purchase the REO Property in lieu of paying the SBL Loss. The purchase price for the REO Property will be calculated as follows ("SBL REO Price"):

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- The sum of each of the following:
  - The unpaid principal balance of the Defaulted Mortgage as of the acquisition date or the date of acceptance of a deed in lieu of foreclosure
  - Accrued interest at the Accounting Net Yield rate from the Due Date of the Last Paid Installment through the day before the Seller/Servicer's purchase of the REO Property
  - Any expenses reimbursed by Freddie Mac to the Servicer
  - Any expenses incurred by Freddie Mac in marketing the REO Property
  - The greater of (a) any prepayment premium that would otherwise be payable by Borrower, pursuant to the terms of the Loan Documents, on the date the Property became an REO Property, or (b) any hedge breakage costs incurred by Freddie Mac related to unwinding its hedge on the Mortgage
- Reduced by each of the following:
  - Any sale proceeds
  - Other proceeds or refunds remitted to Freddie Mac by or on behalf of the Servicer, except any rental proceeds remitted or due to Freddie Mac

At Freddie Mac's discretion, the SBL REO Price will include an amount equal to any loss, damage or expense, including court costs, costs of investigation and reasonable attorney fees, incurred by Freddie Mac in connection with its purchase, ownership and resale to the Seller/Servicer of Freddie Mac's interest in the REO Property. In addition, the Seller/Servicer must pay all documentary stamp taxes, recording fees, transfer taxes and all other expenses payable in connection with the transfer of the REO Property to the Seller/Servicer, including legal fees.

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47.1 Remedies (10/21/21)
- a. Remedies applicable to all Mortgages that are not Delegated TAH Mortgages (10/21/21)
- b. Remedies applicable to Delegated TAH Mortgages (09/28/18)

47.2 Grounds for requiring repurchase or indemnification (05/01/14)

47.3 Appealing a repurchase or indemnification request (04/30/19)

47.4 Repurchase price and other expenses (~~05/01/14~~06/24/25)
- a. Repurchase price (~~05/01/14~~06/24/25)
- b. Other expenses (12/05/03)

47.5 Repurchases requested by the Seller (10/07/02)

47.6 Reporting of repurchases (10/07/02)

47.7 Interest reimbursement fee (10/07/02)

47.8 Indemnification (05/01/14)

47.9 Survival of Freddie Mac's remedies; misrepresentations by the Seller or Servicer (10/07/02)

47.10 Waivers by Seller/Servicer (10/07/02)

47.11 Risk sharing for Delegated TAH Mortgages (08/30/13)

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47.1 Remedies (10/21/21)

a. Remedies applicable to all Mortgages that are not Delegated TAH Mortgages (10/21/21)

In addition to any other remedies it may have at law or in equity, for any Mortgage it purchased, Freddie Mac may take additional remedial actions, including, without limitation:

- Engage in more frequent dialogue, audits, and/or require the Seller/Servicer to provide additional information or data
- Require the Seller/Servicer to provide an action, business continuity or remediation plan acceptable to Freddie Mac to address specific requirements not met
- Demand further reasonable assurances or information
- Issue a demand for any other specific corrective action
- Limit the risk characteristics of loans to be acquired by Freddie Mac from the Seller/Servicer
- Limit variances to loans acquired by Freddie Mac from the Seller/Servicer
- Limit or deny the acceptability of Seller/Servicer's and affiliate's products or services in connection with Freddie Mac's business
- Restrict or deny participation in new products, initiatives or programs offered by Freddie Mac
- Impose additional fees upon loans acquired by Freddie Mac from the Seller/Servicer
- Require posting of collateral, in cash or cash equivalent
- Impose business volume limits for loans to be acquired by Freddie Mac from the Seller/Servicer
- Limit additional Servicing that can be acquired by the Seller/Servicer
- Add Seller/Servicer's Senior Management to the Freddie Mac Exclusionary List
- Require engagement of a Servicing Agent or replacement of an existing Servicing Agent
- Require Transfer of Servicing
- Suspend Seller/Servicer
- Terminate Seller/Servicer

Also, in any of the cases or events stated in Section 47.2, in addition to any other remedies it may have at law or in equity, for any Mortgage it has purchased, Freddie Mac may require the Seller or Servicer to:

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- Indemnify Freddie Mac from and hold it harmless for any loss, damage or expense (including court costs, costs of investigation and reasonable attorney fees) that it may sustain which may arise in connection with the Mortgage or related documents, or

- Repurchase Freddie Mac's interest in the Mortgage at any time, including after a Securitization of a Mortgage

The decision whether to require repurchase or indemnification will be made by Freddie Mac. For purposes of this chapter, the term "interest in a Mortgage" will include an interest in the Real Estate Owned (REO) that previously secured the Mortgage (see Section 47.4).

Freddie Mac will not assign its indemnification rights under this section as part of any Securitization.

b. Remedies applicable to Delegated TAH Mortgages (09/28/18)

The capitalized terms in this chapter are defined in the Glossary or in each Seller/Servicer's Delegated TAH Master Agreement.

In any of the cases or events stated in Section 47.2, in addition to any other remedies it may have at law or in equity, for any Delegated TAH Mortgage it has purchased, Freddie Mac may require the Seller/Servicer of the Delegated TAH Mortgage to:

1. Correct the case or event stated in Section 47.2 within the period of time as specified by Freddie Mac,

2. Increase the Seller's share of Loss for any Mortgage that has given rise to the case or event stated in Section 47.2 from a Standard Loss to an Enhanced Loss as provided in the Seller/Servicer's Delegated TAH Master Agreement,

3. Terminate the Servicer's right to service any or all of the Mortgages and transfer all servicing responsibilities to another Servicer acceptable to Freddie Mac. In the event of such a termination, the Seller's right to the Risk Sharing Fee will not terminate; but any right to any future portion of the Servicing Fee will terminate. The Seller/Servicer must agree to cooperate fully in any such Transfer of Servicing,

4. To the extent that Freddie Mac has suffered loss, liability, damage or expense, submit an invoice to the Seller for such loss, liability, damage or expense and, if not paid within 10 Business Days after submission, draw upon the Letter of Credit or other security pursuant to the Seller/Servicer's Delegated TAH Master Agreement as to which any case or event stated in Section 47.2 relates,

5. Exercise any and all rights and remedies under any Guaranty as provided in the Seller/Servicer's Master Agreement,

6. Indemnify Freddie Mac and hold it harmless for any loss, damage, or expense (including court costs, costs of investigation and reasonable attorney fees) that Freddie Mac may sustain which may arise in connection with the Delegated TAH Mortgage or related documents, or

7. Repurchase Freddie Mac's interest in the Delegated TAH Mortgage at any time

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For any case or event stated in Section 47.2 related to any representation or warranty set forth in Section 5.13, Freddie Mac may require the Seller to repurchase the Delegated TAH Mortgage only if the event results in material detriment to Freddie Mac.

The remedies provided in the Guide will be cumulative. The decision whether and which remedy to require or exercise will be made by Freddie Mac. For purposes of this chapter, the term "interest in a Mortgage" will include an interest in the Real Estate Owned (REO) that previously secured a Delegated TAH Mortgage.

47.2 Grounds for requiring repurchase or indemnification (05/01/14)

Freddie Mac may require repurchase or indemnification if the Seller or Servicer has done any of the following:

1. Not underwritten and/or documented a Mortgage in accordance with the requirements of the Purchase and Servicing Documents.

2. Not serviced a Mortgage in accordance with the requirements of the Purchase and Servicing Documents.

3. Breached any term of the Purchase and Servicing Documents.

4. Been unable to supply satisfactory evidence of compliance with the Purchase and Servicing Documents.

5. Made inaccurate warranties or representations under Chapter 5, as applicable, or in any Purchase and Servicing Document.

6. Breached any of the following representations and warranties, which breach results in Freddie Mac being required to repurchase the Mortgage under the applicable mortgage loan purchase agreement or the applicable pooling and servicing agreement, or under any other Purchase and Servicing Document:

   - For any Mortgage originated using Loan Documents with a revision date on or after March 1, 2014, the Seller/Servicer Representations and Warranties

   - For any CME Mortgage originated using Loan Documents with a revision date prior to March 1, 2014, the Seller's Capital Markets Execution Representations and Warranties

7. Violated or failed to comply with any applicable law designed to protect the health and safety of the Property's occupants (including failure to take any action available to the Seller or Servicer that would relieve the Mortgage holder from liability under such law or regulation).

8. Been involved in a conflict of interest as discussed in Section 36.18.

9. Failed to meet its obligations regarding the Freddie Mac Exclusionary List (see Section 2.18).

10. For Delegated TAH Mortgages, failed to pay a Loss Statement in accordance with the Seller/Servicer's Delegated TAH Master Agreement.

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11. For Delegated TAH Mortgages, filed a Bankruptcy Proceeding or failed to dismiss, within 90 days, an involuntary Bankruptcy proceeding brought against the Seller/Servicer by others.

If Freddie Mac reviews a Mortgage as described in Section 2.18 and subsequently elects to purchase the Mortgage, it will waive its right to seek repurchase of the Mortgage based on item 9 above. All other requirements of the Purchase and Servicing Documents relating to the sale of the Mortgage, however, will remain in full force and effect.

Subject only to the appeal provisions of Section 47.3, Freddie Mac's decision to require the Seller or Servicer to repurchase a Mortgage or indemnify Freddie Mac will be conclusive. The Seller or Servicer must repurchase Freddie Mac's interest in the identified Mortgage or indemnify Freddie Mac within 30 days of Freddie Mac's request. Failure to comply with Freddie Mac's repurchase or indemnification requirement may result in suspension or termination of selling and/or Servicing privileges or termination of Servicing. Suspension or termination will not limit Freddie Mac's right to take other action to enforce its rights or protect its interests.

47.3 Appealing a repurchase or indemnification request (04/30/19)

If a Seller or a Servicer has additional supporting information and/or documentation that may affect Freddie Mac's decision, one appeal may be filed either by the Seller (if the liability for representations and warranties has been retained by the Seller) or by the Servicer.

The appeal process is as follows:

1. Within 30 days from the date of Freddie Mac's letter requiring repurchase or indemnification, the Seller or the Servicer may submit a written appeal. If no written appeal is received within the 30-day period, the procedures in this section will be unavailable to the Seller or the Servicer for that particular repurchase or indemnification request.

2. An appeal of a multifamily Mortgage repurchase or indemnification request must be sent to Freddie Mac, Director, *Multifamily Asset Management, Asset Performance and Compliance*.

3. The appeal package must contain:

   - A statement of all relevant facts concerning the underwriting and/or the Servicing of the Mortgage
   - An explanation of why these facts were not disclosed in the file during the origination of the Mortgage
   - A statement of why Freddie Mac's decision should be reversed
   - Supporting documentation, if any

4. Freddie Mac will review all appeals and advise the Seller or the Servicer in writing of the appeal decision.

5. If the appeal is denied, the Seller or the Servicer must complete the repurchase of the Mortgage or indemnification of Freddie Mac within 15 days from the date of Freddie Mac's denial letter.

6. Freddie Mac's decision on the appeal is conclusive.

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47.4 Repurchase price and other expenses (~~05/01/14~~06/24/25)

a. Repurchase price (~~05/01/14~~06/24/25)

The repurchase price will equal Freddie Mac's repurchase price prescribed in the mortgage loan purchase agreement or applicable pooling and servicing agreement for the Securitization into which the Mortgage was placed.

If not prescribed in the applicable mortgage loan purchase agreement or the applicable pooling and servicing agreement, the repurchase price is calculated as follows:

1. For a Mortgage

The amount of Freddie Mac's interest in the unpaid principal balance (UPB) of the Mortgage, plus accrued interest at the Accounting Net Yield rate from the Due Date of the Last Paid Installment through the day before repurchase, ~~plus~~ any expenses reimbursed by Freddie Mac to the Servicer ~~and~~, any expenses incurred directly by Freddie Mac, plus the greater of (a) any prepayment premium that would otherwise be payable by Borrower, pursuant to the terms of the Loan Documents, on the date of the repurchase, or (b) any hedge breakage costs incurred by Freddie Mac related to unwinding its hedge on the Mortgage.

If the Servicer is obligated to advance installments not paid by the Borrower in a timely manner, Freddie Mac will credit against the repurchase price any such advances made by the Servicer.

2. For an REO Property

The amount of Freddie Mac's interest in the UPB of the Mortgage as of the acquisition date or the date of acceptance of a deed - in - lieu of foreclosure, ~~plus~~ accrued interest at the Accounting Net Yield rate from the Due Date of the Last Paid Installment through the day before repurchase, ~~plus~~ any expenses reimbursed by Freddie Mac to the Servicer ~~and~~, any expenses incurred by Freddie Mac in marketing the REO~~,~~ (minus any sale proceeds, and other proceeds or refunds remitted to Freddie Mac by or on behalf of the Servicer), plus the greater of (a) any prepayment premium that would otherwise be payable by Borrower, pursuant to the terms of the Loan Documents, on the date of the repurchase, or (b) any hedge breakage costs incurred by Freddie Mac related to unwinding its hedge on the Mortgage.

Rental proceeds remitted or due to Freddie Mac must not be deducted from the repurchase price.

b. Other expenses (12/05/03)

In the event of repurchase, the Seller/Servicer must pay all documentary stamp taxes, recording fees, transfer taxes and all other expenses payable in connection with the transfer of the Mortgage to the Seller/Servicer.

At Freddie Mac's discretion, the repurchase price will include an amount equal to any loss, damage or expense, including court costs, costs of investigation and reasonable attorney fees, incurred by Freddie Mac in connection with its purchase, ownership and resale to the Seller of Freddie Mac's interest in the Mortgage.

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47.5 Repurchases requested by the Seller (10/07/02)

In general, Freddie Mac does not permit the Seller/Servicer to repurchase a Mortgage voluntarily. Under exceptional circumstances, however, the Seller/Servicer may be allowed to do so. Freddie Mac will review individually each request to repurchase made by a Seller/Servicer. Each repurchase must have Freddie Mac's prior written approval and be supported by appropriate documentation in the applicable Mortgage File.

47.6 Reporting of repurchases (10/07/02)

A repurchase is not completed until the Seller/Servicer has satisfied the remittance and reporting requirements of Chapters 53 and 54.

47.7 Interest reimbursement fee (10/07/02)

If the Seller/Servicer fails to remit repurchase proceeds within the time frame specified, Freddie Mac will charge the Seller/Servicer an interest reimbursement fee as provided in Section 53.11.

47.8 Indemnification (05/01/14)

Freddie Mac may require the Seller/Servicer to indemnify Freddie Mac and hold it harmless for any loss, damage or expense (including court costs, costs of investigation and reasonable attorney fees) that Freddie Mac may incur as a result of its purchase or ownership of a Mortgage. Freddie Mac will prepare an indemnification agreement setting forth the Seller/Servicer's indemnification obligations, which must be executed by the Seller/Servicer within 30 days following Freddie Mac's request.

Freddie Mac may, in its sole discretion, require the Seller/Servicer to secure its indemnification obligation by pledging certain collateral in an amount and in a manner acceptable to Freddie Mac. The indemnification agreement prepared by Freddie Mac and signed by the Seller/Servicer will:

- Prescribe the acceptable collateral
- Give Freddie Mac the power to determine the value of the collateral at any given time
- Permit Freddie Mac, if the value of the collateral falls below a specified level, to either
  - Require the Seller/Servicer to post additional collateral, or
  - Liquidate the existing collateral

If the Seller/Servicer fails to execute the required indemnification agreement within 30 days following Freddie Mac's request, the Seller/Servicer must repurchase the Mortgage for which Freddie Mac had required indemnification.

Any indemnification provided by the Seller/Servicer to Freddie Mac will not be deemed to run to the benefit of any other third parties in connection with any Securitization of a Mortgage.

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47.9 Survival of Freddie Mac's remedies; misrepresentations by the Seller or Servicer (10/07/02)

Freddie Mac's decision to require or allow a repurchase in no way diminishes its right to pursue further action such as suspension or termination of Seller status or Servicing under the provisions of Chapter 4 and/or Chapter 48. Freddie Mac may also exercise these remedies when its inspection of the documentation of a voluntarily repurchased Mortgage reveals facts materially different from those for which Freddie Mac originally approved the repurchase.

47.10 Waivers by Seller/Servicer (10/07/02)

With respect to any Mortgage for which Freddie Mac has required a Seller/Servicer to repurchase Freddie Mac's interest in the Mortgage or indemnify Freddie Mac, the Seller/Servicer waives any right it may have to:

- Require Freddie Mac to mitigate damages, or
- Object to any of Freddie Mac's:
  - Loss mitigation efforts, or
  - Property management activities, or
  - REO disposition efforts

47.11 Risk sharing for Delegated TAH Mortgages (08/30/13)

The terms and conditions for risk sharing between the Seller/Servicer and Freddie Mac are memorialized in each Delegated TAH Master Agreement. Freddie Mac will manage loss mitigation activities while reporting the results of those efforts to the Seller/Servicer. The Seller/Servicer must continue to perform its customary Servicing responsibilities for any Delinquent Mortgages as outlined in Chapter 44.

Freddie Mac’s and the Seller/Servicer’s responsibilities are summarized below:

1. Freddie Mac will handle all loss mitigation and special Servicing for Delegated TAH Mortgages.
2. Each Delegated TAH Master Agreement will specify the Seller’s share of Loss.
3. Freddie Mac will report to the Seller/Servicer periodically on the status of Freddie Mac’s loss mitigation efforts and any amounts expended in that effort.
4. Freddie Mac expects that there will be ongoing dialogue between Freddie Mac and the Seller/Servicer concerning any loss mitigation efforts and that the Seller/Servicer will provide Servicing information and support as needed and requested by Freddie Mac.
5. Freddie Mac will prepare a Loss Statement detailing all costs incurred in resolving a default, including foreclosure and REO disposition or other loss mitigation strategy employed by Freddie Mac.

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6. At the conclusion of the loss mitigation process, Freddie Mac will submit the Loss Statement to the Seller for reimbursement pursuant to the requirements of its Delegated TAH Master Agreement.

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60.1 General requirements; Additional Requirements (~~05/22~~06/24/25)

For all multifamily purchase programs and products, the Seller/Servicer must submit a written Appraisal on the Property with the full underwriting package submission or in connection with certain Special Servicing requests. The Appraisal must comply with the requirements in this chapter and must take into account the additional resources, guidance and FAQs available at mf.freddiemac.com/lenders/uw/appraisals. For questions or feedback, contact the Multifamily Appraisal team at Multifamily_Appraisals@freddiemac.com.

a. Appraisal requirements (05/22/25)

The Appraisal must be:

- In a narrative format
- Ordered by the Seller/Servicer; and
- Completed by and signed by an appraiser approved by the Seller/Servicer

Appraisals ordered by and/or prepared for anyone other than the Seller/Servicer will not be accepted.

To support the evaluation of the Mortgage loan, the Appraisal must:

- Contain transparent and credible data analysis in a concise but comprehensive report format; and
- Be supported by the Seller/Servicer's selection of well-qualified appraisers and the Seller/Servicer's critical review of the Appraisals

Note, effective for Mortgage loans taken under Seller Application on or after February 20, 2023, Seller/Servicers must also comply with the policies set forth in the *Additional Appraisal Requirements Memorandum*. To the extent there is any conflict between the foregoing Memorandum and the requirements of this chapter, the provisions of the foregoing Memorandum govern.

b. Purpose of Appraisal (05/22/25)

Appraisals must:

- Estimate the as-is market value of the Property as of the effective date (see Section 60.9);
- Identify the interests and estate being valued (as defined in the current edition of The Appraisal of Real Estate, published by the Appraisal Institute); and
- Be subject to stated assumptions and limiting conditions as of the effective date.

Note, the leased fee interest should be valued when the Property is subject to tenant-occupant leases (for any length of time) and there is no ground lease. The leasehold interest

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should be valued if all or part of the Property is subject to a ground lease, whereby the Borrower is the ground lessee. The fee simple interest should be valued when there are no tenant-occupant leases or ground leases in place at the Property.

Although other valuation scenarios may be appropriate for a particular Appraisal as outlined in Sections 60.24 through 60.31, at minimum, all Appraisals must provide the as-is market value.

60.2 Appraiser Independence Requirements (~~05/22~~06/24/25)

The Freddie Mac Appraiser Independence Requirements provided in this chapter herein set forth standards to safeguard the independence, objectivity and impartiality of appraisers and other Independent Parties (as defined below) throughout the valuation process. The valuation process must not be directed or influenced in any way by Conflicted Appraisal Parties (as defined below). Compliance with these Appraiser Independence Requirements is the responsibility of the Seller/Servicer.

Additional information can be found in the *Appraiser Independence Requirements FAQs.*

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For purposes of these Appraiser Independence Requirements, the term "Independent Party" refers to the appraisal company, any entity or person related to the appraiser, appraisal company, or any other party that is part of the appraisal process.

For the purposes of these Appraiser Independence Requirements, the term "Conflicted Appraisal Parties" refers to:

1. All members of the Seller/Servicer's Mortgage origination staff, including any person who is an immediate supervisor of origination staff;
2. Any person who is compensated on a commission basis upon the successful closing of a Mortgage, including but not limited to, mortgage brokers, loan production staff and real estate agents.

Seller/Servicer personnel involved in the underwriting, credit risk management or closing of the Mortgage who are not under the supervision of production or loan origination staff are not considered Conflicted Appraisal Parties.

For purposes of this chapter, any reference to Independent Parties or Conflicted Appraisal Parties will be deemed to include any Freddie Mac employee or contractor.

a. General requirements (04/18/24)

No person is allowed to influence or attempt to influence the development, reporting, result, or review of an Appraisal through coercion, extortion, collusion, compensation, inducement, intimidation, bribery, or any other manner including, but not limited to:

1. Withholding or threatening to withhold timely full or partial payment to an Independent Party;

2. Withholding or threatening to withhold future business from or demoting or terminating or threatening to demote or terminate an Independent Party;

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3. Expressly or impliedly promising future business, promotions, or increased compensation to an Independent Party;

4. Conditioning the ordering of an Appraisal or the payment of an appraisal fee, salary or bonus on the opinion, conclusion, or valuation to be reached by, or on a preliminary value estimate requested from, an Independent Party;

5. Requesting from or providing to an Independent Party any of the following:

   - Comparable sales prior to engaging the Independent Party to perform an Appraisal;
   - An anticipated, estimated, encouraged, or desired value or value range for the Property, with the exception that a copy of the sales contract for purchase transactions may be provided to an Independent Party that has been engaged to complete an Appraisal;
   - An anticipated, estimated, encouraged, or desired targeted loan ratio (*i.e.*, debt coverage ratio, loan to value, etc.), expense conclusions or income conclusions;

6. Providing stock or other financial or non-financial benefits to an Independent Party or any entity or person related to the Independent Party;

7. Establishing a list of approved Independent Parties or adding an Independent Party to an exclusionary list of disapproved Independent Parties designated to perform Appraisals for specific loan production staff, loan officer or mortgage broker, except as otherwise provided in subsection b.5 below;

8. Directing an Independent Party to perform an Appraisal using a specific scope of work that is contrary to what the Independent Party has determined is necessary to produce credible results; or

9. Any other act or practice that impairs or attempts to impair an appraiser's independence, objectivity, impartiality or compliance with any law or regulation, including, but not limited to, the Truth-in-Lending Act (TILA) and Regulation Z, or the Uniform Standards of Professional Appraisal Practice (USPAP).

b. Independent Party engagement (05/22/25)

Sections 60.2(b)1, 2, 3 and 5 below may be implemented immediately but are only required for Mortgage loans taken under Seller Application as of **September 2, 2024**.

1. The Seller/Servicer must separate its sales and Mortgage origination functions from its appraisal functions. An agent or employee of the Seller/Servicer involved in the Seller/Servicer's sales or Mortgage origination function must not be involved in the operations of the Seller/Servicer's appraisal functions.

   If absolute lines of independence between the Seller/Servicer's appraisal functions and its Mortgage origination process cannot be achieved due to staffing limitations, the Seller/Servicer must clearly demonstrate within its written policies that it has prudent

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safeguards in place to isolate its appraisal functions from influence or interference by its Mortgage origination process.

2. Conflicted Appraisal Parties are prohibited from:

   - Ordering, managing, or defining the scope of work for an Appraisal;
   - Selecting, retaining, recommending, or influencing the selection of any appraiser and/or appraisal firm for a particular Appraisal or for inclusion on a list or panel of appraisers approved or forbidden to perform Appraisals for the Seller/Servicer; or
   - Having any substantive communications with an appraiser relating to or having an impact on valuation

   Notwithstanding the foregoing, any party, including any Conflicted Appraisal Party, may request an Independent Party to provide additional information or explanation about the basis for a valuation, or to correct factual errors in an appraisal report.

3. Any person involved in substantive Appraisal review or in the selection of Independent Parties for inclusion on a list of approved Independent Parties must:

   - Be appropriately trained and qualified, and
   - Complete all Freddie Mac required Appraisal training

4. Seller/Servicer leadership responsible for managing Appraisal ordering and review functions must complete all Freddie Mac required Appraisal training.

5. For training requirements that are applicable, see the ~~*Additional Appraisal Requirements Memorandum* available at mf.freddiemac.com, as referenced in Section 60.1(a).~~*Additional Appraisal Requirements Memorandum* as referenced in Section 60.1(a).

6. The Seller/Servicer or any third-party specifically authorized by the Seller/Servicer (including, but not limited to, appraisal companies and correspondent lenders) will be responsible for selecting, retaining and providing for payment of all compensation to the appraiser. The Seller/Servicer must not accept any Appraisal completed by an appraiser selected, retained, or compensated in any manner by the Borrower or any other third party (including mortgage brokers, loan production staff and real estate agents) unless specifically permitted by the Freddie Mac loan documents. For the sake of clarity, the foregoing does not prohibit the Borrower from reimbursing the Seller/Servicer for the cost of the Appraisal, or for paying for the cost of the Appraisal at closing if such payment is shown on the settlement statement.

7. The Seller/Servicer may maintain lists of approved Independent Parties only if:

   - The Seller/Servicer has in place a written policy that requires such lists for bona fide administrative or quality control purposes; and

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- Any employee or vendor of the Seller/Servicer involved in the selection of Independent Parties for such lists must be wholly independent of the Seller/Servicer's Mortgage origination staff and process and of the appraiser and the Independent Parties.

c. Reporting Appraisal misconduct (06/13/24)

Section 60.2(c)2 below may be implemented immediately but is only required for Mortgage loans taken under Seller Application as of **September 2, 2024**.

1. If the Seller/Servicer has a reasonable basis to believe an Independent Party is violating State licensing requirements, applicable laws or is otherwise engaging in unethical conduct, the Seller/Servicer must promptly refer the matter to Freddie Mac and the applicable State appraiser certifying and licensing agency or other regulatory body.

2. The Seller/Servicers engagement for Appraisals with Independent Parties must provide a notice that if the Independent Party has a reasonable basis to believe a Conflicted Appraisal Party or Seller/Servicer is violating Appraiser Independence Requirements, the Independent Party should promptly refer the matter to either the Freddie Mac *Investigation Unit* or the *Multifamily Appraisals* team.

d. Compliance; Policies (06/13/24)

This Section 60.2(d) may be implemented immediately but is only required for Mortgage loans taken under Seller Application as of **September 2, 2024**.

The Seller/Servicer must adopt written policies, procedures and disciplinary rules and implement adequate training programs to ensure compliance with these Appraiser Independence Requirements. Additionally, the Seller/Servicer must ensure that any third parties involved in the appraisal functions including, but not limited to, appraisal management companies or correspondent lenders, involved in the origination of a mortgage or the sale and delivery of a Mortgage to Freddie Mac are also in compliance with these Appraiser Independence Requirements.

60.3 Market value definition (09/28/18)

Appraisers must use the definition of market value set forth below, which conforms to the definition of market value adopted in the Uniform Standards of Professional Appraisal Practice (USPAP). The Appraisal must be completed in accordance with the definition below, as defined within the Financial Institutions Reform, Recovery, and Enforcement Act ("FIRREA") of 1989:

"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of the title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated.

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2. Both parties are well informed or well advised, and acting in what they consider their best interests.

3. A reasonable time is allowed for exposure in the open market.

4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto.

5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

60.4 Appraisers (09/28/18)

Freddie Mac does not select or approve specific appraisers for Freddie Mac's Multifamily programs or products. The Seller/Servicer selects and approves appraisers and is responsible for maintaining an active file on each appraiser's qualifications. The file must be updated annually and is subject to inspection by Freddie Mac.

The appraiser may not be involved or affiliated with any individual or institution involved in the Mortgage submission other than the Seller/Servicer. Appraisers who are staff appraisers of the Seller/Servicer must be independent of the lending, investment and collection functions of the Seller/Servicer.

In those instances where the appraiser and/or the appraisal firm is affiliated with or related to the Seller/Servicer, Appraisals performed for Freddie Mac's Multifamily programs and products must include statements of disclosure from both the Seller/Servicer and from the appraiser that:

- Are signed and dated on the same date as the Appraisal,
- Describe the nature of the relationship between the appraiser and the Seller/Servicer (or other entity),
- State that there is no conflict of interest between these firms, and
- State that there are no fees, payments or compensation between the firms other than that disclosed in the engagement letter between the appraiser and the Seller/Servicer (or other entity), or, if there is compensation in addition to the appraisal fee, provide a description of those fees, payments or compensation

The disclosure from the Seller/Servicer must be included with the Appraisal as an attachment in the Addenda or following the report's Letter of Transmittal. The disclosure from the appraiser must also be included

- As a statement in the Letter of Transmittal of the Appraisal, and
- In the appraiser's Certification, as required by the Uniform Standards of Professional Appraisal Practice (USPAP).

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a. Appraiser qualifications (09/28/18)

For Appraisals submitted for Small Balance Loan (SBL) program Properties, at least one of the appraisers signing the Appraisal must meet all of the requirements outlined in 1-10 below. For all other Properties, each appraiser signing the Appraisal must meet the requirements outlined in 1-10 below.

1. Be a certified general appraiser under the appraiser certification requirements of the State in which the Property is located (or a certified appraiser if that State does not confer the designation of certified general appraiser)

2. Appear on the State roster in good standing under the requirements of Title XI of FIRREA

   For all programs and products, if the Appraisal Subcommittee of the Federal Financial Institutions Examination Council has disapproved the licensing and certification requirements of the State in which the Property is located, pursuant to Title XI of FIRREA, the Seller/Servicer must contact the *Applicable Freddie Mac Multifamily Regional Office* for instructions. The TAH Seller/Servicer must contact the *Multifamily TAH Underwriter*.

3. Be actively and regularly engaged in the appraisal of multifamily properties

4. Have at least three consecutive years of income property appraisal experience

5. Have completed at least two multifamily Appraisals in the past year in the geographic market area where the Property is located

6. Be knowledgeable concerning current real estate market conditions and financing trends in the geographic market area where the Property is located

7. Be experienced in appraising multifamily properties with complexity and characteristics similar to those of the Property (such as the number of units and type of property—garden, mid-rise, high-rise, etc.)

8. Have a working knowledge of construction costs, materials, methods and standards in the geographic market area where the Property is located

9. Have a strong educational background in appraising income properties

   Appraisers must have completed successfully several courses relating to income properties. These courses must have been completed through a nationally recognized appraisal organization or accredited college or university.

10. Have insurance meeting the requirements of Section 11.5.

b. Conditions for an appraisal trainee to co-sign (06/30/15)

An appraisal trainee may co-sign an Appraisal if the appraisal trainee is currently registered as an appraisal trainee in the State in which the Property is located and the Appraisal clearly and prominently:

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- States that the appraisal trainee is an appraisal trainee or equivalent job title,
- Identifies the appraisal trainee's trainee license or certification identification number in the Appraisal, preferably in the Letter of Transmittal and in the Certification, and
- States, in the Letter of Transmittal, the appraisal trainee's specific role in the appraisal project and describes in which parts of the appraisal process the trainee had a contribution and the extent of that contribution. The statement must specifically address whether or not the trainee inspected the Property.

All appraisers that sign the Certification in the Appraisal must take professional responsibility for the appraisal trainee's content, conclusions, and discussions within the Appraisal.

c. Unacceptable appraisers (07/01/14)

The Seller/Servicer must send written notification immediately to the *Applicable Freddie Mac Multifamily Regional Office* if the Seller/Servicer, for cause, discontinues the use of any appraiser who has completed Appraisals within the past 12 months for Mortgages purchased or credit enhanced by Freddie Mac. A TAH Seller/Servicer must send written notification immediately to the *Multifamily TAH Underwriter*.

In addition, Freddie Mac reserves the right to refuse to accept Appraisals completed by any specific appraiser. ~~Freddie Mac will maintain, at mf.freddiemac.com, the Multifamily Restricted Vendor List.~~Freddie Mac will maintain the Multifamily Restricted Vendor List. If an appraiser appears on the Multifamily Restricted Vendor List, the Seller/Servicer may not use that appraiser for Multifamily Mortgages offered to Freddie Mac until notified otherwise by Freddie Mac. The decision to place a third-party vendor on the Multifamily Restricted Vendor List is solely within Freddie Mac's discretion.

The Multifamily Restricted Vendor List is made available to Seller/Servicers for the sole purpose of ensuring that unacceptable appraisers do not prepare Appraisals for Multifamily and will constitute "Confidential Information" as defined in Section 2.8.

d. Representations to third parties by appraisers and appraisal services (09/08/04)

Appraisers and appraisal services may not represent themselves to third parties as being Freddie Mac-approved appraisers or appraisal services.

60.5 Appraiser scope of work, certification and signatures (02/27/25)

a. Certification (06/16/22)

The appraiser must attach all of the following to the Appraisal:

- All assumptions and limiting conditions
- A certification that states that the report complies with the requirements of the USPAP, promulgated by the Appraisal Standards Board of the Appraisal Foundation, that are in effect at the time of certification, including USPAP's requirements that the Appraisal was

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conducted in compliance with all relevant laws, including the Fair Housing Act and Equal Credit Opportunity Act

- A certification that states that the Appraisal complies with the current version of the FIRREA of 1989, including its Title XI regulations

b. Scope of work and signing the Appraisal (02/27/25)

There are requirements in this Section 60.5(b), announced in the February 27, 2025 Bulletin, that are effective for Mortgage loans under Seller Application on or after **June 2, 2025** and for conversion packages delivered on or after **June 2, 2025** that require an updated Appraisal**.**

For all Properties, (i) all persons signing the Appraisal and/or the Appraisal's Certification must have reviewed and approved the Appraisal, and (ii) at least one of the persons signing the Appraisal must meet all of the following requirements:

- Comply with the requirements in this chapter including, with the exception of appraisal trainees, being a Certified General Appraiser in the State in which the Property is located (or that State's equivalent licensing classification that also meets Freddie Mac's minimum appraiser experience requirements)
- Inspect the Property in accordance with the requirements set forth in Section 60.12(b) (other than the appraisal trainee co-signer requirement)
- Complete the final selection and adjustments of land, rent, expense and sales comparables
- Complete the final development of the appraiser's proforma and capitalization rate selection in the Income Approach
- Complete the final reconciliation and value conclusion
- Accept full responsibility for the contents, analyses and conclusions of the Appraisal

Each person signing the appraisal report and/or the Appraisal's Certification will be deemed to have accepted full responsibility for the contents, analyses and conclusions of the Appraisal.

Refer to Section 60.4(b) for requirements regarding the co-signing of an Appraisal by an appraisal trainee.

60.6 Information provided to appraiser by the Seller/Servicer (~~04/22~~06/24/25)

To reduce the need for administrative revisions to the Appraisal following submission of the Appraisal to Freddie Mac for non-valuation related property identification or classification issues, the Seller/Servicer must provide the appraiser with accurate Property identification prior to submission of the Appraisal to Freddie Mac, including:

- Specific requirements for the Mortgage loan program for which the appraisal will be used (*i.e.*, Small Balance Loans, Seniors Housing, Students Housing, Green Up, Mod Rehab, Conventional, etc.)

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- For appraisals in the Small Balance Loans (SBL) program, the Seller/Servicer must ensure that the appraiser complies with the page limit described in Section 60.11
- Current property ownership
- Property address
- Property zip code
- Complete legal description (see Section 29.1)
- Accounting of the Property's unit inventory, including management's use of units for offices, model units, down/off-line units and commercial space

The Seller/Servicer must provide the appraiser with the following additional information on the Property:

1. Survey, if available (see Section 29.4)
2. Rent roll dated within 30 days before the Appraisal's effective date of the ~~appraisal inspection date~~as-is value, certified by the Borrower as accurate and correct, and containing, at a minimum:
    - Unit number
    - Unit type, name, or description and/or unit design (i.e., 2BR/1BA, 1BR/1BA/Den, commercial)
    - Unit size in square feet
    - Lease commencement date
    - Contract rent
    - Concessions, if any
    - Additional fees or charges (i.e., pet fees and garage fees)
3. Income and Expense Statements for the previous three calendar or fiscal years, as applicable, certified by the Borrower as complete and accurate
4. Year-to-date Income and Expense Statement, certified by the Borrower as complete and accurate
5. Copies of executed commercial leases, amendments and attachments, if applicable
6. Property condition report as soon as available but prior to the Seller/Servicer's transmittal of the Appraisal to Freddie Mac if there are issues identified by the consultant that could materially affect the value of the Property. If the Seller/Servicer and Freddie Mac do not agree

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if an issue is material, Freddie Mac will make the final decision of materiality on a case-by-case basis.

Draft versions of the property condition report are acceptable to meet these time constraints but if the final version is materially different than the draft version, the appraiser must be given the final version and the valuation must be amended to reflect this new information.

7. Environmental report as soon as available but prior to the Seller/Servicer's transmittal of the Appraisal to Freddie Mac if there are issues identified by the consultant that could materially affect the value of the Property. If the Seller/Servicer and Freddie Mac do not agree if an issue is material, Freddie Mac will make the final decision of materiality on a case-by-case basis.

   Draft versions of the environmental report are acceptable to meet these time constraints but if the final version is materially different than the draft version, the appraiser must be given the final version and the valuation must be amended to reflect this new information.

8. Copy of ground leases, if applicable

9. Copy of current sales contracts, if applicable

10. Final architectural plans and specifications, if the Property is to be built

11. Copies of shared access agreements or easements

12. Regulatory agreements such as HAP contracts or other agreements that might affect the Property's rents or expenses

13. For SBL Properties, evidence of capital expenditures or construction costs as described in Section 55SBL.2

14. Any other information that the Seller/Servicer knows may affect the value of the Property

60.7 Seller/Servicer supervision of appraisers (02/27/25)

The Seller/Servicer must evaluate and select appraisers based on qualifications and quality of the appraisal product. The Seller/Servicer must collect information and documentation from appraisers and applicable regulatory authorities to ensure that each appraiser completing Appraisals for multifamily Mortgages offered to Freddie Mac complies with the requirements set forth in this chapter.

Each file must contain sufficient information to document and demonstrate that the appraiser meets the qualification requirements in Section 60.4(a), including:

1. The appraiser's resume

2. Letters of reference from current and/or past clients

3. Documentation showing that the appraiser possesses the certified general classification or certified classification in good standing in accordance with applicable State law

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4. Copies of Appraisal sample(s) if appropriate under the ethics provision of USPAP

5. An original certificate(s) of liability insurance meeting the requirements of Section 11.5

Each file must document that the appraiser complies with the requirements of this chapter and that the Seller/Servicer verified the experience information provided by the appraiser to the Seller/Servicer.

Effective as of June 2, 2025, the Seller/Servicer must ensure that any appraisal firm engaged by the Seller/Servicer for a Freddie Mac Mortgage agrees to adopt and maintain security measures sufficient to protect and safeguard its Electronic Signature from loss, theft and unauthorized or improper disclosure or use.

The Seller/Servicer must design an internal management control system to ensure compliance with the requirements set forth in this chapter. If the Seller/Servicer identifies a problem area, the Seller/Servicer must take appropriate action to correct the problem. The Seller/Servicer must keep written records of any activity under this internal control system and provide them to Freddie Mac upon request.

60.8 Non-Discrimination (12/14/23)

The appraiser must describe the Property and the neighborhood in factual, unbiased and specific terms. The appraiser may not consider any information about the geographic area, neighborhood, occupants, owners or prospective owners of the Property that involves the following prohibited factors ("Prohibited Factors"):

- Race
- Color
- Religion
- National origin
- Sex, sexual orientation, and gender identity
- Marital status
- Age
- Receipt of income derived from any public assistance program
- Exercise of any federally protected civil right
- Familial status
- Disability

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As a matter of corporate policy, Freddie Mac reserves the right to reject any Mortgage supported by an Appraisal that makes reference to Prohibited Factors or incorporates subjective terminology or veiled language that may indicate underlying bias or discrimination.

60.9 Effective date of Appraisal (04/18/24)

For additional requirements that are applicable, see the ~~*Additional Appraisal Requirements Memorandum* available at mf.freddiemac.com~~,*Additional Appraisal Requirements Memorandum* as referenced in Section 60.1(a).

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The effective date of the most current Appraisal must be within six months before the date on which the Mortgage's full underwriting package is delivered to Freddie Mac. The Seller/Servicer also must submit all other Appraisals completed on the Property in the past three years, if available to the Seller/Servicer and appropriate under the ethics provision of USPAP. See also Section 60.10.

60.10 Revised and updated Appraisals (04/22/25)

1. For Mortgage **loans taken under Seller Application on or after June 2, 2025** or for conversion packages delivered on or after June 2, 2025 that require an updated Appraisal, an Appraisal Revision Summary (see Freddie Mac template as an example) detailing the changes between the initial Appraisal delivered to the Seller/Servicer and the Appraisal delivered in the full underwriting package to Freddie Mac must be provided if there is any of the following:

   - More than a two percent increase in value between the two versions of the Appraisal;
   - Change to the income approach (*e.g.*, changes to income, rent comparables, vacancy, expense(s), expense comparables, and/or capitalization rates)
   - Change to the sales comparison approach (*i.e.*, adding or removing sales comparables and/or changes to the adjustment grid)

   If the Appraisal is revised during the underwriting process to trigger any of the above conditions, the Appraisal Revision Summary must be updated to detail the change(s) between the Appraisal delivered in the full underwriting package and the final Appraisal accepted by Freddie Mac.

2. If Freddie Mac receives an Appraisal with an effective date that is more than six months before the date on which the full underwriting package is delivered to Freddie Mac, the Seller/Servicer must obtain an updated Appraisal from the appraiser. For the updated Appraisal, the appraiser must, at minimum:

   - Reinspect the Property,
   - Resurvey the rental comparables, and
   - Review the market for any additional sales comparables or changes in capitalization rates

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The documentation that provides the updated Appraisal must clearly indicate the steps that the appraiser performed for the updated Appraisal and discuss the changes, if any, between the original Appraisal and the updated Appraisal.

A letter or abbreviated report such as the Restricted Report from the appraiser stating general conclusions (for example, that the value of the Property has not decreased since the original Appraisal) is not acceptable.

In addition to these requirements, the report must comply with the requirements and advice provided in USPAP for an update of a prior Appraisal.

60.11 Appraisal form (06/~~27/19~~24/25)

Freddie Mac expects that the Appraisal will be in a narrative format written to comply with the Appraisal development and report content requirements of the USPAP.

Appraisals submitted to Freddie Mac for Mortgage loan origination in the Small Balance Loan (SBL) program must be 50 pages or less. Addenda to these Appraisals are not included in the 50-page count.

Effective with underwriting packages delivered to Freddie Mac on or after August 1, 2019, appraisals submitted to Freddie Mac for Mortgage loan origination in the Targeted Affordable Housing Express (TAHX) program and with an appraisal effective date of value on or after August 1, 2019 must be 75 pages or less. Addenda to these appraisal reports are not included in the 75-page count.

The page count for SBL and TAHX Appraisals begins with the Title Page of the report and ends with the page prior to the Addenda of the appraisal report.

Addenda material can include:

- Insurable ~~value~~replacement cost
- Assumptions and Limiting Conditions
- Appraiser's Certification / Signature
- Subject Photos
- Comparable sales outlines
- Comparable rental outlines
- Rent roll
- Historical financials
- Floor plans

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- Site plans / Plat / Survey
- Qualifications of the appraiser and state Certification certificate
- Engagement letter

The Seller/Servicer may contract with the appraiser for an SBL Appraisal that is exempt from the 50-page length limitation or for a TAHX Appraisal that is exempt from the 75-page length limitation under limited circumstances, such as when:

- The Property is located in a tertiary market which requires additional discussion by the appraiser
- The Property has substantial repairs that need to be evaluated and discussed by the appraiser
- There are environmental issues reported by the third-party consultant that need to be evaluated and discussed by the appraiser

If the page-length limit is exceeded, Form 6011, Waiver of the Page Limit for SBL and TAHX Appraisals, executed by Seller/Servicer's Chief Underwriter or Deputy Chief Underwriter, must be submitted with the Appraisal in the underwriting package. The Seller/Servicer must also upload the completed Form to the Third-Party Report section of Freddie Mac's Document Management System (DMS).

Regardless of the report format, the appraiser must comply with all applicable Freddie Mac, federal, and State appraisal development and reporting requirements.

60.12 Appraisals (~~05/22~~06/24/25)

When the Seller/Servicer delivers an Appraisal to Freddie Mac, the Seller/Servicer is deemed to make the warranties regarding the Appraisal set forth in Section 5.4. The Seller/Servicer must review each Appraisal in detail for its completeness, accuracy, appraising logic and adherence to the requirements of this chapter. The Seller/Servicer must ensure that the Appraisal submitted to Freddie Mac incorporates corrections and/or resolution of any material errors or omissions found during the Seller/Servicer's review of the Appraisal. If required by Freddie Mac, the Seller/Servicer must provide to Freddie Mac a copy of its review of the Appraisal concurrent with the transmittal of the Appraisal to Freddie Mac.

Each Appraisal must:

- Comply with and state its compliance with the USPAP in effect as of the date of the Appraisal
- Comply with and state its compliance with the current version of the FIRREA, including its Title XI regulations
- Disclose any steps taken by the appraiser to comply with the competency provision of the USPAP, if required; and
- Specifically disclose any extraordinary assumptions and/or hypothetical conditions, or explicitly state the lack of any such conditions

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The Seller/Servicer must direct the appraiser to include the following language verbatim in the letter of transmittal above the appraiser's signature and/or on the appraiser's Certification page above the appraiser's signature:

"This report is for the use and benefit of, and may be relied upon by,

a) the Seller/Servicer, Freddie Mac and any successors and assigns ("Lender");

b) independent auditors, accountants, attorneys and other professionals acting on behalf of Lender;

c) governmental agencies having regulatory authority over Lender;

d) designated persons pursuant to an order or legal process of any court or governmental agency;

e) prospective purchasers of the Mortgage; and

f) with respect to any debt (or portion thereof) and/or securities secured, directly or indirectly, by the Property which is the subject of this report, the following parties and their respective successors and assigns:

- any placement agent or broker/dealer and any of their respective affiliates, agents and advisors;
- any initial purchaser or subsequent holder of such debt and/or securities;
- any Servicer or other agent acting on behalf of the holders of such debt and/or securities;
- any indenture trustee;
- any rating agency; and
- any institutional provider from time to time of any liquidity facility or credit support for such financings

In addition, this report, or a reference to this report, may be included or quoted in any offering circular, information circular, offering memorandum, registration statement, private placement memorandum, prospectus or sales brochure (in either electronic or hard copy format) in connection with a securitization or transaction involving such debt (or portion thereof) and/or securities."

The appraiser must perform the functions stated in this section and in Sections 60.13 through 60.19 to ensure the completeness of each Appraisal.

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a. Completeness (06/16/22)

The Appraisal must adequately describe the geographic area, neighborhood, rental competition, sales comparables, site and improvements. Generally, regardless of report format, the Appraisal must demonstrate a market value supported by the reconciliation of the three recognized approaches to value: -Income Approach, Sales Comparison Approach, and Cost Approach.

For appraisals submitted to Freddie Mac for Mortgage loan origination in the Small Balance Loan (SBL) program, if the Property is more than five years old, the appraiser must include both the Income Approach and Sales Comparison Approach. However, Freddie Mac will not require a Cost Approach or a separate analysis of land value.

For all other Properties, the appraiser must thoroughly explain and support the exclusion of any of the three approaches to value.

If the Property is not operating at stabilized operations, appropriate consideration must be given in each of the approaches to value.

The appraiser must consider, analyze and report all information that appropriately and lawfully influences value even if not specifically requested by the Seller/Servicer or, Freddie Mac.

b. Inspection (05/22/25)

The inspection requirements for Appraisals are as follows:

1. At least one appraiser signing the report must have made both an interior and exterior inspection of the Property.

2. Interior inspection must include- common areas, community amenities, a sample of unit interiors and commercial suites. The specific units and their unit type (bed/bath count, floor plan name or commercial suite/name) must be identified.

3. Exterior inspection must include residential unit exteriors and any accessible areas that are subject to nonresidential leases as defined in Sections 8.11(a) and 8SBL.11(a).

4. Any description of completed or ongoing capital improvements or construction at the Property referenced in the appraisal must be visually inspected (if possible) and validated against any evidence provided by the Seller/Servicer. If the appraiser observes any recent or ongoing capital improvements or construction during their inspection, it should be noted and analyzed in the appraisal.

5. Be sufficiently detailed to adequately incorporate property-specific physical and economic characteristics into the discussions, analyses, and valuation conclusion. This is important since the Seller/Servicer's delivery of the property condition and environmental reports to the appraiser is optional under certain circumstances (see Sections 60.12(e) and 60.13).

6. Report the extent of the appraiser's due diligence and describe any property condition or environmental concerns that affect the Property's value or marketability observed during

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the appraiser's inspection or known to the appraiser through third-party reports, regulatory authorities, or geographic competency.

It is not acceptable to only state that the appraiser is not qualified to detect or did not notice any property condition and/or environmental concerns and thus has made no observations during their inspection of the Property.

7. Depending on the Property size, the inspection must meet the following requirements, although the appraiser may inspect more units at their discretion:

Residential Total Units	Residential Unit Inspection Requirements			Commercial Inspection
	Min.(1)	Down(2)	Vacant(3)	
< 25	2	ALL	ALL, up to 5 vacant units	Representative sample; describe level of finish
25 to 50	3	ALL	ALL, up to 5 vacant units	
> 50	5	ALL	ALL, up to 15 vacant units	

(1) The minimum number of residential units that must be inspected. For Properties with more than 50 residential units, at least one unit of each unit type must be inspected and the marketability of each unit type's floor plan, amenities, and level of finish must be discussed.

(2) All down units must be inspected, regardless of the number, to determine and comment on the amount of repairs/renovations necessary to make the units ready for occupancy.

(3) All vacant units must be inspected unless the total number of residential units required for inspection exceeds the specified amount, in which case, the appraiser may sample the vacant units but must state how the sample was selected. The state of readiness for occupancy must be reported for each vacant unit inspected.

Note: These are the minimum inspection requirements, however, the appraiser must use their professional ~~judgement~~judgment to determine the appropriate number of units to inspect in order to produce credible assignment results.

c. Tax information (~~07/01/14~~06/24/25)

The appraiser must consider, analyze and report property tax and assessment requirements of the jurisdiction where the Property is located. The appraiser must verify that the Property has been fully or partially assessed and provide the most recent assessment date and the next scheduled assessment date of the Property. The appraiser must consider, analyze, adequately support and report any effect on value due to future scheduled assessments, property tax abatements or other property tax benefits.

Property tax comparables must be part of the discussion of the Property's appropriate level of tax liability. The appraiser should identify the taxing jurisdiction of each of the property tax

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comparables and include in the discussion any differences in valuation methodology, tax rates, and/or reassessment schedules between these and the Property's taxing jurisdiction.

The risk of the Property's reassessment must be considered and appropriately analyzed and reported. Any adjustment to the capitalization rate must have adequate support and discussion. Additional guidance can be found at *Property Taxes in an Appraisal*.

d. Sales and other concessions (09/28/18)

1) The Seller/Servicer must provide to the appraiser and the appraiser must consider, analyze and report any

- Current or expired sales contracts, option contracts, contracts for deed, master lease and/or listings of the Property known to the appraiser, and the contract or listing price.
- Sales of the Property within the past three years

The appraiser must analyze and discuss any material difference between the final appraised value and any recent sale, contract, option and/or master lease of the Property.

2) The appraiser must identify the current owner of the Property as described in the local land records

3) If the Property is subject to a current sales contract, the appraiser must identify the potential purchaser

4) If available to the appraiser, the appraiser must report:

   a. How long the Property was on the market
   b. Number of offers
   c. The owner rationale for selecting the buyer's offer

e. Property condition report (10/14/16)

The appraiser must consider how the results of the property condition report or the appraiser's observations during property inspection affect the value of the Property.

If there are issues identified by the consultant that could materially affect the value of the Property, prior to the Seller/Servicer's transmittal of the Appraisal to Freddie Mac, the Seller/Servicer must provide the appraiser with the property condition report ordered by the Seller/Servicer as part of the Mortgage loan transaction process. For expediency, the report can be delivered to the appraiser in draft form, as long as the appraiser notes in the Appraisal report that it was provided with a draft property condition report. If the final version is materially different from the draft version, the appraiser must be given the final version and the valuation must be amended to reflect this new information.

If the Seller/Servicer and Freddie Mac do not agree if an issue is material, Freddie Mac will make the final decision of materiality on a case-by-case basis.

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The appraiser must derive the Property's market value in as-is condition on the date of value. Therefore, even if an escrow account with cash or insurance proceeds has been established to address a Property condition issue, the appraiser must still consider that issue's effect on market value since the availability of cash to the Property owner for repairs or renovations should not affect the Property's market value.

If provided with a third-party property condition report, the appraiser must:

- Identify the engineering/consulting firm that prepared the property condition report, the effective date of the report, and whether it was a final version or a draft
- Report the conclusions and recommendations of the property condition report
- Consider the incremental cost to cure, maintain, or operate the Property due to the physical condition factor(s) and incorporate them into the value of the Property
- Use the property condition report as the starting point for its estimate of Replacement Reserve deposits unless the appraiser otherwise documents and discusses an alternative reserve figure in the Appraisal

If not provided with a third-party property condition report, the appraiser must do all of the following:

- Apply the observations regarding Property condition or obsolescence from the appraiser's property inspection
- Consider the incremental cost to cure, maintain, or operate the Property due to the physical condition factors and incorporate them into the value of the Property
- Base its estimate of Replacement Reserves on specific market evidence or other substantive basis

In addition, the appraiser must provide market data, analysis, and discussion to support any opinion of the effect or non-effect on value of an identified physical condition issue. If there is an issue identified in the property condition report, it is not acceptable for the appraiser to merely state that there is not a loss in value; the appraiser needs to discuss why the appraiser has drawn that conclusion.

f. Zoning and other legal issues (06/25/20)

1. For all Mortgages, the appraiser must consider, support, and discuss how zoning and other legal issues (including shared access agreements, easements, and compliance with local rent control statutes) affect the value of the Property.

   The appraiser must, reference the authoritative zoning source in the Appraisal, comparing the Property to competing properties, and addressing at a minimum:

   - Parking ratio compliance

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- Density compliance
- Rebuildability restrictions in the event of substantial damage or casualty loss to the Property

2. If a Mortgage meets either of the following conditions, a third-party zoning consulting report might not be part of the underwriting package, so it is important that the Freddie Mac underwriter and the appraiser have pertinent information regarding the Property's compliance with local zoning regulations and other legal considerations on the Property and the effect these regulations or issues have on the Property's market value:

   - The Mortgage
     - Is a non-SBL Mortgage with an initial principal balance of $20 million or less, or is a Supplemental Mortgage and the combined initial principal balance of the Supplemental Mortgage and the unpaid principal balances of any senior Mortgages encumbering the Property are $25 million or less in the aggregate, and
     - Is not a Moderate Rehabilitation Mortgage, a Lease-up Mortgage, a Value-add Mortgage or a Forward Commitment Mortgage.

   Furthermore, if the Mortgage meets any of the above conditions, the appraiser must include an opinion as to the legality of the zoning of the Property. The Property is either:

   - Legal
   - Legally non-conforming
   - Illegal
   - Other, with explanation

   The preferred method is for the appraiser to provide a quote or reference from an appropriate local zoning office official or employee as to the concluded zoning status (i.e., "Ms. Johnson, XYZ County Zoning employee stated in an email on XYZ date that the subject property is legally non-conforming…"). Without such a quote or reference, the appraiser must provide its professional opinion as to the legality of the zoning of the Property, (i.e., "Based on the subject's actual use, its developed density, parking ratio, (and whatever else that might be appropriate), it appears that the subject property is legally non-conforming.")

   The appraiser cannot merely state that they are not experts in this field or that the client should consult a legal expert. Freddie Mac is requiring that the appraiser use its professional expertise to either consult the appropriate local governmental authority or to render a professional opinion on the legality of the zoning of the Property although it is acceptable for the appraiser to provide a disclaimer around its professional opinion.

   The following chart, or a similarly constructed chart containing this information, must be completed for and included in each Appraisal for which a zoning report is not submitted:

General Zoning Information

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Property Name			
Property Jurisdiction			
Existing Zoning Classification			
Date of Existing Zoning Ordinance			
Special permitting or condition(s): (i.e., site plan approval, PUD, or other variance)			
Category	**Actual**	**Required**	**Conforming Status**
Current use			
Minimum Lot Size			
Maximum Density/ Permitted Units			
Minimum Parking Required			
Additional Zoning Compliance Information (if a survey or other materials are available):			
Minimum Lot Width/Frontage			
Maximum Height			
Setbacks:			
Front/Street			
Side			
Rear			
Landscape buffers			
Appraiser's Conclusion on Conformity:			
Other information pertinent to the Property's zoning classification:			
Reconstruction clause, including rebuildability threshold:			

If the Property is legally non-conforming or illegal, the appraiser must discuss whether the subject can be rebuilt to its current configuration and, if not, analyze the effect on market value in the Sales Comparison Approach, the Cost Approach, and in the Income Approach. If the Property is not subject to a rebuildability requirement, the appraiser must state so.

60.13 Environmental reports (12/14/23)

The appraiser must consider how the results of the environmental report or the appraiser's observations during the property inspection affect the value of the Property.

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If there are issues identified by the environmental consultant that could materially affect the value of the Property, then prior to the Seller/Servicer's transmittal of the Appraisal to Freddie Mac, the Seller/Servicer must provide the appraiser with the environmental report ordered by the Seller/Servicer as part of the Mortgage loan transaction process and any other environmental reports on the Property retained by the Seller/Servicer. For expediency, the environmental report can be delivered to the appraiser in draft form, as long as the appraiser notes in the appraisal report that the appraiser was provided with a draft. If the final version is materially different from the draft version, the appraiser must be given the final version and the valuation must be amended to reflect this new information.

If the Seller/Servicer and Freddie Mac do not agree if an issue is material, Freddie Mac will make the final decision of materiality on a case-by-case basis.

The appraiser must derive the Property's market value in as-is condition on the date of value. Therefore, even if an escrow account with cash or insurance proceeds has been established to address an environmental issue, the appraiser must still consider that issue's effect on market value. The availability of cash to the Property owner to correct an environmental issue should not affect the Property's market value.

If provided with a third-party environmental report, the appraiser must:

- Identify the environmental consulting firm that prepared the report and the effective date of the report, and whether it was a final version or draft
- Report the conclusions and recommendations of the environmental report
- Consider the incremental cost to cure, maintain, or operate the Property due to the environmental factor(s) and incorporate them into the value of the Property
- Report any known or observed environmental conditions that affect the Property's value or marketability observed during the appraiser's site inspection or known to the appraiser through third-party reports, regulatory authorities, or geographic competency.
- Analyze and discuss how the identified environmental conditions affect the value and marketability of the Property based on market data relating to increased risk and uncertainty, environmental stigma, reduced occupancy and rent levels, limitations on property use, cost of remediation, and any other relevant characteristics or environmental risk factors.

If not provided with a third-party environmental report, the appraiser must do all of the following:

- Apply the observations regarding environmental issues from the appraiser's property inspection
- Consider the incremental cost to cure, maintain, or operate the Property due to the environmental factor(s) and incorporate them into the value of the Property

In addition, the appraiser must provide market data, analysis, and discussion to support any opinion of the impact or non-impact on value of an identified environmental issue. If there is an issue identified in the environmental report, it is not acceptable for the appraiser to merely state that there is not a loss in value; the appraiser must discuss why it has drawn that conclusion.

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60.14 Valuation methodology (~~05/22~~06/24/25)

Since the Appraisal must, at minimum, estimate the as-is leased fee market value of the Property, appropriate adjustments are required to any analysis of fee simple data within the Appraisal. Examples include:

- Capitalization rates extracted from comparable sales must be consistently applied to the Property based upon actual or pro forma income. When appropriate, an adjustment must be made to reflect the Property's leased fee ownership interests being appraised.

- The traditional Cost Approach is typically developed as a fee simple value; as such, the methodology must be appropriately adjusted to reflect the Property's leased fee ownership interest.

- ~~An analysis with 100 percent market rents, without consideration of the Property's actual in-place rents, is not a leased fee value estimate [see Section 60.14(c)].~~

a. Cost approach (07/01/14)

If developed, the cost approach conclusion must reflect the leased fee ownership interest in the Property (or leasehold interest if the Property is subject to a ground lease), and the appraiser must include proper adjustments for any items adverse to the Property's marketability, such as deferred maintenance, physical deterioration and functional and economic obsolescence. The Appraiser must specifically describe the estimates of accrued depreciation and entrepreneurial profit. The estimated land value must indicate the market value of the land, recognizing its highest and best use.

If the cost approach is omitted in the Appraisal, the appraiser must adequately provide a Property-specific explanation for its omission. Generic statements such as "investors typically do not consider the cost approach when they purchase this type of property" or "there is difficulty estimating depreciation due to current market conditions" are not acceptable and miss the point of the benefits of a cost approach analysis.

If the appraiser uses cost comparables as part of the estimate of replacement cost, it must include sufficient descriptions including, where appropriate, a photograph of the comparable properties to allow the reader of the Appraisal to adequately understand the construction similarities between those comparables and the Property.

b. Sales comparison approach (04/18/24)

For additional requirements that are applicable, see the ~~*Additional Appraisal Requirements Memorandum* available at mf.freddiemac.com, as referenced in Section 60.1(a).~~*Additional Appraisal Requirements Memorandum* as referenced in Section 60.1(a).

The appraiser must support the value indicated by the sales comparison approach by analyzing the sales of at least four comparable properties.

The appraiser may use the Property as a comparable sale as long as the appraiser provides four additional comparables to the Property.

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The sales comparables must be physically and locationally similar to the Property and must have been sold recently. The appraiser must make proper adjustments, when necessary, to the sales comparables for such items as real property rights conveyed, financing terms, conditions of sale, date of sale, location, physical characteristics and amenities. The appraiser must adequately explain those adjustments.

If there is an absence of recent comparable improved sales, the appraiser must consider that absence in estimating the market value. Current contracts and competitive property listings can be helpful to round out the appraiser's analysis if they are indicative of the state of the current market. The weight given to a contract or listing might be different from the weight given to the actual sales transactions, and the appraiser must discuss these differences in the Appraisal.

For each comparable used, the appraiser must identify the primary data source(s) used to verify comparable sales data, for example, whether the comparable property's financial and transaction information was gathered as part of the site visit or obtained from an earlier written appraisal by the appraiser's firm, a sales brochure, an individual associated with the sale, or a combination of sources. If the appraiser obtained the comparable property's information from an individual, the appraiser must identify the name, company and title of the individual, if available.

The appraiser may use a multiplier, either a potential gross rent multiplier or an effective gross income multiplier if the multiplier is customarily used in the Property's market area. The appraiser must derive the multiplier from recent sales of comparable properties in the market area of the Property. The appraiser must properly analyze the multiplier based on the overall quality and reliability of the gross income the Property has produced or is reasonably expected to produce. If the appraiser develops a valuation from a multiplier analysis, it should be reported in the Income Approach (See Income Approach requirements in Section 60.14(c) for additional information.).

The appraiser must not apply an adjustment to the comparable sales for differential net operating income or develop a net income multiplier for the sales since these methodologies duplicate the techniques or value indicators used in direct capitalization in the Income Approach. The Sales Comparison Approach must focus on similarities and differences that affect value, which may include variations in property rights, financing terms, market conditions, and physical characteristics and the causes of income variation, not just that net operating income of the comparable is different than the Property's (either on a per-unit basis or applying a net income multiplier). The appraiser must discuss and adjust for the causes of the differences in NOI, not just note that a difference exists.

The appraiser must refrain from adjusting the comparable properties' sale prices for expenses, costs, or renovation that are to be incurred by the buyer after the date of the sale transaction since these costs and expenditures are not typically part of the transaction/consideration price for the property.

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c. Income approach (~~05/22~~06/24/25)

For additional requirements and guidance that are applicable, see the *Additional Appraisal Requirements Memorandum*, as referenced in Section 60.1(a~~).~~), *Capitalization Rate Guidance*, and *Development of Capitalization Rates: Proforma vs. T-12.*

The appraiser must derive the value based on the following:

1. Forecasted gross income must consider historical and current rents of the Property, and rents currently obtained from comparable units (similar in amenities, location, size, type, style and quality) adjusted for market concessions, rent abatements, discounts and the like. The influence and limitations of rent control, rental concessions, historical trends and other relevant factors must be reviewed and analyzed relative to the forecasted gross income of the Property.

   The appraiser must analyze and discuss the difference, if any, between the Property's actual recent contract rents and the appraiser's estimate of the Property's market rents, and their impact on the value of the Property. If the appraiser's estimate of market rent is dissimilar to the recent leasing at the Property, an adequate discussion and explanation of the variance must be provided.

2. Estimated vacancy and collection loss must consider historical and current data of the Property, rental comparables in the market area and anticipated changes of regional market conditions.

3. Forecasted expenses and Replacement Reserves must be comparable with the historical data of the Property and~~-~~ with known and verified expenses in the market area, measured, at a minimum, on a per-unit basis and as a percentage of effective gross income. The forecasts must consider future changes in expense or reserve levels.

   The identification of the expense comparables must include the following:

   - Number of units
   - Age (year built and/or renovated)
   - Physical condition
   - Location and the time period of the expenses

4. Capitalization Rate must be based on factors reflecting the investment characteristics of knowledgeable investors for properties similar to the Property.

   The Capitalization Rate must be developed using each of the following (3) techniques. Exclusion of any of these techniques must be explained.

   - **Extraction from comparable sales with analysis of the comparables' variations**, if any, from the Property's economic and physical characteristics. Capitalization Rates extracted by pro forma income or with actual income must be reported and reconciled consistently with the appraiser's estimate of the Property's income.

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- **Personal surveys and interviews with local market participants** for insight into the Property's submarket and investment considerations, dated within two months before the effective date of value, including the date of survey (month/year is sufficient) and, if not confidential, the name, title and company of the individual surveyed. If these items are confidential, the appraiser must provide a description of the position or background of the individual.

- **Published sources** (preferably more than one published data source, and preferably a source that focuses on the Property's local market, not general national data).

If the following techniques are utilized by local market participants and appraiser peers, they should also be included to develop and support the Capitalization Rate.

- **Band of Investment model** (also known as mortgage equity technique) with specific reference to the sources of the financial data assumptions.

- **Debt coverage ratio model** with specific reference to the sources of the financial data assumptions.

Development of Capitalization Rates from Ackerson or Ellwood methodologies is not appropriate.

5. When a multiplier analysis is developed, the appraiser should adequately analyze and discuss the comparability of the comparable sales' multipliers in terms of expense ratios and expenses per unit. Additionally, comparability of operating expenses should be analyzed and discussed both with and without inclusion of real estate taxes since taxes may vary materially between the Property's taxing jurisdiction and that of the comparable sale. This variability may have a material effect on the observed multiplier and comparability with the Property.

   Development of a multiplier analysis for the valuation of the Property does not exempt the appraiser from adequately analyzing and discussing the Property's operating expenses as required by Section 60.14(c)(3).

   For Properties with more than 30 units, a multiplier analysis is not recommended; the appraiser should develop a direct capitalization approach.

   A net operating income multiplier is not acceptable.

6. Discounted cash flow analysis (DCF) is typically redundant and not required for a multifamily property unless the Property is not functioning at stabilized operations and/or occupancy.

   - If developed, the cash flow period for the DCF must reflect the period necessary to achieve stabilized operations, unless local practice dictates otherwise, and may be developed with monthly, quarterly, or annual cash flows, depending on the time period of unstabilized property operations.

   - In lieu of, or as a supplement to, a DCF analysis for an unstabilized property, the appraiser can consider the present value of lost revenue, operating expenses, and

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necessary repairs, renovations, alterations as adjustments to value.

- Key assumptions used to develop the DCF must be adequately discussed and supported including rent and expense changes, discount rate, reversionary/terminal capitalization rate, and absorption period.

7. The Property's value can be developed with either a multiplier analysis or direct capitalization analysis; it is not a requirement to include both methodologies.

60.15 Area information (06/16/22)

The appraiser must report and accurately explain appropriate and lawful positive or negative factors about the Property's neighborhood, including all relevant adverse influences that affect the Property's market value.

The appraiser must

- Consider, analyze and report current and prospective regional economic trends, such as population, employment concentration and diversification, changes in supply and demand, and housing development
- Explain how regional economic trends affect appraised value

In describing the Property's market, the appraiser should emphasize the Property's neighborhood and submarket influences. Regional, State, and metropolitan market descriptions are not necessary for Appraisals submitted to Freddie Mac for Mortgage loan origination in the Small Balance Loan (SBL) program and should be eliminated from these Appraisal reports unless there is a specific market influence on the Property that transcends the immediate neighborhood. In these instances, the appraiser should describe those larger influences with specificity, and inclusion of "boilerplate" market, metropolitan, or regional descriptions in the report is discouraged.

60.16 Rental competition (09/28/18)

The appraiser must identify the primary data source for each rental comparable, such as the name and telephone number of the contact person.

The appraiser must use at least four rental comparables. The appraiser must include current rental competition that affects the Property's economic performance, for each rental comparable. The appraiser must identify and describe projects under construction, planned or proposed, that will likely affect the Property's economic performance.

60.17 Income and vacancy (09/08/04)

a. Market feasibility analysis (09/08/04)

The appraiser must include a market feasibility analysis if the Property is new construction or if the Property has recently undergone major rehabilitation. The market feasibility analysis can be included as a section of the Appraisal or it can be a separate report. The market feasibility analysis must

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- Consider, analyze and report the Property's current rental competition and future rental competition, including a review of projects under construction, planned or proposed that may affect the Property's economic performance
- Explain the expected stability and longevity of the Property's current rent levels and occupancy
- Support forecasted rent levels and occupancy
- Analyze rental concessions and absorption rates

b. Vacancy (09/08/04)

If the appraiser forecasts a vacancy percentage that is higher or lower than the current vacancy percentage, the appraiser must adequately explain the reasons for the difference in the current vacancy and forecasted vacancy. One-line explanations, such as "the market is improving," "the property has updated units" or "the competition is becoming stronger," are unacceptable.

c. Rental factors (09/08/04)

The appraiser must consider, analyze and report rental concessions, rental discounts and rental abatements of the Property and market area and explain how these factors affect the Property's economic performance. If the appraiser does not know of any rental concessions, rental discounts or rental abatements, the appraiser must state this fact in the Appraisal.

The appraiser must consider, analyze and report any rent control or rent stabilization of the Property or market area and explain how these factors affect the Property's economic performance.

d. Seasonal and cyclical influences (09/08/04)

The appraiser must consider, analyze and report seasonal and cyclical influences that may affect annual rental income and occupancy of the Property.

e. Income (09/08/04)

The appraiser may include income from sources other than residential units when calculating total gross income if such income is supported by at least three years' historical operations, is common in the market and is expected to continue in the future. Such other sources include commercial space, laundry, parking, cable television, vending and application fees.

60.18 Improvements (09/30/20)

The appraiser must report and explain any building, health and fire code violations at the Property that are known to the appraiser and explain how the code violations affect appraised value. If the appraiser does not know of any known violations, the appraiser must state so in the Appraisal.

The appraiser must report and explain any deferred maintenance known to the appraiser at the Property and explain how the deferred maintenance affects appraised value.

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If the Appraisal is subject to the completion of repairs or replacements, the appraiser must report the appraised value before required repairs are completed ("as is" value) and report the appraised value after the required repairs are completed ("as completed") value. The appraiser must estimate the cost to complete the needed repairs.

If the Appraisal indicates the presence of any defects or conditions with respect to the Property, such as dampness, infestation or abnormal settlement, the appraiser must describe the effects of these deficiencies on the appraised value and marketability of the Property.

For SBL Properties, the appraiser must review any information provided by the Seller regarding major past renovations or construction and identify any effect on the appraised value and marketability of the Property.

The appraiser must:

- Estimate the cost to complete the required repairs and any accompanying entrepreneurial profit, if applicable, and
- Estimate the prospective date that repairs are to be completed, and
- Analyze and describe any prospective vacancy issues resulting from the repair process, and
- Estimate the prospective date that lease-up due to repairs is estimated to be completed, and
- Adequately describe, analyze, and discuss the effect of the repairs on market value

The appraiser may rely on the data, discussion, and conclusions of the property condition report and the environmental report in analyzing and reporting on the property's improvements.

60.19 Commercial space and other nonresidential leases (02/17/22)

For Appraisals of Properties containing commercial space and other nonresidential leases as defined in Section 8.11(a) or Section 8SBL11(a), the appraiser must include a rental analysis containing at least three comparable rentals for each type of tenant.

For each comparable commercial and other nonresidential lease, the appraiser must provide:

1. Name of the tenant
2. Type of business
3. Address or unit number(s)
4. Leased square feet
5. Annual prospective contractual rent for each of the next three years
6. Concessions (if any)

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7. Lease commencement date
8. Length of lease
9. Renewal option, if any
10. Any other material lease terms

Property lease abstracts must contain, at a minimum, the following basic data, as applicable:

1. Term
2. Lease commencement date
3. Lease expiration date
4. Exact name of tenant
5. Type of business
6. Base square footage
7. Core or conversion factors
8. Calculation of gross rent
9. Calculation of percentage rent
10. Calculation of expenses
11. Expense stop
12. Reimbursement of expenses
13. Option to purchase clause

For Appraisals submitted to Freddie Mac for Mortgage loan origination in the Small Balance Loan (SBL) program, the depth and detail of information required in this section may not be available to the appraiser. In these instances, the appraiser must use its best efforts to comply with the intent and scope of this section. If the appraiser varies from the requirements of this section, there must be an explanation of the variance in the Appraisal Report.

For all Properties that contain commercial space, the appraiser must segregate rental income, vacancy and collection loss, operating expenses and Replacement Reserves attributed to commercial rental space from rental income, vacancy and collection loss, operating expenses and Replacement Reserves attributed to residential rental space. If the appraiser is unable to segregate commercial space and residential rental space, the appraiser must explain why the space cannot be segregated. Separate values for the commercial space and residential space are not required but must be provided if the commercial space can be marketed and sold separately from the residential space.

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The appraiser must provide data that support the appraiser's estimate of the property's commercial vacancy rate, a discussion of tenant rollover risk, and cost of tenant improvements to re-lease the space.

60.20 Attachments to the Appraisal (~~04/22~~06/24/25)

The appraiser must attach the following, if applicable, to the Appraisal:

1. A copy of any current sales contracts, option contracts, contracts for deed or listings of the Property

2. A legible, certified current rent roll provided to the appraiser by the Seller/Servicer, legible Income and Expense Statements for the past three calendar or fiscal years (as applicable), if available, and legible year-to-date Income and Expense Statements for the Property, all dated within 30 days before the ~~Appraisal~~Appraisal's effective date of the as-is value.

3. Color photographs of the Property's exterior, interior common areas, typical unit interiors, surrounding area, rental comparables, sales comparables and commercial rental comparables. The date and source of each photograph (i.e., the appraiser's original photograph, photocopied from the internet, and photo scanned from a marketing brochure) must be clearly identified in the Appraisal~~.~~

   - Unless otherwise identified within the Appraisal, the photographs of the sales comparables must be reflective of the property at the time of sale.

   - Unless otherwise identified within the Appraisal, the photographs of the Property must be reflective of the Property as of the effective date of the appraisal value.

4. Maps showing the location of the Property relative to the location of the land comparables, current rental comparables, future rental comparables and sales comparables

5. If the Property contains commercial space, legible copies of all executed commercial leases, riders and amendments

6. A complete legal description of the Property (see Section 29.1)

7. A survey or recorded plat of the Property, if available (see Section 29.4)

8. If the Property is subject to ground leases, a copy of all ground leases

9. Any other information that ensures the completeness of the Appraisal

10. The appraiser's qualifications and the supervising or review appraiser's qualifications

11. A copy of the complete, signed engagement letter and a copy of any other communications about the scope of the Appraisal between the appraiser and the Seller/Servicer

Freddie Mac will also accept a market study incorporated into the Appraisal.

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60.21 Insurable ~~value~~Value (07/01/14)

Insurable value must be provided in all Appraisals.

The Replacement Cost is the cost to reconstruct a Property of an equal number of units with equal quality of building materials with equal utility that would be acceptable to the typical investor and tenant in the market in which the Property is located. Replacement Cost is not the cost to construct a replica of the Property.

For insurance purposes, the Replacement Cost may not include goodwill or other intangibles such as value/cost of the land, a deduction for depreciation, cost of site improvements, (e.g., driveways, parking lots, sidewalks, or landscaping), or cost to reconstruct the foundation(s).

60.22 Student Housing Appraisal requirements (06/16/22)

In addition to the other requirements of this chapter, the following requirements apply to Appraisals of Student Housing Properties. The Appraisal must be prepared by an appraiser who has experience in valuing Student Housing Properties, as demonstrated by the qualifications statement provided by the appraiser in the addendum to the Appraisal.

The appraiser must consider the following:

- Trends in student population or enrollment,
- Changes in the supply of on- or off-campus housing, whether sponsored by the school or planned and built by private developers (such as dormitories, for-profit or not-for-profit apartments, and fraternity or sorority housing),
- Distance from the Student Housing Property to the school, and available transportation,
- Any school policies affecting student residency (for example, requirements for freshmen and sophomores to live on campus), and
- Changes to school-sponsored amenities, whether on- or off-campus.

Freddie Mac requires the use of comparable properties that were purchased, developed or leased for student housing. If comparable student housing properties are not available in the local market, the appraiser may use comparable regional student housing properties. The appraiser must evaluate the comparable property and the school it serves with the Student Housing Property based on the factors described above: student population trends, supply of student housing, distance and transportation between school and housing, amenities, school policies affecting student residency and so forth. These requirements apply to building sales, land sales and rental comparables.

If comparable local or regional student housing properties are not available, non-student housing may be used as a comparable property. However, the appraiser must discuss in sufficient detail the adjustments necessary to correlate non-student housing to the Student Housing Property.

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60.23 Collateral evaluation for tax abatement (07/01/14)

For all Appraisals of a Property with a tax abatement, the preferred Freddie Mac valuation methodology is as follows:

- First, full, stabilized real estate taxes are used to calculate the NOI that is used to determine the property value with full taxes.
- Next, the present value of the tax savings over the term of the tax abatement is determined using a discount rate supported fully by the appraiser.
- The present value of the tax savings is then added to the property value with full taxes to determine the value of the Property with the tax abatement.

Note: If local practice is different from the Freddie Mac preferred methodology, the appraiser may use the local methodology, provided that any differences in technique are fully discussed in the Appraisal.

The appraiser must demonstrate in the Appraisal that the tax abatement is likely to continue for its stated term. This can be accomplished by a variety of methods including a review and discussion within the Appraisal of the tax abatement agreement and/or documented conversation and confirmation of the tax abatement by the Appraiser with the local property tax authority or tax abatement-granting agency.

60.24 Affordable Housing and Targeted Affordable Housing Appraisal requirements (12/14/23)

In addition to the other requirements of this chapter, the following requirements are for Appraisals of affordable housing properties:

1. The Appraisal must be prepared by an appraiser who has experience in valuing affordable housing properties, as demonstrated by the qualifications statement provided by the appraiser in the addendum to the Appraisal and also retained in the Seller/Servicer's files.
2. The appraiser must consider and analyze factors that affect the supply and demand of affordable housing in the subject's market area, including the following:
    - Demand:
        - Trends in household income, especially related to Area Median Income (AMI) tranches applicable to the subject's affordable rental structure
        - Trends in occupancy of competing/similar affordable housing properties and market rent properties in the subject's market area
        - Proximity to public/mass transportation
        - Other statistical or researched demand factors that might have an effect on affordable housing occupancy, rents, expenses, or investment in the subject's market area
    - Supply:
        - Proposed, ongoing, and recent changes in the supply of affordable housing properties within the Property's market area

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- Supply considerations could include research from governmental records, news sources, press releases, or primary/secondary data sources on proposed construction, material renovation projects, re-purposed competing properties, construction starts, 'Grand Openings' and the like in the subject's market
- Other statistical or researched supply factors that might have an effect on affordable housing occupancy, rents, expenses, or investment in the subject's market area

3. Freddie Mac requires the use of comparable properties that were purchased, developed or leased as affordable housing. If comparable affordable housing properties are not available in the local market, the appraiser may use comparable regional affordable housing properties. These requirements apply to building sales, land sales, rental comparables and capitalization rate comparables.

4. If a sufficient number of comparable local or regional affordable housing properties are not available for analysis, non-affordable housing may be used as a comparable property. However, the appraiser must discuss in sufficient detail the adjustments necessary to correlate non-affordable housing to the affordable housing Property, including marketing time and information derived from the most recent U.S. Census for the location of the Property, such as employment statistics and population, but excluding any information that references the Prohibited Factors noted in Section 60.8.

5. If the Property has restricted units, the appraiser must include an estimate of market value with the restricted units in place and an estimate of hypothetical market value without the restricted units. For Appraisals directly ordered by Freddie Mac for asset management purposes, the appraiser must also opine, describe and support if the highest and best use of the Property is to phase out restricted rents in favor of non-restricted rents, and, if so, develop an estimate of market value considering the time period necessary to phase in non-restricted rents.

   In the Appraisal, the appraiser must document the source of the Property's restricted rent roll and provide adequate support, analysis and discussion for the continuation of the restricted rents. If the appraiser concludes that the restricted rents will expire or not continue, the appraiser must use the appropriate methodology to value the Property considering the likelihood of the restricted rents expiring.

6. If the Property has HUD Project-based Section 8, the appraiser must include the following values:

   - The value using the project-based contract rents, and
   - The value using the lower of market, project-based contract rents, or achievable LIHTC rents (if applicable) for each type of unit

7. If the Property has not achieved stabilized operations, the appraiser must develop both an "as-is" and an "as-stabilized" value.

8. If the Property is to be built and is collateral for a Forward Commitment, the appraisal must meet the requirements of Section 60.30.

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60.25 Seniors Housing Appraisal requirements (12/14/23)

In addition to the other requirements of this chapter, the following requirements apply to Appraisals of Seniors Housing Properties:

1. The Appraisal must be prepared by an appraiser who has experience in valuing seniors housing properties (i.e., independent living properties and assisted living properties) as demonstrated by the qualifications statement provided by the appraiser in the addendum to the Appraisal and also retained in the Seller/Servicer's files.

2. The appraiser must consider the following:

   - Demand:
     - Trends in the target service area of the subject property indicative of the depth of residency eligibility such as senior population growth or retraction, changes/trends in income and/or net worth of individuals eligible for residency in the subject property, and other factors of seniors housing demand
     - Trends in occupancy of competing/similar seniors housing properties and market rent properties in the subject's market area
     - Other statistical or researched demand factors that might have an effect on seniors housing occupancy, rents, expenses, or investment in the subject's market area
   - Supply:
     - Proposed, ongoing, and recent changes in the supply of seniors housing properties within the property's market area.
     - Supply considerations could include research from governmental records, news sources, press releases, or primary/secondary data sources on proposed construction, material renovation projects, re-purposed competing properties, construction starts, 'Grand Openings' and the like in the subject's market area
     - Other statistical or researched supply factors that might have an effect on seniors housing occupancy, rents, expenses, or investment in the subject's market area

3. Freddie Mac requires the use of comparable properties that were purchased, developed or leased as seniors housing. If comparable seniors housing properties are not available in the local market, the appraiser may use comparable regional seniors housing properties. These requirements apply to building sales, land sales, rental comparables, and capitalization rate comparables.

4. If a sufficient number of comparable local or regional seniors housing properties are not available for analysis, non-seniors housing properties may be used as a comparable property. However, the appraiser must discuss in sufficient detail the adjustments necessary to correlate non-senior housing to the Senior Housing Property including, but not limited to, marketing time and information obtained from the most recent U.S. Census, such as employment statistics and population, but excluding any information that references the Prohibited Factors noted in Section 60.8.

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5. If the Property has restricted units, the appraiser must include an estimate of market value with the restricted units in place and an estimate of hypothetical market value without the restricted units. In addition to the hypothetical value if leased at non-restricted rents, the appraiser must opine and support its opinion if the Highest and Best Use of the property is to phase out restricted rents in favor of non-restricted rents, and, if so, develop an as-is estimate of market value considering the time period necessary to phase in non-restricted rents.

   In the Appraisal, the appraiser must document the source of the Property's restricted rent roll and provide adequate support, analysis and discussion for the continuation of the restricted rents. If the appraiser concludes that the restricted rents will expire or not continue, the appraiser must use the appropriate methodology to value the Property considering the likelihood of the restricted rents expiring.

The Appraisal will clearly and prominently report the total market value of the Property as well as an allocation for contributory business value, personal property and/or other non-real estate items. The appraiser will clearly, adequately and comprehensively discuss the value segregation process and provide market-derived data for the value allocations, including, where applicable, surveys of market participants, comparable sales data and authoritative sources for the appraiser's allocation methodology.

60.26 Manufactured Housing Communities value (07/01/14)

In addition to the requirements in this chapter, specific appraiser and Appraisal requirements for Manufactured Housing Communities can be found in Section 22.5.

60.27 Appraisals for lease-up programs (09/25/15)

Freddie Mac has two types of lease-up offerings: Acquisition Lease-Up and Refinance Lease-Up.

For Properties to be specifically underwritten in either of these two programs, the Appraisal must provide the as-is value of the Property as of the effective date of the Appraisal report (i.e., the current date) and the prospective as-stabilized value as of the prospective future date of stabilized operations for the Property. The Freddie Mac Underwriting Value is based on the prospective as-stabilized value.

The Seller must provide guidance to the appraiser should these values be required.

60.28 Appraisals for Moderate Rehabilitation (Mod Rehab) Mortgages and Preservation Rehabilitation Mortgages (02/28/20)

1. For a Mod Rehab Mortgage, the appraiser must provide the following two values of the Property based on all applicable approaches to value:

   - As-is market value
   - Hypothetical as-if renovated and stabilized today market value

2. For a Preservation Rehabilitation Mortgage, the appraiser must provide the following five values of the Property based on all applicable approaches to value:

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- As-Is market value with current restricted rents (i.e., rents in-place on the date of value).
- As-Is market value with the proposed restricted rents that will be in-place subsequent to or concurrent with origination of the Mortgage but prior to construction completion. This is a hypothetical value and does not assume that the renovations are completed on the date of value; just that the proposed restricted rents are in place.
- As-is market value without restricted rents. This valuation scenario is based on market rents and is a hypothetical value.
- Hypothetical as-if renovated and stabilized at current market value with restricted rents that will be in-place when the Property is renovated and stabilized. This is a hypothetical value.
- Hypothetical as-if renovated and stabilized at current market value without restricted rents. This valuation scenario is based on market rents and is a hypothetical value.

The as-is market value is the market value of the Property as of the day of the appraiser's inspection, assuming no renovation work has been done. Standard appraisal approaches and industry best practices in accordance with this chapter apply. This value provides a baseline to determine how much additional value the renovation project might generate.

The hypothetical as-if renovated and stabilized current market value assumes that all planned renovations are complete and the Property has achieved stabilized operations as of the date of the appraiser's inspection. This valuation scenario should not simply add the renovation budget total to the as-is market value, as this calculation might not be indicative of actual contributory value of the planned renovation.

The as-is market value and hypothetical as-if renovated and stabilized current market value are imperative to the credit and underwriting analysis of the Freddie Mac transaction. The Seller/Servicer must provide the appraiser with the pre-construction analysis report, as described in Chapter 63, and the appraiser must provide its opinion on all of the following:

- The specific elements of the renovation that would or might affect market value
- The time needed to complete the planned renovations
- The time needed to achieve stabilized operations after completion of the planned renovations

The appraiser must analyze the effects of the renovation on each of the approaches to value used in the appraisal report. For example, by installing new stainless steel energy saving appliances, the rent might increase, utility expense might decrease, Replacement Reserves might increase and/or the capitalization rate might change due to investor's perception of the quality of the renovations, causing an impact to the appraiser's income approach and change in market value.

The appraiser must provide rents, property taxes, operating expenses, and capitalization rates data from properties that have recently experienced renovations similar to the subject or are comparable to the proposed renovated Property. If these benchmarks are not available in the local market, the appraiser must explain the extent of research to obtain this type of data and provide an adequate discussion about how these items might impact the value from the as-is market value scenario.

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The appraiser must provide separate sales and rent comparables for the as-is market value and the hypothetical as-if renovated and stabilized current market value, as the renovation might promote the Property into a higher class of property.

60.29 Appraisals for Mortgages with a Green Up® or a Green Up Plus® loan option (10/12/17)

If the Seller/Servicer requests a Prospective As-Improved Market Value, the Appraisal must include both an As-Is Market Value and Prospective As-Improved Market Value.

- The As-Is Market Value is the market value of the Property, assuming no Green Improvements have been completed. Standard appraisal approaches and industry best practice per this chapter apply. This value provides a baseline to determine how much additional value the Green Improvements might generate.

- The Prospective As-Improved Market Value must assume that all Green Improvements are completed as of the current date of value.

To develop the Prospective As-Improved value, the appraiser must review the list of Green Improvements that the Borrower has committed to execute at the Property, and consider the contribution of these Green Improvements to the Property's prospective market value. The appraiser should not merely add the projected cost of the Green Improvements to the As-Is value and consider this a complete valuation.

The appraiser must consider how rents, expenses and the capitalization rate will be affected by the Green Improvements and the time it will take to implement the Green Improvements.

The appraiser must reference Form 1106, Green Assessment, including the date of the report and a summary of the report's conclusions and recommendations.

Freddie Mac prefers that the Prospective As-Improved Market Value be supported by comparable sales that also had a similar scope of Green Improvements as well as by the appraiser's survey of investors, lenders, property owners and/or brokers familiar with capitalization rates and investor considerations of Green properties.

In addition, Freddie Mac recommends that the appraiser complete the "Valuation of Sustainable Buildings – Commercial" professional development program offered through the Appraisal Institute. A registry of appraisers who have completed this training can be found at the Appraisal Institute's website.

60.30 Appraisals for Forward Commitment Mortgages (12/17/19)

1. For a Forward Commitment Mortgage, the Appraisal must include the following valuation types:

   a. As-Is current market value

   b. Hypothetical current restricted value as-if renovated/constructed and stabilized today, with current restricted rents. This is a hypothetical value.

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c. Hypothetical current market value as-if renovated/constructed and stabilized today, without restricted rents. This valuation scenario is based on market rents and is a hypothetical value.

d. All other requirements of Chapter 60

2. A new or updated Appraisal will not be required at Conversion for a Forward Commitment Mortgage except if:

   a. A request has been made for a loan amount in excess of the original committed amount, or if

   b. The Forward Commitment has been extended to a maturity date that is one year beyond the original Forward Commitment Maturity Date, or if

   c. The appraisal is dated more than 48 months prior to the date the Conversion package is submitted.

60.31 Ground leases (12/12/24)

Freddie Mac purchases Mortgage loans on the leasehold interest in a subject property; *i.e.*, the ownership interest receiving the monthly rent from the property's tenants. It is important, then, that the appraiser adequately model the financial impact of the ground lease payments on the multifamily operations component and consider all aspects of the valuation risk associated with that ground lease on the subject property.

a. Valuation conclusions (12/12/24)

At a minimum, Freddie Mac requires the appraiser provide an as-is estimate of the leasehold market value of the subject Property on the date of value (See Section 60.1(b)).

If the Ground Lessor will not join in the Mortgage (unsubordinated ground lease), the appraiser must also provide an as-is estimate of the leased fee market value of the subject Property on the date of value.

Additionally:

- If the ownership interests will be separated by a ground lease after the date of value, the appraisal must provide both the as-is market value of the property as a whole as well as the hypothetical market value of the leasehold interest of the subject improvements subject to the ground lease, on the same/current date of value as the as-is value
- The appraisal's ground lease value might be the same or different from the negotiated terms between the ownership entities so Freddie Mac requires that the appraisal support the market value of the ground lease, not the investment value to a specific user or owner
- Copies of ground leases and amendments, even if only in draft form, must be provided to the appraiser (See Section 60.6), and the appraiser must include them in the Addenda to the appraisal report (See Section 60.20(8)).

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b. Sale of other multifamily properties that were subject to ground leases (04/15/21)

For a valuation of the leasehold ownership interests, the appraisal must include sales of other multifamily properties that were also subject to ground leases, where available, as the basis for the Sales Comparison Approach and for the capitalization development in the Income Approach.

Additionally:

- These sales should be as similar to the subject as possible, both physically and in terms of its lease characteristics
- The search for comparable leasehold sales can be local, regional or national, depending on the transaction and property characteristics. The appraiser must discuss the scope of the search used for the comparable leasehold sale transactions.
- If these types of transactions are not available to the appraiser, the appraiser must provide transparency in the report of how they adapted leased fee transactions to the leasehold valuation of the subject property. (See Sections 60.14(b) and 60.14(c)).

c. Additional data and analysis requirements (04/15/21)

In addition to the requirements above:

- The appraisal must comply with the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP) regarding the value of an assemblage and not merely add the components together to derive the value of the whole.
- If the appraiser concludes that there is a value enhancement due to the separation of the ownership estates, the appraisal must explicitly provide an adequate discussion, analysis, and data to support their opinion of the incremental value of the bifurcation of the ownership
- The format of the appraisal's cash flow model would be dependent on the structure of the ground lease payments (e.g., regular cash flows, a lump sum or irregular series of cash flows)

d. Report documentation (04/15/21)

For the subject property's ground lease and for any ground lease or leasehold comparables, the appraiser must provide sufficient transactional information so the transaction can be validated, including, where available:

- Name of Ground Lessor and name of Ground Lessee
- Date of lease execution
- Public record reference of the deed or lease, if applicable, including parcel identification(s) for the land component and the building component

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- Description of the site's improvements at the time of lease commencement
- Length and terms of lease and extensions, if any
- The structure of the lease payments
- Identification of any related-party transaction, a sale-leaseback, purchase option, or prior financing history between the parties
- Reversion: What does the ground lease require when the lease expires?
- Indicated capitalization rate, rate of return, and/or discount rate (IRR) from the transaction
- With whom this transactional information was verified

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Glossary and List of Commonly Used Acronyms (~~05/22~~06/24/25)

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

Glossary

30 Days Delinquent

See Delinquency.

55-Day Multi PC

A 55-Day Multi PC is a Participation Certificate (PC) in which the payments by Borrowers on the 55-Day Multi PC Securitized Mortgages are passed through, with a payment delay of 55 days, to the holders of the 55-Day Multi PCs.

55-Day Multi PC Securitized Mortgages

55-Day Multi PC Securitized Mortgages are Mortgages that are pooled in 55-Day Multi PCs.

Accounting Net Yield

The Accounting Net Yield is the net yield rate that the Servicer uses to report and remit interest to Freddie Mac on a monthly basis. The Accounting Net Yield equals the Required Net Yield except for Mortgages sold to Freddie Mac at a discount or at a premium.

Active Mortgage

An Active Mortgage is a Mortgage on which the Borrower's payments are current, or a Delinquent Mortgage that has not been deactivated by the Servicer for accounting and reporting purposes.

Actual Cash Value

See Section 31.1(d).

Adjustable-rate Mortgage

See Floating-Rate Mortgage.

Adverse Action Notice

An oral or written communication to a Borrower informing them of the refusal to grant an application for an extension of credit that includes all the information required by law. See Section 10.13.

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Acceptance Letter

An Acceptance Letter is used by Freddie Mac to indicate its acceptance of an early rate lock application with nonmaterial modifications. The Seller will be bound by the terms of any Acceptance Letter.

Activity of Daily Living

See Section 21.2.

Additional Actual Loan Amount

See Sections 19A.12(d) and 25A.8(b).

Additional Actual Loan Amount Percentage

See Sections 19A.12(d) and 25A.8(b).

Affiliated Persons of the Seller/Servicer

Affiliated Persons of the Seller/Servicer include the following:

1. The Seller/Servicer's directors, officers, employees and controlling persons
2. Spouses or domestic partners of the Seller/Servicer's directors, officers and controlling persons
3. Members of the immediate family of the Seller/Servicer's directors, officers and controlling persons who have the same home as such persons
4. Individuals who are directors or officers of any subsidiary or holding company affiliate of the Seller/Servicer
5. Corporations or organizations (other than the Seller/Servicer or a corporation or organization through which the Seller/Servicer operates) of which a director, officer or controlling person of the Seller/Servicer is
    - An officer or partner
    - Directly or indirectly, either alone or with his or her spouse or domestic partner, the owner of 10 percent or more of any class of equity securities
    - Owner with other directors, officers and controlling persons of the Seller/Servicer and their spouses or domestic partners of 25 percent or more of any class of equity securities
6. Trusts or other estates in which a director, officer or controlling person of the Seller/Servicer or the spouse or domestic partner of such person has a substantial beneficial interest or for which such person or his or her spouse or domestic partner serves as trustee or in a similar fiduciary capacity

Affiliates of the Borrower

Affiliates of the Borrower include any person or entity who Controls, is Controlled by, or is under common Control with the Borrower.

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Agreed Amount Provision or Agreed Value Endorsement

See Section 31.1(d).

Annual Inspection Form

See Section 40.2.

Anti-Money Laundering Laws

Anti-Money Laundering Laws are the applicable federal anti-money laundering laws and regulations including 18 U.S. C. Sections 1956 and 1957, as amended.

Applicable Freddie Mac Multifamily Regional Office

The Applicable Freddie Mac Multifamily Regional Office is the Freddie Mac Regional Office that has jurisdiction over a multifamily Mortgage purchase. The addresses for Freddie Mac's Multifamily Regional Offices are set forth in the Seller/Servicer Guide Directory.

Appraisal

An Appraisal is a report setting forth an estimate or opinion of value prepared by an appraiser having the qualifications described in Sections 60.4 and 60.5.

Assisted Living Residence

See Section 21.2.

Benchmarking Data

Benchmarking Data is the Property's energy and water usage entered by the Benchmarking Data Consultant in Portfolio Manager® and which meets the requirements set forth in the term sheet located on the Freddie Mac Multifamily website. If Portfolio Manager® is no longer available, the Benchmarking Data Consultant may enter the data into another benchmarking tool identified by Freddie Mac.

Benchmarking Data Consultant

Benchmarking Data Consultant is a third-party consultant retained by Borrower and acceptable to Lender that is qualified to collect, input and monitor Benchmarking Data from the Mortgaged Property.

Benchmarking Metrics

Benchmarking Metrics are measures of Property utility consumption performance provided through Portfolio Manager.

Blanket Insurance Limit

See Section 31.1(d).

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Blanket Insurance Policy

See Section 31.1(d).

Borrower

The Borrower is the party obligated to repay the indebtedness secured by the Property. The Borrower must, in Freddie Mac's judgment, have sufficient financial, operational and management capacity. Acceptable Borrowers are described in Section 9.2.

Borrower Principal

A Borrower Principal is:

- Any Key Borrower Principal
- Any person or entity that has Control (direct or indirect) of the Borrower, Borrower-affiliated Seniors Housing Operator, and Borrower-affiliated Master Tenant, including any one or more of the following:
  - General partner of a general partnership or a limited partnership
  - Non-member manager, managing member, or members of the board of managers of a limited liability company
  - The settlor (grantor) of a living or revocable trust
  - The trustee of an irrevocable trust
- Any person or entity that is pre-approved by lender to assume Control (direct or indirect) of the Borrower, Borrower-affiliated Seniors Housing Operator, or Borrower-affiliated Master Tenant
- Any person or entity with an aggregate interest (whether direct or indirect) in the Borrower equal to or exceeding 25 percent including any (i) equitable ownership interest or (ii) any beneficial interest in an Illinois Land Trust, irrevocable trust or Delaware Statutory Trust
- A LIHTC Syndicator
- Any person or entity that Freddie Mac determines to be a Borrower Principal

Borrower Transaction Parties

See Section 7.1.

Breakage Fee

The Breakage Fee is the fee, as set forth in the Letter of Commitment, Forward Commitment or early rate lock application, that the Borrower will owe the Seller and the Seller will owe Freddie Mac if there is a Nondelivery or in certain cases, if Freddie Mac Rejects the early rate lock application.

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Business Day

A Business Day is a day other than:

- A Saturday or Sunday
- A day on which the Federal Reserve Bank of New York (or other agent acting as Freddie Mac's fiscal agent) is authorized or obligated by law or executive order to remain closed
- A day on which the principal offices of Freddie Mac are closed
- A day on which the offices of the federal government located in the District of Columbia are generally closed

In the Guide, the word "day" without the modifier "business" refers to a calendar day.

Business Disruption

See Section 2.20.

Business Continuity Plan

See Section 2.20.

Capitalization Rate

The Capitalization Rate is the percentage rate that represents the proper relationship between the value of the Property and the Net Operating Income that the Property produces.

Captive Insurance Company or Captive Insurer

See Section 31.1(d).

Certified Inspector

See Section 40.13(b).

Certified Organizational Chart

A Certified Organizational Chart is an Organizational Chart that is attached to Form 1114, Certification – Organizational Chart. If the Certified Organizational Chart is revised, the Borrower must submit a new Form 1114, Certification – Organizational Chart, with the revised Organizational Chart.

Change of Control

With respect to the Seller/Servicer, a change in the Control, directly or indirectly, of the management or policies of a Seller/Servicer, whether through ownership or transfer of ownership interests, by contract, or otherwise. A person is presumed to have such power if the person:

- Is a director, general partner, or Senior Management of the Seller/Servicer

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- Directly or indirectly has the right to vote 10 percent or more of a class of a voting security of the company or has the power to sell or direct the sale of 10 percent or more of a class of voting securities of the company
- In the case of a limited liability company, is a managing member of the limited liability company; or
- In the case of a partnership, has the right to receive upon dissolution or has contributed 10 percent or more of the capital of the partnership

Claims Made Policy Form

See Section 31.1(d).

Coinsurance Clause

See Section 31.1(d).

Commercial Property Assessed Clean Energy

Commercial Property Assessed Clean Energy is a tax lien financing program that is available to commercial, industrial and multifamily property owners to access affordable financing for qualifying energy efficiency and clean energy improvements to their properties.

Common Equity

See Section 9.9(b).

Complete Borrower/Key Borrower Principal Due Diligence Package

A Complete Borrower/Key Borrower Principal Due Diligence Package consists of:

- Form 1115, Borrower and Key Borrower Principal Certificate;
- Form 1116, Real Estate Schedule;
- Certified current financial statements for the Borrower and Key Borrower Principals;
- Credit report(s) for Guarantors that are individuals;
- Form 1112, Borrower and Key Borrower Principal Blanket Certification; and
- Liquidity verification documentation, if applicable

The Complete Borrower/Key Borrower Principal Due Diligence Package is submitted as part of the underwriting package and/or prescreen package to Freddie Mac.

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Conditions to Conversion

Conditions to Conversion is, collectively, each of the conditions precedent to Conversion set forth in the Forward Commitment, Section 19A.12 (for Forward Commitments under Chapter 19A) or Section 25A.7 and 25A.8 (for Forward Commitments under Chapter 25A), and any other condition which may otherwise be required by Freddie Mac in connection with Conversion.

Confidential Information

See Section 2.8.

Confirmation Sheet

The Confirmation Sheet is the "Interest Rate Lock and Mortgage Terms Confirmation" or "Spread Lock and Mortgage Terms Confirmation" attached as an Exhibit to a Letter of Commitment, early rate lock application, Acceptance Letter or Index Lock Agreement. After an index locked Loan is Rate Locked, the Confirmation Sheet from the Index Lock becomes null and void and is replaced by the Confirmation Sheet that is attached to the Commitment, early rate lock application or Acceptance Letter. The Confirmation Sheet is sent after Rate Lock. For an early rate lock application, the Confirmation Sheet will be revised when Freddie Mac accepts the early rate lock application after final underwriting and issues the Acceptance Letter.

Consent Request Tracker

See Section 36.25.

Construction Loan

Required for a Forward Commitment, the Construction Loan is the construction lender's loan to the Borrower.

Construction Phase Letter of Credit

The Construction Phase Letter of Credit secures Freddie Mac

- For a Cash Forward Commitment, when Freddie Mac advances funds to the construction lender during the construction period
- For a Bond Credit Enhancement Forward Commitment, when Freddie Mac provides the credit enhancement or Liquidity support for the bonds during the construction period

Construction Phase Financing Agreement

For a Bond Credit Enhancement Forward Commitment or a Forward Commitment under Chapter 25A, the Construction Phase Financing Agreement is an agreement among Freddie Mac, the Seller/Servicer and the construction lender. It must be accepted by the Borrower.

Continuing Care Retirement Community

See Section 21.2.

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Control

Control is the power to manage, control or direct the decisions of an entity.

Conventional Seller/Servicer

A Conventional Seller/Servicer is a Seller/Servicer that meets the net worth requirements in Section 3.3 and Freddie Mac's other eligibility requirements and has been approved by Freddie Mac as an Optigo Conventional Lender. In the Guide, an Optigo Conventional Lender is also referred to as a Conventional Seller/Servicer.

Conversion

For a Forward Commitment under Chapter 19A, the Conversion is the closing of the permanent Mortgage after construction has been completed and the Property has met the applicable Conversion criteria.

For a Forward Commitment under Chapter 25A, the Conversion is the purchase of the TEL by the Seller from the construction lender after construction has been completed and the Property has met the applicable Conversion criteria.

For a Moderate Rehabilitation (Mod Rehab) Mortgage, the Conversion is the time when the loan terms change from the Interim Phase loan terms to Permanent Phase loan terms.

Conviction or Convicted

Conviction is any (a) judgment or any other determination of guilt of a criminal offense by any court of competent jurisdiction, whether entered upon a verdict or plea; or (b) any other resolution that is the functional equivalent of a judgment of guilt of a criminal offense, including probation before judgment and deferred prosecution. This includes nolo contendere (no contest) pleas, Alford pleas, and pardons not resulting in an expungement of the conviction. A disposition without the participation of a court is the functional equivalent of a judgment only if it includes an admission of guilt. Previous convictions that have been expunged by the date that Form 1115, Borrower and Key Borrower Principal Certificate is completed will not be considered Convictions.

Cooperative

A Cooperative, or co-op, is a form of ownership of multifamily housing in which a cooperative housing association or corporation owns the multifamily Property (land and improvements) and the dwelling units are subject to proprietary leases between the corporation and unit "owners~~.~~." The unit owners own stock in the association or corporation to evidence their "ownership" in their dwelling units. Blanket (underlying) first Mortgages on multifamily housing owned by Cooperatives are eligible for purchase subject to the requirements set forth in Sections 8SBL.18 and 9.5.

Coupon Rate

The Coupon Rate is the interest rate specified in the Note secured by the Security Instrument.

Criminal Conviction

A Criminal Conviction includes any (a) judgment or any other determination of guilt of a criminal offense by any court of competent jurisdiction, whether entered upon a verdict or plea; or (b) any other resolution that is the

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functional equivalent of a judgment of guilt of a criminal offense, including probation before judgment and deferred prosecution. A plea of nolo contendere (no contest) will also be considered a Criminal Conviction. A disposition without the participation of a court will be considered the functional equivalent of a judgment only if it includes an admission of guilt.

Critical Repairs

See Sections 62.3(b) and 62SBL.3(b).

Crowdfunding

Raising capital from marketing directed to the public at large (via the internet or otherwise) for investment in one specific property under the exemptions provided under Title III or Title IV of the Jumpstart Our Business Startups (JOBS) Act.

Custodial Account

A Custodial Account is an account established and maintained by a Servicer at an "eligible depository," as that term is defined in Chapter 52, into which principal and interest payments or Reserves are deposited.

Debt Coverage Ratio

The Debt Coverage Ratio is the ratio of Net Operating Income from a multifamily Property to the annual debt service, as determined by Freddie Mac.

Defeasance Period

The Defeasance Period is defined in the Loan Documents and is generally the period of time specified in the Loan Documents that the Borrower is prohibited from prepaying the Mortgage and may only defease the Mortgage.

Deferred Maintenance

Deferred Maintenance is the postponement of normal maintenance, which may result in Life Safety Hazards, advanced physical deterioration, lack of full operation or efficiency, or a decline in property value.

Delegated TAH Mortgage

A Mortgage originated under the Delegated Underwriting Model for Targeted Affordable Housing (TAH), described in the Freddie Mac Delegated Underwriting for Targeted Affordable Housing Guide (TAH Guide).

Delivery Assurance Fee

For Cash Forward Commitments, the Delivery Assurance Fee is a fee specified in the Forward Commitment that may be payable in the form of cash, a letter of credit or a secured note.

Delivery Assurance Mortgage

For Cash Forward Commitments, the Delivery Assurance Mortgage is the mortgage that secures the Delivery Assurance Note provided to Freddie Mac in payment of the Delivery Assurance Fee.

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Delivery Assurance Note

For Cash Forward Commitments, the Delivery Assurance Note is a secured note that the Borrower provides to Freddie Mac in payment of the Delivery Assurance Fee; it is secured by a mortgage on the Property.

Delinquency

Delinquency occurs when all or part of the Borrower's monthly installment of principal, interest and, where applicable, Reserves is unpaid after the Due Date.

A Mortgage is considered delinquent when it is 30 days delinquent, as described in the table below:

If the due date is	The Mortgage is 30 days delinquent
The first day of the month	When all or part of one or more payments remains unpaid as of close of business on the last Business Day of the month
Not the first day of the month (from the second through the last day of the month)	When all or part of one or more payments remains unpaid 30 or more actual calendar days as of close of business on the last Business Day of the month

Delinquent

See Delinquency.

Delivery Date

The Delivery Date is the date Freddie Mac receives all documentation required by the Purchase and Servicing Documents. Delivery to Freddie Mac occurs when Freddie Mac takes actual possession of all documentation required to be submitted. The posting of such documentation with the U.S. Postal Service or any other delivery service does not constitute delivery to Freddie Mac.

Discovery Policy Form

An insurance policy form that covers losses discovered during the policy period even though they may have occurred before the policy period.

Document Management System

A Multifamily Software Application used to receive, deliver, and store electronic versions of documents relating to Freddie Mac Multifamily Mortgages.

Down Units

Residential units that cannot be made rent-ready with routine maintenance and repairs.

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Due Date

The Due Date is the date on which the Borrower's monthly installment of principal, interest and, where applicable, Reserves is due as stated in the Note and other Loan Documents.

Due Date of Last Paid Installment

The Due Date Last Paid Installment is the Due Date of the last fully paid monthly installment of principal, interest, and Reserves (if any). It is not the date on which such payment was credited or the date of the next scheduled installment.

Effective Gross Income

Effective Gross Income is the maximum rental revenue the Property can generate based on: (a) (1) actual rents in occupied units; (2) achievable market rents in vacant units; (3) allowable commercial income; plus (4) all allowable sources of other income; less (b) vacancy, concessions and bad debt allowance. The above calculation is further refined for TAH transactions, subject to Freddie Mac's sole discretion, to take into account any restricted rents affecting the Property, the maximum allowable low-income housing tax credit rents (less utility allowances) (for 4% or 9% LIHTC transactions), and/or the HAP contract rents.

Electronic Delivery Package

The Electronic Delivery Package is the set of documents comprising a portion of the Final Delivery Package which is delivered electronically via DMS. For identification of the documents comprising the Electronic Delivery Package, refer to the appropriate Final Delivery Table of Contents available at mf.freddiemac.com/lenders/purchase/.

Eligible Institution

A depository institution or trust company insured by the Federal Deposit Insurance Corporation, the short term unsecured debt obligations or commercial paper of which must meet the minimum rating requirements in Section 52.2(a).

Energy Certification

Energy Certification is an energy certification and/or score of environmental energy savings given to the Green Improvements on the Property by applicable local, State or federal agencies or another nationally recognized building association.

Energy Star® Score

ENERGY STAR® Score is the measure of energy performance provided for the Property by Portfolio Manager.

Environmental Superlien Law

See Section 61.1(b).

EPA 1-100 Water Score

EPA 1-100 Water Score is a measure of water performance provided for the Property by Portfolio Manager®.

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Equity Conflict of Interest

See Section 2.25.

Exception(s)

Any exceptions to the Seller/Servicer Representations and Warranties referenced in Section 5.13 of the Guide and found under the "Resources" section of the Legal Documents page at mf.freddiemac.com/lenders/legal.

Expiration Date

The Expiration Date is the date set forth in the Letter of Commitment by which the Seller must accept the Letter of Commitment and Rate Lock. The Expiration Date for an early rate lock application is or the expiration date of the Quote.

Exclusionary List

The Exclusionary List is a confidential list compiled, maintained and distributed by Freddie Mac, containing names and other information concerning persons or entities that have been restricted or excluded from participating in transactions or doing business with Freddie Mac. The Exclusionary List is updated at least monthly by Freddie Mac.

Seller/Servicers can access the Exclusionary List under "Quick Links" on the Originate and Underwrite and Asset Management web pages.

Exempt Inspector

See Section 40.13(b).

Fee Inspector Company

See Section 40.14.

FHA Mortgage

An FHA Mortgage is a Mortgage insured by the FHA.

Final Delivery Instructions

The Final Delivery Instructions are a detailed list of required Loan Documents and other items which, depending on the specific features of a Mortgage, may be required to be included with the Final Delivery Package. The Final Delivery Instructions are set forth in the following documents:

- For all non-SBL and non-TEL Mortgages, the document called "Final Delivery Instructions and Final Delivery Package Table of Contents"
- For SBL Mortgages, the document called "Final Delivery Instructions and Final Delivery Package Table of Contents – SBL"
- For TEL Mortgages, the applicable document referenced below:

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- Final Delivery Instructions and Final Delivery Package Table of Contents – Unfunded Forward Tax-Exempt Loan
- Final Delivery Instructions and Final Delivery Package Table of Contents – Conversion of Unfunded Forward Tax-Exempt Loan
- Final Delivery Instructions and Final Delivery Package Table of Contents – Immediate Funding Tax-Exempt Loan

Each of these documents are available at mf.freddiemac.com/lenders/purchase/.

Final Delivery Package

As further defined in Chapter 32, the Final Delivery Package is the complete set of the required Purchase and Servicing Documents set forth in Chapter 32 and in the Final Delivery Instructions, which set may be comprised of both hardcopies and electronic versions of such documents.

Financial Crimes

Crimes to obtain personal or business advantage or that may result in conversion of property. Such crimes are generally characterized by fraud, deceit, concealment, or violation of trust and typically do not depend on the application of threat or physical force or violence. Examples include fraud, bribery, money laundering, sanctions violations, forgery, counterfeiting and terrorist activity financing.

First Lien

A First Lien is any lien that grants to the lienholder a claim against the Property that, under the law of the jurisdiction where the Property is located, is prior to the rights of all others, subject only to prior liens and encumbrances that Freddie Mac has expressly waived pursuant to Section 29.2.

First-Time Sponsor

See Sections 9.2(d) and 9SBL.2(c)(3).

Floating-Rate Mortgage

A Floating-Rate Mortgage, also known as an adjustable rate mortgage or ARM, is a Mortgage for which the interest rate is adjusted at specified intervals for the entire Mortgage term. A Floating Rate Mortgage may be amortizing or interest-only. Floating-Rate Mortgages must have either a Freddie Mac internal interest rate cap ("internal interest rate cap") or a third-party interest rate hedge.

Foreign Guarantor

An individual or entity who signs a Guaranty for the Mortgage is considered a Foreign Guarantor if they are any of the following:

- Not a United States entity
- Not a United States citizen or lawful permanent resident of the United States

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

The requirements for a Foreign Guarantor are set forth in Sections 9.11 and 9SBL.2(e), as applicable.

Forward Commitment

Forward Commitment has the meaning provided in Section 19A.2, as supplemented by Chapter 25A for TEL.

Forward Commitment Maturity Date

The Forward Commitment Maturity Date is the date by which Conversion must occur unless extended pursuant to an extension approval letter.

Forward Commitment Property Inspection

A property inspection that is required prior to commitment for each Property under a Forward Commitment. The requirements for a Forward Commitment Property Inspection are set forth in Section 8.16. At the time of conversion, a complete property inspection is required.

Freddie Mac Access Manager

A Multifamily Software Application that enables Seller/Servicers who have registered and received Freddie Mac's authorization, to create, manage, and provision their users' access to certain servicing tools and applications.

Freddie Mac Approved Third Party Applications

Third party systems or software applications approved by Freddie Mac as provided in Chapter 2.

Freddie Mac Funding Date

The Freddie Mac Funding Date is:

- The date on which Freddie Mac disburses payment to the warehouse lender or the Seller for a Mortgage purchased by Freddie Mac under a cash program or product, or
- The settlement date for Mortgages purchased by Freddie Mac under a Multifamily Structured Transaction, or
- Execution by Freddie Mac of a Credit Enhancement Agreement in a bond credit enhancement transaction.

Freddie Mac Matters

See Section 7.1.

Freddie Mac Matters Contractor

See Section 7.1.

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Freddie Mac Matters Employee

See Section 7.1

Freddie Mac Preservation

Freddie Mac Preservation is defined as Properties for which rent restrictions are in place through the Loan Agreement (e.g., Borrower-elected rent restrictions) or third-party, non-governmental rent restrictions. Freddie Mac Preservation rent restrictions may vary by product. TAH Mortgage products eligible for Freddie Mac Preservation include Non-LIHTC Preservation Rehabilitation and Non-LIHTC Forwards (see Sections 19.2 and 19A.2 and the TAH term sheets referenced therein). Workforce Housing Preservation is a Conventional Mortgage product eligible for Freddie Mac Preservation (see Section 17.6).

Freddie Mac Underwriting Value

The market value of a Property for purposes of Freddie Mac's underwriting and purchase of Mortgages, and for calculation of Loan-to-Value (LTV) Ratios in connection therewith, is the lower of appraised value as determined by a third-party appraiser or the value determined by Freddie Mac.

FreddieMac.com

FreddieMac.com is Freddie Mac's Internet home page. FreddieMac.com includes information about Freddie Mac's programs and products and makes multifamily Loan Documents and other Mortgage origination information available to Seller/Servicers at mf.freddiemac.com.

Funded Forward Commitment

See Section 28A.2.

General Loan Information

See Sections 40.11, 41.1(a), and 41SBL.1(a).

Gold PC

A Gold PC is a Participation Certificate (PC) in which the payments by Borrowers on the Gold PC Securitized Mortgages are passed through, with a payment delay of 45 days, to the holders of the Gold PCs.

Gold PC Securitized Mortgages

Gold PC Securitized Mortgages are Mortgages that are purchased under the Multifamily Negotiated Transactions Program or the Multifamily PC One℠ Program and are pooled in Gold PCs.

Governmental Entity

A Governmental Entity is an entity that is under Control of, under ownership of, is authorized by, or is itself a city, county, State, commonwealth, or federal government. With respect to subordinate debt, Freddie Mac considers a Governmental Entity to be an entity that provides third-party financing with the goal of expanding, preserving, maintaining, or otherwise promoting affordable multifamily housing.

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Green Advantage®

Green Advantage® is a Freddie Mac suite of offerings providing benefits to Borrowers who have made or plan to make their Properties more energy and water efficient.

Green Assessment®

Green Assessment® is a report detailing proposed property-level improvements to promote utility consumption efficiency at the Property. It uses the ASHRAE Level 1 standard and otherwise meets the requirements set forth in Chapter 65. The report describes projected savings in terms of utility consumption and dollars saved per improvement item.

Green Assessment Plus®

Green Assessment Plus® is report that contains the same information as the Green Assessment® but provides a more detailed analysis of projected savings in terms of utility consumption and dollars saved at the Property. It uses the ASHRAE Level 2 standard and otherwise meets the requirements set forth in Chapter 65.

Green Certified

Green Certified is a benefit available for Properties that have a Green Building Certificate as set forth in Section 55.2 and that meet Freddie Mac affordability requirements.

Green Consultant

Green Consultant is a certified environmental design/inspection or engineering firm that meets the requirements set forth in Chapter 65.

Green Improvements

Green Improvements are the energy and water conservation measures selected by the Borrower from the list of qualifying conservation measures identified in a Green Report. These selected conservation measures are identified as Green Improvements in the Green Improvement Rider to the Loan Documents.

Green Rebate

Green Rebate is a benefit available to a Borrower who provides an ENERGY STAR® Score but has not chosen any other Green Advantage® offering.

Green Retrofits®

Green Retrofits is a loan option with benefits that may be available if the Borrower can certify that energy and/or water efficiency improvements are in place at the Property.

Green Up®

Green Up® is a loan option available when a Borrower commits to making Green Improvements identified in a Green Assessment®.

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Green Up Plus®

Green Up Plus® is a loan option available when a Borrower commits to making Green Improvements identified in a Green Assessment Plus®.

Ground Lease

See Section 30.1.

Ground Lease Mortgage

See Section 30.1.

Ground Lessee

See Section 30.1.

Ground Lessor

See Section 30.2.

Guarantor

Any person or entity that is liable under the Guaranty. (See also Foreign Guarantor)

Guide

The Guide is the official version of the Multifamily Seller/Servicer Guide, including the exhibits and related supplements, Bulletins and Industry Letters.

Hardcopy Delivery Package

The Hardcopy Delivery Package is the set of documents comprising a portion of the Final Delivery Package which must be delivered in their original hardcopy form. For identification of the documents comprising the Hardcopy Delivery Package, refer to the appropriate Final Delivery Table of Contents available at mf.freddiemac.com/lenders/purchase/.

Hard Subordinate Debt

See Section 19.2(f).

Home Mortgage

A Home Mortgage is a Mortgage secured by a First Lien on real estate on which there is located a structure designed principally for residential use by one to four families.

Imminent Life Safety Hazard

An Imminent Life Safety Hazard is a hazard that is about to cause harm. Imminent Life Safety Hazards are of the highest concern as they as they represent an immediate risk to any tenant that encounters such a hazard.

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Exposed live electrical wires and balconies with inadequate guard rails are among the types of conditions that represent Imminent Life Safety Hazards.

Imminent Life Safety Hazards are identified during the annual physical inspection of a Property post-purchase. There is no comprehensive list of Imminent Life Safety Hazards and the inspector must exercise ~~judgement~~judgment to determine the Hazard category.

See also Life Safety Hazard.

Income and Expense Statement

The Income and Expense Statement is the actual or pro forma statement of income and expense items for a person, an entity, or a Property during a specified period of time.

Increased Mortgage Amount

For the purposes of the early rate lock delivery option and the early rate lock application, see “”Section 27.20.

Increased Scrutiny for Moisture or Mold Issues

Increased Scrutiny for Moisture or Mold Issues is a specific inspection protocol, set forth in Section 8.3(b), which is used to evaluate the risk of moisture or Mold issues in certain Properties.

Independent Director/Manager

Independent Director/Manager is an individual who is not affiliated with the Borrower, any SPE Equity Owner, Guarantor or any other Borrower Principal or any parties associated or affiliated with the foregoing parties. See the Loan Documents for a more complete definition.

Independent Living Property

See Section 21.2

Index Lock

See Section 27.1(b).

Index Lock Agreement

See Section 27.1(b).

Industry Trained Inspector

See Section 40.13(b).

Insurable Value

See Section 31.1(d).

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Insurance Compliance Tool

A Multifamily Software Application for Sellers to submit documentation related to Borrower's insurance compliance.

Joint Loss Agreement

See Section 31.1(d).

Key Borrower Principal

Key Borrower Principal is:

- Any Guarantor, regardless of the amount of ownership interest in the Borrower and even if not in the organizational structure of the Borrower
- Seniors Housing Operator
- Any operator of the Property that is a Master Tenant under a master lease structure (e.g., a Delaware Statutory Trust or Shariah-compliant loan)
- Any person or entity that has Ultimate Control (direct or indirect) of the Borrower, Borrower-affiliated Seniors Housing Operator, or Borrower-affiliated Master Tenant
- Any Pre-Approved Transferee
- Any non-Controlling person or entity that meets both of the following conditions, including LIHTC Investors:
    - Has aggregate ownership (direct or indirect) of 50% or more of the Borrower, Borrower-affiliated Seniors Housing Operator, or Borrower-affiliated Master Tenant
    - Is not owned by any other person or entity that also has aggregate ownership (direct or indirect) of 50% or more of the Borrower, Borrower-affiliated Seniors Housing Operator, or Borrower-affiliated Master Tenant
        - If a trust meets the two conditions above, the following parties are also considered Key Borrower Principals:
            - The settlor (grantor) of a living or revocable trust
            - The beneficiary of an irrevocable trust if the beneficiary has aggregate ownership (direct or indirect) of 50% or more of the Borrower, Borrower-affiliated Seniors Housing, Operator, or Borrower-affiliated Master Tenant
- Any individual or entity that does not meet the criteria set forth above but who is determined by Freddie Mac to be a Key Borrower Principal. These may include individuals or entities defined as a Required Equity Owner in the Loan Agreement.

Except for a LIHTC Investor that is a U.S. publicly traded entity a Key Borrower Principal must submit a Complete Borrower/Key Borrower Principal Due Diligence Package.

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Leasehold Interest

See Section 30.1.

Legal Issues Analysis

See Sections 6.4. and Section 29.2.

Letter of Commitment

A Letter of Commitment or Commitment is the written indication that Freddie Mac has made an offer to the Seller to purchase a Mortgage. The Letter of Commitment and any amendments set forth the terms and conditions of the purchase transaction. For an early rate-lock delivery, a counter-signed early rate-lock application, with all modification and acceptance letters, takes the place of the Letter of Commitment. Letters of Commitment also include Forward Commitments.

Life Safety Hazard

Life Safety Hazards consist of conditions that increase the possibility of personal injury or death. Traditionally, these hazards are associated with inadequate protections and often result from noncompliance with code requirements.

See also the definitions of Imminent Life Safety Hazard and Potential Life Safety Hazard, which apply to the post-purchase annual inspection of a Property. There is no comprehensive list of Imminent or Potential Hazards and the inspector must exercise ~~judgement~~judgment to determine the Hazard category.

LIHTC Investor

In a LIHTC transaction, each person or entity that has aggregate ownership (direct or indirect) of 50% or more of the Borrower's limited partner. The LIHTC Investor expects to receive the benefit of the LIHTC and does not Control the Borrower.

LIHTC Syndicator

In a LIHTC transaction where the LIHTC investment is made through a syndicated LIHTC fund, the entity with Ultimate Control of the general partner of the LIHTC fund. In that capacity, the LIHTC Syndicator, for the benefit of the LIHTC fund and the LIHTC Investor(s), provides acquisition, underwriting, portfolio management, asset management and investor reporting services.

Linked Buildings

For SBL Mortgages, Linked Buildings are a Property comprised of buildings located on non-contiguous parcels. If the Property is comprised of non-contiguous parcels of land the transaction must be prescreened by Freddie Mac as required by Section 8SBL.6(c).

Limited Multifamily Experience Sponsor

See Section 9.2(d).

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Liquid Assets

For the purposes of Seller/Servicer financial eligibility, see Section 3.3(a).

Otherwise, see Liquidity.

Liquidity

Cash, cash equivalents, Treasury bills, money market investments or certificates of deposit with maturities of one year or less, and marketable securities (such as stocks and bonds). Restricted assets, pledged accounts, and stocks or bonds for a company or municipality in default or bankruptcy must be excluded. All Liquidity must be measured in US ~~Dollars~~dollars.

Loan Agreement

The Loan Agreement is the Multifamily Loan and Security Agreement. The Loan Agreement sets forth the terms of the Mortgage, including the representations and covenants of the Borrower, the events of default, the securitization terms and the lender's remedies. There is also a specially designated Loan Agreement for use with Seniors Housing Mortgages.

Loan Documents

Loan Documents are the Freddie Mac Multifamily Loan Documents, the forms of which are posted at mf.freddiemac.com/lenders/legal/. The Loan Documents include the following documents, together with any modifications and Riders to the documents:

- Note
- Loan Agreement
- Security Instrument
- Guaranty
- Omnibus Assignment
- All other documents used in connection with the origination or Servicing of Mortgages under Freddie Mac's programs and products.

The Legal Documents page of mf.freddiemac.com includes a list of current Loan Documents. The revision date is indicated for each Loan Document.

Loan Management Form

See Section 40.2.

Loan-to-Value Ratio

The Loan-to-Value Ratio is the relationship between the principal amount of the Mortgage and the value of the Property, expressed as a percentage of the value, as determined by Freddie Mac.

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Localized Peril or Regional Peril

See Section 31.1(d).

Malicious Code

See Section 2.26(c).

Mandatory Delivery Date

The Mandatory Delivery Date is the delivery date identified in the Letter of Commitment or early rate-lock application. The Seller must deliver the Final Delivery Package to Freddie Mac by noon Eastern time on the Mandatory Delivery Date.

Mandatory Funding Date

Unless otherwise agreed upon, the Mandatory Funding Date is the date which is 15 days after the Mandatory Delivery Date; provided, however, that if such day is not a Business Day, then the Mandatory Funding Date will be the Business Day immediately preceding such date.

Manufactured Housing Community Product

A program under which Freddie Mac Multifamily will purchase Mortgages secured by Manufactured Housing Communities, as described in Chapter 22.

Manufactured Housing Resident-Owned Community

See Section 22.1(b).

Master Forward Financing Agreement

The Master Forward Financing Agreement documents the general terms and conditions governing all Forward Commitments with a particular construction lender.

Master Insurance Policy

See Section 31.1(d).

Master Tenant

A Master Tenant is the tenant that operates the Property under a master lease. A master lease structure is usually used in a Shariah compliant loan or Delaware Statutory Trust loan.

Material Modification

For the purposes of the early rate lock delivery option and the early rate lock application, a “Material Modification” is as defined in Chapter 27.

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Material Vendor

With respect to one or more Mortgages owned by Freddie Mac (*i.e.,* from Freddie Mac's purchase until securitization or other disposition of such Mortgage(s)), a vendor engaged by the Servicer while Servicing such Mortgage or Mortgages on behalf of Freddie Mac that has the potential to create information security risk or compliance risk for Freddie Mac.

Refer to the Material Vendors Material Vendors web page for more details and examples of Material Vendors.

Maturity Loan-to-Value

See Section 18SBL.2

MHC Tenant Protections

See Section 22.1(b).

MHC Tenant Protections Notification

See Section 22.2(p).

Minimum Consumption Savings Threshold

See Section 24.3(a).

Minimum Occupancy

The minimum number of units at the Property that must have current leases that comply with the provisions of the Loan Agreement in order for a Borrower to undertake or continue certain Property Improvement Alterations. The Minimum Occupancy is expressed as a percentage in the Loan Agreement.

Minimum Origination Fee

The Minimum Origination Fee is the minimum fee the Seller/Servicer must charge in connection with the origination of the Mortgage. The Minimum Origination Fee requirements are set forth in Section 17.1(f) for non-SBL Mortgages and in Section 18SBL.1(f) for SBL Mortgages.

Modification Letter

The Modification Letter is used by Freddie Mac to propose material modifications to an early rate lock application.

Moderate Rehabilitation Mortgage

See Section 17.4.

Moisture Management Plan

An Moisture Management Plan is a plan provided by the Borrower to manage moisture or Mold issues at the Property in accordance with the requirements set forth in Section 8.3(a). If a Moisture Management Plan is

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required, the Moisture Management Plan must be maintained at the Property and be made available for verification at annual inspections. Additional information on the requirements for a Moisture Management Plan is in the Moisture Management Plan Handbook

Mold

Mold is a naturally occurring growth that is frequently dark in color with a musty odor. Mold feeds on organic material, and the growth of Mold is typically associated with damp or moist conditions. Mold is also referred to as fungus or mildew.

Mortgage

A Mortgage is a loan meeting the requirements of Section 1.2 and secured by a lien on real estate held in fee simple or on an acceptable leasehold estate. A Mortgage may also be a bond credit enhancement meeting the requirements of Chapter 28 or Chapter 28A, the mortgage loan securing a TEL meeting the requirements of Chapter 25 or Chapter 25A. When used alone in the Guide, and unless the context indicates otherwise, the term “Mortgage” is a multifamily Mortgage secured by a property containing five or more dwelling units.

The term "Mortgage" includes the Security Instrument (mortgage, deed of trust, or deed to secure debt), the Note, the evidence of title, and all other Loan Documents that evidence the Mortgage and includes, for bond credit enhancement transactions, the bond mortgage note, the bond mortgage, the reimbursement mortgage and the reimbursement agreement.

Mortgage Documents

See Loan Documents.

Mortgage Financial Terms

The Mortgage Financial Terms are the maximum Mortgage amount, Freddie Mac net spread, gross spread, term, amortization period (if applicable), interest only period (if applicable), prepayment terms, yield maintenance period (if applicable), lock out period (if applicable), treasury floor (if applicable), and any other relevant Mortgage financial terms as determined by Freddie Mac.

Mortgage File

The paper and electronic file or files required to be created and maintained for each Mortgage by the Seller/Servicer in accordance with Chapter 34, and any other applicable sections of the Guide.

Mortgages Purchased in Part

Mortgages Purchased in Part are Mortgages in which Freddie Mac has purchased or retained a participation interest.

Mortgages Purchased in Whole

Mortgages Purchased in Whole have been purchased in their entirety by Freddie Mac.

Multifamily Document Management System

See Document Management System.

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Multifamily Eligibility System

A Multifamily Software Application for Seller/Servicers to submit monthly, quarterly and annual certifications, and update vendor inventory.

Multifamily Loan Documents

See Loan Documents.

Multifamily Securities Investor Access

A Multifamily Software Application that provides investors and analysts with information related to Freddie Mac Multifamily K-Deals®, ML-DealsSM, Q-DealsSM, SB-Deals®, and Multi PC® mortgage-backed securities and their underlying collateral.

Multifamily Software Applications

The software applications that Freddie Mac provides to the Seller/Servicer in connection with the sale and the servicing of multifamily Mortgages. The Multifamily Software Applications include the following:

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

National Flood Insurance Program

See Section 31.1(d).

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Net Operating Income

Net Operating Income is the income from a property's operations available for repayment of debt and return on equity to the owner after deducting economic vacancy and all expenses (exclusive of debt service).

Nondelivery

A Nondelivery is any action or failure to act that prevents or will prevent the Seller from meeting the terms of a Commitment after acceptance or an early rate lock application after Rate Lock.

Nonprofit Entity

A Nonprofit Entity is an entity that has been conferred tax-exempt status by the U.S. Internal Revenue Service. For Freddie Mac's purposes, a Nonprofit Entity must have a mission of owning, developing, operating, preserving, managing, or otherwise promoting affordable multifamily housing.

Non-LIHTC Property

A Property that has affordability requirements outside of a LIHTC regulatory agreement and meets the requirements set forth in the term sheets available at mf.freddiemac.com for Non-LIHTC Forwards, Preservation Rehabilitation Financing for Non-LIHTC Properties or Non-LIHTC Bridge, as the context may require.

Non-Scope Issues

See Section 61.2(b).

Non-U.S. Equity Holder

A Non-U.S. Equity Holder is any non-U.S. person or entity with a collective equity interest (whether direct or indirect) in Borrower equal to or exceeding 10 percent. A Non-U.S. Equity Holder is subject to all Office of Foreign Assets Control (OFAC) and Anti-Money Laundering (AML) Laws compliance-related obligations set forth in this Guide including those identified in Chapters 2, 9, 41, 43, and 44.

A Non-U.S. Equity Holder that is a Key Borrower Principal is required to submit a Complete Borrower/Key Borrower Principal Due Diligence Package.

A Non-U.S. Equity Holder with a 25 percent or greater interest in the Borrower will be considered a Borrower Principal.

All Non-U.S. Equity Holders must be named on the Organizational Chart.

Note

A Note is the instrument evidencing the indebtedness secured by a Security Instrument, and includes, for bond credit enhancement transactions, the reimbursement agreement evidencing the obligations secured by the reimbursement mortgage and the bond mortgage note evidencing the obligations secured by the bond mortgage.

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Occurrence-based Policy Form

See Section 31.1(d).

OFAC Lists

The OFAC Specially Designated Nationals and Blocked Persons List and the OFAC Consolidated Sanctions List.

Operator

An Operator (sometimes referred to as the “Lessee”) is an entity that operates the Property under a master operating lease. Operating leases are frequently used in the Seniors Housing industry. An Operator may be affiliated with the Borrower or may be an unrelated third-party Operator.

Opinion Analysis

See Section 29.5(c).

Optigo Lender

An Optigo Lender is a lender that meets Freddie Mac's eligibility requirements, including the net worth requirements in Section 3.3, and has been approved by Freddie Mac to sell multifamily Mortgages to Freddie Mac and to service those Mortgages. Optigo Lenders may be approved as one or more of the following designations:

- Optigo Conventional Lender
- Optigo TAH Lender
- Optigo SBL Lender
- Optigo Seniors Housing Lender

See Section 2.10 and Chapter 3 for more information concerning Optigo Lenders.

In the Guide, an Optigo Lender is referred to as a Seller/Servicer, Seller or Servicer.

Origination Date

The Origination Date is the date of the Note.

Organizational Chart

An Organizational Chart for the Borrower, Guarantor not in the Borrower’s organizational structure, Master Tenant (if applicable) or Operator (if applicable) must include the elements set forth in the Guidance – Organizational Charts that can be found on mf.freddiemac.com.

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Origination and Underwriting System

A Multifamily Software Application that automates the workflow involved in processing loan applications from receipt of the Loan Submission Template through the underwriting process.

Participation Certificate

A Participation Certificate represents an undivided interest in specified Mortgages purchased by Freddie Mac from a single Seller, either for cash or in exchange for Participation Certificates, and placed in a discrete pool bearing a unique Participation Certificate pool number. Participation Certificates are offered only in book-entry form.

Pledged Mortgage

See Section 33.1.

Portfolio Manager®

Portfolio Manager® is an online tool used to measure and track energy and water consumption at the Property. Portfolio Manager is located on the ENERGY STAR® website of the EPA.

Potential Life Safety Hazard

A Potential Life Safety Hazard is a hazard with a lower capacity to cause harm or consists of a condition that could become harmful. A Potential Life Safety Hazard is also of concern but does not represent the same immediacy of risk for tenants as an Imminent Life Safety Hazard. Potential Life Safety Hazards include conditions that will be recognized by most residents and avoided, including trip hazards or conditions that represent a risk only in special circumstances, such as an out-of-date fire extinguisher.

Potential Life Safety Hazards are identified during the annual physical inspection of a Property post-purchase. There is no comprehensive list of Potential Life Safety Hazards and the inspector must exercise ~~judgement~~judgment to determine the Hazard category.

See also Life Safety Hazard.

PR-90 Repairs

See Sections 62.3(b) and 62SBL.3(b).

Pre-Approved Transferee

Any person or entity that is pre-approved by lender to assume Ultimate Control (direct or indirect) of Borrower, Borrower-affiliated Seniors Housing Operator, or Borrower-affiliated Master Tenant.

Preferred Equity

See Section 9.9(b).

Preferred Equity Return

See Section 9.9(b).

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Preliminary legal issues memorandum

See Section 6.4.

Preservation Rehabilitation

See Section 19.2(e).

Principal

A Principal, for purposes of Freddie Mac's policy concerning the exclusion of certain persons from participating in transactions or doing business with Freddie Mac, may be:

- A Seller/Servicer, or
- A person with substantial management or supervisory responsibilities within a Seller/Servicer's organization, or
- A person with critical influence on or substantive Control over any material aspect of a Mortgage purchase or Servicing transaction or any function related to such a transaction

There are three categories of principals:

- Seller/Servicers
- Officers, directors, owners, partners, key employees or other persons within a Seller/Servicer's organization who have substantial management or supervisory responsibilities. Suspended or excluded persons within this category are presumed to have critical influence on or substantive Control over all the organization's Mortgage purchase or Servicing transactions.
- Principals, consisting of any other person (whether an individual or an entity) who has a critical influence on or substantive Control over any material aspect of a Mortgage purchase transaction or a Servicing transaction or any function related to such a transaction. Such a Principal may be an employee of a Seller/Servicer, a third-party provider of services to a Seller/Servicer or an employee of a third-party provider of services. Persons who have a critical influence on or substantive Control over Mortgage purchase transactions or Servicing transactions or related functions include loan officers, underwriters, appraisers, inspectors, real estate agents and real estate brokers.

Priority Repairs

See Sections 62.3(b) and 62SBL.3(b).

Private Entity

A Private Entity is an entity such as a partnership, limited liability company, private real estate fund, LIHTC fund or private REIT whose shares are not traded on a public exchange. A Private Entity can Control who purchases the ownership interests in such entity.

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Private Investment Fund

A U.S. private company that invests capital from different investors in various assets, including direct and indirect equity interests in real estate. To qualify as a Private Investment Fund, the entity must have each of the following:

- A minimum of $50,000,000 in capital commitments
- Liquid assets of at least $750,000
- A minimum net worth of $5,000,000
- A management team with all of the following:

  1. At least 10 years of collective experience managing multifamily properties,
  2. At least 10 multifamily properties under management, either in the Private Investment Fund individually, or in the Private Investment Fund and other affiliated private investment funds, collectively
  3. At least $100,000,000 in multifamily properties under management, either in the Private Investment Fund individually, or in the Private Investment Fund and other affiliated private investment funds, collectively

Private Transfer Fee

A Private Transfer Fee is any fee, charge or payment imposed by a Private Transfer Fee Covenant due in connection with a transfer of title to a Property. A Private Transfer Fee is payable each time a Property is transferred for a set period of time or indefinitely. The Private Transfer Fee can be a fixed amount or a percentage of the Property's sale price. A Private Transfer Fee does not include:

- A charge payable to the federal, State or local government
- A charge that defrays the actual cost of the transfer of the Property, such as transfer of membership in a covered association such as a homeowners' association, condominium association, cooperative association or a federally tax-exempt 501(c)(3) or 501(c)(4) organization
- A charge payable to a covered association such as a homeowners' association, condominium association, cooperative association or a federally tax-exempt 501(c)(3) and 501(c)(4) organization that is used exclusively to provide a direct benefit to the Property

Private Transfer Fee Covenant

A Private Transfer Fee Covenant is any covenant, restriction or other similar document that (i) purports to run with the land or to bind current and future owners whether or not such covenant is recorded and (ii) imposes a Private Transfer Fee upon transfer of all or part of the Property, as defined in 12 C.F.R. Part 1228. A Private Transfer Fee Covenant can be attached to a Property by the original developer or another third party.

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Prohibited Substances

Prohibited Substances are any drugs or controlled substances whose use, manufacture, distribution or possession are prohibited by any law, whether federal, state or local law.

Project Loan

For a Cash Funded Forward Commitment, the Project Loan is Freddie Mac's loan to the construction lender.

Property

The Property is the land, improvements and fixtures that are, or will be, subject to the lien of a Mortgage.

Property Improvement Alterations

Alterations and additions to the improvements existing at or upon the Property, as more fully defined in the Loan Agreement. Repairs, capital replacements, restoration and other work required to be performed at the Property pursuant to the terms of the Loan Documents are not considered to be Property Improvement Alterations.

Property Improvement Alterations Notice

A notice to the lender from the Borrower pursuant to the terms of the Loan Agreement that the Borrower intends to begin the Property Improvement Alterations specified in the Property Improvement Alterations Notice.

Property Reporting System

See Section 40.2.

Public Company

A Public Company is a company whose shares are traded on a public exchange or an over the counter exchange. A Public Company does not Control who purchases its shares after the initial public offering. A pension fund that is not privately controlled is also a Public Company.

Public Records Searches

See Section 2.28.

Purchase Contract

The Purchase Contract is an agreement between the Seller and Freddie Mac covering the purchase of a specific Mortgage or Mortgages, the Seller's obligation to deliver such Mortgages on a mandatory basis (unless otherwise noted in the Letter of Commitment or early rate-lock application), the delivery period and the Servicing after Freddie Mac's purchase of the Mortgage. The Purchase Contract may be a

1. Purchase agreement

2. Letter of Commitment (as it may be amended) fully accepted by the Seller

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3. Early rate-lock application (as modified or adjusted) fully accepted by Freddie Mac

4. Other offer by Freddie Mac to purchase, fully accepted by the Seller

5. Other offer by Seller to sell, fully accepted by Freddie Mac

Purchase Contract Date of Acceptance

The Purchase Contract Date of Acceptance is the date the Seller accepts Freddie Mac's offer as stated in a Purchase Contract.

Purchase and Servicing Documents

The Purchase and Servicing Documents applicable to a Mortgage are the following:

1. The Purchase Contract, including all Exhibits

2. The separate Servicing Agreement, if any

3. The official version of the Guide

4. Any agreement pursuant to which a Seller or affiliate of a Seller provides a guaranty or any form of credit enhancement in connection with the sale of Mortgages to Freddie Mac

5. Additionally, for Delegated TAH Mortgages, the Seller/Servicer's Delegated TAH Master Agreement and the TAH Guide in effect at the time of underwriting

6. Any Servicing transaction approval issued by Freddie Mac to a Servicer

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

A Seller/Servicer must service each Mortgage that the Seller/Servicer has sold to Freddie Mac and has agreed to service for Freddie Mac in accordance with the standards set forth in the Guide (including amendments to Servicing provisions of the Guide that Freddie Mac has made since Freddie Mac purchased the Mortgage) and any applicable Purchase Contract. All of a Seller/Servicer's obligations to service Mortgages for Freddie Mac will be considered to constitute, and will be performed pursuant to, a unitary, indivisible master Servicing contract, and the Servicing obligations assumed under any Purchase Contract will be deemed to be merged into, and will be performed under, the same unitary, indivisible master Servicing contract. The Seller/Servicer agrees that any failure to service any Mortgage in accordance with the terms of the unitary, indivisible master Servicing contract, or any breach of any of the Seller/Servicer's obligations under any aspect of the unitary, indivisible master Servicing contract, will be deemed to constitute a breach of the entire contract and will entitle Freddie Mac to terminate the contract.

If a Servicer who services Mortgages for Freddie Mac is not also the Seller of the Mortgages to Freddie Mac, the Servicer must agree to service Mortgages for Freddie Mac by separate agreement, which incorporates the Guide and any applicable Purchase Contract by reference. In such case, the separate agreement shall be deemed to be one of the "Purchase and Servicing Documents," which constitute the unitary, indivisible master Servicing contract.

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Quote

A Quote is Freddie Mac's non-binding statement of proposed Mortgage Financial Terms. A Quote does not require the Seller to submit a full underwriting package, nor does it bind Freddie Mac to purchase a Mortgage.

Rapid Growth Sponsor

See Sections 9.2(d) and 9SBL.2(c)(3).

Rate Lock

Rate Lock is the procedure in which Freddie Mac agrees to hold the yield rate on the applicable U.S. Treasury index, net spread to Freddie Mac and Servicing Spread for a fixed rate Mortgage (Interest Rate Lock) and to hold the net spread to Freddie Mac and Servicing Spread for a Floating-Rate Mortgage (Spread Rate Lock).

Rate Lock Call

The Seller must call the person whose name is set forth in the Letter of Commitment or early rate lock application to Rate Lock and confirm all of the other terms of the Mortgage, including the term, amortization period and prepayment period. Even though the interest rate for a Floating-Rate Mortgage cannot be Rate Locked, the Seller must complete a Rate Lock Call in order to confirm all of the terms of the Mortgage.

Rate Reset

A Rate Reset Mortgage is a Mortgage with a five-year term, during which there is an option to extend the term of the Mortgage for an additional five years at a reset interest rate.

Rating Agencies

Rating Agencies are Fitch, Inc.; Moody's Investors Service, Inc.; Dominion Bond Rating Service (DBRS); Realpoint LLC; or Standard & Poor's Ratings Services, a division of the McGraw Hill Companies, Inc., or any successor entity of the foregoing, or any other nationally recognized statistical rating organization.

Real Estate Owned

Real Estate Owned is property acquired through foreclosure or deed-in-lieu of foreclosure.

Redemption Date

See Section 9.9(c).

Regulatory Agreement

An agreement with a governmental entity that places income, rent or other use restrictions on all or selected units of a Property for a given period.

Rejection; Reject

A Rejection is Freddie Mac's determination that it will not accept the early rate lock application submitted by the Seller.

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Repair Reserve

A Repair Reserve is a Reserve established to hold funds allocated for the completion of repairs, rehabilitation or incomplete items of construction. The Repair Reserve can be established by a Repair Escrow Agreement, a Repair and Escrow Agreement or by a Rider to the Loan Agreement that establishes a Repair Reserve.

Replacement Cost Value

See Section 31.1(d).

Replacement Reserve

A Replacement Reserve (also referred to as a Replacement Reserve Fund or Replacement Reserve Escrow) is a Reserve established to hold funds allocated for the replacement of capital items. A Replacement Reserve can be established by a Replacement Reserve Agreement or by a Rider to the Loan Agreement establishing a Replacement Reserve.

Required Net Yield

The Required Net Yield is the amount of interest Freddie Mac receives from each Mortgage it purchases.

Reserve

Reserve is all funds, other than principal and interest, collected to cover expenses to be paid under the Mortgage, including hazard insurance premiums and taxes, special assessments, ground rents, water and sewer charges, any other charges that are or may become first liens on the Property, payments for fees for a subsequent third-party interest rate cap agreement, and any other escrow or reserve established under the terms of the Mortgage or the Loan Documents.

Restricted Multiple Asset Entity

As further defined in Chapter 9SBL, a Restricted Multiple Asset Entity is a Borrower that is structured so that it:

- Will not acquire, own, hold, lease, operate, manage, maintain, develop or improve any assets other than the Mortgaged Property (as defined in the Security Instrument), the Permitted Property (as defined in the Loan Agreement – SBL), and such Personalty (as defined in the Security Instrument) as may be necessary for the operation of the Mortgaged Property and the Permitted Property and will conduct and operate its business as presently conducted and operated

- Will not engage in any business or activity other than the ownership, operation and maintenance of the Mortgaged Property and the Permitted Property and activities incidental to such ownership, operation and maintenance

Restricted Non-Residential Use

A Restricted Non-Residential Use is any use or operation of the leased premises that may adversely impact (i) the health and safety of the tenants or other individuals at the Mortgaged Property, or (ii) the value, occupancy or rents of the Mortgaged Property, all as determined by Lender in Lender's discretion. Restricted Non-Residential Uses include the following:

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- The disposition, distribution or sale of Prohibited Substances or any establishment whose primary business is the sale of merchandise normally used or associated with Prohibited Substances
- Any establishment whose primary business is the disposition, distribution, sale or viewing of adult or pornographic materials or activities, including strip clubs and adult bookstores
- Any use involving the disposition or sale of Hazardous Materials
- Any establishment whose primary business is gambling or off-track betting
- Any establishment whose primary business is the sale of alcoholic beverages for off-site consumption

Restricted Party

See Section 7.1.

Restricted Party Lists

See Section 7.1.

Risk Rating

A designation Freddie Mac gives to a Mortgage to reflect Freddie Mac's current risk outlook associated with the Mortgage. Risk Ratings for all Mortgages in the retained portfolio are currently between three and 10 with three deemed the lowest level of risk associated with a Mortgage and 10 being the highest level of risk.

Scheduled Interest

Scheduled interest is the monthly interest scheduled to be paid under the amortization schedule applicable to the Mortgage.

Scheduled Principal

Scheduled Principal is the monthly principal scheduled to be paid under the amortization schedule applicable to the Mortgage, calculated in accordance with Section 53.1.

Schedule of Values

See Section 31.1(d).

Scope Issues

See Section 61.2(b).

Securitization

Securitization is the transaction in which the Note for a Mortgage is assigned to a REMIC (Real Estate Mortgage Investment Conduit), grantor trust or partnership trust.

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Security Incident

See Section 2.26(c).

Security Instrument

A Security Instrument is an instrument (mortgage, deed of trust, deed to secure debt) creating a valid lien on real estate.

Seller

Unless the context otherwise requires it, the term "Seller," as used in the Guide and the other Purchase and Servicing Documents, refers to an Optigo Lender or a Multifamily Structured Transaction Lender acting in its capacity as a Seller of Mortgages to Freddie Mac.

Seller/Servicer

Unless the context otherwise requires it, the term "Seller/Servicer," as used in the Guide and the other Purchase and Servicing Documents, refers to a Seller, a Servicer or an Optigo Lender.

Seller Application

Seller Application is the application between the Seller/Servicer and the Borrower for the Seller/Servicer to make a loan to the Borrower to be secured by the Property and to be sold to Freddie Mac.

Seniors Housing Liability Assessment

See Section 21.2.

Seniors Housing Mortgage

See Section 21.2.

Senior Management

A natural person who serves as one of the following positions for a Seller/Servicer:

- Owner
- President
- Vice President or other officer in charge of managing or overseeing any aspect of the Seller/Servicer's Freddie Mac business
- Chief Executive Officer (CEO)
- Chief Operating Officer (COO)
- Chief Financial Officer (CFO)
- Chief Information Officer (CIO), Chief Technology Officer (CTO), or Chief Information Security Officer (CISO)
- Chief Risk Officer (CRO)

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- Corporate Secretary
- General Counsel
- Director
- Chairman of the Board
- General Partner; or
- Member or manager of an LLC

Servicer

Unless the context otherwise requires it, the term “Servicer,” as used in the Guide and the other Purchase and Servicing Documents, refers to an entity acting in its capacity of Servicing multifamily Mortgages for Freddie Mac. A Servicer may be an Optigo Lender, a Multifamily Structured Transaction Seller/Servicer, a Servicer approved on a Servicing-only basis, or a Servicing Agent.

Servicing

Servicing is the performance of applicable obligations described in the Purchase and Servicing Documents, including tasks necessary to maintain Mortgages sold to Freddie Mac in a manner that protects Freddie Mac's interests.

Servicing Agent

A Servicing Agent is a Servicer that has received Freddie Mac's authorization to act on behalf of another Servicer in Servicing Mortgages purchased by Freddie Mac. This role may also be referred to as a “subservicer” provided, as used in this definition, the reference to "subservicer" will not be construed to have the same meaning as such term is used in connection with a Securitization.

Servicing Spread

For TEL Mortgages, the Servicing Spread is the fee payable by the Borrower to the Servicer under the project loan agreement and specified by Freddie Mac in the Letter of Commitment.

For all other Mortgages, the Servicing Spread is the amount of the interest income received and retained by the Servicer as compensation for servicing a multifamily Mortgage purchased by Freddie Mac. Freddie Mac specifies the Servicing Spread in the Purchase and Servicing Documents.

Shared Access Agreement

A Shared Access Agreement is an agreement that provides for access to a Property via an easement or private road.

Shared Use Agreement

A Shared Use Agreement is an agreement that provides for the sharing, joint use and maintenance of Recreational Facilities and/or Essential Facilities.

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Single Asset Entity

A Single Asset Entity is a Borrower that is structured so that it:

- Will not acquire, own, hold, lease, operate, manage, maintain, develop or improve any assets other than the Mortgaged Property and such Personal as may be necessary for the operation of the Mortgaged Property and will conduct and operate its business as presently conducted and operated

- Will not engage in any business or activity other than the ownership, operation and maintenance of the Mortgaged Property and activities incidental to such ownership, operation, and maintenance

Single Counsel

For SBL Mortgages, as further described in Chapter 6SBL, Single Counsel represents Freddie Mac and Seller/Servicers jointly in the origination, delivery and purchase of SBL Mortgages.

For TEL Mortgages, as further described in Chapters 25 and 25A, Single Counsel represents Freddie Mac and Seller/Servicers jointly in the origination, delivery and purchase of TEL Mortgages.

Single Purpose Entity

An Single Purpose Entity is a Borrower or SPE Equity Owner that is structured with a single purpose and usually owns only one asset to avoid becoming insolvent due to its owner's conduct and that is insulated from harmful effects of the insolvency of others.

Significant Repairs or Replacements

Significant Repairs or Replacements are those that must be completed in order to protect the tenants from Life Safety Hazards, prevent significant physical or functional decline of the Property and/or negatively impact the value of the Property. Examples of Significant Repairs or Replacements include repairs or replacements to

- Structural elements such as framing, foundations, balconies, and stairs

- Major building systems, such as boilers, HVAC, electrical, plumbing, and elevators

- Defects that negatively impact the Property's habitability or income potential

Skilled Nursing Property

See Section 21.2.

Small Balance Loan Production Pipeline Manager

A Multifamily Software Application that enables Sellers and Freddie Mac to monitor the progression of Small Balance deals.

Soft Subordinate Debt

See Section 19.2(f).

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SPE Equity Owner

An SPE Equity Owner is a Delaware single member limited liability company or a corporation that acts as a general partner of a limited partnership Borrower or as the managing member of a limited liability company Borrower. The concept of an SPE Equity Owner is not applicable if the Borrower is a Delaware single member limited liability company that is a Single Purpose Entity or if the Borrower is a corporation.

Special Moisture or Mold Issues Inspection

A Special Moisture or Mold Issues Inspection is a specific inspection protocol, set forth in Section 8.3(c), which is used to evaluate existing moisture or Mold issues.

Special Servicing Request

A Special Servicing Request is a Borrower request for Freddie Mac approval of certain Borrower actions. For example, a Special Servicing Request is required for a Transfer of Ownership, Subordinate Financing, a request for a partial release, the grant of an easement, certain changes to the Repair Reserve or Replacement Reserve, and a waiver of the insurance requirements.

Specific Insurance Limit

See Section 31.1(d).

State

As used in this Guide, the term "State" includes the District of Columbia, Guam, Puerto Rico and the Virgin Islands as well as the 50 states.

Student Housing Property

A Student Housing Property is a multifamily Property with a student occupancy rate of more than 50 percent. These Properties cater to a student tenant base because of proximity to colleges or universities and may have been constructed as “Purpose Built/Dedicated Student Housing,” or they may be conventional multifamily Properties currently targeted for student tenants.

Stand-Alone Memory Care Property

See Section 21.2.

Subordinate Financing

Subordinate Financing is any Mortgage or other lien that is subordinate to the lien of the first Mortgage on the Property.

Supplemental Mortgage

See Section 20.1.

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Suspicious Activity

Activity that a Seller or Servicer reasonably believes may involve actual or possible money laundering, terrorist financing, mortgage-related fraud or other financial crimes, and which is undertaken by any party involved in any stage of the origination, underwriting, or Servicing of a Freddie Mac Mortgage.

Targeted Affordable Housing Mortgage

A Mortgage originated under either of the following:

- Targeted Affordable Housing (TAH) prior approval model, described in the Multifamily Seller/Servicer Guide
- Delegated Underwriting Model for TAH, described in the Freddie Mac Delegated Underwriting for Targeted Affordable Housing Guide (TAH Guide)

Tax Exempt Bond Credit Enhancement Mortgages

Tax Exempt Bond Credit Enhancement Mortgages are Mortgages that are used as collateral for tax exempt bond transactions in which Freddie Mac has entered into a Credit Enhancement Agreement in a specially negotiated transaction.

Tax-Exempt Loan

A Tax-Exempt Loan is originated under Chapter 25 or Chapter 25A.

Title Agent

An approved agent or agency authorized by the Title Insurance Underwriter to write or issue a Title Policy.

Title Company

Individually and/or collectively, any Title Insurance Underwriter, Title Agent, and/or escrow and settlement company that is issuing a Title Policy, recording documents and/or performing escrow and settlement functions in connection with a Mortgage transaction. When a Title Insurance Underwriter and a Title Agent are handling separate matters for a Mortgage closing, the term Title Company will include both such parties.

Title Insurance Underwriter

An entity that underwrites and issues, or authorizes issuance of, a Title Policy or, as applicable, reinsurance or coinsurance for a Title Policy, that is the party insuring the risks addressed by the Title Policy or such reinsurance or coinsurance, and which is licensed to do business in the jurisdiction where the Property is located (unless such jurisdiction is Iowa) and regularly issuing title insurance in such jurisdiction. A Title Insurance Underwriter may also authorize its Title Agent to write a Title Policy.

Title Policy

A single paid-up loan title insurance policy meeting the requirements in Chapter 29 and the Title Policy and Endorsement Requirements.

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Total Insurable Value

See Section 31.1(d).

Transfer of Ownership

For the purposes of Chapter 41, Transfers of Ownership and Chapter 41SBL, SBL Transfers of Ownership is any conveyance or other transfer of (a) an interest in the Property (including fee simple title or a Mortgage or other lien) or (b) an interest in the Borrower entity, which conveyance or transfer, if carried out without Freddie Mac's prior written approval, would violate a due-on-transfer provision or prohibition on Subordinate Financing contained in the Loan Documents.

Transfer of Servicing

See Section 42.2(a).

Ultimate Control

Ultimate persons or entities that have Control (direct or indirect) of an entity. A party with Ultimate Control must be one of the following:

- An individual,
- Private Investment Fund,
- A revocable trust (including the settlor/grantor and trustee of the revocable trust), or
- A U.S. public company (U.S. publicly traded entity).

If an individual or entity is a Control party in a Private Investment Fund which is a Key Borrower Principal, then that individual or entity must be disclosed and will be subject to all Office of Foreign Assets Control (OFAC) and Anti-Money Laundering (AML) Laws compliance-related obligations set forth in the Guide, including those identified in Chapters 2, 9, 41, 43 and 44.

Unfunded Forward Commitment

See Section 28A.2.

Value-Add Mortgage

See Section 17.2.

Web Searches

Web Searches are search engine reviews that are performed on the Property, Borrower, Borrower Principals, Non-U.S. Equity Holders, and property management company to identify Financial Crimes, litigation, negative credit events and events that would create reputational risk for Freddie Mac.

Weighted-Average Coupon

The Weighted-Average Coupon of any group of Mortgages is calculated by:

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- Multiplying the purchased unpaid principal balance of each Mortgage by the Coupon Rate of such Mortgage (resulting in a "product" for each Mortgage)
- Adding the products so obtained for all of the Mortgages
- Dividing the sum of the products by the aggregate purchased unpaid principal balance of all the Mortgages in the group

Freddie Mac's determination of the Weighted-Average Coupon is conclusive.

Weighted-Average Remaining Maturity

The Weighted-Average Remaining Maturity of any group of Mortgages is calculated by:

- Multiplying the unpaid principal balance of each Mortgage by the number of months remaining to maturity of such Mortgage (resulting in a "product" for each Mortgage)
- Adding the products so obtained for all of the Mortgages
- Dividing the sum of all the products by the aggregate unpaid principal balance of all the Mortgages in the group

Freddie Mac's determination of the Weighted-Average Remaining Maturity is conclusive.

Workforce Housing Preservation

Workforce Housing Preservation is a Conventional Mortgage product designed to preserve middle-income rental housing stock by restricting rents through Borrower-elected rent restrictions in the Loan Agreement or third-party, non-governmental rent restrictions subject to Freddie Mac review and approval of the third-party agreement terms. See Section 17.6.

Yield Maintenance Period

The Yield Maintenance Period is that period of time specified in certain Notes or Riders to Notes during which the Borrower's prepayment of the Mortgage results in its obligation to pay a Yield Maintenance Prepayment Premium.

Yield Maintenance Prepayment Premium

The Yield Maintenance Prepayment Premium is a prepayment premium charged in connection with any prepayment of certain Mortgages during the Yield Maintenance Period.

Yield Rate

The Yield Rate is the yield on the applicable U.S. Treasury.

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Commonly Used Acronyms

AIF

Annual Inspection Form

AMI

Area Median Income

AML

Anti-Money Laundering

ARM

Adjustable-Rate Mortgage

ASTM

American Society for Testing and Materials. See Chapters 61, 62, 64 and 66.

CCRC

Continuing Care Retirement Community

C-PACE

Commercial Property Assessed Clean Energy

Co-op

Cooperative

CRT

Consent Request Tracker

DCR

Debt Coverage Ratio

DDLPI

Due Date of Last Paid Installment

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DBRS

Dominion Bond Rating Service

DMS

Document Management System

ECOI

Equity Conflict of Interest

EGI

Effective Gross Income

EPA

The United States Environmental Protection Agency

EPSH

Employer Enabled Permanent Supportive Housing

FAM

Freddie Mac Access Manager

FEMA

Federal Emergency Management Agency

FHA

Federal Housing Administration

FIC

Fee Inspector Company

GLI

General Loan Information

ICT

Insurance Compliance Tool

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LIA

Legal Issues Analysis

LIHTC

Low-Income Housing Tax Credit

LMF

Loan Management Form

LST

Loan Submission Template

LTV

Loan-to-Value

MAE

Multiple Asset Entity

MES

Multifamily Eligibility System

MHC

Manufactured Housing Community

MHROC

Manufactured Housing Resident-Owned Community

MMP

Moisture Management Plan

MSIA

Multifamily Securities Investor Access tool

MTNA

Mortgage Transaction Narrative Analysis

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NFIP

National Flood Insurance Program

NOI

Net Operating Income

OFAC

Office of Foreign Assets Control

OUS

Origination and Underwriting System

PC

Participation Certificate

PLIM

Preliminarily Legal Issues Memorandum

PPM

Small Balance Loan Production Pipeline Manager

PRS

Property Reporting System

RCV

Replacement Cost Value

REIT

Real Estate Investment Trust

REO

Real Estate Owned

Restricted MAE

Restricted MAE

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S&P

Standard and Poor's

SAE

Single Asset Entity

SBL

Small Balance Loan

SFHA

Special Flood Hazard Area

SOV

Schedule of Values

SPE

Single Purpose Entity

TAH

Targeted Affordable Housing

TEL

Tax-Exempt Loan

TIV

Total Insurable Value

UPB

Unpaid Principal Balance

WAC

Weighted Average Coupon

WARM

Weighted Average Remaining Maturity

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