Freddie Mac SINGLE-FAMILY

Seller/Servicer

PDF

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This is a PDF of the Freddie Mac *Single-Family Seller/Servicer Guide* (“Guide”) chapters current as of Bulletin 2024-15, published on November 6, 2024. This comprehensive file contains all of the Guide chapters.

Compilation of Guide Chapters

This PDF is a compilation of the separate Guide chapters. The footers are updated by chapter and reflect the date of the last time that each specific chapter was updated. Therefore, while this Guide PDF includes all Guide chapters as of November 6, 2024, only the chapters that were updated on November 6, 2024 have that date in the footer.

Certain sections within the segment may have future revisions with effective dates after the date of this Guide PDF. If the future effective version of a section has been published by November 6, 2024, that version is included in this PDF.

The Official Electronic Version of the Guide is available on the AllRegs® website

The current official electronic version of the Guide is posted on the AllRegs® website of ICE Mortgage, Inc., and is available free of charge through the "AllRegs" link on the following web page: **https://guide.freddiemac.com/app/guide/**. **Seller/Servicers are advised to view the Guide and Guide Bulletins on the AllRegs website for the most current Guide requirements.** Seller/Servicers are responsible for compliance with the Guide and Bulletins containing specific Guide changes with corresponding effective dates, as posted on the AllRegs website.

Chapter 1101: The Guide

1101.1: Introduction to the Guide (06/07/23)

This section provides an overview of the content and organization of the Guide.

The Guide consists of Freddie Mac's requirements relating to the purchase, sale, and Servicing of Mortgages. The Guide's structure reflects how and when Seller/Servicers interact with Freddie Mac and is organized to aid in locating the provisions related to the Seller/Servicer's daily workflow.

(a) Segments

The Guide is grouped into three segments:

- Freddie Mac Seller/Servicer Relationship
- Selling
- Servicing

The Guide's design places the provisions applicable to all Seller/Servicers in one central location (Freddie Mac Seller/Servicer Relationship), and then differentiates between those for selling and Servicing. Although the Guide has distinct Selling and Servicing Segments, there may be information and/or cross references for Servicers in the Selling Segment and for Sellers in the Servicing Segment.

Additionally, the Guide contains exhibits, forms, the Glossary and the Directory.

(b) Series and topics

Within each segment there are three distinct series of topics relating to that segment, totaling nine series. The series of topics within each segment are described below.

Description of Series	Summary of Topics
Freddie Mac Seller/Servicer Relationship	
Series 1000, General Contract Terms Series 1000 covers the contractual relationship between the Seller/Servicer and Freddie Mac.	■ Legal effect of the Guide ■ Freddie Mac policies ■ General Seller/Servicer representation and warranties ■ Electronic transactions ■ Types of Seller purchase contracts
Series 2000, Doing Business with Freddie Mac Series 2000 covers Seller/Servicer eligibility and other requirements for doing business with Freddie Mac.	■ Becoming a Freddie Mac Seller/Servicer ■ Establishing third-party relationships (for example, Document Custodians) ■ Access and use of Freddie Mac systems ■ Disqualifying or suspending a Freddie Mac Seller/Servicer
Series 3000, Risk Management and Remedies Series 3000 covers management of risks related to the purchase and Servicing of Mortgages.	■ Freddie Mac Exclusionary List and FHFA Suspended Counterparty Program ■ Fraud prevention, detection and reporting ■ Mortgage file contents and retention ■ Quality control programs ■ Review of Servicer performance ■ Remedies (including repurchase and termination of Servicing)
Selling	
Series 4000, Mortgage Eligibility Series 4000 covers the eligibility of Mortgages for sale to Freddie Mac.	■ Uniform Instruments ■ General Mortgage eligibility ■ Loan purpose ■ Special Mortgage eligibility requirements ■ Affordable Mortgages and Duty to Serve ■ Special Freddie Mac Mortgage products ■ Insurance requirements

Series 5000, Origination and Underwriting Series 5000 covers underwriting the Borrower and determining the adequacy of the property securing the Mortgage.	■ Determining Borrower eligibility ■ Credit assessment ■ Stable monthly income and asset qualification sources ■ Evaluation of monthly obligations ■ Assets ■ Property eligibility and appraisal requirements ■ Condominium and Cooperative Projects ■ Uniform Closing Dataset ■ Automated income and asset assessment with Loan Product Advisor®
Series 6000, Selling and Delivery Series 6000 covers Freddie Mac Mortgage purchase programs and Mortgage delivery requirements.	■ Cash programs ■ Guarantor and MultiLender Swap Programs ■ Mortgage delivery instructions ■ Assessment and payment of fees ■ Delivery and custody of Mortgage documents ■ Warehouse financing arrangements
Servicing	
Series 7000, Transfers of Servicing Series 7000 covers the process for facilitating Transfers of Servicing.	■ Transfer of Servicing requirements ■ Reporting to Freddie Mac ■ Document Custody transfer
Series 8000, Servicing All Mortgages Series 8000 covers general requirements for Servicing.	■ Day-to-day Servicer responsibilities ■ Investor accounting and remitting ■ Custodial funds management ■ Escrow and insurance ■ Property-related matters ■ Servicer compensation ■ Servicer reports

Series 9000, Servicing Default Management Series 9000 covers Servicing Mortgages in default.	■ Ongoing Servicer responsibilities ■ Collection efforts ■ Alternatives to foreclosure ■ Foreclosure ■ Bankruptcy ■ REO ■ Reimbursement of expenses

(c) Chapters and sections

Each topic contains at least one chapter, and each chapter contains at least one section. The titles of topics, and chapters and sections within topics, are intended to facilitate navigation and searching capabilities.

(d) Numbering format

The numbering system of the Guide reflects how the provisions are grouped by segment, series and topics.

The format is as follows:

- **X**XXX.XX – The first digit indicates the series number (For example, Series 6000, Selling and Delivery, or Series 5000, Origination and Underwriting)
- X**X**XX.XX – The second digit indicates the topic number, which can have one or many chapters
- XX**XX**.XX – The last 2 digits before the decimal point indicate the chapter number
- XXXX.**XX** – The 2 digits after the decimal indicates the section number

For example, in Section 1101.1:

- **1**101.1 – The first "1" represents that this section is located in Series 1000, General Contract Terms
- 1**1**01.1 – The second "1" represents that this section is located in the first topic of Series 1000, Topic 1100 – The Guide
- 11**01**.1 – The "01" before the decimal point represents that this section is located in the first chapter within Topic 1100, Chapter 1101, The Guide

- 1101.**1** – The "1" after the decimal point represents that this is the first section in Chapter 1101, Section 1101.1, Introduction to the Guide.

This numbering can help in locating specific content. For example, these are the steps a Seller/Servicer could take if it wants to locate the Guide requirements about reporting fraud and other Suspicious Activity:

- First, the **segment** should be identified. This is a requirement that applies to both Sellers and Servicers and is contained within the Freddie Mac Seller/Servicer Relationship Segment.

- Second, the **series** should be found. As this is part of risk management, the relevant series is Series **3**000, Risk Management and Remedies.

- Next, the **topic** needs to be determined. These requirements are contained within topic 3**2**00: Fraud Prevention, Detection and Reporting; Reporting Other Suspicious Activity.

- Finally, the **chapter and section** within the topic need to be located. In this case, the chapter title mirrors the topic heading, Chapter 32**01**: Fraud Prevention, Detection and Reporting; Reporting Other Suspicious Activity. The specific provisions about this subject are contained in Section 3201.**2**: Fraud and other Suspicious Activity reporting requirements.

The numerical reference to this provision, then, is Section 3201.2.

(e) Exhibits, forms, the Glossary and the Directory

The Guide also includes:

- **Exhibits**

  Exhibits referenced in the Guide are Freddie Mac exhibits unless otherwise indicated.

- **Forms**

  Forms referenced in the Guide are Freddie Mac forms unless otherwise indicated.

- **Glossary**

  The Glossary contains definitions of select terms used in the Guide.

- **Directory**

  The Directory contains Freddie Mac contact information (addresses, telephone numbers, fax numbers and e-mail addresses) to be utilized for specific questions, requests and

documentation. Guide references to the Directory are indicated with a bolded parenthetical (e.g., "**(see Directory 5)**").

1101.2: Legal effect of the Guide and other Purchase Documents (10/09/24)

(a) Status as a contract

(i) Effect of the Guide and other Purchase Documents

The Guide governs the business relationship between a Seller/Servicer and Freddie Mac relating to the sale of Mortgages to, and Servicing of such Mortgages for, Freddie Mac. Each Seller/Servicer must complete and submit an Annual Certification Report that certifies that the Seller/Servicer has access to the Guide and complies with all requirements of the Purchase Documents.

In connection with the sale of a Mortgage or pool of Mortgages to Freddie Mac, the Seller/Servicer agrees that each transaction is governed by the Guide, the applicable Purchase Contract and all other Purchase Documents and Seller/Servicer makes all appliable representations and warranties to, and agreements and covenants with, Freddie Mac as set forth in the Purchase Documents.

In connection with the sale of each Mortgage to Freddie Mac, regardless of the Servicing option selected upon a sale of Mortgages to Freddie Mac, a Seller/Servicer agrees to service all such Mortgages that the Seller/Servicer has sold to Freddie Mac in accordance with the requirements set forth in the Seller/Servicer's Purchase Documents. In addition, as set forth in Guide Section 7101.2 and the applicable Transfer of Servicing agreement, each Transferee Servicer agrees to service all Mortgages related to a Transfer of Servicing in accordance with the requirements set forth in the Transferee Servicer's Purchase Documents. All of a Seller/Servicer's obligations to service Mortgages for Freddie Mac constitute, and must be performed pursuant to, the Servicing Contract, and the servicing obligations assumed pursuant to any contract to sell Mortgages to Freddie Mac are merged into and must be performed pursuant to, such Servicing Contract. Upon the Settlement Date of the sale of a Mortgage or group of Mortgages to Freddie Mac, Seller/Servicer agrees, and upon the Effective Date of Transfer of any Transfer of Servicing, Transferee Servicer agrees, that the Servicing Contract and related Servicing Contracts Rights that are the subject of a Concurrent or Subsequent Transfer of Servicing, as well as any proceeds to be paid to the Seller/Servicer as Transferor Servicer for such Transfer of Servicing, are subject to the Lien described in Section 1101.2(c)(vi).

A Seller/Servicer acknowledges that Freddie Mac's agreement to purchase Mortgages from the Seller/Servicer pursuant to any individual Purchase Contract is based upon the Seller/Servicer's agreement that the Mortgages purchased will be serviced by such Seller/Servicer pursuant to the Servicing Contract, which Servicing Contract and related

Servicing Contract Rights may be assigned to another Servicer pursuant to a Transfer of Servicing, subject to obtaining Freddie Mac's prior written approval as set forth in Chapter 7101. Under no circumstance does a Seller/Servicer retain any legal ownership of the Servicing Contract or any related Servicing Contract Rights. Freddie Mac acknowledges that a Seller/Servicer may recognize Servicing Contract Rights as assets on its balance sheet in the form of "mortgage servicing rights" in accordance with generally accepted accounting principles (GAAP); however, such recognition as under GAAP does not confer to a Seller/Servicer any legal ownership interest in any Servicing Contract Rights. The Seller/Servicer agrees that any failure to service any Mortgage in accordance with the terms of the Servicing Contract, or any breach of any of the Seller/Servicer's obligations under any aspect of the Servicing Contract, shall be deemed to constitute a breach of the entire contract and shall entitle Freddie Mac to terminate all or a portion of the Servicing Contract and any related Servicing Contract Rights. The termination of a portion of the Servicing Contract shall not alter the unitary, indivisible nature of the Servicing Contract.

If a Servicer that 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 (e.g., Form 960 of Servicing of Single-Family Mortgages or Electronic Agreement for Subsequent Transfer of Servicing of Single-Family Mortgages (STOS Agreement)), which incorporates the applicable Purchase Documents. In such case, the separate agreement shall be deemed to be one of the "Purchase Documents" that constitute the Servicing Contract.

In addition, in certain cases, a Seller and/or Servicer who uses certain Freddie Mac services will, by virtue of the provisions of the Guide, be deemed to have agreed upon certain terms and conditions related to such services and their use.

(ii) Amendments to the Guide

Freddie Mac may, in its sole discretion, amend or supplement the Guide from time to time. Amendments to the Guide may be a paper Record or an Electronic Record, as those terms are defined in Chapter 1401. The Guide may not be amended orally. Freddie Mac may amend the Guide by:

- Publishing Bulletins, which apply to all Sellers/Servicers, or
- Entering into a Purchase Contract or other written or Electronic agreement, which applies to the Seller/Servicer that is a party to the Purchase Contract or agreement

Bulletins expressly amend, supplement, revise or terminate specific provisions of the Guide. An amendment, supplement, revision or termination of a provision in the Guide is effective as of the date specified by Freddie Mac in the applicable Bulletin.

A Purchase Contract or other written agreement or Electronic agreement amends or supplements specific provisions of the Guide for purposes of such Purchase Contract or

other agreement, as applicable. Such amendments or supplements to the Guide are effective as of the date specified in the Purchase Contract or other agreement. See Section 1501.2(d) for information about how amendments and supplements to the Guide amend or otherwise apply to a Seller's Purchase Contracts and other Purchase Documents.

See also Section 1301.9 relating to the Servicer's agreement to comply with any instruction, request or requirement issued by Freddie Mac and Section 9102.1(f) concerning Freddie Mac's right to impose on a Servicer additional Servicing requirements as Freddie Mac deems appropriate.

(iii)Publication of Guide and Bulletins

The Guide is posted on the AllRegs® website of ICE Mortgage Technology, Inc., which operates the AllRegs brand ("AllRegs") and which posts the Guide under license from and with the express permission of Freddie Mac. AllRegs is the exclusive third-party electronic publisher of the Guide. Seller/Servicers also can access the Guide on the AllRegs website by using the link on FreddieMac.com.

Freddie Mac makes no representation or warranty regarding availability, features or functionality of the AllRegs website.

By using the website, Seller/Servicers acknowledge and agree (individually and on behalf of the entity for which they access the Guide) neither Freddie Mac nor AllRegs shall be liable to them (or the entity for which they access the Guide) for any Claims whatsoever resulting directly or indirectly from Freddie Mac's designation of the Guide as found on the AllRegs website as the official Electronic version, as an Electronic Record, and AllRegs expressly disclaims any warranty as to the results to be obtained by Seller/Servicers (and the entity for which Seller/Servicers access the Guide) from use of the AllRegs website, and AllRegs shall not be liable to Seller/Servicers (and the entity for which Seller/Servicers access the Guide) for any damages arising directly or indirectly out of the use of the AllRegs website by them (and the entity for which they access the Guide).

Bulletins are published on AllRegs and FreddieMac.com. A Seller/Servicer with an AllRegs subscription may receive notice of Bulletins directly from AllRegs. If a Seller/Servicer does not receive notice of Bulletins through AllRegs, the Seller/Servicer must take the steps necessary to receive the applicable Freddie Mac Single-Family Update e-mails, which will notify Seller/Servicer of Bulletin publications. A Seller/Servicer's failure to take the appropriate steps to receive notices of Bulletins does not relieve the Seller/Servicer of its legal obligations to comply with the terms of the Bulletins.

(iv) Effective Date

The effective date of each section of the Guide is located at the beginning of each section, to the right of the section number and name.

(b) Reliance

By entering into a Purchase Contract or into the Servicing Contract with Freddie Mac (e.g., in connection with the sale of Mortgages to Freddie Mac or a Concurrent or Subsequent Transfer of Servicing), the Seller/Servicer acknowledges that it is not relying upon Freddie Mac or any employee, agent or representative thereof, in making its decision to enter into the contract and that it has relied upon the advice and counsel of its own employees, agents and representatives as to the regulatory, business, corporate, tax, accounting and other consequences of entering into and performing its obligations under a Purchase Contract or the Servicing Contract.

(c) Assignments; security interests

Except as set forth below, for purposes of this subsection (c), the following terms have the prescribed meanings set forth below or in Exhibit 33A, Acknowledgment Agreement Incorporated Provisions, Exhibit 33B, Acknowledgement Agreement (Syndication) Incorporated Provisions, Exhibit 33C, Acknowledgment Agreement (Cashflow) Incorporated Provisions, or Exhibit 33D, Acknowledgment Agreement (Combination) Incorporated Provisions, as applicable, notwithstanding that a Seller/Servicer may not have executed and delivered an Acknowledgment Agreement to Freddie Mac:

- Acknowledgment Agreement
- Collateral
- Conveyance – means any assignment, sale, hypothecation, pledge, or transfer of, or grant of a security interest in, or through any other method that is intended to convey any or all the obligations, rights, or interests of a Seller/Servicer, whether in whole or in part, under (or derived from) any Purchase Contract, Servicing Contract, or any rights or obligations under the Guide or any of Seller/Servicer's Purchase Documents, or proceeds derived therefrom, to another Person.
- Covered Mortgages
- Default – means any misrepresentation or breach of warranty or the failure to observe or perform any covenant or agreement (after the passage of an applicable cure period or the giving of notice to any party, but only to the extent expressly provided in the Guide or any other Purchase Document) in favor of Freddie Mac in the Guide, any other Purchase Document, or the Servicing Contract.

- Freddie Mac Collateral – means all of Seller/Servicer's right and interest in, to, and under all of the following, whether now or hereafter owned, held or acquired and wherever located:

  (i) the Servicing Contract, including the Servicing Contract Rights;

  (ii) all books, correspondence, files, data and records, including computer disks and other records or physical or virtual data or information, related to the foregoing (but excluding computer programs); and

  (iii) all monies due or to become due to Seller/Servicer relating to any of the foregoing, including, but not limited to, all cashflows derived from the foregoing and all proceeds relating to any of the foregoing.

- Financing

- Financing Documents

- Lien – means any lien, pledge, grant, charge, security interest, security title, Mortgage, hypothecation, option or preferential arrangement which has the practical effect of constituting a security interest or encumbrance or servitude of any kind in respect of any interest or asset to secure or assure payment of any indebtedness or other obligations, including any guaranty, whether by consensual agreement or by operation of statute or other law, or by any agreement, contingent or otherwise, to provide any of the foregoing

- Person

- Secured Obligations – means (i) each and every representation, warranty, covenant and agreement of Seller/Servicer set forth in the Guide, any other Purchase Document, and the Servicing Contract, and (ii) FRE Claims

- UCC

(i) General prohibition

Servicer shall not suffer, cause or permit a direct or indirect Conveyance without Freddie Mac's prior express written consent. Any purported or attempted Conveyance without Freddie Mac's prior written consent is prohibited and shall be null and void.

(ii) Servicer request for Freddie Mac's consent to a Conveyance regarding Financing

In order to request Freddie Mac's consent to a Conveyance regarding a Financing, a Servicer may send an e-mail to Freddie Mac **(see Directory 1)** with the following information:

- The purpose of the Financing

- A term sheet or draft Financing Documents; and

- Identification of the Covered Mortgages (e.g., all loans serviced under one or more Seller/Servicer number(s) or a loan list that includes the Freddie Mac loan number, Servicer loan number and Seller/Servicer number for each loan in either CSV format or as an MS Excel® spreadsheet, etc.)

Freddie Mac reserves the right to request additional information and documents from the Servicer and its proposed Secured Party (as defined in the Acknowledgment Agreement) concerning the terms and conditions of the Financing. Freddie Mac may require revisions to the Financing Documents and other elements of the Financing as a condition to its consent to the proposed Financing.

For an overview of the operational process related to requesting and obtaining Freddie Mac's consent to a Conveyance regarding Financing, Servicers should review the *Process Overview: Financing Freddie Mac Servicing Contract Rights – Process Overview* available at **https://sf.freddiemac.com/content/_assets/resources/fact-sheet/fre-financing-servicing-contract-rights-process-overview-final.pdf**

(iii) Freddie Mac consent to a Conveyance regarding a Financing

Other than a Transfer of Servicing, which requires separate Freddie Mac consent pursuant to Series 7000, or a Seller/Servicer's grant of security interest to Freddie Mac under Section 1101.2(c)(vi), Freddie Mac will indicate its consent to a Conveyance regarding Financing by executing an Acknowledgment Agreement, which also must be executed by the Servicer and its Secured Party (together with any other parties named therein), in a form and substance acceptable to Freddie Mac.

A Servicer's grant to a Secured Party of a security interest in the Servicing Contract Rights, as more specifically defined in the Acknowledgment Agreement, notwithstanding the date, time, method, manner or order of grant, attachment or perfection of any other liens, (i) is subject and subordinate in each and every respect to all rights, powers, and prerogatives of Freddie Mac and the first-priority and continuing Lien of Freddie Mac in the Freddie Mac Collateral, and (ii) may be made only for a purpose as set forth in Exhibit 33A or Exhibit 33B, as applicable, and any other purpose as specified in the Acknowledgment Agreement. Any purported or attempted grant of a security interest in any other rights or interest of the Servicer under the Servicing Contract, or for the purpose of securing any other type of obligation, is prohibited and shall be null and void. In addition, a Servicer's purported or attempted grant to a lender of a security interest in the Servicing Contract Rights without the Servicer and the lender also having executed an Acknowledgment Agreement acceptable to, and executed by, Freddie Mac is prohibited and shall be null and void.

The Collateral encumbered by the Secured Party's security interest must not include (i) servicing advance reimbursement rights, (ii) Borrower payments of principal, interest, or

Escrow Funds, (iii) the right to perform Servicing, (iv) the right to designate who may perform the Servicing, (v) the right to terminate the Servicer or the Servicing Contract, or (vi) the right to transfer any of the Collateral. No Financing transaction shall be construed as a division of the Servicing Contract Rights.

A Servicer may make a separate request to Freddie Mac for consent to enter into a financing transaction secured by advance reimbursement rights, defined as an Advance Financing pursuant to Section 9701.23 and Exhibit 103. In no event shall any Advance Financing be cross-collateralized with any Collateral under any Servicing Contract Rights Financing (as defined in Section 9701.23(c)). Any Collateral under any Servicing Contract Rights Financing is and will continue to be at all times separate and distinct from any and all collateral under any Advance Financing.

(iv) Unauthorized Conveyances

Any unauthorized Conveyance constitutes grounds for suspension (to the extent such Secured Party is a Freddie Mac Seller/Servicer) or disqualification of both the Seller/Servicer and the purported Secured Party as Seller/Servicers. In addition, Freddie Mac may exercise any of its other rights under the Purchase Documents. An unauthorized Servicer's Conveyance without Freddie Mac's written consent as set forth in an Acknowledgment Agreement consistent with the requirements of this section and Exhibit 33A or Exhibit 33B, as applicable, will result in the assessment of a compensatory fee determined by Freddie Mac not to exceed 1% of Freddie Mac's share of the UPB of the Mortgages that were related to the unauthorized Conveyance. The imposition of this compensatory fee does not limit Freddie Mac's rights to exercise any of its other rights under the Purchase Documents including, but not limited to, suspension (to the extent such Secured Party is a Freddie Mac Seller/Servicer) or disqualification of both the Seller/Servicer and its purported Secured Party as Seller/Servicers. If an unauthorized Conveyance occurs, the Servicer and purported Secured Party, to the extent such Secured Party is a Freddie Mac Seller/Servicer, are jointly and severally liable to Freddie Mac with respect to Claims incurred by Freddie Mac arising out of or related to the unauthorized Conveyance. In the event that the Secured Party involved in an unauthorized Conveyance is not a Freddie Mac Seller/Servicer, Freddie Mac reserves the right to add such Secured Party to the Freddie Mac Exclusionary List per Section 3101.1.

(v) Freddie Mac's rights to assign its rights and interests

Freddie Mac has the unconditional right to sell, assign, convey, hypothecate, pledge or in any way transfer, in whole or in part, its rights and interest under the Purchase Documents with respect to any Mortgage it purchases. Freddie Mac has the right to direct the Servicer to send remittances, notices, reports and other communications to any party

designated by Freddie Mac and may designate any such party to exercise any and all of Freddie Mac's rights hereunder.

(vi) Seller/Servicers grant of a security interest to Freddie Mac

(a) Seller/Servicers hold, and may hold in the future, Servicing Contract Rights related to the Servicing Contract it has entered into, and continues to enter into, with Freddie Mac upon the sale of loans to Freddie Mac and/or in connection with the entry into the Servicing Contract and assumption of the Servicing Contract Rights as a Transferee Servicer in connection with a Transfer of Servicing. Upon (1) a Seller's sale of loans to Freddie Mac through Loan Selling Advisor®, (2) a Transferee Servicer's entry into the Servicing Contract and assumption of the Servicing Contract Rights in connection with a Transfer of Servicing, or (3) in connection with any Servicer's continuing Servicing of Mortgages by virtue of such Servicer's access to any Freddie Mac system via Servicing Gateway, each Seller/Servicer agrees to the provisions of this Section 1101.2(c)(vi).

(b) Seller/Servicer pledges its Servicing Contract Rights and the other Freddie Mac Collateral to Freddie Mac, as security for the prompt payment and/or performance by Seller/Servicer of the Secured Obligations.

(c) Seller/Servicer's agreement to the provisions of this Section 1101.2(c)(vi) is a material inducement to Freddie Mac permitting or continuing to permit the Seller/Servicer to: (i) sell Mortgages to Freddie Mac under the Purchase Documents, (ii) perform Servicing of the Mortgages pursuant to the Servicing Contract, and (iii) generally conduct business with Freddie Mac.

(d) Seller/Servicer pledges, hypothecates, assigns, transfers, sets over and delivers unto Freddie Mac all its right and interest to, and hereby grants to Freddie Mac a first-priority and continuing Lien on, all of Seller/Servicer's right and interest in, to, and under the Freddie Mac Collateral.

(e) The Lien created under this Section 1101.2(c)(vi) is granted to Freddie Mac, to secure the prompt performance and payment in full of all of the Secured Obligations.

(f) Seller/Servicer authorizes Freddie Mac and its designees, attorneys and agents to file (at Seller/Servicer's expense, at any time (whether such filing has previously occurred or will occur in the future) and in each jurisdiction deemed necessary or appropriate by Freddie Mac, including without limitation, Seller/Servicer's State of formation, a financing statement naming Seller/Servicer as debtor and Freddie Mac as secured party and describing the Freddie Mac Collateral, including amendments and continuation statements) to perfect, protect, or more fully evidence Freddie Mac's first-priority Lien in the Freddie Mac Collateral. Seller/Servicer agrees to promptly notify Freddie Mac in writing of any change in (i) its legal name, (ii) its identity or type of organization or corporate structure, (iii) the jurisdiction of its

organization, or (iv) Seller/Servicer's chief executive office, principal place of business, or location of its books and records relating to the Freddie Mac Collateral, in each case, in accordance with the timeframes set forth in Section 2101.12. Seller/Servicer agrees to promptly pay the expense of such filings as set forth on invoices to be sent to Seller/Servicer from time to time and, to the extent not paid, the expenses shall become FRE Claims.

(g) In furtherance of this Section 1101.2(c) and the further assurances provided by Seller/Servicer to Freddie Mac pursuant to Section 3601.1, and only if specifically requested by Freddie Mac, Seller/Servicer shall execute and deliver to Freddie Mac, within five (5) Business Days of such request, a stand-alone pledge and security agreement, in the form of Exhibit 105, Pledge and Security Agreement, further evidencing the Seller/Servicer's grant of a Lien to Freddie Mac in the Freddie Mac Collateral, consistent with purposes of this Section 1101.2(c)(vi), and with such state-specific revisions as necessary as to Seller/Servicer's jurisdiction of its organization. Notwithstanding the foregoing, any executed pledge and security agreement delivered to Freddie Mac, now or in the future, shall remain enforceable in all respects regardless of whether Freddie Mac specifically requested the document or not.

(h) **Freddie Mac's Appointment as Attorney-In-Fact; Lien**.

i. Seller/Servicer irrevocably constitutes and appoints Freddie Mac, and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of Seller/Servicer and in the name of Seller/Servicer or in its own name, from time to time in Freddie Mac's discretion, if a Default shall have occurred and be continuing, to take any and all appropriate action and to execute and deliver any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Section 1101.2(c)(vi) and, without limiting the generality of the foregoing, Seller/Servicer gives Freddie Mac the power and right, on behalf of Seller/Servicer, without assent by, but with notice to, Seller/Servicer, if a Default shall have occurred and be continuing, to do the following:

1. in the name of Seller/Servicer or its own name, or otherwise, to take possession of and endorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due with respect to any Freddie Mac Collateral and to file any claim or to take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by Freddie Mac for the purpose of collecting any and all such moneys due with respect to any Freddie Mac Collateral whenever payable; and

2. (i) to direct any party liable for any payment under any Freddie Mac Collateral to make payment of any and all moneys due or to become due thereunder directly to Freddie Mac or as Freddie Mac shall direct; (ii) to

demand and collect any and all moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Freddie Mac Collateral; (iii) to sign and endorse any invoices, assignments, verifications, notices and other documents in connection with any Freddie Mac Collateral; (iv) to commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Freddie Mac Collateral or any part thereof and to enforce any other right in respect of any Freddie Mac Collateral; (v) in connection with the above, to give such discharges or releases as Freddie Mac may deem appropriate; and (vi) generally, to sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Freddie Mac Collateral as fully and completely as though Freddie Mac were the absolute owner thereof for all purposes, and to do, at Freddie Mac's option and Seller/Servicer's expense, at any time, or from time to time, all acts and things which Freddie Mac deems necessary to protect, preserve or realize upon the Freddie Mac Collateral and the Lien of Freddie Mac thereon and to effect the intent of this Section 1101.2(c)(vi), all as fully and effectively as Seller/Servicer might do.

ii. In furtherance of the foregoing, Seller/Servicer shall execute and deliver to Freddie Mac, within one (1) Business Day of a request by Freddie Mac, documentation further evidencing the limited power of attorney granted pursuant to this Section1101.2(c)(vi), in such a form as set forth in Section 14.03 of Exhibit 33A or Exhibit 33B, as applicable, and with such revisions as necessary to be enforceable in the applicable jurisdiction. Seller/Servicer ratifies all that said attorneys shall lawfully do or cause to be done by virtue of this Section 1101.2(c)(vi). The power of attorney is a power coupled with an interest and is irrevocable.

iii. Seller/Servicer authorizes Freddie Mac, at any time and from time to time, to execute, in connection with any sale or assignment, as applicable, provided for in this Section 1101.2(c), any endorsements, assignments or other instruments of conveyance or transfer reasonably required with respect to the Freddie Mac Collateral.

iv. The powers conferred on Freddie Mac under this Section 1101.2(c)(vi) are solely to protect Freddie Mac's first-priority Lien in the Freddie Mac Collateral and shall not impose any duty upon Freddie Mac to exercise any such powers. Freddie Mac shall be accountable only for amounts that it receives as a result of the exercise of such powers, and neither Freddie Mac nor any of its officers, directors, or employees shall be responsible to Seller/Servicer for any act or failure to act under this Section 1101.2(c)(vi). The powers conferred on Freddie Mac under this Section 1101.2(c)(vi) shall be deemed to be in addition to, and shall not limit the scope of, any power of attorney granted by Seller/Servicer to Freddie Mac in the Guide, in connection with any Acknowledgment Agreement or in any other power of attorney.

(i) **Remedies for Default of this Section 1101.2**.

i. Seller/Servicer agrees upon the occurrence of any Default under this Section 1101.2(c)(vi) that is continuing, Freddie Mac, in addition to all other rights and remedies under the Guide and the other Purchase Documents or otherwise, shall have the right to require Seller/Servicer to assemble at Seller/Servicer's expense all of the Freddie Mac Collateral in its possession and shall have all the rights and remedies provided under applicable law, which rights shall be cumulative and shall be exercised at Freddie Mac's sole discretion. All actual out-of-pocket costs incurred by Freddie Mac in the collection of Seller/Servicer's obligations pursuant to this Section 1101.2(c)(vi) and the other Purchase Documents, and the enforcement of its rights under this Section 1101.2(c)(vi), including reasonable attorneys' fees, court costs, and other expenses and the reasonable fees and expenses of accountants, investment banks and any other experts reasonably engaged by Freddie Mac to assist it with the enforcement of remedies under this Section 1101.2 (c)(vi)(i), shall be paid out of the Freddie Mac Collateral prior to the payment of any other amounts due as provided in this Section 1101.2(c)(vi). Any sale or assignment, as applicable, of the Freddie Mac Collateral pursuant to applicable law shall be conducted in a commercially reasonable manner and in accordance with applicable law. Seller/Servicer acknowledges to the extent notice of sale or assignment, as applicable, shall be required by applicable law, at least ten (10) calendar days' notice to Seller/Servicer of the time and place of any public sale or assignment, as applicable, or the time after which any private sale or assignment, as applicable, is to be made shall constitute reasonable notice, but notice given in any other reasonable manner or at any other reasonable time shall also constitute reasonable notification. Seller/Servicer agrees that in any sale or assignment, as applicable, of any of the Freddie Mac Collateral, Freddie Mac is hereby authorized to comply with any limitation or restriction in connection with such sale or assignment, as applicable, (A) as it may be advised by counsel is necessary in order to avoid any violation of applicable law, rule or regulation, the Guide, the other Purchase Documents, and/or the Servicing Contract, or (B) in order to obtain any required approval of the sale or assignment, as applicable, or of the purchaser or Transferee Servicer by any governmental authority (including, without limitation, compliance with such procedures as may restrict the number of prospective bidders and purchasers or Transferee Servicers, require that such prospective bidders and purchasers or Transferee Servicers have certain qualifications, including, but not limited to, that any potential purchaser or Transferee Servicer be an approved Freddie Mac Single-Family Seller/Servicer and restrict such prospective bidders and purchasers or Transferee Servicers to Persons who will represent and agree that they are purchasing or assuming for their own account for investment and not with a view to the distribution or resale or reassignment of such Freddie Mac Collateral, as applicable), and Seller/Servicer further agrees that such compliance shall not result in such sale or assignment, as applicable, being

considered or deemed not to have been made in a commercially reasonable manner. Freddie Mac shall not be liable for any sale or assignment, as applicable, private or public, conducted in accordance with this Section 1101.2(c)(vi). All proceeds from each sale or assignment, as applicable, of, or other realization upon, all or any part of the Freddie Mac Collateral following a Default shall be applied to FRE Claims subject to the payment or reimbursement of Freddie Mac's out-of-pocket costs as set forth above (with Seller/Servicer being liable for any deficiency) with the balance (if any), paid to whomsoever is entitled thereto in accordance with the terms and provisions of this Section 1101.2(c)(vi) and applicable law.

ii. Freddie Mac may, in addition to and not in abrogation of the rights set forth in this Section 1101.2(c)(vi) and the Purchase Documents, proceed by a suit or suits in law or in equity or by any other appropriate proceeding or remedy to either (A) specifically enforce payment or the performance of any term, covenant, condition or agreement of this Section 1101.2(c)(vi) or any other right, and/or (B) pursue any other remedy available to it, all as Freddie Mac determines at its sole discretion.

iii. Seller/Servicer waives any right to require any marshaling of assets and any similar right

(j) **Representations and Warranties**. Seller/Servicer represents and warrants to Freddie Mac as follows:

i. Formation. Seller/Servicer is duly organized or chartered and validly existing in the State of its formation or validly chartered under applicable federal law. The correct legal name of Seller/Servicer and Seller/Servicer's place of formation are set forth in Seller/Servicer's annual certification documents submitted to Freddie Mac pursuant to Section 2101.10.

ii. Liens. None of the Freddie Mac Collateral is subject or will be subject to any Lien or to any agreement purporting to grant to any third party a security interest or lien in any or all of the Freddie Mac Collateral, except for the Lien granted under this Section 1101.2(c) and the rights of Freddie Mac pursuant to the Guide and the other Purchase Documents, and only to the extent applicable, a grant of a subordinate lien expressly made pursuant to an executed and delivered Acknowledgment Agreement. Seller/Servicer represents and warrants that the Lien in, the pledge of, and the assignment and delivery of (if applicable), the Freddie Mac Collateral under this Section 1101.2(c) creates a valid, perfected (upon the filing of a financing statement), first-priority Lien in favor of Freddie Mac in and to the Freddie Mac Collateral.

1. Chief Executive Office. The chief executive office and principal place of business of Seller/Servicer and the location of Seller/Servicer's books and records relating to the Freddie Mac Collateral have been previously

provided to Freddie Mac pursuant to Seller/Servicer's annual certification documents submitted to Freddie Mac pursuant to Guide Section 2101.10.

2. Authority, etc. Seller/Servicer has the requisite organizational power and authority to pledge and grant a Lien in the Freddie Mac Collateral in the manner done or contemplated under this Section 1101.2(c)(vi).

3. No Violation. The agreement by Seller/Servicer under, and performance of the Seller/Servicer pursuant to, this Section 1101.2(c)(vi) and the exercise by Freddie Mac of its rights and remedies under this Section 1101.2(c)(vi) do not and will not result in the violation of the organizational documents of Seller/Servicer or any agreement, indenture or instrument, any license, judgement, decree, order, law, statute or other governmental rule or regulation

4. No Approval. No consent, filing, approval, registration or recording is required (i) for the pledge by Seller/Servicer of the Freddie Mac Collateral pursuant to this Section 1101.2(c)(vi) or (ii) to perfect the Lien created by this Section 1101.2(c)(vi), except for the filing of a UCC-1 financing statement (which Seller/Servicer consents to such filing by Freddie Mac pursuant to this Section 1101.2(c)(vi)).

(k) **Covenants**. Seller/Servicer unconditionally covenants and agrees as follows as to the Freddie Mac Collateral:

i. Defending Title to Freddie Mac Collateral. Seller/Servicer covenants and agrees, at its sole cost and expense, that it will defend Freddie Mac's right, title, and Lien in and to the Freddie Mac Collateral and the proceeds thereof against the claims and demands of all Persons whomsoever

ii. Books and Records. Seller/Servicer shall keep accurate, complete and adequate books and records relating to the Freddie Mac Collateral, the Mortgages, the Servicing Contract, and the Purchase Documents in accordance with the Servicing Contract, the Guide and the other Purchase Documents

(l) **Reimbursement of Freddie Mac**. In addition to any other rights to reimbursement provided by this Guide, Seller/Servicer agrees to pay upon demand to Freddie Mac the amount of any and all reasonable expenses, including reasonable attorneys' fees and the reasonable disbursements and other charges of its counsel and of any experts or agents, that Freddie Mac may incur in connection with (i) the administration of this Section 1101.2(c) including, but not limited to, the actual cost of filing a financing statement in connection with the pledge granted under this Section 1101.2(c) to protect Freddie Mac's rights in the Freddie Mac Collateral, (ii) the custody or preservation of, or any sale or assignment, as applicable, of, collection from, or other realization upon any of the Freddie Mac Collateral, (iii) the exercise or enforcement of any of the rights of Freddie Mac under the Guide and

applicable Purchase Documents, and (iv) the failure by Seller/Servicer to perform or observe any of the provisions of this Section 1101.2(c). Any such amounts payable as provided under this Section 1101.2(c) shall be additional Secured Obligations.

(m) **Indemnification**. Seller/Servicer agrees to indemnify and hold Freddie Mac and any entity controlling, controlled by, or under common control with Freddie Mac and any officer, attorney, director, shareholder, agent or employee of Freddie Mac or any such entity (each an "**Indemnified Person**"), harmless from and against any Claims, brought against or incurred by an Indemnified Person, in any manner arising out of or, directly or indirectly, related to or connected with this Section 1101.2(c), including the exercise by Freddie Mac of any of its rights and remedies under this Section 1101.2(c) or any other action taken by Freddie Mac pursuant to the terms of this Section 1101.2(c); *provided, however,* Seller/Servicer shall not be liable to an Indemnified Person for any Claims to the extent that such Claims are solely and directly the result of the gross negligence or willful misconduct of such Indemnified Person as determined by a final non-appealable order from a court of competent jurisdiction. Seller/Servicer's obligations under this Section 1101.2(c) shall survive the payment in full of the Secured Obligations.

(n) **Continuing Lien.** Seller/Servicer and Freddie Mac agree that the Lien created by this Section 1101.2(c) in the Freddie Mac Collateral shall not terminate and shall continue and remain in full force and effect until released by Freddie Mac in writing as determined by Freddie Mac in its sole and absolute discretion.

(o) **Cumulative Rights; No Waiver**. Notwithstanding anything in this Section 1101.2(c) to the contrary, all of Freddie Mac's rights and remedies provided in the Guide or any other Purchase Document together with those granted by law or at equity, are cumulative and may be exercised by Freddie Mac at any time and from time to time. Freddie Mac's exercise of any right or remedy shall not constitute a cure of any Default, unless all sums then due and payable to Freddie Mac under this Section 1101.2(c) are repaid and Seller/Servicer has cured all other Defaults. Neither the failure on the part of Freddie Mac to exercise, nor the delay on its part in exercising any right, power or remedy hereunder, nor any course of dealing between Freddie Mac and Seller/Servicer shall operate as a waiver or modification thereof, nor shall any single or partial exercise of any such right, power, or remedy hereunder preclude any other or the further exercise thereof or the exercise of any other right, power or remedy.

(vii) Release of the security interest granted to Freddie Mac

(a) Solely as it relates to a Transferor Servicer in connection with a Freddie Mac-approved Transfer of Servicing (including a VPC Transfer of Servicing or Flow VPC Transfer of Servicing as defined in Exhibit 30 or Exhibit 31, respectively), effective as of the Effective Date of Transfer, and without the need for any action by any Person or Freddie Mac, Freddie Mac shall be deemed to automatically release (in

each case, a "Freddie Mac Partial Release") its Lien in the Freddie Mac Collateral pertaining to Transferor Servicer's Servicing Contract Rights subject to the Transfer of Servicing. For the avoidance of doubt, to the extent an Unauthorized Servicing Transfer occurs as to any of Transferor Servicer's Servicing Contract Rights, Freddie Mac shall retain its Lien in all Freddie Mac Collateral, including, without limitation, any "Proceeds" as defined under the UCC in connection with such Unauthorized Servicing Transfer pertaining to such Servicing Contract Rights. Notwithstanding the occurrence of any Freddie Mac Partial Release, Freddie Mac shall continue to retain any and all of its rights against Seller/Servicer pursuant to the Guide and the Purchase Documents, at law or in equity, and no Freddie Mac Partial Release shall be deemed a waiver, release, discharge, impairment or otherwise affect Seller/Servicer's obligations to Freddie Mac pursuant to the Guide and the other Purchase Documents.

i. In the event that Transferor Servicer desires that a UCC financing statement filed in connection with this Section 1101.2(c) be terminated, Transferor Servicer must send a written request to Freddie Mac for authorization for Transferor Servicer to file, at Transferor Servicer's sole cost and expense, such UCC termination statement. Following the filing by Transferor Servicer of such Freddie Mac-authorized UCC termination statement, Transferor Servicer will promptly provide evidence of such filing to Freddie Mac.

(b) Solely as it relates to a Transferee Servicer in connection with a Transfer of Servicing, effective as of the Effective Date of Transfer, such Transferee Servicer shall be deemed, automatically, without the need for any action by Freddie Mac or Seller/Servicer pursuant to this Section 1101.2(c), to have granted to Freddie Mac a Lien in the Freddie Mac Collateral pertaining to Transferee Servicer's Servicing Contract Rights subject to the Transfer of Servicing.

(d) Notice

(i) Seller/Servicer notices to Freddie Mac

Except as otherwise provided in the Guide or other Purchase Documents, any communication, advice, consent, document, notice or direction given, made, sent or withdrawn by the Seller/Servicer pursuant to the Purchase Documents must be in writing and will be deemed to have been duly given to and received by Freddie Mac on the day such communication, advice, consent, document, notice or direction is actually received by Freddie Mac at the address specified below:

Address: In writing to Freddie Mac **(see Directory 1)** by first class mail

Other addresses may be substituted for the above upon notice of the substitution.

(ii) Freddie Mac notices to Seller/Servicer

Any communication, advice, consent, document, notice or direction given, made, sent or withdrawn by Freddie Mac pursuant to the Purchase Documents may be in writing or may be in electronic form in accordance with Chapter 1401. Such notice will be deemed to have been duly given to the Seller/Servicer on the date such communication, advice, consent, document, notice or direction is:

- Received in writing by first class mail by the Seller/Servicer at the address set forth in the Purchase Documents, or

- Received in electronic form (e-mail) as an Electronic Record by the Seller/Servicer's computer information processing system at its internet e-mail address provided to Freddie Mac by the Seller/Servicer, or

- Received in electronic form (facsimile) as a Record or Electronic Record by the Seller/Servicer's electronic facsimile machine or system at the facsimile telephone number provided to Freddie Mac by the Seller/Servicer

Other addresses may be substituted for the above upon notice of the substitution.

(e) Severability

If any provision of this Guide shall be held invalid, the legality and enforceability of all remaining provisions shall not in any way be affected or impaired thereby, and this Guide shall be interpreted as if such invalid provision were not contained herein.

(f) Defined terms

Initial capitalization of words in the Guide generally denotes terms that are defined in (i) the Glossary, (ii) the chapter in which capitalized words appear, or (iii) an expressly referenced chapter.

(g) Construction of the Guide

This Guide shall not be construed against Freddie Mac as being the drafter hereof.

(h) Entire agreement

This Guide, including the exhibits attached to the Guide and all Purchase Documents incorporated by reference in the Guide, constitutes the entire understanding between Freddie Mac and the Seller/Servicer and supersedes all other agreements, covenants, representations, warranties, understandings and communications between the parties, whether oral or written or Electronic, with respect to the transactions contemplated by the Guide.

(i) Governing law

This Guide shall be construed, and the rights and obligations of Freddie Mac and the Seller/Servicer hereunder determined, in accordance with the laws of the United States. Insofar as there may be no applicable precedent, and insofar as to do so would not frustrate any provision of this Guide or the transactions governed thereby, the laws of the State of New York shall be deemed reflective of the laws of the United States.

(j) Copyright

The Guide (including related supplements and Bulletins) and Industry Letters are copyrighted. Limited permission to reproduce the Guide is granted to Seller/Servicers strictly for their own use in originating and selling Mortgages to, and in Servicing Mortgages for, Freddie Mac. No part of the Guide may be reproduced for any other reason (in any form or by any means) without the express written permission of Freddie Mac. Requests for such permission to reproduce the Guide must be sent to Freddie Mac **(see Directory 1)**.

Requests will be reviewed and answered by Freddie Mac in the ordinary course of business.

Freddie Mac reserves the right to revoke permission to reproduce the Guide upon 60 days' notice to any and all Seller/Servicers. Under no circumstances will Freddie Mac permit the Guide to be reproduced by any Electronic or mechanical means, including, but not limited to, reproduction in, or as a component of, any information storage and retrieval system.

(k) Headings and design features

Headings and design features are written for convenience of reference only and do not constitute a part of this Purchase Document.

1101.3: Occurrence of a Claims Event; resulting liability immediately due and owing to Freddie Mac (08/09/23)

Upon the occurrence of any Claims Event, all FRE Claims related to the Seller/Servicer shall be deemed immediately and automatically due and payable, without the need for further action by Freddie Mac or any other party. The calculation of FRE Claims shall be conclusive absent manifest error.

With respect to those Claims Events for which Freddie Mac's approval or consent is required, a Seller/Servicer must pay, unconditionally and in full, any and all FRE Claims as a condition to receipt of Freddie Mac's approval of or consent to such Claims Event, if applicable; provided, however, that Freddie Mac may at any time expressly waive or defer such payment obligation in writing in its sole and absolute discretion.

Chapter 1201: General Freddie Mac Policies

1201.1: Objective of Freddie Mac's purchase programs (03/02/16)

Freddie Mac was created by Congress in 1970 to stabilize the nation's residential mortgage markets and expand opportunities for homeownership and affordable rental housing (Federal Home Loan Mortgage Corporation Act, 12 U.S.C. 1451 et. seq.). Freddie Mac's public mission is to provide liquidity, stability and affordability to the United States housing market. Freddie Mac does this primarily by purchasing residential Mortgages originated by mortgage lenders. In most instances, Freddie Mac packages these Mortgages into mortgage-related securities, which are guaranteed by Freddie Mac and sold in the global capital markets. Freddie Mac also invests in Mortgages and mortgage-related securities. Freddie Mac does not originate Mortgages or lend money directly to consumers.

Freddie Mac supports the United States housing market and the overall economy by:

- Providing America's families with access to mortgage funding at lower rates
- Helping distressed borrowers keep their homes and avoid foreclosure, and
- Providing consistent liquidity to the multifamily mortgage market, which includes providing financing for affordable rental housing

Freddie Mac is also working with the FHFA, Freddie Mac's customers and the industry to build a stronger housing finance system for the nation.

1201.2: Overview of Freddie Mac's purchase programs (04/12/23)

Freddie Mac purchase programs provide for the purchase of conventional Home Mortgages on a whole loan basis. Freddie Mac does not set a minimum loan amount for purchases and encourages the Seller to make loans of any amount.

Mortgages under all purchase programs are purchased by Freddie Mac on a Required Net Yield basis to Freddie Mac. Freddie Mac compensates Seller/Servicers for Servicing Mortgages in an amount equal to the amount of interest payments received on the Mortgages that is over and above the Required Net Yield and authorizes Seller/Servicers to retain such compensation out of such interest payments. Under no circumstance does a Seller/Servicer retain any legal ownership in any portion of the interest due or received under a Mortgage that is owned by Freddie Mac. When a Mortgage is purchased, the Seller must select a Minimum Servicing Spread in an amount that provides adequate Servicing compensation to the Seller/Servicer.

Freddie Mac reserves the right to supplement, modify or terminate any purchase program at any time without prior notice.

1201.3: Characterization and nature of Mortgage purchase transactions (04/12/23)

The Seller and Freddie Mac agree that each and every Mortgage purchase and sale transaction entered into under the Purchase Documents (including, without limitation, any purchase and sale under the Cash, Guarantor or MultiLender Swap programs) — whether sold with or without recourse — is expressly intended by the Seller and Freddie Mac:

- To be construed as the Seller's sale, transfer, conveyance and delivery of all such Mortgages to Freddie Mac, and
- To be construed as Freddie Mac's purchase and receipt of such Mortgages, and
- Not to be construed as the Seller's pledge to secure a debt or any other obligation

The Seller and Freddie Mac intend for the sale, transfer, conveyance and delivery of all Mortgages to Freddie Mac by the Seller to be true, absolute and unconditional sales conveying all of the Seller's right, title and interest in and to the Mortgages and all proceeds from the Mortgages. The Seller represents and warrants to, and convenents and agrees with Freddie Mac, that it does not retain any rights or legal ownership interests in the Mortgages it sells to Freddie Mac or in any payment due under or proceeds from such Mortgages, including, but not limited to, (i) any portion of the interest due or received under such Mortgages or (ii) the Servicing Contract Rights. Freddie Mac acknowledges that a Seller/Servicer may recognize Servicing Contract Rights as assets on its balance sheet in the form of "mortgage servicing rights" in accordance with generally accepted accounting principles (GAAP); however, such recognition as under GAAP does not confer any legal ownership interest in any Servicing Contract Rights or the Mortgage.

If despite the intent of the Seller and Freddie Mac, the Mortgages (or any of them) are determined to be property of the Seller (i.e., the sale was not a true sale), Freddie Mac and the Seller agree that:

- The Purchase Documents created 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 or its designee (including, without limitation, any applicable Document Custodian) of the Notes (and any related documents) shall be deemed to be possession by the secured party for purposes of perfecting the security interest pursuant to the UCC

- The Seller shall assist Freddie Mac with any reasonable actions necessary to ensure that Freddie Mac receives a perfected security interest of first priority under applicable law; and

- 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

1201.4: Limitation on Mortgage purchases and commitments (03/02/16)

(a) Limitation on number and amount of Mortgage purchases and commitments

Freddie Mac reserves the right to:

- Limit the number and/or aggregate dollar amount of Mortgage commitments it will accept from any Seller. Maximums are subject to change by Freddie Mac at any time without prior notice or publication

- Establish the Maximum Annual Mortgage Purchase Amount that Freddie Mac will purchase from a Seller in any calendar year. Freddie Mac will notify a Seller in writing if Freddie Mac has established a Maximum Annual Mortgage Purchase Amount for that Seller for that calendar year and will inform the Seller of the maximum amount for that year. The Maximum Annual Mortgage Purchase Amount will not be adjusted by a purchase tolerance, and the purchase tolerances in Section 6401.1 will not apply to the Maximum Annual Mortgage Purchase Amount.

- Limit the number and/or aggregate dollar amount of Home Mortgages it will purchase in any subdivision, tract, Condominium Project, Planned Unit Development (PUD), or ground lease community

- Establish maximum Mortgage purchase amounts for time frames other than one year

- Establish maximum purchase amounts for specific types of Mortgages based on Mortgage characteristics or any other basis Freddie Mac deems appropriate, at its sole discretion

- Establish minimum Mortgage purchase amounts

(b) Review of aggregate purchase amount

If Freddie Mac has established a Maximum Annual Mortgage Purchase Amount with respect to the Seller, Freddie Mac will, after a commitment has been made, review the aggregate amount of Mortgages purchased from the Seller to date in the current calendar year. Freddie Mac will notify the Seller if the contract commitment amount stated in the Purchase Contract, when added to the aggregate amount of Mortgage purchases to date from the Seller for that calendar year, would cause the Seller to exceed the Maximum Annual Mortgage Purchase Amount established for the Seller. In such case, Freddie Mac, in its sole and absolute discretion, may purchase Mortgages from the Seller in an amount that exceeds the Seller's Maximum Annual Mortgage Purchase Amount or may rescind, in whole or in part, any Purchase Contract (including any Purchase Contract entered into by any other Freddie Mac authorized method) that will result in the Seller's exceeding its Maximum Annual Mortgage Purchase Amount. The Seller agrees that any such rescission shall be made without the payment by Freddie Mac of any Seller claims.

1201.5: Servicing in accordance with Purchase Documents (03/02/16)

Mortgages purchased by Freddie Mac must be serviced by a Servicer in accordance with applicable law and the applicable Purchase Documents. For performing Servicing duties, Freddie Mac will compensate the Servicer in accordance with Chapter 8103.

Freddie Mac reserves the right to refuse to purchase any Mortgage that, in its sole discretion, Freddie Mac determines cannot be adequately serviced by the Seller (if also a Servicer), its assignee or its duly authorized Servicing Agent.

1201.6: Transfer costs (03/02/16)

The Seller agrees to pay documentary stamp taxes, recording fees, transfer taxes and all other expenses payable in connection with Mortgages purchased by Freddie Mac.

1201.7: Sale of Mortgages by Freddie Mac (04/12/23)

Freddie Mac may, from time to time, sell in whole or in part Mortgages it has purchased pursuant to the Purchase Documents.

For information regarding a termination of the Servicing Contract and related Servicing Contract Rights related to the sale of Mortgages by Freddie Mac, refer to Section 3603.6.

1201.8: Receipt and treatment of confidential information (04/12/23)

(a) Receipt and treatment of Freddie Mac confidential information

In connection with its relationship with Freddie Mac, Seller/Servicer may obtain, or Freddie Mac may provide the Seller/Servicer with, information and documentation that Freddie Mac identifies or has identified as confidential (collectively, "Freddie Mac confidential information"). Freddie Mac confidential information may include, but is not limited to, information and documentation concerning the development, negotiation, operation or terms of various products or programs, technology, business terms, trade secrets and commercial and financial information. In addition, information that Seller/Servicer is required by applicable law to treat as confidential, and information that Seller/Servicer knows or should know should be treated as confidential are considered Freddie Mac confidential information, whether or not Freddie Mac has identified the information as confidential. All information and materials that are based on, or include, Freddie Mac confidential information ("derivative information"), including without limitation, information and materials created by Seller/Servicer, are also considered Freddie Mac confidential information. Confidential information may include confidential information belonging to third parties.

(i) Treatment of Freddie Mac confidential information

The Seller/Servicer must treat all Freddie Mac confidential information as strictly confidential and proprietary to Freddie Mac. The Seller/Servicer must not release or disclose or permit the release or disclosure of Freddie Mac confidential information, or any portion thereof, for any purpose at any time except to the following extent (the "Permitted Purposes"):

- Allowed by this Section 1201.8
- Expressly required or consented to by Freddie Mac in writing, or
- Ordered by a court or administrative agency of competent jurisdiction

In the event the Seller/Servicer anticipates that it may be required, for any reason, to release or disclose Freddie Mac confidential information (other than as allowed in the first two bullets of the preceding sentence), the Seller/Servicer shall immediately notify Freddie Mac **(see Directory 1)**, and provide reasonable cooperation to Freddie Mac, to allow Freddie Mac to take any actions it deems necessary to prevent or limit the release or disclosure of the Freddie Mac confidential information in question.

(ii) Copies of Freddie Mac confidential information

The Seller/Servicer shall not copy or permit copies to be made of the Freddie Mac confidential information or any portion thereof, except to the extent necessary for the

Permitted Purposes. The Seller/Servicer shall mark "Confidential" in a prominent location on all Freddie Mac confidential information and copies.

(iii) Authorized parties

To the extent necessary to fulfill its Servicing obligations under the Servicing Contract or other obligations to Freddie Mac (except as set forth below regarding the Freddie Mac Exclusionary List), the Seller/Servicer may provide Freddie Mac confidential information and copies thereof, to the following persons ("Persons"):

- Officers, directors, principals, partners, employees of the Seller/Servicer
- Its regulators, auditors, counsel and accountants
- Any MI or other vendor
- Any prospective Transferee Servicer, but only with respect to copies of a Transferor Servicer's Purchase Documents applicable to the Mortgages related to the Transfer of Servicing required to be provided pursuant to Section 7101.2

The Seller/Servicer also may provide Freddie Mac confidential information and copies thereof to Persons to the extent counsel for the Seller/Servicer determines that such sharing is legally required. The Seller/Servicer must notify any Persons receiving the Freddie Mac confidential information (and any copy thereof) that such Person has the same obligations as the Seller/Servicer to keep the Freddie Mac confidential information (and any copy thereof) confidential and may use it only for the Permitted Purpose for which the information was provided to such Person. The Seller/Servicer is responsible for compliance by all such Persons with the provisions of this Section 1201.8. The Seller/Servicer will deliver to Freddie Mac a list of all such Persons promptly upon request.

Notwithstanding the preceding provisions of this Section 1201.8, under no circumstances may a Seller/Servicer provide or otherwise make available the Exclusionary List to any Person or entity (other than to the Seller/Servicer's officer, director, principal, partner or employee with a need to have the Exclusionary List for the purposes set forth in this section) without the prior express written authorization of Freddie Mac.

(iv) Exclusions

Confidential information does not include:

- Any information that is:
  - Generally available to the public without violation of the provisions of this Section 1201.8

- Provided to the Seller/Servicer by a third party that is not itself under a confidentiality obligation with respect to the information, or

- Independently developed by the Seller/Servicer without use of the Freddie Mac confidential information, derivative information or any portion thereof

In addition, nothing in this Section 1201.8(a) will be deemed to preclude the Seller/Servicer from disclosing Freddie Mac confidential information to the extent ordered by a court or agency of competent jurisdiction, as long as (i) if legally permissible, Seller/Servicer promptly notifies Freddie Mac of the order and provides Freddie Mac with a reasonable opportunity to respond in such manner as Freddie Mac deems appropriate to limit the disclosure, and (ii) Seller/Servicer notifies the court or agency in writing before any disclosure that the information is Freddie Mac confidential information.

(b) Treatment of Seller/Servicer confidential information

In response to Freddie Mac's request, Seller/Servicer may provide Freddie Mac with the following information and documentation that Seller/Servicer identifies as confidential (collectively, "Seller/Servicer confidential information"):

- Information regarding Seller/Servicer's financial condition,

- Seller/Servicer's responses to Freddie Mac's security questionnaire,

- Information about Seller/Servicer's information security policies,

- Information related to Seller/Servicer's business continuity/disaster recovery plans, and

- Information in Seller/Servicer's SOC-1 or SOC-2 report and other third-party audit reports

Seller/Servicer confidential information does not include information that is publicly available, provided to us by a third party that is not to Freddie Mac's knowledge itself under an obligation to keep the information confidential or independently developed by Freddie Mac or another third party.

Freddie Mac may use Seller/Servicer confidential information for the purposes for which the information was provided to Freddie Mac and for other internal business purposes (the "Freddie Mac Purposes"). Freddie Mac will exercise at least the same degree of care to preserve the confidentiality of Seller/Servicer confidential information that Freddie Mac exercise to protect its own information of a similar level of sensitivity, but in no event less than a reasonable degree of care. Freddie Mac may disclose Seller/Servicer confidential information as necessary or appropriate for the Freddie Mac Purposes. Freddie Mac also may disclose it to the extent ordered by a court or agency of competent jurisdiction, as long as (i) if legally permissible, Freddie Mac promptly notifies Seller/Servicer of the order and provide it with a reasonable opportunity to respond in such manner as it deems appropriate to limit

the disclosure, and (ii) Freddie Mac notifies the court or agency in writing before any disclosure that the information is Seller/Servicer confidential information. Freddie Mac also may disclose Seller/Servicer confidential information to the FHFA or Freddie Mac's other regulators without regard to the requirements of this section.

1201.9: The Mortgage file, Mortgage data and related records (08/01/23)

(a) Ownership

All documents in the Mortgage file, all data related to Mortgages owned or guaranteed by Freddie Mac to which the Servicer obtains access in connection with any agreement with Freddie Mac, including, without limitation, data in the documents in the Mortgage file (collectively, Mortgage data) and all other documents and records related to the Mortgage of whatever kind or description (whether prepared or originated by the Servicer or others, or whether prepared or maintained or held by the Servicer or others acting for and on behalf of the Servicer), including all current and historical computerized data files, will be, and will remain at all times, the property of Freddie Mac. All of these records and Mortgage data in the possession of the Servicer are retained by the Servicer in a custodial capacity only.

(b) Permitted use of Mortgage data

The Servicer may use these records and Mortgage data only for the following purposes:

- Servicing Mortgages (and, in compliance with the provisions of the Guide, retaining subservicers to service Mortgages) on behalf of, and in the interest of, Freddie Mac

- As background information for the Servicer's use related to marketing or cross-selling of the Servicer's own primary market products and services in compliance with applicable laws, provided that such marketing and cross-selling does not involve disclosure of these records or Mortgage data to any third parties, other than vendors assisting the Servicer in its marketing activities who are themselves bound by these requirements

- As necessary to enable a vendor to provide analytic services to the Servicer with respect to the Servicer's Servicing portfolio, for the Servicer's internal use only, provided the vendor is bound by these requirements, and

- As necessary to enable the Servicer to comply with its obligations under applicable law including, without limitation, any disclosures required in connection with audits by regulatory agencies with jurisdiction over the Servicer's operations

Except as expressly authorized by Freddie Mac in writing, Servicers may not use or disclose, or authorize or permit third parties to use or disclose, these records or Mortgage data for any other purpose including, without limitation, resale or licensing of Mortgage data, either alone

or with other data. See Section 8101.7 for additional information related to Freddie Mac audits and access to Mortgage records and Section 8101.8 for additional requirements related to confidentiality.

(c) Language

All documents in the Mortgage file related to the origination of the Mortgage must be in English or must be translated into English by the document originator or an unaffiliated third-party translation service. Such translations must be attached to each non-English document, and the Seller represents and warrants to Freddie Mac that the translation is complete and accurate.

1201.10: Minority-Owned, Women-Owned and Disabled-Owned Business Enterprises (03/02/16)

It is Freddie Mac's policy to provide, to the maximum extent possible in balance with financially safe and sound business practices, the opportunity for Minority-Owned, Women-Owned and Disabled-Owned Business Enterprises to compete fairly as suppliers, contractors and subcontractors in Freddie Mac's business activities, taking into account both price and quality. As an aspect of this policy, Freddie Mac encourages Seller/Servicers to ensure that Minority-Owned, Women-Owned and Disabled-Owned Business Enterprises are given the opportunity to compete fairly in supplying services to Seller/Servicers.

1201.11: Audit confirmation requests (02/10/21)

Sellers or Servicers requiring confirmation from Freddie Mac with respect to the Mortgages sold to and serviced for Freddie Mac must use a format similar to that provided in Exhibit 65, Audit Confirmation Request. The confirmation request must be submitted to Freddie Mac via e-mail at **Audit_Confirmation@FreddieMac.com**. An e-mail response will be provided to the auditor within five Business Days.

Below is an example of the e-mail response for Audit Confirmation that will be sent to the auditor(s):

Freddie Mac
We make home possible®

8250 Jones Branch Drive McLean, VA 22102

August 7, 2020

Subject: Seller/Servicer # 123456 trial balance report for 07/31/2020

Dear Auditor:

We recently received your request for confirmation of accounting information in connection with your audit. According to our records, the following information contained in the attached report is as of the requested accounting cycle.

A trial balance report has been provided for you with summarized information regarding the requested accounting cycle. You need to manually reconcile these transactions to the Trial Balance.

Freddie Mac does not agree or disagree with your calculation; the Trial Balance provided reflects the information from our system.

If you have any questions concerning the information contained in this trial balance or need assistance to resolve discrepancies, please contact the Seller or Servicer client in which you are auditing.

CYCLE	*SERVICER*	*LOAN_STATUS*	*ACTIVE_UPB*	*INACTIVE_UPB*	*FREDDIE_MAC_SHARE*	*LOAN_COUNT*
202007	123456	Active	$11,222,333.44	$0.00	$11,222,333.44	1000
202007	123456	Delinquent	$1,222,333.44	$1,222,333.44	$1,222,333.44	50
202007	123456	Foreclosure	$0.00	$11,222.33	$11,222.33	5

Sincerely,
Audit Confirmation Team
audit_confirmation@freddiemac.com

Chapter 1301: General Responsibilities of the Seller/Servicer

1301.1: Submission of data to Freddie Mac (03/02/16)

The Seller/Servicer warrants that all data and/or other information submitted to Freddie Mac is true, complete and accurate. The Seller/Servicer agrees to complete all Freddie Mac forms according to the instructions or guidance provided by Freddie Mac. With respect to data and/or other information transmitted to Freddie Mac through a permitted electronic medium, the Seller/Servicer warrants that the:

- Transmission complies with the requirements of the applicable Purchase Documents
- Transmission contains all the required information
- Terms, conditions and requirements stated in the Purchase Documents have been fully satisfied and adhered to

1301.2: Compliance with applicable law (11/04/24)

This section contains requirements related to:

- Seller/Servicer obligations
- Office of Foreign Assets Control (OFAC) screening; notice of OFAC match
- Anti-money laundering (AML) compliance; reporting AML non-compliance and Suspicious Activity
- FHFA Suspended Counterparty Program
- Seller lending practices
- Servicer-maintained fair lending data elements
- Servicer responsibility for incident response program and notice of an incident
- Servicer diversity practices – minority, women and disabled inclusion
- Servicer adverse action notices

- Repurchase requests related to compliance with laws representations and warranties
- Address confidentiality programs (ACPs)

(a) Seller/Servicer obligations

The Seller/Servicer agrees to comply with all applicable federal, State and local laws, ordinances, regulations, orders and regulator guidance (collectively, "Applicable Laws"), including, without limitation and as amended, the following Applicable Laws:

1. Title VI of the Civil Rights Act of 1964
2. Title VIII of the Civil Rights Act of 1968, as amended
3. Section 527 of the National Housing Act
4. The Equal Credit Opportunity Act
5. The Fair Credit Reporting Act
6. All Applicable Laws governing consumer protection, data privacy and/or the safeguarding of Borrower personal information including, without limitation, the Gramm-Leach-Bliley Act
7. Executive Order 11063, Equal Opportunity in Housing, issued by the President of the United States on November 20, 1962
8. The foreign assets control regulations, 31 C.F.R. Chapter V, as amended, and any authorizing legislation or executive order relating thereto, as administered by OFAC within Treasury (collectively "OFAC Regulations")
9. The Bank Secrecy Act, the Money Laundering Control Act and Title III of the USA PATRIOT Act and the Anti-Money Laundering Act of 2020
10. Section 5 of the Federal Trade Commission Act and similar laws that prohibit unfair or deceptive acts or practices
11. The Truth in Lending Act
12. The Real Estate Settlement Procedures Act
13. The Fair Debt Collections Practices Act
14. The Homeowners Protection Act of 1998

15. Judicial and professional rules of conduct governing discussions with opposing parties in litigation when represented by counsel (e.g., solicitation of delinquent Borrowers in bankruptcy or Borrowers engaged in litigation with the Servicer)

16. The U.S. Bankruptcy Code

17. The Electronic Signatures in Global and National Commerce Act, as enacted by the United States government ("E-SIGN")

18. The Uniform Electronic Transactions Act, as enacted by the applicable State ("UETA") unless superseded by E-SIGN

Without limiting the preceding provisions of this Section 1301.2, the Servicer must make such disclosures to Borrowers and other individuals as are required by, and must otherwise comply with, the requirements of applicable state privacy and consumer protection laws, including without limitation, the California Consumer Privacy Act of 2018 and its implementing regulations (the "CCPA") and similar State laws and regulations now existing or that may be effective in the future. The Servicer certifies that it is and will be aware of the requirements of such laws and regulations and covenants that it will comply with their requirements and restrictions. In addition, upon Freddie Mac's request, the Seller/Servicer shall cooperate with Freddie Mac in connection with responding to and complying with consumer requests and other requests received by Freddie Mac or on behalf of persons who wish to exercise their rights under the CCPA and similar State laws and regulations.

The Seller/Servicer's obligation to comply with the requirements of the applicable state privacy and consumer protection laws, as well as to cooperate with Freddie Mac, shall survive the termination of the Seller/Servicer's right to sell or service Mortgages pursuant to the Guide. This obligation lasts for the greater of:

- The life of the subject Mortgage(s) plus 7 years

- The expiration of applicable retention requirements pursuant to Applicable Laws

- The period until the Seller/Servicer lawfully destroys the Mortgage files or Freddie Mac information in the Seller/Servicer's possession and certifies the destruction in compliance with Section 1301.3

The Seller/Servicer agrees to indemnify and hold Freddie Mac harmless from and against all claims, judgments, losses, costs and expenses incurred by Freddie Mac arising out of the Seller/Servicer's violation of any Applicable Law.

The Seller/Servicer agrees and acknowledges that it cannot assume that because it complies with all applicable Freddie Mac requirements that the Seller/Servicer therefore complies with all Applicable Laws.

(b) OFAC screening; notice of OFAC match

Seller/Servicers must comply with OFAC Regulations and must maintain a compliance program that establishes policies and procedures for complying with OFAC Regulations. THE OFAC compliance program must include:

- Clear policies and procedures
- Periodic and on-going screening against the OFAC SDN List
- Process for investigating and escalating potential matches, blocking and rejecting transactions and managing blocked accounts
- Record retention requirements
- System of internal controls
- Independent testing
- Documented training program

Sellers must screen each Borrower and Guarantor against OFAC's most recent list of Specially Designated Nationals and Blocked Persons ("OFAC SDN List") prior to delivery to Freddie Mac. If a Borrower or Guarantor is on the OFAC SDN List, the Mortgage is ineligible for sale to Freddie Mac.

The Servicer must periodically screen the Mortgages that it services for Freddie Mac against the OFAC SDN List. Such screening must occur on a periodic and ongoing basis and when there are updates to the OFAC SDN list, be based on the Servicer's OFAC compliance program and be commensurate with the Servicer's OFAC risk profile (i.e., Servicers must screen Freddie Mac Mortgages with at least the same frequency as they do their own portfolio). If a valid match is identified, the Servicer must notify Freddie Mac via e-mail within 24 hours of identifying to discuss potential changes to the Servicing of the associated Mortgage, which may include, but are not limited to, the blocking and/or segregation of Mortgage-related funds and ceasing certain Servicing-related activities **(see Directory 1)**.

Such e-mail notification must include:

- Freddie Mac loan number
- Borrower name
- Name, title, e-mail address, and telephone number for the point of contact at the Servicer who will be able to discuss the OFAC SDN List match

Upon receipt of the notice, a representative from Freddie Mac will contact the Servicer to discuss the OFAC SDN List match and any next steps. Freddie Mac may require the Servicer to provide additional documentation or information regarding the OFAC SDN List match.

Notifying Freddie Mac of a confirmed match against the OFAC SDN List does not relieve the Servicer of any of its responsibilities under OFAC Regulations.

(c) AML compliance; reporting AML non-compliance and Suspicious Activity

Seller/Servicers subject to the AML provisions of the Bank Secrecy Act must establish and maintain a compliance program that ensures compliance with all applicable provisions of the Bank Secrecy Act and implementing federal regulations.

Seller/Servicers must, as permitted by law, notify Freddie Mac **(see Directory 1)** within seven Business Days of confirmation of any instances of the Seller/Servicer's own non-compliance or compliance failure related to the AML requirements of the Bank Secrecy Act, the Money Laundering Control Act, Title III of the USA Patriot Act, the Anti-Money Laundering Act of 2020 and applicable implementing federal regulations.

All Seller/Servicers, including those not subject to the AML provisions of the Bank Secrecy Act, must maintain internal controls, policies and procedures designed to detect Suspicious Activity and must report Suspicious Activity to Freddie Mac **(see Directory 1)** within 30 days in accordance with Section 3201.2.

(d) FHFA Suspended Counterparty Program

Seller/Servicers must comply with the requirements set forth in Section 3101.2 applicable to FHFA's Suspended Counterparty Program.

(e) Seller lending practices

The Seller must employ business practices that promote fair lending.

(f) Servicer-maintained fair lending data elements

Servicers must maintain the following fair lending data elements for all Freddie Mac Mortgages originated on or after March 1, 2023 provided they were obtained during the origination process:

- Race of Borrower(s)
- Age of Borrower(s)
- Ethnicity of Borrowers(s)

- Gender of Borrower(s)

- Preferred language of Borrower(s)

These data must be stored in a format that can be searched, queried and transferred.

For each Transfer of Servicing on or after March 1, 2023, if the fair lending data was obtained during the origination process and is available, the Transferor Servicer must transmit the fair lending data listed above to the Transferee Servicer. Upon Transfer of Servicing, the Transferee Servicer must begin to maintain this data in accordance with the above requirements.

As of the Effective Date of Transfer, the Transferee Servicer must begin to maintain this data in accordance with the above requirements.

Note: In the event of a future Transfer of Ownership or assumption of the Mortgage, Servicers may, but are not required to, update these data elements.

(g) Servicer responsibility for incident response program and notice of an incident

Servicers must develop and maintain a "Response Program" consistent with the requirements of the Interagency Guidance on Response Programs for Unauthorized Access to Customer Information and Customer Notice (the "Interagency Guidance"). (See 12 CFR Parts 208 and 225.) The Servicer's obligation to maintain a response program, and provide notice of a Security Incident or Privacy Incident pursuant to Section 1302.2, shall survive the termination of the Seller/Servicer's right to sell or service Mortgages pursuant to the Guide and shall continue for as long as the Servicer has possession of Mortgage files or Freddie Mac information.

If the Servicer believes there has been a Security Incident or Privacy Incident (each as defined in Section 1302.2(b)) that compromises the security, confidentiality or integrity of "sensitive customer information" (as defined in the Interagency Guidance) maintained by the Servicer or in its possession or control or any other information about one or more Borrowers or other individuals that is the subject of any state breach notification law, and if that Security Incident or Privacy Incident is related to Mortgages owned or guaranteed by Freddie Mac, then, in addition to—and not in limitation of—its notification requirements under Section 1302.2(b), the Servicer must send the following notifications to Freddie Mac **(see Directory 1)**:

- The Servicer must provide written notice of the Security Incident or Privacy Incident within a reasonable time after the incident. This notice should include:

  - A detailed description of its scope and root cause (to the extent then understood)

- ❑ A description of the notices provided to affected Borrowers, within a reasonable time after the Security Incident or Privacy Incident

■ If the Servicer determines not to send notices to any Borrowers and/or other individuals affected by a certain Security Incident or Privacy Incident, the Servicer must provide written notice to Freddie Mac including a rationale and explanation for not sending notice to all affected Borrowers and other individuals as soon as practicable after the Security Incident or Privacy Incident. Notwithstanding the Servicer's determination not to provide such notices, Freddie Mac may direct the Servicer to provide notices to the affected Borrowers at the Servicer's expense.

Following the termination of the Seller/Servicer's right to sell or service Mortgages, the Servicer continues to be obligated to notify Freddie Mac if it concludes there has been unauthorized acquisition of or access to data that may compromise the confidentiality or privacy of Mortgage files or Freddie Mac information during such time as the Servicer retains the Mortgage files or Freddie Mac information.

The Seller/Servicer agrees to indemnify and hold Freddie Mac harmless from and against all claims, judgments, losses, costs and expenses incurred by Freddie Mac arising out of any Security Incident or Privacy Incident.

If the Servicer intends to refer to Freddie Mac in any notices it sends to Borrowers and others on Mortgages whose information was affected by the Security Incident or Privacy Incident, the Servicer must notify Freddie Mac within a reasonable time prior to sending those notices. Freddie Mac must have the opportunity to review the content of the notices prior to their delivery.

As further described in Section 1302.2, in connection with all Security Incidents or Privacy Incidents, the Servicer must cooperate with Freddie Mac including, without limitation, by providing all requested information and assistance, such as:

■ Enabling Freddie Mac to comply with its legal obligations

■ Providing technical or forensics information to determine the extent of the Security Incident or Privacy Incident

■ Supplying other information and assistance to identify, evaluate and manage any issues arising out of the Security Incident or Privacy Incident as Freddie Mac deems necessary or advisable

(h) Servicer diversity practices – minority, women and disabled inclusion

In accordance with regulations adopted by FHFA, 12 C.F.R. Pt. 1207, pursuant to the Housing and Economic Recovery Act of 2008, 12 U.S.C. § 4520 ("HERA"), each Servicer will:

1. Practice the principles of equal employment opportunity and non-discrimination in all its business activities

2. Contractually require each subcontractor that the Servicer engages to provide services or goods to Freddie Mac to practice the principles of equal employment opportunity and non-discrimination in all its business activities, and

3. Upon request, provide Freddie Mac with information and appropriate certifications regarding:

   - The diversity status of the Servicer

   - The diversity status of subcontractors the Servicer engages to provide services or goods to Freddie Mac with respect to Servicing under the Purchase Documents

   - The amounts Freddie Mac pays to the Servicer for Servicing under the Purchase Documents

   - The amounts the Servicer pays to subcontractors to provide services or goods to Freddie Mac with respect to Servicing under the Purchase Documents, and

   - Any other information Freddie Mac requests to comply with HERA and applicable diversity and inclusion regulations

(i) Servicer adverse action notices

If Freddie Mac participated in evaluating a Borrower for a workout or relief option that is not approved, Freddie Mac will provide the reasons for denial. If Freddie Mac participated in the decision and if the decision gives rise to an obligation to provide the Borrower a notice or notices under applicable law, including, but not limited to, adverse action notices required by the Equal Credit Opportunity Act or the Fair Credit Reporting Act, then the Servicer must provide such notices to the Borrower on behalf of Freddie Mac. In these cases, the notices provided by the Servicer to the Borrower must identify both the Servicer and Freddie Mac as having participated in the evaluation of the workout or relief option and the decision to deny the request.

(j) Repurchase requests related to compliance with laws representations and warranties

(i) Freddie Mac will only issue a repurchase request for Seller violations of law that:

   - Could be expected to impair Freddie Mac's or its Servicer's ability to enforce the Note or Mortgage

   - Impose assignee liability, or

- Are found to have been violations of, or if Freddie Mac has made a finding based on the facts available to Freddie Mac that a violation may have occurred of, one or more of the following laws or related regulations:
  - OFAC Regulations
  - The Fair Housing Act
  - Anti-discrimination provisions of the Equal Credit Opportunity Act (ECOA)
  - Unfair, deceptive, or abusive acts or practices under federal and State laws (UDAAP), and
  - The Securities Exchange Act of 1934

With respect to UDAAP, Freddie Mac will take into consideration published federal and State announcements of interpretations as well as all published judicial and administrative decisions and will not enforce a repurchase if the matter can be cured by remediation to the injured party and the Seller makes such remediation. However, three or more years after the Settlement Date of a Mortgage, Freddie Mac may not seek repurchase on UDAAP grounds regarding a specific practice unless:

- A lender self reports
- A federal or State enforcement authority has indicated, asserted or claimed that such practice violates or may violate UDAAP
- A federal or State court has held that a specific practice violates UDAAP

(ii) A repurchase demand based on a compliance with law violation by the Seller will include supporting facts and findings made by Freddie Mac in the course of considering the facts and circumstances before it. Freddie Mac's determination that a violation has occurred must be consistent with the facts and circumstances provided by the Seller and any other information obtained by Freddie Mac as part of its evaluation of the situation.

(iii) When Freddie Mac issues a repurchase request to the Seller in connection with a failure to comply with laws and there is pending litigation underway involving that same issue or a government agency with authority to make a determination regarding the issue has publicly stated that it is reviewing the issue, the Seller will not be required to repurchase until 30 days after the litigation has been dismissed, settled or concluded at trial in an adjudication or the governmental agency has made a final determination, as applicable (collectively, "the Resolution"). After the Resolution, the Seller may request that Freddie Mac review the appropriateness of the repurchase request in light of the Resolution. Freddie Mac will withdraw the repurchase request where appropriate.

(iv) Freddie Mac will not issue a repurchase request to the Seller based on violations of the ability to repay provisions under the Truth in Lending Act ("ATR") unless a court or regulator concludes the Mortgage did not comply with ATR.

(v) This section does not limit Freddie Mac's rights to issue repurchase requests for Servicer breach of its obligations regarding compliance with Applicable Laws.

(k) ACPs

A Borrower may be a participant in a State-sponsored ACP that provides the Borrower with a substitute mailing address to be used instead of the Borrower's home address for all mail correspondence. Sellers must comply with the applicable federal and State laws related to ACPs.

Within five Business Days after the Funding Date of any Mortgage for which the Borrower is a participant in an ACP, the Seller must provide the following information to Freddie Mac at the e-mail address **Loan_Delivery_Funding_Ops@FreddieMac.com**:

- Freddie Mac Loan Number
- Borrower Name
- Borrower ACP Mailing Address (including, when applicable, any lot number or required uniquely identifiable number)

Freddie Mac will use the provided substitute ACP mailing address when required by law for mailing correspondence to the Borrower, such as the mortgage transfer disclosures required under the Truth in Lending Act.

1301.3: Inspection of records (10/11/23)

The Seller/Servicer agrees to allow Freddie Mac, during normal business hours, to inspect all of the Seller/Servicer's books and records pertaining to its Mortgage operations and to any Mortgages purchased by Freddie Mac, including, without limitation, any Seller/Servicer (a) organizational and associated documents such as its articles of organization, operating agreement, employment agreements and management agreements, and (b) contract(s) with a Related Third Party.

Additionally, when Freddie Mac requests, either before or after termination of the Servicing Contract and related Servicing Contract Rights, whether in whole or in part, the Servicer must permit Freddie Mac at any time during normal business hours to inspect the Mortgage files and all of the Servicer's records pertaining to Mortgage operations related to Freddie Mac. This inspection may include a review of the Servicer's information security and business continuation

programs, copies of independent audits and assessments addressing privacy and/or data security (e.g., SOC Reports). For Mortgage files or Freddie Mac information, Freddie Mac may alternatively request a copy of the files.

These inspection rights shall survive for the period during which the Servicer retains Mortgage files or Freddie Mac information, including pursuant to Applicable Laws. Additionally, for as long as the Servicer retains possession of Mortgage files or Freddie Mac information, the Servicer must securely store and retain such information in accordance with the standards set forth in Sections 1302.1 and 1302.2 and comply with the notice requirements in the event of a Security Incident or Privacy Incident. Upon request by Freddie Mac and not less than annually, the Servicer shall provide an attestation in a form reasonably acceptable to Freddie Mac and executed by a duly authorized corporate officer confirming the Servicer is in compliance with such standards.

Upon the expiration of the Servicer's obligation to retain Mortgage files or Freddie Mac information under Applicable Laws, the Servicer must contact Freddie Mac to inquire whether Freddie Mac will require the Servicer to return, transfer to another Servicer or destroy such files or information, and the Servicer must comply with such direction from Freddie Mac. If Freddie Mac instructs the Servicer to destroy the Mortgage files or Freddie Mac information, then such destruction must be done consistent with the then current and acceptable industry standards and best practices. The Servicer must provide an attestation to Freddie Mac executed by a duly authorized corporate officer in a form reasonably acceptable to Freddie Mac confirming such destruction. The Servicer may elect to make such attestations on a rolling basis not less than annually.

1301.4: Reliance on the Seller/Servicer warranties and representations (03/02/16)

The Seller/Servicer should carefully read the Purchase Documents. The Seller/Servicer acknowledges that Freddie Mac and any transferees or assignees of Freddie Mac purchase Mortgages and trade in any related securities in reliance on the accuracy and truth of the Seller/Servicer's warranties and representations and on its compliance with the agreements, requirements, terms and conditions set forth in the Purchase Documents.

1301.5: Review of Mortgages by Freddie Mac prior to purchase (06/03/19)

Before the Freddie Mac Funding Date (Cash programs) or Settlement Date of the UMBS®, MBS, Supers® or WAC ARM PC (Guarantor programs), Freddie Mac may, in its discretion, refuse to purchase any Mortgage if it determines any of the following:

- The Mortgage is not of investment quality
- The Seller has failed to satisfy or has breached any of the provisions of the Purchase Documents
- Any of the warranties or representations of the Seller to Freddie Mac are untrue
- The Seller has failed to provide Freddie Mac with information that is true, complete and accurate as to the Mortgage

For each Mortgage it refuses to purchase, Freddie Mac may require the Seller to substitute in its place another Mortgage that is satisfactory to Freddie Mac.

1301.6: Seller authorized to sell Mortgage (06/03/19)

The Seller must have the full legal authority, must have taken all action required by law and by its organizational documents and must have obtained any consents required, to sell, transfer and assign a Mortgage to Freddie Mac free and clear of all claims, security interests or other encumbrances.

The Note and the Security Instrument must be enforceable by the Seller. Transfer of the Note and the Security Instrument in whole or in part to any subsequent purchaser must not detract from their enforceability. The Purchase Contract must have been duly authorized, executed and delivered by the Seller and must be valid, binding and enforceable according to its terms and conditions.

Compliance with the terms and conditions of the Purchase Documents by the Seller must not conflict with, result in a breach of or default under or be adversely affected by the following:

- Any terms and conditions of the charter or bylaws or other type of organization constituent documents 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

Each Seller that is an "insured depository institution," as that term is defined in Section 1813(c)(2) of Title 12 of the United States Code, as amended, acknowledges, agrees, covenants, represents and warrants to Freddie Mac that the Seller's Master Agreements and other applicable Purchase Documents entered into by and between the Seller and Freddie Mac:

- Are in writing or are Records or Electronic Records, as those terms are defined in Section 1401.2

- Were executed or authenticated by the Seller and Freddie Mac contemporaneously with the agreement reached by the Seller and Freddie Mac for sale of Mortgages by the Seller to Freddie Mac in return for cash and/or UMBS®, MBS, Supers® or WAC ARM PCs received by the Seller

- Were approved by the Seller's board of directors or the Seller's officers or employees who were duly authorized by the board of directors to enter into such agreements and board approvals, resolutions and/or delegations of authority are reflected in the minutes of the board, and

- Have been, continuously, from the time of their execution or authentication, official records of the Seller

1301.7: Servicer authorized to service (03/02/16)

The Servicer must be eligible to service Mortgages for Freddie Mac under the requirements of the Purchase Documents. The Servicer warrants that it has complied with all applicable laws related to licensing, qualification to do business or approval to service Mortgages. The Servicer also warrants that the Purchase Documents have been duly authorized, executed and delivered and are valid and enforceable according to their terms. The Servicer further warrants that compliance with the terms and conditions thereof will not conflict with, result in a breach of or default under, or be adversely affected by the following:

- Any terms and conditions of the Servicer's charter

- Any agreement or instrument to which the Servicer is a party

- Any judgment, order or regulation to which the Servicer is subject

1301.8: Warranties and representations by the Seller (08/02/23)

As of the Delivery Date, the Funding Date or the Settlement Date (as applicable), and the date of any substitution of Mortgages pursuant to the Purchase Documents, the Seller makes the warranties and representations in this section for each Mortgage purchased by Freddie Mac. The Seller is fully liable for all warranties and representations made to Freddie Mac, regardless of whether the Seller originated the Mortgage.

(a) General warranties and representations

1. The terms, conditions and requirements stated in the Purchase Documents have been fully satisfied

2. All warranties and representations of the Seller are true and correct

3. The Seller is in compliance with its agreements contained in the Purchase Documents

4. The Seller has not misstated, misrepresented or omitted any material fact about the Mortgage

5. The Seller has given correctly and on a timely basis to the Borrower all disclosures and notices required under Applicable Laws and the terms of the Note and the Security Instrument

6. With respect to each ARM, the Seller has calculated any and all adjustments to the interest rate or the monthly payment correctly and given on a timely basis any and all notices of such adjustments completely in accordance with the terms of the Note and the Security Instrument and with the requirements of applicable law

7. The Seller has adopted Exhibit 35, Appraiser Independence Requirements, and for each conventional Mortgage, the appraisal was obtained in a manner consistent with Exhibit 35

8. No person or entity on the Freddie Mac Exclusionary List as of the Note Date played a role, as described in Section 3101.1, in the origination or sale of such Mortgage or the related real estate transaction

9. Solely with respect to a Mortgage registered with MERS®, MERS is the mortgagee of record (either by being named in the Security Instrument as nominee for the Seller, or by being named as the assignee in a recorded assignment of the Security Instrument), or, where applicable, MERS is not the mortgagee of record for purposes of MERS iRegistration

Upon Freddie Mac's written request, either before or after the Funding Date, the Seller will supply evidence satisfactory to Freddie Mac of the Seller's compliance with any provision of the Purchase Documents. Before the Funding Date, the Seller must obtain Freddie Mac's written approval of any waivers or modifications to the provisions of the Purchase Documents.

The Seller represents and warrants that all persons executing documents on behalf of the Seller are duly authorized to do so.

The Seller warrants that it and, if applicable, the originator of the Mortgages it sells to Freddie Mac have complied with all applicable laws relating to licensing, qualification to do business or approval to originate Mortgages.

Before the Funding Date, the Seller may contact Freddie Mac to request review of a Mortgage in order to obtain a waiver of the warranty requirements of Sections 3101.1(d) and 1301.8(a)(8). The Seller should make such request to the Freddie Mac Fraud Mailbox at **Mortgage_Fraud_Reporting@FreddieMac.com**. As part of the request, the Seller must inform Freddie Mac of the nature and extent of the role played by the person or entity on the Exclusionary List in connection with the Mortgage and must provide other relevant information upon request. If Freddie Mac reviews the Mortgage and subsequently elects to purchase the Mortgage, Freddie Mac will provide the Seller with written notice of such election, in which case the warranty concerning the involvement of an excluded person or entity will not be applicable to the sale of the Mortgage. All other requirements of the Purchase Documents relating to the sale of the Mortgage will remain in full force and effect. Freddie Mac's election to review and its decision to purchase such a Mortgage are within its sole discretion.

(b) Seller sole Mortgage owner; Mortgage not subject to any other interest

(i) As of the Delivery Date, the Seller must be the sole owner of the Mortgage.

As of the Funding Date or the Settlement Date, whichever is applicable, all Mortgages purchased by Freddie Mac must be free and clear of all claims, security interests or other encumbrances. The Seller agrees to take or cause to be taken such further actions, including without limitation, the preparation, execution and filing of additional documents and instruments, as may be reasonably necessary to assure and confirm to Freddie Mac that the Mortgages purchased by Freddie Mac are free and clear of any and all security interests as of the Funding Date or the Settlement Date.

(ii) The Seller warrants to Freddie Mac that as of the Freddie Mac Funding Date (Cash programs) or Settlement Date of the UMBS®, MBS, Supers® or WAC ARM PC (Guarantor programs), the Mortgage is not subject to any other interest.

The Seller further warrants and agrees not to sell, assign, convey, hypothecate, pledge or in any other way transfer, conditionally or otherwise, its interest in a Mortgage that Freddie Mac has purchased, except as expressly permitted in the Purchase Documents.

(c) eMortgage representations and warranties

For additional representations and warranties related to eMortgages, see Section 1402.8(c)(viii).

1301.9: Servicer agreements (06/12/19)

In addition to general warranty statements elsewhere in this Guide, the Servicer agrees that, in Servicing Mortgages and REO for Freddie Mac, the Servicer will:

- Comply with the Purchase Documents and any instruction, request or requirement issued by Freddie Mac

- Abide by Freddie Mac's decision with respect to any of the Mortgages or REO

- Hold Freddie Mac harmless for any loss the Servicer may suffer from any decision made by Freddie Mac with respect to any of the Mortgages or REO

- Reimburse Freddie Mac for any expenses (including court costs and reasonable attorney fees) incurred by Freddie Mac, at its sole discretion, in remedying or correcting any failure of the Servicer to service a Mortgage or REO in accordance with the requirements of the Purchase Documents

- Reimburse Freddie Mac for any costs incurred by Freddie Mac as a result of a Servicer's delays in meeting the foreclosure or bankruptcy timelines when the delay results from any failure of a Seller/Servicer to originate a Mortgage or service a Mortgage or REO in accordance with the requirements of the Purchase Documents; such costs to be determined in Freddie Mac's sole discretion.

1301.10: Survival of warranties; remedies (03/02/16)

The warranties and representations in the Purchase Documents for any Mortgage purchased by Freddie Mac survive payment of the purchase price by Freddie Mac. The warranties and representations are not affected by any investigation made by, or on behalf of, Freddie Mac, except when expressly waived in writing by Freddie Mac.

When any party has purchased a Mortgage from Freddie Mac that Freddie Mac previously purchased from a Seller, Freddie Mac may exercise any rights or remedies at law or in equity on behalf of the party to the extent that the party does not affirmatively do so. Freddie Mac may also exercise its discretion to disqualify or suspend a Seller or a Servicer pursuant to Chapter 2301 or Section 9102.1.

For each Mortgage purchased by Freddie Mac, the Seller and the Servicer agree that Freddie Mac may, at any time and without limitation, require the Seller or the Servicer, at the Seller's or the Servicer's expense, to make such endorsements to and assignments and recordations of any of the Mortgage documents so as to reflect the interests of Freddie Mac and/or its successors and assigns.

1301.11: Enforcement of representations and warranties related to underwriting of the Borrower, Mortgaged Premises and project (10/14/24)

Freddie Mac will not exercise its remedies, including the issuance of a repurchase request, in connection with the Seller/Servicer's breaches of certain selling representations and warranties as described below. Mortgages that are processed by the Seller through Freddie Mac Loan Advisor® (Loan Collateral Advisor® and Loan Product Advisor®) may also qualify for additional enforcement relief related to value, condition and marketability, provided certain conditions are met. See Section 5602.2 for details.

Selling representation and warranty framework

The requirements below are effective for Mortgages with Freddie Mac Settlement Dates on and after July 1, 2014.

(a) Representations and warranties

For Mortgages, including Mortgages sold pursuant to negotiated provisions, that comply with the eligibility requirements set forth in (b) below, Freddie Mac will not exercise its remedies, including the issuance of a repurchase request, in connection with the Seller/Servicer's breaches of selling representations and warranties in the topics, chapters and sections of the Guide listed in the table below[1], relating to:

- The underwriting of the Borrower, which includes the Seller's assessment of the Borrower's loan terms, credit history, employment and income, assets, and other financial information used for qualifying the Borrower for the Mortgage

- The underwriting of the Mortgaged Premises, which is the analysis of the description and valuation of the Mortgaged Premises to determine its adequacy as collateral for the Mortgage

- The underwriting of the project in which the Mortgaged Premises is located, which is the analysis of the Planned Unit Development (PUD), Condominium Project or Cooperative Project

[1] This includes the topics, chapters and sections as amended by the Seller's Purchase Documents, if applicable.

For Guide provisions not listed in this table, the Seller/Servicer will continue to be responsible for representations and warranties for the life of the loan.

Guide topic/chapter/section	Title of topic, chapter or section and where noted, exclusions to provisions in the topic/chapter/section Note: Where the following provisions of the Guide contain references to requirements located in other topics, chapters and/or sections of the Guide, Freddie Mac will not exercise its remedies in connection with breaches of representations and warranties related to those requirements only if the topic/chapter/section where the requirement is located is included below.
Section 4101.1	The Mortgage Application
Section 4201.1	Investment Quality Mortgage, with the following exceptions: ■ The Mortgage is adequately secured by real property ■ For all Mortgages with Application Received Dates on or after July 1, 2021, and all Mortgages with Settlement Dates after August 31, 2021, all ATR Covered Mortgages sold to Freddie Mac must satisfy the requirements in the Revised General QM Rule
Section 4201.4	Term, with the following exceptions: For a Mortgage with an Application Received Date prior to **January 10, 2014**, and a Freddie Mac Settlement Date on or before **July 31, 2014**: The Mortgage must not have an original maturity that exceeds 40 years from the Origination Date or the Effective Date of Permanent Financing for a Construction Conversion or Renovation Mortgage. For a Mortgage with an Application Received Date on or after **January 10, 2014**, or a Freddie Mac Settlement Date after **July 31, 2014**: The Mortgage must not have an original maturity that exceeds 30 years from the Origination Date or the Effective Date of Permanent Financing for a Construction Conversion or Renovation Mortgage.
Subsection 4201.5(c)	Age of Collateral Documentation: Settlement Dates More than 120 days After the Note Date
Section 4201.8	Assumption of Mortgage
Section 4201.13	No Circumstances Adversely Affecting Value of Mortgage
Section 4201.14	Mortgages Secured by Primary Residences
Section 4201.15	Second Home Mortgages

Guide topic/chapter/section	Title of topic, chapter or section and where noted, exclusions to provisions in the topic/chapter/section Note: Where the following provisions of the Guide contain references to requirements located in other topics, chapters and/or sections of the Guide, Freddie Mac will not exercise its remedies in connection with breaches of representations and warranties related to those requirements only if the topic/chapter/section where the requirement is located is included below.
Section 4201.16	Investment Property Mortgages
Section 4201.17	Purchase Requirements for Mortgages Secured by Properties with Resale Restrictions (Effective as of November 5, 2018, Section 4201.17 is deleted and the content has moved to Chapter 4406)
Section 4201.18	Impact of Contaminated Sites
Section 4201.20	Blanket Mortgages
Chapter 4203	Maximum Loan Amounts and LTV, TLTV and HTLTV Ratios
Chapter 4204	Secondary Financing and Other Financing Arrangements, with the following exceptions: ■ The requirement that for any Mortgage with a buydown plan, the initial interest rate may not be more than 3% below the Note Rate and the buydown plan may not extend for more than 3 years ■ Subsections 4204.4(b) and 4204.4(c) regarding Borrower qualification and qualifying rates, as follows: For all Mortgages with Application Received Dates on or after July 1, 2021, and all Mortgages with Settlement Dates after August 31, 2021, the qualifying rate must, at a minimum, equal the maximum interest rate that may apply during the first five years after the date on which the first regular periodic payment will be due, based on the loan amount over the loan term.
Topic 4300	Refinance Mortgages With the exception of Section 4301.3 regarding refinance practices
Subsection 4401.8(b)	ARM qualifying rates, with the following exception:

Guide topic/chapter/section	Title of topic, chapter or section and where noted, exclusions to provisions in the topic/chapter/section Note: Where the following provisions of the Guide contain references to requirements located in other topics, chapters and/or sections of the Guide, Freddie Mac will not exercise its remedies in connection with breaches of representations and warranties related to those requirements only if the topic/chapter/section where the requirement is located is included below.
	For all Mortgages with Application Received Dates on or after July 1, 2021, and all Mortgages with Settlement Dates after August 31, 2021, the qualifying rate must, at a minimum, equal the maximum interest rate that may apply during the first five years after the date on which the first regular periodic payment will be due, based on the loan amount over the loan term.
Chapter 4402	Seller-Owned Converted and Seller-Owned Modified Mortgages
Chapter 4404	Land Contract; Contract for Deed
Chapter 4405	Energy Conservation Improvements
Chapter 4406	Mortgages Secured by Properties Subject to Resale Restrictions
Chapter 4407	Properties Affected by Disasters
Topic 4500	Affordable Mortgages and Duty to Serve
Topic 4600	Special Freddie Mac Mortgage Products
Subsection 4701.2(a)	Financed Premiums (Mortgage Insurance Premiums)
Topic 5100	Determining Borrower Eligibility With the exception of: ■ Section 5103.2 regarding requirements for permanent and nonpermanent resident aliens ■ Section 5103.5 regarding requirements for living trusts
Topic 5200	Credit Assessment
Topic 5300	Stable Monthly Income and Asset Qualification Sources
Topic 5400	Evaluation of Monthly Obligations
Topic 5500	Assets
Topic 5600	Property Eligibility and Appraisal Requirements With the exception of: ■ Subsection 5601.1(a), Eligible properties

Guide topic/chapter/section	Title of topic, chapter or section and where noted, exclusions to provisions in the topic/chapter/section Note: Where the following provisions of the Guide contain references to requirements located in other topics, chapters and/or sections of the Guide, Freddie Mac will not exercise its remedies in connection with breaches of representations and warranties related to those requirements only if the topic/chapter/section where the requirement is located is included below.
	■ Subsection 5603.1(a) relating to Exhibit 35, Appraiser Independence Requirements ■ Subsection 5603.1 relating to the Uniform Standards of Professional Appraisal Practice (USPAP)

Guide topic/chapter/section	Title of topic, chapter or section and where noted, exclusions to provisions in the topic/chapter/section Note: Where the following provisions of the Guide contain references to requirements located in other topics, chapters and/or sections of the Guide, Freddie Mac will not exercise its remedies in connection with breaches of representations and warranties related to those requirements only if the topic/chapter/section where the requirement is located is included below.
Chapter 5701	Condominiums With the exception of: ■ Section 5701.2 relating to project insurance requirements ■ Section 5701.2 relating to title insurance ■ Subsection 5701.3(a), Projects in which the unit owners do not have an undivided ownership or leasehold interest in the land on which the project is located ■ Subsection 5701.3(b), Condominium Hotel ■ Subsection 5701.3(d), Project with Excessive Commercial or Non-residential Space ■ Subsection 5701.3(e), Tenancy in Common Apartment Project ■ Subsection 5701.3(f), Timeshare Project or Project with Segmented Ownership ■ Subsection 5701.3(g), Houseboat Project ■ Subsection 5701.3(k), Continuing Care Retirement Community (CCRC) ■ Subsection 5701.3(l), Manufactured Homes ■ Subsection 5701.3(m), Project with Mandatory Dues or Similar Membership Fees for Use of Amenities Such as Clubhouses or Recreational Facilities ■ Subsection 5701.6(e), Compliance with Laws ■ Subsection 5701.6(f), Limitations on Ability to Sell/Right of First Refusal ■ Subsection 5701.6(h), Mortgagee Consent ■ Subsection 5701.6(i), Rights of Condominium Mortgagees and Guarantors ■ Subsection 5701.6(n), New Condominium Projects in Florida
Chapter 5702	Planned Unit Developments

Guide topic/chapter/section	Title of topic, chapter or section and where noted, exclusions to provisions in the topic/chapter/section Note: Where the following provisions of the Guide contain references to requirements located in other topics, chapters and/or sections of the Guide, Freddie Mac will not exercise its remedies in connection with breaches of representations and warranties related to those requirements only if the topic/chapter/section where the requirement is located is included below.
	With the exception of Subsection 5702.1(c) relating to insurance requirements
Chapter 5703	Manufactured Homes With the exception of Section 5703.3 and Sections 5703.5(a) and (b) regarding the characteristics and requirements of a Manufactured Home
Chapter 5704	Leasehold Estates
Chapter 5705	■ Subsection 5705.2(a)(4), Compliance with law ■ Subsection 5705.2(b)(1), Cooperative Project insurance ■ Subsection 5705.2(b)(2), Title insurance ■ Subsection 5705.3(a), Ownership of Cooperative Project land and Cooperative Units ■ Subsection 5705.3(b), Cooperative Hotel ■ Subsection 5705.3(d), Cooperative Project with excessive commercial or non-residential space ■ Subsection 5705.3(g), Houseboat Cooperative Project ■ Subsection 5705.3(h), Ownership and use of Common Elements in the Cooperative Project ■ Subsection 5705.3(k), Continuing Care Retirement Community (CCRC) ■ Subsection 5705.3(l), Cooperative Projects comprised of Manufactured Homes ■ Subsection 5705.3(n), Limited Equity Cooperative Project ■ Subsection 5705.4(b), Owner-occupancy requirement ■ Subsection 5705.4(i), Prior cooperative financing ■ Subsection 5705.5(h), Cooperative Corporation's approval ■ Subsection 5705.5(i), Cooperative Project that is not a Cooperative Housing Corporation

Guide topic/chapter/section	Title of topic, chapter or section and where noted, exclusions to provisions in the topic/chapter/section Note: Where the following provisions of the Guide contain references to requirements located in other topics, chapters and/or sections of the Guide, Freddie Mac will not exercise its remedies in connection with breaches of representations and warranties related to those requirements only if the topic/chapter/section where the requirement is located is included below.
	■ Subsection 5705.6(b), Right of first refusal ■ Subsection 5705.6(d), Rights of Cooperative Shareholders and Sellers ■ Subsection 5705.6(e), Cooperative Membership ■ Subsection 5705.6(g), Assignment of Shareholder's Cooperative Interest ■ Subsection 5705.6(h), Cooperative Corporation Responsibilities and Seller/Servicer Rights ■ Subsection 5705.9(e), Closing requirements for combined Cooperative Units ■ Subsection 5705.10(c), Prior Cooperative Financing
Chapter 5901	Automated Income Assessment with Loan Product Advisor® Using Employed Income Data
Chapter 5902	Automated Asset Assessment with Loan Product Advisor® Using Account Data
Chapter 5903	Automated Income Assessment with Loan Product Advisor® Using Tax Data
Chapter 5904	Automated Income Assessment with Loan Product Advisor® Using Account Data
Chapter 5905	Automated Employment Assessment with Loan Product Advisor®

(b) Eligible Mortgages

Freddie Mac will not exercise its remedies in connection with breaches of representations and warranties described in Section 1301.11(a) for Mortgages that meet the following requirements:

- The Mortgage must have a Freddie Mac Settlement Date on or after July 1, 2014
- The Mortgage must be a conventional Mortgage delivered to Freddie Mac through a flow purchase contract

- The Mortgage must not be a Mortgage that Freddie Mac and the Seller/Servicer have agreed is subject to any credit enhancement other than primary mortgage insurance

- The Mortgage must have either an acceptable payment history or a satisfactory conclusion of a Freddie Mac quality control review as more fully described below:

  Acceptable payment history

  The Mortgage has an acceptable payment history if it meets the following eligibility requirements:

  - For Mortgages other than Freddie Mac Relief Refinance℠ Mortgages and Freddie Mac Enhanced Relief Refinance® Mortgages:

    - Following the Freddie Mac Settlement Date, the Borrower (i) made the first 36 monthly payments due with no more than two 30-day Delinquencies, and no 60-day or greater Delinquencies; and (ii) must not be 30 or more days delinquent with respect to the 36th monthly payment

  - For Freddie Mac Relief Refinance Mortgages and Freddie Mac Enhanced Relief Refinance Mortgages:

    - Following the Freddie Mac Settlement Date, the Borrower made the first 12 monthly payments due with no 30-day or greater Delinquencies, or

    - Following the Freddie Mac Settlement Date, the Borrower (i) made the first 36 monthly payments due with no more than two 30-day Delinquencies, and no 60-day or greater Delinquencies; and (ii) must not be 30 or more days delinquent with respect to the 36th monthly payment

  - In addition, during the applicable payment history period:

    - With the exception of temporary subsidy buydown arrangements permitted by the Purchase Documents, neither the Seller/Servicer nor any third party may escrow or advance funds to be used for payment of any monthly installment, principal, interest or other charge payable under the terms of the Mortgage

    - The Mortgage must not have been subject to a repayment plan, or otherwise have been modified from its original terms, except as otherwise stated below for a disaster-related forbearance plan

    - The Mortgage must not have an outstanding request for a repurchase, a repurchase alternative or a make-whole

- ❑ The Mortgage may have been subject to a disaster-related forbearance plan during the applicable payment history period as a result of the Borrower being impacted by an Eligible Disaster pursuant to Chapter 8404, provided that:

  - ■ The Mortgage is fully reinstated, as described in Section 9203.3, or

  - ■ The Borrower agrees to a repayment plan and complies with the terms of the repayment plan, restoring the Mortgage to a current status, or

  - ■ The disaster-related forbearance transitions into a permanent modification, restoring the Mortgage to a current status

  For all three options described above, payments due during the disaster-related forbearance period are considered to have been made on time for the purposes of this section.

  [NOTE: The Servicer must report the Borrower's payment status of the Mortgage in accordance with Section 8303.3.]

Satisfactory conclusion of a Freddie Mac quality control review

For a Mortgage to obtain a satisfactory conclusion of a Freddie Mac quality control review, it must meet one of the following requirements:

- ■ Freddie Mac completes a quality control review of the Mortgage file, which includes a review of the credit underwriting and eligibility of the Borrower, the Mortgaged Premises (including its value), and the project in which the Mortgaged Premises is located, if applicable ("quality control review"), and determines that the Mortgage is acceptable (that is, the Mortgage is not subject to a repurchase request)

- ■ Freddie Mac completes the quality control review and determines the Mortgage is not acceptable because of a loan deficiency that is curable, and the Seller/Servicer cures the deficiency to Freddie Mac's satisfaction. For example, if the Mortgage file delivered to Freddie Mac did not contain the required verification of income, the loan deficiency would be deemed to be corrected if the Seller/Servicer provided the missing documentation within the time frame specified. Another example of an action taken to correct a loan deficiency is rectifying a prior lien by producing evidence of a recorded satisfaction or release of such prior lien within the time frame specified.

- ■ Freddie Mac completes the quality control review and determines the Mortgage is not acceptable, but Freddie Mac and the Seller/Servicer agreed upon an alternative to repurchase that has since expired or terminated by its terms. For example, if Freddie Mac determined a Mortgage was not acceptable and, as a repurchase alternative, Freddie Mac and the Seller/Servicer agreed that the Mortgage would be subject to recourse for five years, then the Seller/Servicer will be relieved from Freddie Mac's

enforcement of the representations and warranties described in Section 1301.11(a) at the end of the five-year period. Other possible repurchase alternatives include indemnification, make-whole arrangements, and certain split loss agreements.

(c) Life-of-loan representations and warranties

For Mortgages that meet the eligibility requirements set forth in (b) above, the Seller/Servicer will not be relieved from Freddie Mac's enforcement of its representations and warranties with respect to the following matters, even if such issues are referenced in the Guide topics, chapters or sections in the table above. Instead, the Seller/Servicer will be responsible for all such representations and warranties for the life of the loan.

- **Charter matters.** Each Mortgage must be eligible for purchase under the Freddie Mac Charter Act in the following respects:

  - The Mortgage must be secured by a residential property that is located within any of the 50 States, the District of Columbia, Guam, Puerto Rico or the U.S. Virgin Islands at the time of Freddie Mac's purchase, as set forth in Section 4201.1 and the definition of a State in the Glossary

  - The original UPB of the Mortgage must not exceed the maximum original loan amounts set forth in Sections 4203.3 and 4603.2

  - The Mortgage must not be secured by vacant land or property primarily used for agriculture, farming or commercial enterprise at the time of Freddie Mac's purchase

  - The Mortgage must be secured by a residential property consisting of 1-4 dwelling units at the time of Freddie Mac's purchase

  - Any Mortgage with an LTV ratio in excess of 80% at the time of Freddie Mac's purchase must (i) have mortgage insurance on the portion of the Mortgage in excess of 80% of the property's value (determined in accordance with Section 4701.1, or in the case of Freddie Mac Relief Refinance Mortgages and Freddie Mac Enhanced Relief Refinance Mortgages, meet the applicable mortgage insurance requirements in the Guide), (ii) be sold with recourse, within the meaning of Section 6201.7(a)

- **Misstatements, misrepresentations and omissions**

  The Mortgage must not have any misstatements, misrepresentations or omissions ("misrepresentations"), by any party to the Mortgage transaction (including, but not limited to, the Seller, Borrowers, property sellers, builders, real estate agents, lenders, mortgage brokers, loan officers, originators, appraisers, appraisal companies, closing agents, title companies or other third party vendors) pertaining to the requirements described in the topics, chapters and sections of the Guide set forth in the table above that are made with or without the Seller's knowledge, and that:

- Involve three or more Mortgages sold to Freddie Mac by the same Seller, and

- Were made pursuant to a common pattern of activity in connection with the Mortgage origination or sale, based on information in the Mortgage file or other facts or circumstances that existed on the Settlement Date, which involved at least one party common to all the Mortgages (if the common party is the Seller, then the same individual; if the common party is a third party, then the same individual or entity), and

- Are "significant" in that, using true and accurate information, either Freddie Mac determines that:

  1. The Mortgage would not have been eligible for sale under the terms of the Seller's Purchase Documents in effect on the Settlement Date, or

  2. The Mortgage would have been eligible for sale, but under different terms

  For purposes of finding three or more Mortgages to constitute the pattern, both Mortgages that have obtained relief under the framework and Mortgages that have not obtained relief may be counted. If Mortgages that have not obtained relief are counted for purposes of establishing a pattern, those Mortgages must meet all requirements of this exclusion (i.e., three or more Mortgages, common pattern of activity, significance) in order for Freddie Mac to enforce a remedy for each Mortgage.

  In determining whether a misrepresentation is significant, Freddie Mac will rely on its Loan Product Advisor simulator, which approximates the Risk Class at the time of delivery. Freddie Mac will compare the Loan Product Advisor simulator assessment using true and accurate information with the Loan Product Advisor simulator assessment received at the time of delivery.

  A misrepresentation will be considered significant only if the Mortgage receives a worse Loan Product Advisor assessment from the simulator than was received at the time of delivery to Freddie Mac, except that Freddie Mac will also take into account any applicable negotiated terms of business and the impact of any undisclosed concessions, concealed transaction terms or other violations of the Seller's Purchase Documents that are involved in the misrepresentation but are not assessed by the Loan Product Advisor simulator when determining significance. Freddie Mac will notify the Seller/Servicer of any such undisclosed matters or violations that are considered in connection with determining significance and will provide the Seller/Servicer with documentation supporting the significance determination.

  If Freddie Mac determines that the Mortgage would have been eligible for sale but under different terms than those under which the Mortgage was sold, as described in number 2 of the third bullet above, Freddie Mac will not seek repurchase, but instead

will re-price the Mortgage, consistent with the Seller's Purchase Documents in effect on the Settlement Date, to reflect the true risk profile of the Mortgage.

As an exception to the above, Mortgages involving fraud will be subject to repurchase, regardless of whether the above test (three or more Mortgages, common pattern of activity, significance) has been met. For purposes of this life-of-loan representation and warranty only, "fraud" is established either by:

- An adjudicated claim affirming fraud by or against the Seller or other party to the Mortgage transaction, or

- Freddie Mac finding clear and convincing evidence that a Seller or other party to the Mortgage transaction knowingly executed or participated in a scheme or artifice in connection with the underwriting, origination or sale of a Mortgage to:

  - Defraud Freddie Mac or any other party to the Mortgage transaction, or

  - Obtain any moneys, funds, credits, assets, securities, or other properties from Freddie Mac or any other party to the Mortgage transaction by means of fraudulent pretenses, representations or promises

- **Data inaccuracies**

  The Mortgage must not have any Uniform Loan Delivery Dataset (ULDD) data inaccuracies pertaining to the requirements described in the topics, chapters and sections of the Guide set forth in the table above, if and to the extent:

  - The data inaccuracies affect five or more Mortgages and involve the same delivery data element(s), and

  - The ULDD data differs from the information in the Mortgage file, and

  - The data inaccuracies are "significant" in that, using the information in the Mortgage file to qualify the Borrower, Mortgaged Premises and/or project in which the Mortgaged Premises is located, either Freddie Mac determines that:

    1. The Mortgage would not have been eligible for sale under the terms of the Seller's Purchase Documents in effect on the Settlement Date, or

    2. The Mortgage would have been eligible for sale, but under different terms

  For purposes of finding five or more Mortgages involving the same delivery data element inaccuracy, both Mortgages that have obtained relief under the framework and Mortgages that have not obtained relief may be counted. If Mortgages that have not obtained relief are counted for purposes of establishing that there were five or

more Mortgages with the same delivery data element inaccuracy, those Mortgages must meet all other requirements of this exclusion (i.e., same delivery data elements, data differs from information in the Mortgage file, significance) in order for Freddie Mac to enforce a remedy for each Mortgage.

In determining whether the data inaccuracy is significant, Freddie Mac will rely on its Loan Product Advisor simulator, which approximates the Risk Class at the time of delivery. Freddie Mac will compare the Loan Product Advisor simulator assessment using true and accurate information with the Loan Product Advisor simulator assessment received at the time of delivery.

A data inaccuracy will be considered significant only if the Mortgage receives a worse Loan Product Advisor assessment from the simulator than was received at the time of delivery to Freddie Mac, except that Freddie Mac will also take into account any applicable negotiated terms of business when determining significance. Freddie Mac will provide the Seller/Servicer with documentation supporting the significance determination.

If Freddie Mac determines that the Mortgage would have been eligible for sale but under different terms than those under which the Mortgage was sold, as described in number 2 of the third bullet above, Freddie Mac will not seek repurchase, but instead will re-price the Mortgage, consistent with the Seller's Purchase Documents in effect on the Settlement Date, to reflect the true risk profile of the Mortgage.

- **Clear title/First Lien priority.** The Mortgage must be enforceable as a First Lien (with no pending condemnation proceedings) and have clear title through foreclosure.

- **Compliance with laws.** The Mortgage must comply with all applicable federal, State and local laws, ordinances, regulations and orders, including, without limitation, State anti-predatory lending laws and regulations.

  For all Mortgages with Application Received Dates on or after July 1, 2021, and all Mortgages with Settlement Dates after August 31, 2021, in addition to ensuring compliance with applicable laws, Sellers must ensure that all ATR Covered Mortgages satisfy the QM requirements of the Revised General QM Rule, even if the Seller is not required by law or regulation to comply with the Revised General QM Rule.

- **Unacceptable Mortgage products**

  The Mortgage must be a Mortgage product acceptable for sale to Freddie Mac. The Seller/Servicer will not be relieved of Freddie Mac's enforcement of its representations and warranties for unacceptable Mortgage products, including, but not limited to, the following:

- A Mortgage with an interest-only feature
- A Graduated Payment Mortgage
- A Mortgage originated with stated or no income and/or asset documentation (Freddie Mac Relief Refinance Mortgages and Freddie Mac Enhanced Relief Refinance Mortgages are not considered a Mortgage originated with stated or no income and/or asset documentation)
- A Mortgage subject to negative amortization
- A construction loan (other than a Construction Conversion Mortgage)
- A daily simple interest Mortgage
- A Prepayment Penalty Mortgage with an Application Received Date on or after January 10, 2014 or a Freddie Mac Settlement Date after July 31, 2014
- A reverse Mortgage
- A Mortgage with balloon payments (with or without a reset option)
- A second Mortgage

1301.12: Non-discrimination (03/15/18)

Freddie Mac expects all Seller/Servicers with whom Freddie Mac does business to practice the principles of equal opportunity and non-discrimination in all business activities. As such, Seller/Servicers must not discriminate on the basis of race, color, religion, sex, age, marital status, disability, veteran status, genetic information (including family medical history), pregnancy, parental status, familial status, national origin, ethnicity, sexual orientation, gender identity or other characteristics protected by law.

Chapter 1302: Information Security and Business Continuity Planning

1302.1: Overview of information security and business continuity planning requirements (07/03/23)

To minimize Freddie Mac's risk of loss in the event of a disaster or unexpected disruption to critical business processes, a Seller/Servicer must have and maintain an information security program and business continuity plan(s) that ensure its ongoing ability to conduct business operations with Freddie Mac. Information security program and business continuity plan requirements must extend to the confidentiality, integrity and availability of Freddie Mac confidential information (as defined in Section 1201.8(a)) and Protected Information (as defined in Section 8101.8) retained by a Seller/Servicer following Freddie Mac's termination of the Seller/Servicer's right to sell or service Mortgages.

This chapter contains the minimum information security program requirements Seller/Servicers must implement to reduce the impact and likelihood of unauthorized persons (or authorized persons with malicious or unlawful intentions) from gaining access to Freddie Mac's proprietary information, data and Protected Information in:

- Systems, as defined in Section 2401.1
- Seller/Servicers' files, records, storage facilities and systems
- Files, records, storage facilities and systems of any Related Third Party

This chapter also includes the minimum requirements for a Seller/Servicer's business continuity plan to support continuation of critical business processes necessary to comply with the Seller/Servicer's Purchase Documents.

These information security and business continuity minimum requirements (together, the "Minimum Requirements") are not intended to replace the Seller/Servicer's standards, policies and procedures but are intended to require certain minimum controls that must be in place as part of such standards, policies and procedures. If a Seller/Servicer's regulator has established information security and/or business continuity plan requirements that exceed Freddie Mac's Minimum Requirements, or if a provision of the Guide or the Seller/Servicer's other Purchase Documents requires more stringent minimum requirements, then the more rigorous requirements shall apply. A Seller/Servicer's compliance with the Minimum Requirements will not relieve the Seller/Servicer from any liability arising or accruing under any other provision in the Purchase Documents. A Seller/Servicer's failure to comply with the Minimum Requirements may result in

termination of the Seller/Servicer's access to any or all Systems. In addition, Freddie Mac may take other actions available under the Guide, the Seller/Servicer's other Purchase Documents, any user agreement or law.

The **Federal Financial Institutions Examination Council** and **National Institute of Standards in Technology** provide detailed guidance on the components of a successful information security program, business continuity plan and related activities. Seller/Servicers are strongly encouraged to review this guidance.

1302.2: Information security (10/11/23)

(a) Relevant terms

Seller/Servicers should be familiar with the following terms as they relate to information security requirements:

- **Authentication:** The process in which a system verifies the identity of an individual, usually based on some form of credential(s) (password/ID, token, etc.)
- **Encryption:** The process of encoding or obfuscating messages or information in such a way that only authorized parties can read it
- **Vulnerability management:** The process of identifying and testing known software vulnerabilities within a system and prioritizing remediation according to each vulnerability's likelihood of occurrence and how the exploitation of the vulnerability would impact the system

(b) Information security minimum requirements

(i) Information security program

Seller/Servicers must define an individual or group of individuals responsible for the development of information security requirements, including the adoption, implementation, maintenance and administration of written minimum-security standards, policies and procedures that responsibly address critical issues such as user responsibilities (e.g., "Acceptable Use"); ownership of and access to information; baseline security practices; physical, administrative and technical security protection mechanisms and other requirements.

Not less than annually, Seller/Servicers must review and assess the adequacy of their information security policies and procedures used in connection with the selling and Servicing of Freddie Mac Mortgages to ensure compliance with the Guide, their other Purchase Documents and industry best practices (including as set forth by the Federal Financial Institutions Examination Council and National Institute of Standards in Technology). Upon request of Freddie Mac,

Seller/Servicers must make their information security program policies and procedures available and provide an attestation executed by a duly authorized corporate officer of the adequacy of these policies and procedures, including following the termination of a Seller/Servicer's right to sell or service Mortgages.

(ii) Human resources security

- Pre-employment screening: Seller/Servicers must conduct, or retain a qualified third party to conduct, thorough background verification checks (screening) for all candidates for employment or contractor status who will have access to Freddie Mac confidential information, Protected Information or Systems

- Code of conduct or non-disclosure agreement: Prior to being granted access to Freddie Mac confidential information, Protected Information or Systems, Seller/Servicers must require all employees, contractors and third parties to (i) sign a non-disclosure agreement or (ii) be subject to a code of conduct, which in either case includes obligations to restrict the use or disclosure of and to maintain as confidential all Freddie Mac confidential information

- Protected Information and information related to or contained in Systems: The code of conduct must be acknowledged by the employee, contractor or third party, and must address at least the following subjects:

  - Appropriate use of company assets

  - Information protection, including non-disclosure and confidentiality

  - Records management

  - Information security and privacy

  - Business courtesies

  - Personal investments and insider trading

  - Conflicts of interest

- Information security awareness, education and training: At least annually, Seller/Servicers must provide information security awareness training to all employees, contractors and third parties who have access to Freddie Mac confidential information, Protected Information and/or Systems. The awareness training must be current in substance and reflect up-to-date vulnerabilities, threats and techniques, including information about phishing campaigns and techniques. At a minimum, the training must provide details on roles and responsibilities for all users in protecting information at the

Seller/Servicer, along with practical ways to incorporate information security into daily routines.

(iii) Physical and environmental security controls

Seller/Servicers must create and maintain:

- A physical security control program of the organization's buildings and facilities that contain information systems, designed to detect, monitor and prevent unauthorized access and to respond to physical security incidents using real-time physical intrusion alarms and surveillance equipment

- An updated list of personnel with authorized access to facilities where information systems reside, including an access privilege review performed not less than annually and upon the departure of any authorized personnel

- Environmental controls to monitor, mitigate and protect the organization with regards to a loss of connectivity, access to or integrity of information and damage caused by natural disasters or man-made incidents such as fire, earthquake, flood, hurricane, tornado or weather-related adverse conditions

(iv) Communications and operations management

Seller/Servicers must implement technical security measures designed to monitor for, mitigate against and prevent malicious software, stop unwanted spam and traffic and to protect against unauthorized use of wireless connections. Measures must include those provided in the remainder of this section or meet industry best practices, whichever is more stringent.

(v) Data transmission and data loss prevention

Seller/Servicers must:

- Maintain a data loss prevention/transmission protection mechanism and related written policy establishing requirements to protect the confidentiality and integrity of information exchange using technology applications or information systems

- Ensure adequate and up-to-date data loss prevention software is used and a corresponding management process is in place to scan for sensitive information stored on media and outgoing transmissions over public communication paths as well as to restrict the transfer of data to USB and other removable media devices at the desktop level.

(vi) Anti-virus program/updates

Seller/Servicers must install anti-virus software to protect servers and end user systems and must keep all such software up to date with the latest anti-virus software and definitions.

(vii) Network security

Seller/Servicers must:

- Implement information technology controls such as stateful firewalls to block all traffic inbound from, and outbound to, public networks that have not been expressly permitted by policy (i.e., "deny by default")

- Manage and restrict ports, protocols, and services to only those that are required and approved for business operations

- Formally recertify and authorize firewall rules upon each significant change (including, but not limited to, physical appliance updates, firmware updates and other changes to firewall technology) in infrastructure and otherwise not less than annually

(viii) Mobile computing

Seller/Servicers must maintain a written mobile device/computing management (MDM) policy that has been approved by management and communicated to all appropriate personnel. This policy must reflect current and best practices, specifying parameters including but not limited to:

- Approved and prohibited applications

- Cryptographic mechanisms to ensure data security

- Identity and access management requirements

- Software updates

(ix) Wireless networks

Seller/Servicers must control, secure, and monitor wireless access points. In addition, Seller/Servicers that offer wireless networks for network users must:

- Implement and keep up to date a strong Wireless Local Area Network (WLAN) Authentication method that meets or exceeds the current industry standard Encryption strength and technology

- Prohibit use of outdated wireless technologies such as Wired Equivalent Privacy (WEP)

- At least annually, perform reviews of approved wireless networks to validate and verify authorized users and access points

- Password protect and control administrative access to the router

(x) Vulnerability management

Seller/Servicers must conduct vulnerability testing on a regular basis and have a process in place to analyze and remediate identified vulnerabilities. To accomplish this, the Seller/Servicer must:

- Not less than annually, employ a qualified and independent third party to conduct penetration testing on systems or system components used to store, access, process and/or transmit Freddie Mac confidential information or Protected Information or connect to Systems

- Maintain a written vulnerability assessment process and policy that has been approved by management, communicated to appropriate personnel and has an owner that implements, maintains and reviews the policy at least annually to ensure that it consistently reflects industry best practices

- Remediate all identified vulnerabilities

- Maintain a record of all identified vulnerabilities and their remediation status

(xi) Configuration and patch management

Seller/Servicers must:

- Implement and maintain a written patch management process and a policy that has been approved by management, communicated to all appropriate personnel and has a designated owner that reviews, implements and maintains the policy to ensure that it consistently reflects industry best practices

- Develop and execute a process for developing and maintaining secure configuration baselines (also known as hardening guides, baseline secure configurations) of infrastructure components

- Deploy intrusion detection and/or prevention systems (IDS and IPS) patch management with generated events fed into centralized systems for analysis

- Define, implement and maintain preventive controls designed to block malicious messages and attachments from entering the environment

- Designate qualified personnel responsible for performing timely software updates and patches and maintain a process for testing and installing software updates as they become available

(xii) Auditing, logging and monitoring

Seller/Servicers must:

- Develop, implement and maintain written guidelines and requirements for the logging and monitoring of activities and action within information systems. If the Seller/Servicer uses an enterprise log management function, the subject requirements must be integrated with such log management function.

- Develop, implement and maintain written log retention and handling requirements to ensure logs retain relevant, useable and timely information sufficient to identify user access and/or system activities

- Perform an independent security assessment of the control environment not less than annually and upon the occurrence of any data Security Incident or Privacy Incident (defined below).

(xiii) Software and application development life cycle (SDLC)

If a Seller/Servicer develops applications or software that store, access, process or transmit Freddie Mac confidential information, Protected Information or connects to Systems, the Seller/Servicer must develop, implement and maintain a written SDLC process and policy that has been approved by management. This policy must include at minimum:

- Management and separation of production and development environments that reflect contemporary best practices

- Secure coding requirements

- Open-source requirements

- Code development and scanning pre- and post-deployment

(xiv) Data Encryption

Seller/Servicers must:

- Maintain a formal Encryption and cryptography use policy that has been approved by management, has been communicated to appropriate personnel and has an owner that implements, maintains and reviews the policy to ensure it consistently reflects industry best practices

- Ensure the protection, integrity and confidentiality of Freddie Mac confidential information and Protected Information in transit and at rest

- Deploy cryptography standards that meet or exceed the then-current industry standard Encryption strength and technology and prohibit use of outdated technologies

- Use Encryption mechanisms on portable end-user devices to protect data if the hardware (laptop, mobile device, etc.) is lost or stolen

- Deploy data-at-rest and data-in-transit Encryption or commensurate data protections for Freddie Mac confidential information and Protected Information

(xv) Incident management

Seller/Servicers must:

- Develop and maintain, and implement when triggered, an incident response plan that provides a roadmap for implementing incident response capabilities and defines the resources and management support needed

- Annually, unless formally activated, test the effectiveness of the incident response plan and capabilities

(xvi) Secure transmission of data to Systems

Seller/Servicers must not transmit to Systems, through an API or otherwise, any materials that contain bugs, viruses, worms or other functions, routines, devices or instructions that may create any unauthorized access, or damage the protection, integrity and confidentiality of data in transit.

(xvii) Access control

A. Access management policy

A Seller/Servicer must:

- Establish, implement and maintain an access management policy that aligns with industry best practices, including a process for granting and removing system access, requirements for Authentication and rules of behavior

- Define and enforce access and authentication requirements for system administrators and other privileged accounts

- Define and enforce remote access requirements, including acceptable use, approvals and recertification processes

- Define and enforce requirements around locked accounts after multiple failed login attempts and timeout requirements

- Establish and enforce access control methods that limit access to systems, physical or virtual resources and grant access to users on a need-to-know basis

- Define and enforce requirements for multi-factor authentication where applicable (privileged sessions, remote connectivity, applications housing Freddie Mac confidential information or Protected Information, etc.)

- Manage user accounts for Systems, in accordance with the Guide and the other Purchase Documents. Seller/Servicers must monitor account access for users who transfer roles or are terminated or no longer need access to their accounts. Seller/Servicers must notify Freddie Mac **(see Directory 8)** within one Business Day after any transfer or termination.

  Refer to and comply with the instructions to update systems access for relevant applications at **https://sf.freddiemac.com/tools-learning/technology-login**

B. Granting, removing and reviewing access

Seller/Servicers must maintain and enforce written procedures for the following:

- Approval of access requests

- Removal of access for terminations and transfers

- Analysis of user access and removal of access that is inactive or no longer needed

- At least annual review of all user access privileges and certification of access according to the minimum information necessary to access permission rules

- Prohibit or prevent using the same service account identifiers and passwords in both production and non-production environments

C. Authentication requirements and guidelines

Seller/Servicers must require employees to authenticate or prove their identity to the system through a private, protected method or process that includes, but is not limited to, user identification codes, passwords, personal identification numbers, a smart card and/or a token device. If passwords are used, the Authentication policy must mandate, and Seller/Servicers must enforce, minimum guidelines for password complexity, reuse timelines and password change timelines.

D. Asset management

Seller/Servicers must maintain an inventory management system to track physical and software assets, such as end-user technology, servers, network devices, and corresponding asset ownership. The inventory management system must be reconciled to actual inventory at least annually to verify all assets are included.

Documented procedures must be in place detailing guidelines and requirements for tracking the removal of assets from a facility.

E. Cloud computing

When a Seller/Servicer consumes or provides cloud services that store, process, access or transmit Freddie Mac confidential information or Protected Information or connect to any System, the Seller/Servicer must maintain a formal cloud computing policy that has been approved by management and communicated to appropriate personnel, and the Seller/Servicer must designate an owner to maintain and review the policy to ensure it consistently reflects industry best practices.

F. Vendor risk management program

Seller/Servicers must implement a vendor risk management program to formally evaluate, track and measure third-party risk; to assess its impact on all aspects of the organization's business; and to develop compensating controls or other forms of mitigation to safeguard and protect Freddie Mac confidential information and Protected Information from unauthorized persons, malicious software or other harmful computer information, commands, codes or programs.

Seller/Servicers must maintain with all Related Third Parties that store, process, access or transmit Freddie Mac confidential information or Protected Information a written agreement that obligates them to comply with Minimum Requirements similar to what is outlined within this chapter.

(xviii) Breach notification and related obligations

If a Seller/Servicer knows or believes, or if a reasonable information or cyber security professional could conclude from the circumstances and available information, that (a) there has been any unauthorized acquisition of data or computing resources, or unauthorized access to data or computing resources or any other security related issue that may compromise the security, confidentiality, availability, integrity or privacy of Freddie Mac confidential information or Protected Information ("Security Incident") or (b) Freddie Mac confidential information or Protected Information has been exposed, accessed or used without authorization ("Privacy Incident"), the Seller/Servicer must follow the requirements in the applicable tables below:

Privacy Incident requirements	
The Seller/Servicer must...	
1.	Excepting only Non-critical Privacy Events for which there is a different reporting requirement (as defined and described below), notify Freddie Mac via e-mail at **Privacy_Incident_Management@FreddieMac.com** as soon as possible, but no later than 48 hours after discovering the Privacy Incident. Thereafter: A. Provide the name, phone number and e-mail address of the contact leading the Privacy Incident investigation B. Promptly investigate, correct and mitigate the Privacy Incident at the Seller/Servicer's expense, including identifying all Freddie Mac confidential information or Protected Information affected by the Privacy Incident and preventing the continuation and recurrence of the Privacy Incident C. Comply in a timely manner with Applicable Laws (as defined in Section 1301.2) concerning notification requirements, giving Freddie Mac the opportunity to first review and comment on any notifications to Borrowers (if Freddie Mac is directly or indirectly identified in such notifications) or to regulatory or other State offices D. Promptly following a request by Freddie Mac, provide Freddie Mac and its designees all information and assistance needed to enable Freddie Mac to evaluate the need for, and to timely make, any notification it deems necessary or advisable concerning the Privacy Incident E. Provide Freddie Mac with such information, including technical and forensic reports if available, as Freddie Mac may reasonably request to assist Freddie Mac in evaluating the effect of the Privacy Incident on Freddie Mac's infrastructure and impacted Borrowers or employees. Within 48 hours after discovering the Privacy Incident, and thereafter as requested, provide Freddie Mac via e-mail at **Privacy_Incident_Management@FreddieMac.com** (or by such other means as Freddie Mac may otherwise request) all known details of the Privacy Incident, including related internal and external investigations and point of contact information for the Seller/Servicer and any law enforcement agencies involved for further inquiries.

Privacy Incident requirements	
The Seller/Servicer must...	
2.	Ongoing reporting requirements in the event of a Privacy Incident – Seller/Servicer must report to Freddie Mac at **Privacy_Incident_Management@FreddieMac.com** (or by such other means as Freddie Mac may otherwise request), and provide the following information: A. Details and information as to the nature and impact of the Privacy Incident on Freddie Mac confidential information or Protected Information; B. The nature and details of the information accessed, taken or exposed; C. The likelihood of misuse and all facts and information relevant to actual or potential misuse; D. All risk factors and potential damage estimates associated with the Privacy Incident (including reputational risk); E. All actions that are being and will be taken to remediate the Privacy Incident and its cause, to protect individuals, business assets and Freddie Mac confidential information and Protected Information in the future, and to comply with Applicable Laws; F. All postmortem and similar after-action reports generated; and G. As and when requested by Freddie Mac, any other details and information concerning the Privacy Incident (e.g., final incident closure report, Certificate of Compliance (in form and substance requested by Freddie Mac evidencing, among other things, that the Seller/Servicer has, with respect to the Privacy Incident, complied with applicable federal, State and local data breach notification laws and regulations and the Guide), details such as causation factors and remediation actions or workarounds and lessons learned from the incident) and copies of any communications to Borrowers, State and federal agencies and offices, regulators, credit reporting agencies or others, and any interim status updates Freddie Mac may request, including details on information gained and progress made since the last update, until Freddie Mac is satisfied that there has been compliance with Applicable Laws and the event giving rise to the Privacy Incident is fully resolved and closed

If a Privacy Incident affects ten or fewer Freddie Mac Borrowers ("Non-critical Privacy Events"), a Seller/Servicer is required to respond to the Privacy Incident in accordance with all Applicable Laws, but a Seller/Servicer is not required to report such Non-critical Privacy Events to Freddie Mac within the 48-hour reporting window referenced above.

Seller/Servicers must report Non-critical Privacy Events to Freddie Mac on a quarterly basis using Exhibit 130, Non-critical Privacy Incident Reporting Template. Seller/Servicers must submit such reports to Freddie Mac by the 5th day of each January, April, July and October, in each case covering Non-critical Privacy Events in the three immediately preceding calendar months.

For clarity and notwithstanding the exception for Non-critical Privacy Events, if a Privacy Incident involves any of the issues listed below, a Seller/Servicer must report the Privacy Incident to Freddie Mac within 48 hours (in accordance with this Section 1302.2) and comply with this Section 1302.2, regardless of the number of impacted individuals:

- A malicious actor caused the breach;
- There is suspicion or confirmation that the exposure has led or will lead to improper use of the breached data;
- The impacted States/territories or federal statute require the Seller/Servicers to notify State or federal regulators;
- There is active or anticipated media coverage of the Privacy Incident;
- Law enforcement has been or will be contacted regarding the Privacy Incident;
- The Seller/Servicer receives notice from a regulator that it is not or may not be compliant with its breach response obligations; or
- The Seller/Servicer is aware of or reasonably should anticipate material risk to Borrowers, investors, Freddie Mac (including without limitation, Freddie Mac's infrastructure or its reputation) or others, based on specific facts and circumstances

Security Incident requirements	
The Seller/Servicer must...	
1.	As soon as possible, but no later than 48 hours after discovering the Security Incident, notify Freddie Mac via e-mail at **Information_Security@FreddieMac.com** of the Security Incident. Thereafter, the Seller/Servicer must: A. Provide the name, phone number and e-mail address of the contact leading the Security Incident investigation B. Promptly investigate, correct and mitigate the Security Incident at the Seller/Servicer's expense, including identifying all Freddie Mac confidential information or Protected Information affected by the Security Incident and preventing the continuation and recurrence of the Security Incident C. Comply in a timely manner with Applicable Laws (as defined in Section 1301.2) concerning notification requirements, first giving Freddie Mac the opportunity to review and comment on any notification that in any way refers to or identifies Freddie Mac. Promptly following a request by Freddie Mac, provide Freddie Mac and its designees all information and assistance needed to enable Freddie Mac to timely make any notification it deems necessary or advisable concerning the Security Incident. D. Provide Freddie Mac with such information, including technical and forensic reports, as Freddie Mac may reasonably request to assist Freddie Mac in evaluating the effect of the Security Incident on Freddie Mac, Freddie Mac confidential information, Protected Information, Freddie Mac's operations and impacted Borrowers E. Within 48 hours after discovering the Security Incident, and thereafter as requested, provide Freddie Mac via e-mail at **Information_Security@FreddieMac.com** (or by such other means as Freddie Mac may otherwise request) all known details of the Security Incident, including related internal and external investigations and technical indicators of compromise (e-mail addresses, hash values, IP addresses, malware code, vector of compromise, etc.), all tactics, techniques, and procedures associated with the incident, details surrounding the attack methodology and timing of the incident, and point of contact information for the Seller/Servicer and any law enforcement agencies involved for further inquiries
2.	Ongoing reporting requirements in the event of a Security Incident – Seller/Servicers must report to Freddie Mac at **Information_Security@FreddieMac.com** (or by such other means as Freddie Mac may otherwise request): A. Details and information as to whether, and if so the extent to which, Freddie Mac data was accessed, taken or exposed;

Security Incident requirements	
The Seller/Servicer must...	
	B. The nature of the information accessed, taken or exposed; C. The likelihood of misuse of the information and, if applicable, how the information was misused; D. Any potential damage estimates associated with the Security Incident (including reputational risk); E. All actions that are being taken to remediate the Security Incident and its cause and to protect individuals and business assets in the future; and F. Any resulting after-action reports generated
3.	Provide to Freddie Mac, as and when requested, other details concerning the Security Incident (final incident closure report, details such as remediation actions, workarounds or corrections that resolved the incident and restored service to its best quality, eradication and recovery steps taken, and lessons learned from the Security Incident) and copies of any communications to Borrowers, State and federal agencies, regulators, credit reporting agencies or others, as well as any interim status updates Freddie Mac may request, including details on information gained and progress made since the last update, until Freddie Mac is satisfied that the event giving rise to the Security Incident is fully resolved and closed.

If a provision of the Guide or a Seller/Servicer's other Purchase Documents require more stringent Minimum Requirements or reporting of Security Incidents or Privacy Incidents, then the Seller/Servicer must adhere to those more stringent requirements.

1302.3: Business continuity planning (07/03/23)

A Freddie Mac Seller/Servicer must have a written business continuity plan in place to support its ongoing ability to conduct business operations and maintain or restore Freddie Mac Mortgage proprietary information, Mortgage files, data, Protected Information and records in the event of a disaster or other interruption to business operations and processes. A Seller/Servicer must be able to maintain and restore any such information it is required to retain, including following Freddie Mac's termination of Seller/Servicer's right to sell or service Mortgages. When electronic or other information is destroyed, it must be rendered unreadable and incapable of being re-created. Hard copy records must be properly and securely destroyed and must be accompanied by a certificate of destruction (or other applicable evidence of destruction). Upon request, Seller/Servicers will provide to Freddie Mac certificates of destruction or other evidence demonstrating the fact and manner of destruction, be it electronic, paper, hard drive or other media that contained the affected information.

At a minimum, the Seller/Servicer must:

1. Establish and maintain a written business continuity policy and plan that is approved by management, addresses potential disruptions and is reviewed and updated not less than annually

2. Establish a governing body or committee to provide guidance for the Seller/Servicer's business continuity plan

3. Not less than annually, conduct:

   - A business disruption impact analysis of the organization, and

   - A test of the Seller/Servicer's business continuity plan. This includes recovering predefined critical business functions.

4. Conduct a formal risk and threat assessment of the organization at least every two years, and more frequently as significant changes to business operations occur

5. Establish and develop a plan for activating a formal crisis management team that is responsible for, among other things, implementing a documented crisis management plan and determining whether an event constitutes a crisis

6. Review, maintain and update not less than annually the documented crisis management plan and share such plan with Freddie Mac upon written request

7. Require any Related Third Party to (a) comply with requirements substantially similar to those imposed on the Seller/Servicer under Section 1302.2 and this Section 1302.3 and (b) refrain from interfering with or impairing any obligations of the Seller/Servicer to Freddie Mac, under a Purchase Document or elsewhere, of which any member of the Related Third Party's Senior Management has actual knowledge

8. Designate Freddie Mac as an express, intended third-party beneficiary of each agreement with a Related Third Party, a breach of which may have a Material Adverse Effect and include in the agreement the obligations referenced in the foregoing paragraph 7. Notwithstanding the foregoing, the third-party designation requirement shall not apply to agreements with any of the Seller/Servicer's counterparties that have direct relationship(s) with Freddie Mac relative to the same subject matter and Freddie Mac has direct standing to enforce the terms of the subject agreement. (MIs, credit bureaus or Warehouse Lenders, for example, may qualify as such counterparties.) In determining whether the third-party designation requirement applies to a specific counterparty, the Seller/Servicer shall seek clarification from Freddie Mac.

9. Indemnify Freddie Mac and its directors, officers, employees, agents, successors and assigns and hold each harmless from and against any and all liabilities, losses, claims,

actions, damages, including, but not limited to, indirect, incidental, special or consequential damages, whether foreseeable or not, judgments, costs and expenses, including reasonable attorneys' fees, arising directly or indirectly out of or relating to any breach of a Seller/Servicer representation, warranty, covenant and/or obligation under Section 1302.2 or this Section 1302.3, whether such breach arises out of its own action or inaction or the action or inaction of a Related Third Party or of any Seller/Servicer or Related Third Party director, officer, employee, subcontractor, partner, principal, agent, successor or assign. Freddie Mac shall provide the Seller/Servicer with notice of any such claim after it comes to Freddie Mac's attention

Chapter 1401: Electronic Transactions

1401.1: Electronic Transactions (06/12/19)

This chapter sets forth the requirements for Electronic Transactions, as defined in Section 1401.2. The Electronic Transactions permitted or required hereunder are Eligible Electronic Transactions, as such term is defined in Section 1401.2. See Chapter 1402 for Freddie Mac's selling and Servicing requirements for Mortgages with Electronic Notes (eNotes).

A Seller/Servicer who wishes to sell and/or service eMortgages (as defined in Section 1402.2) for Freddie Mac should contact its Freddie Mac account representative or the Freddie Mac eMortgage Team (**eMortgage_Team@FreddieMac.com**) to begin the process of determining its eligibility to sell and/or service eMortgages for Freddie Mac.

1401.2: Defined terms (01/13/22)

The following defined terms are used throughout Chapter 1401, other chapters of the Guide and the Seller/Servicer's other Purchase Documents for all Eligible Electronic Transactions. Any defined term in Section 1401.2 that is used in the definition of another defined term in Section 1401.2 will be in quotes (" ") unless the defined term is in a title.

Closing Documents: All loan documents (excluding eNotes) provided to a Borrower at the closing (settlement) of a Mortgage, as required by: (i) Federal, State and/or local law, regulations, rules or ordinances; (ii) the originating lender; and (iii) Freddie Mac

Confidential Means of Access: A private, protected method or process used to enter Freddie Mac's applications and systems, which includes, but is not limited to, user identification codes, passwords, personal identification numbers or other Freddie Mac permitted methods of or processes to access Freddie Mac's confidential and proprietary "Systems"

Electronic: Relating to technology having electrical, digital, magnetic, wireless, optical, electromagnetic, or similar capabilities, as defined in the "UETA" and/or "E-SIGN"

Electronic Notarization: Notarization by "Electronic" means of a person's "Electronic Signature," after proper identification by a Notary Public, licensed or otherwise authorized by the State in which the Notary Public is domiciled, which complies with the State's laws, regulations and rules, including, without limitation, the "UETA" and/or "E-SIGN"

Electronic Payment Deferral Agreement means an agreement that is an Electronic Record that complies with the applicable Payment Deferral requirements of the Guide, as set forth in and subject to Chapter 9203.

Electronic Record: A "Record" created, generated, sent, communicated, received, or stored by "Electronic" means, as defined in the "UETA" and/or "E-SIGN." The term also includes a paper document converted into an Electronic Record.

Electronic Recording:

- Recording a copy of a paper Security Instrument or other paper document (together referred to as a "Paper Document") with respect to which: (i) the Paper Document was created, executed, witnessed (if applicable) and notarized, in writing, using paper, pen and ink; (ii) the Seller, or its closing or title agent, electronically delivers an "Electronic" copy of the Paper Document to recorder's office for recording; (iii) the recorder's office returns to the Seller or its closing or title agent: (a) an "Electronic" or paper copy of the recorded copy of the Paper Document or (b) other form of confirmation containing the recording information; or

- Recording an "Electronic" copy of an "Electronic" Security Instrument or other "Electronic" document (together referred to as an, "Electronic Document") with respect to which: (i) the Electronic Document was created, executed, witnessed (if applicable) and notarized, electronically, using "Electronic Records," "Electronic Signatures" and "Electronic Notarization" or "Remote Online Notarization"; (ii) the Seller or its closing or title agent electronically delivers an "Electronic" copy of the Electronic Document to the recorder's office for recording; and (iii) the recorder's office returns to the Seller or its closing or title agent: (a) an "Electronic" or paper copy of the recorded copy of the Electronic Document, or (b) other form of confirmation containing the recording information

Electronic Signature: An "Electronic" sound, symbol or process attached to, or logically associated with, a contract or other "Record" and executed or adopted by a person with the intent to sign the "Record," as defined in the "UETA" and/or "E-SIGN"

Electronic Transaction: An action or set of actions occurring between two or more persons relating to the conduct of business, commercial, or governmental affairs, using "Electronic" means, as defined in the "UETA" and/or "E-SIGN"

Eligible Electronic Transaction: An "Electronic Transaction" that Freddie Mac has required or permitted the Seller/Servicer to engage in and/or conduct, as specified in Chapter 1401, other chapters of the Guide or the Seller/Servicer's other Purchase Documents

eModification Agreement means an agreement that is an Electronic Record that complies with the applicable modification requirements of the Guide and includes, with respect to paper Notes, Electronic modification agreements and Electronic assumption and release of liability agreements under Chapters 9206 and 8406, respectively.

E-SIGN: The federal Electronic Signatures in Global and National Commerce Act (15 U.S. Code, Chapter 96)

Federal Financial Institutions Examination Council or FFIEC: U.S. government interagency body empowered to prescribe uniform principles, standards, and report forms for the federal

examination of financial institutions by its members, which membership consists of: (i) Board of Governors of the Federal Reserve Board (FRB); (ii) Federal Deposit Insurance Corporation (FDIC); (iii) National Credit Union Administration (NCUA); (iv) the Office of the Comptroller of the Currency (OCC); and (v) Consumer Financial Protection Bureau (CFPB)

Federally Regulated Seller/Servicer: A Seller/Servicer that is regulated by one of the following federal regulators: (i) FRB; (ii) FDIC; (iii) NCUA; (iv) OCC; and (v) CFPB

Initial Loan Documents: All documents provided to a Borrower before the closing (settlement) of a Mortgage, as required by: (i) federal, State and/or local law, regulations, rules or ordinances, (ii) the originating lender and (iii) Freddie Mac

Record: Information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form as defined in the "UETA" and/or "E-SIGN." A Record may be a paper or an "Electronic" document.

Remote Online Notarization: A notarial act performed by means of an Electronic device or process that allows a notary public and a principal, who is not in the same physical location as the notary public, to complete a notarial act and communicate with each other simultaneously by sight and sound.

Systems: All computers, servers, fax machines, other Electronic devices, hardware, websites, internet, private networks, telephone lines or wireless communications, together with software applications, security measures, proprietary coding, interfaces and/or connectivity used to create, present, sign, transfer, transmit, send, submit, deliver, receive, retrieve maintain and/or store Records, Electronic Records or Electronic Signatures in order to engage in and/or conduct Electronic Transactions

TPPs: Third-party providers, which include Correspondents, Mortgage Brokers, independent contractors, agents, Outsourced Vendors or other third parties, including a servicing, secondary marketing or other agent or other Related Third Party

UETA: The Uniform Electronic Transactions Act of 1999, promulgated by the U.S. Uniform Law Commission for consideration and enactment by the States. Reference to the UETA herein, means the UETA as promulgated by the U.S. Uniform Law Commission or the UETA as enacted by an applicable State.

1401.3: Requirements applicable to all Eligible Electronic Transactions (12/09/19)

The following requirements and applicable requirements in Chapter 1302 apply to all Eligible Electronic Transactions that Freddie Mac permits or requires the Seller/Servicer to engage in or conduct in this Chapter 1401, other Guide chapters, the Seller/Servicer's other Purchase Documents and any user agreement(s) by and between the Seller/Servicer and Freddie Mac.

(Examples of some Eligible Electronic Transactions include, but are not limited to, use of Loan Selling Advisor®, Loan Product Advisor® and the Servicing Tools available through the Servicing Gateway.)

If these requirements conflict with requirements in other Guide chapters, the Seller/Servicer's other Purchase Documents or any user agreement(s) by and between the Seller/Servicer and Freddie Mac, the requirements in the other Guide chapters, the Seller/Servicer's other Purchase Documents or any user agreement(s) shall control and prevail over these requirements, but only to the extent necessary to resolve the conflict. If the Seller/Servicer believes there is any such conflict, the Seller/Servicer should contact Freddie Mac to discuss any such conflict in an effort to resolve it.

1401.4: Consent and agreement to engage in and conduct Eligible Electronic Transactions (03/02/16)

When the Seller/Servicer engages in or conducts Eligible Electronic Transactions with Freddie Mac, the Seller/Servicer agrees:

- That the Seller/Servicer consents to engage in or conduct Eligible Electronic Transactions with Freddie Mac

- To adopt (among other Electronic Signatures the Seller/Servicer adopts, from time to time) the Seller/Servicer's Freddie Mac Seller/Servicer number(s), a copy or representation of the Seller/Servicer's representative's written signature and/or Electronic Signature and/or such other symbols or processes as expressly required or permitted by Freddie Mac ("Seller/Servicer's Electronic Signature(s)")

- That Freddie Mac can rely on any paper Records (with or without Electronic Signatures) or Electronic Records (with or without Electronic Signatures) that are delivered to Freddie Mac

- That the Seller/Servicer will be bound by all Eligible Electronic Transactions the Seller/Servicer engages in or conducts with Freddie Mac

- That the Seller/Servicer will be bound by all Eligible Electronic Transactions that the Seller/Servicer engages in or conducts with Freddie Mac based upon telephone conversations, including those telephone conversations recorded by Freddie Mac in the ordinary course of business; provided, however, under no circumstances will Freddie Mac be bound by any telephone conversations recorded by the Seller/Servicer

1401.5: Security standards for all Eligible Electronic Transactions engaged in or conducted by the Seller/Servicer (05/02/16)

Freddie Mac will provide the Seller/Servicer with, or require the Seller/Servicer to create, a Confidential Means of Access ("CMA") to Freddie Mac's Systems or other Systems in connection with Eligible Electronic Transactions with Freddie Mac.

A breach of security by the Seller/Servicer (or any of the Seller/Servicer's vendors, independent contractors, agents or other third parties, if applicable) with respect to the Seller/Servicer's CMA to Freddie Mac's Systems may result in unauthorized persons (or authorized persons with malicious or unlawful intentions) gaining access to Freddie Mac's Systems. Such persons may: (i) destroy, damage or misappropriate Freddie Mac property or (ii) introduce malicious software ("Malware") or other harmful computer information, commands, codes or programs ("Harmful Software") into Freddie Mac's Systems. Any such unlawful entry or intrusion into Freddie Mac's Systems may result in substantial harm to Freddie Mac including, without limitation, damage to Freddie Mac's Systems, Records and/or data or theft of confidential proprietary information and/or consumer personal private financial information.

The Seller/Servicer is responsible for protecting and safeguarding the Seller/Servicer's CMA to Freddie Mac's System and any third-party System, if applicable, from any and all malicious conduct or theft by any of its employees, vendors, independent contractors, agents or third parties, unauthorized persons, and Malware and Harmful Software that may:

- Enable unauthorized access to Freddie Mac's Systems
- Cause or facilitate the destruction, corruption, malfunction or appropriation of, or damage or change to, any of Freddie Mac's Systems or the Electronic Records and data (e.g., financial information, proprietary information, confidential information or personal private information) stored in Freddie Mac's Systems

Refer to Section 1302.2 for information regarding Freddie Mac's minimum information security program requirements.

The Seller/Servicer must notify Freddie Mac immediately in the event the Seller/Servicer:

- Sustains a breach of security in connection with the Seller/Servicer's CMA to Freddie Mac's Systems, or
- Becomes aware of the loss, theft or unauthorized disclosure or use of the Seller/Servicer's CMA to Freddie Mac's Systems or other Systems, or
- Has any reason to believe that the Seller/Servicer's CMA to Freddie Mac's Systems may be, has been or will be compromised and is no longer safe or secure

The Seller/Servicer's compliance with Freddie Mac's requirements in Section 1302.2 will not relieve the Seller/Servicer from any liability set forth in this chapter; provided, however, adopting and maintaining such minimum security standards should assist the Seller/Servicer in managing and mitigating the Seller/Servicer's security risks. The Seller/Servicer will be solely responsible for implementing and updating its security standards and assessing whether the Seller/Servicer should adopt more rigorous minimum security standards.

The Seller/Servicer's failure to adopt, implement, maintain, administer and update the required minimum security standards may result in termination of the Seller/Servicer's access to any or all of Freddie Mac's Systems. In addition, Freddie Mac may take other actions available under the Guide, the Seller/Servicer's other Purchase Documents, any user agreement or law.

1401.6: Security standards for Eligible Electronic Transactions engaged in or conducted by the Seller/Servicer's TPPs (05/02/16)

A Federally Regulated Seller/Servicer, that is expressly approved by Freddie Mac in the Sellers/Servicer' Purchase Documents to permit the Seller/Servicer's TPPs to engage in or conduct Eligible Electronic Transactions for or on behalf of the Seller/Servicer (or in connection with doing business with the Seller/Servicer) must contractually require its TPPs to comply with the following:

- The Seller/Servicer must require the TPPs to adopt the minimum security standards (or higher standards) as described in Section 1401.5

- The Seller/Servicer must require use of the mandatory minimum security standards (or higher standards) in the Seller/Servicer's written agreements with its TPPs

- The Seller/Servicer must require its TPPs to initially (and annually thereafter) certify to the Seller/Servicer that they have adopted and implemented the minimum security standards (or higher standards) before the TPP may conduct any Eligible Electronic Transactions for or on behalf of (or in connection with doing business with) the Seller/Servicer

The Seller/Servicer's TPPs' adoption of and compliance with the minimum security standards (or higher standards) in Section 1401.5 will not relieve the Seller/Servicer from any liability set forth in this chapter; provided, however, requiring the Seller/Servicer's TPPs to adopt and maintain such minimum security standards (or higher standards) should assist the Seller/Servicer and its TPPs to manage and mitigate the Seller/Servicer's and the TPP's security risks. The Seller/Servicer will be solely responsible for updating and implementing its minimum security standards and assessing whether the Seller/Servicer should adopt (and require its TPPs to adopt) the security practices recommended by the Seller/Servicer's federal regulator or even higher minimum security standards.

The Seller/Servicer's failure to require its TPPs to adopt, implement, maintain, administer and update the required minimum security standards (or higher standards) may result in termination of the Seller/Servicer's access to any or all of Freddie Mac's Systems and/or applications. In addition, Freddie Mac may take other actions available under the Guide, the Seller/Servicer's other Purchase Documents or law.

1401.7: Seller's due diligence requirements for the Seller's Systems used to engage in or conduct Eligible Electronic Transactions (03/02/16)

The Seller must conduct due diligence reviews on the Seller's Systems before the Seller may engage in or conduct any Eligible Electronic Transactions with Freddie Mac, to confirm that:

- The Seller's Systems are in compliance with the Seller's minimum security standards
- The Seller's Systems create valid, enforceable and effective Records, Electronic Records and Electronic Signatures in compliance with E-SIGN, as applicable
- When conducting Electronic Transactions in connection with Borrowers (consumers) the Seller's Systems electronically create and permit Borrowers (consumers) to electronically sign an Electronic Transaction "consumer consent" and provide the Borrower (consumer) with the Electronic Transaction disclosures, in compliance with E-SIGN
- The Seller's Systems comply with all State and federal laws

The Seller's confirmation process would include having the Seller's Systems reviewed by internal or external computer technology and security experts and legal experts.

1401.8: Seller's due diligence requirements for TPP's Systems used for Eligible Electronic Transactions (03/02/16)

The Seller must confirm that its TPPs have conducted due diligence reviews of the Systems the TPPs intend to use before the Seller may permit its TPPs to Conduct Eligible Electronic Transactions for, or on behalf of, the Seller (or in connection with doing business with the Seller).

The Seller must use its reasonable and prudent judgment is determining whether its TPPs have conducted sufficient and appropriate due diligence on the TPP's Systems. The TPPs must conduct the same level of due diligence required of the Seller in Section 1401.7. The Seller will be held responsible for the acts, errors and omissions of its TPPs and the TPPs' Systems.

1401.9: Electronic Signatures (03/02/16)

Unless otherwise provided in the Guide or Seller/Servicer's other Purchase Documents, an Electronic Signature includes, but is not limited to, an Electronic copy or representation of a written signature or other Electronic signing process (permitted or required by Freddie Mac) that is attached to or logically associated with a paper Record or Electronic Record. An Electronic Record includes, but is not limited to:

- A facsimile ("fax") machine copy of a paper Record
- A fax machine copy of an Electronic Record
- An e-mail
- An e-mail with Electronic Record(s) attached
- A scanned copy of a paper Record or Electronic Record
- A paper Record converted into an Electronic Record
- Electronic information communicated or transmitted using Electronic means permitted or required by Freddie Mac

1401.10: Additional requirements for Initial Loan Documents and Closing Documents (03/02/16)

Sections 1401.10 through 1401.16 provide requirements specifically related to Initial Loan Documents and Closing Documents. The Seller must comply with these requirements in addition to compliance with all other sections in Chapter 1401.

1401.11: Eligible Electronic Initial Loan Documents and Electronic Closing Documents – Retail Mortgages (04/12/23)

A Federally Regulated Seller may sell Retail Mortgages to Freddie Mac which are originated using Electronic Initial Loan Documents and closed using Electronic Closing Documents, excluding Mortgages with Electronic Notes (eNotes), set forth in Exhibit 7, provided that the Seller:

- Is and remains at all times, a Federally Regulated Seller

- Adopts, implements, manages, maintains, administers and updates minimum security standards for its Systems

- Adopts, implements, manages, maintains and administers an initial (and annually thereafter) due diligence and certification process, to certify that the Seller's System complies with the Seller's minimum security standards and E-SIGN and/or the UETA, as applicable

- Maintains Records of its initial and annual due diligence and certification process so that such information may be reviewed by Freddie Mac at any time

- Represents and warrants to, and covenants with, Freddie Mac that each Electronic Initial Loan Document and Electronic Closing Document the Seller creates and uses in the origination and closing processes, (i) complies with all applicable federal and/or State laws and regulations and (ii) is valid, enforceable and effective in accordance with the terms therein

- Stores all such Electronic Initial Loan Documents and Electronic Closing Documents in accordance with the requirements of the Guide and, if there is a Transfer of Servicing, the Seller must securely transfer all such Electronic Initial Loan Documents and Electronic Closing Documents to the Transferee Servicer

1401.12: Eligible Electronic Initial Loan Documents and Electronic Closing Documents – Wholesale Home Mortgages (04/12/23)

A Federally Regulated Seller that has been expressly approved by Freddie Mac to sell Wholesale Home Mortgages to Freddie Mac in the Seller's Purchase Documents may permit its Correspondents and/or Mortgage Brokers to create and use Electronic Initial Loan Documents and Electronic Closing Documents, as set forth in Exhibit 7, provided that the Seller:

- Is and remains, at all times, a Federally Regulated Seller

- Requires the Correspondents and/or Mortgage Brokers to adopt, implement, maintain and administer the Seller's minimum security standards as set forth in Section 1401.5

- Requires its Correspondents and/or Mortgage Brokers to initially (and annually thereafter) certify to the Seller that the Correspondents and Mortgage Brokers Systems comply with the Seller's minimum security standards and E-SIGN and/or the UETA, as applicable

- Obtains an annual certification from each Correspondent and/or Mortgage Broker, duly signed by a Vice President or higher ranking officer (or their equivalent), that certifies that the Systems that the Correspondents and/or Mortgage Brokers use comply with the Seller's minimum security standards and E-SIGN and/or the UETA, as applicable

- Requires its Correspondents and/or Mortgage Brokers to maintain Records of its initial and annual due diligence and certification processes so that such information may be reviewed by the Seller (or Freddie Mac) at any time

- Requires its Correspondents and Mortgage Brokers to represent and warrant to, and covenant with, the Seller that each Electronic Initial Loan Document and Electronic Closing Document that the Correspondent and/or Mortgage Broker creates and uses in the loan origination and/or closing processes: (i) complies with all applicable federal and/or State laws and regulations and (ii) is valid, enforceable and effective in accordance with the terms therein

- Represents and warrants to, and covenants with, Freddie Mac that each Electronic Initial Loan Document and Electronic Closing Document that the Correspondent and/or Mortgage Broker creates and uses in the loan origination and/or closing processes: (i) complies with all applicable federal and/or State laws and regulations and (ii) is valid, enforceable and effective in accordance with the terms therein

- Requires its Correspondents and/or Mortgage Brokers to transfer such Electronic Initial Loan Documents and Electronic Closing Documents to the Seller and the Seller must receive and store all such Electronic Initial Loan Documents and Electronic Closing Documents in accordance with the requirements of the Guide and, if there is a Transfer of Servicing, the Seller must transfer such Electronic Initial Loan Documents and Electronic Closing Documents to the Transferee Servicer

1401.13: Electronic real estate purchase and sale agreements (03/02/16)

(a) Local customary real estate broker contracts

A local customary real estate broker purchase and sale agreement ("Contract"), used in the ordinary course of the residential real estate business in a State (excluding contracts for the purchase and sale of residential REO and short sales) delivered to the Seller as a paper copy of a Record or as an Electronic Record, which has been signed by the buyer and/or the seller of real estate using a copy or representation of their respective written signature or an Electronic Signature, which is attached thereto or logically associated therewith, is acceptable in lieu of obtaining an original paper Contract or copy of an original paper Contract signed with a pen and ink signature, provided that:

- The Electronic Contract process is managed by a licensed real estate broker

- The Electronic Contract otherwise complies with all of Freddie Mac's requirements

- The Electronic Contract is true, complete, accurate and duly signed by the parties

- Any affidavits or other notarized documents associated with such Electronic Contract must be original paper documents signed with pen and ink signatures and must be notarized and stamped with a traditional notary seal, if applicable

(b) REO Contracts

An Electronic REO Contract, for the purchase and sale of residential real estate, signed by Freddie Mac (or its designee) as the seller of the REO and/or the buyer of the REO using an Electronic Signature is acceptable in lieu of obtaining an original signed paper Contract or copy of an original paper Contract signed with a pen and ink signature, provided that:

- The Electronic Contract process is managed by a licensed real estate broker
- The Electronic Contract otherwise complies with all of Freddie Mac's requirements
- The Electronic Contract is true, complete, accurate and duly signed by the parties
- Any required affidavits or other notarized documents associated with such Electronic Contract must be original paper documents signed with pen and ink signatures and must be notarized and stamped with a traditional notary seal, if applicable

(c) Short sale Contracts

Short sale Contracts, for the purchase and sale of residential real estate, signed by the seller and/or the buyer of the real estate using Electronic Signatures is acceptable in lieu of a paper original or copy of a paper original Contract signed with a pen and ink signature, provided that:

- The Electronic Contract process is managed by a licensed real estate broker
- The Electronic Contract otherwise complies with all other Freddie Mac requirements
- The Electronic Contract is true, complete, accurate and duly signed by the parties
- Any required Short sale affidavits or other notarized documents associated with such Short sale Contract, must be original paper documents signed with pen and ink signatures and must be notarized and stamped with a traditional notary seal, if applicable

1401.14: Electronic Recording of paper Closing Documents and post-closing documents (10/14/20)

(a) Eligibility of Electronic recording of paper Closing Documents and post-closing documents

Mortgages that (i) have "paper closing documents", such as Security Instruments and other paper closing documents and "paper post-closing documents", such as assignments of Mortgages and modification agreements (collectively, "Original Paper Document(s)" or "OPD(s)") and (ii) that have been electronically recorded in the applicable local government land records recorder's offices ("Recorder's Office(s)") in accordance with applicable law, are eligible for delivery and Servicing by the Seller/Servicer, provided that:

- Such Mortgages were originated in States that permit Recorder's Office(s) to
  - Provide Seller/Servicers with Electronic delivery access to the Recorder's Office(s) to electronically record OPD(s)
  - Return to Seller/Servicers, after recording, either Electronic or paper copies of the electronically recorded OPDs, with recording information therein and/or another form of Recorder's Office(s) Electronic recording confirmation ("Recording Confirmation(s)"), with recording information therein

- The Seller/Servicer agrees that it will promptly obtain, at the Seller/Servicer's expense, Recorder's Office(s) certified copies (paper or Electronic) of any electronically recorded OPD(s) whenever:
  - Necessary for the Servicing of such Mortgages and/or
  - Required by Freddie Mac, in its sole discretion

- The Seller/Servicer agrees that, as a Transferor Servicer, it will inform any prospective Transferee Servicer that certain Mortgages have OPD(s) that are Mortgage file documents that:
  - Are stored electronically in the Seller/Servicer's eStorage System (as defined in Section 1402.2) and
  - Would be electronically transferred to the Transferee Servicer's eStorage System, if applicable, as part of any Transfer of Servicing, subject to the requirements in Section 7101.8(a)(i) under which the Transferor Servicer may be required to convert the documents and records to the form of storage utilized by the Transferee Servicer or generate paper copies of all documents and records for the Transferee Servicer

- The promissory notes and any related modification agreements for all such Mortgages are original paper instruments that have been duly executed by Borrowers in pen and ink, with the related promissory notes duly endorsed in blank by the Seller/Servicer and the promissory notes and any related modification agreements delivered to the Document Custodian

- The title insurers that issued title insurance policies for such Mortgages have not made any exceptions in the final title insurance policies with respect to the fact that the Security Instrument and/or any other OPD(s) were electronically delivered to and electronically recorded by the Recorder's Office(s)

- The Seller/Servicer represents and warrants to, and covenants with, Freddie Mac that:

  - The Electronic recording and Electronic storage of Electronic copies of the OPD(s) will not in any way adversely affect the validity, enforceability or effectiveness of the OPD(s)

  - The Electronic copies of the electronically recorded OPD(s) comply with all applicable laws, including, without limitation, E-SIGN and/or the UETA

  - All OPD(s) that have been electronically recorded have:

    - Created valid First Liens on the applicable Mortgaged Premises

    - Been copied as Electronic Records and the Seller/Servicer has securely stored, protected and maintained such Electronic Records, with recording information therein, in the Seller/Servicer's eStorage System, and

    - Been delivered to the Document Custodian, as OPDs together with paper copies of electronically recorded OPD(s) with recording information therein, as applicable

- The Seller/Servicer acknowledges and agrees that this Section 1401.14 applies to:

  - Mortgages sold to Freddie Mac in which there are paper closing documents and/or paper post-closing documents that have been electronically recorded and

  - Mortgages serviced for Freddie Mac in which there are paper closing documents and/or paper post-closing documents that have been electronically recorded

(b) Delivery and storage requirements

The Seller/Servicer must securely store and protect all Electronic copies of electronically recorded OPD(s) with recording information therein or Recording Confirmation(s) with recording information therein in the Seller/Servicer's eStorage System and maintain the validity, effectiveness and enforceability of such Electronic Mortgage file documents for the life of each Mortgage plus seven years.

The Seller/Servicer must comply with the following delivery and storage requirements for electronically recorded OPD(s):

If the Seller/Servicer receives back from the Recorder's Office(s)…	Then the Seller/Servicer must…
1. Paper copies of the electronically recorded OPD(s), with recording information therein or Recording Confirmation(s)	(a) If, under the Guide, the OPD(s) must be delivered to the Document Custodian, deliver such OPD(s) and paper copies of such electronically recorded OPD(s), with recording information therein or Recording Confirmation(s), to the Document Custodian, and (b) Store and maintain Electronic copies of the electronically recorded OPD(s), with recording information therein or Recording Confirmation(s), in the Seller/Servicer's eStorage System for the life of each of the Mortgages plus seven years
2. Electronic copies of the electronically recorded OPD(s), with recording information therein or Recording Confirmation(s)	(a) If, under the Guide, the OPD(s) must be delivered to the Document Custodian, deliver such OPD(s) and Electronic copies of electronically recorded OPD(s), with recording information therein or Recording Confirmation(s), to the Document Custodian, and (b) Store and maintain Electronic copies of the electronically recorded OPD(s), with recording information therein or Recording Confirmation(s), in the Seller/Servicer's eStorage System for the life of each of the Mortgages plus seven years

Note: If the Seller/Servicer is required to deliver an Electronic copy of the document to the Document Custodian per requirements set forth above in this Section 1401.14 and the Document Custodian is not able to receive Electronic copies of the documents, Seller/Servicer must deliver a paper copy of the document to the Document Custodian.

1401.15: Electronic Recording of Electronic Closing Documents (10/14/20)

(a) Eligibility of Electronic recording of Electronic closing documents

Mortgages that have (i) "electronically created closing documents," such as Security Instruments and other electronically created closing document(s) and "electronically created post-closing documents", such as assignments of Mortgages and eModification Agreements (collectively, "Electronically Created Document(s)" or "ECD(s)"), and (ii) have been electronically recorded in the applicable local government land records recorder's offices ("Recorder's Office(s)") in accordance with applicable law, are eligible for delivery and Servicing by the Seller/Servicer, provided that:

- Such Mortgages were originated in States that permit Recorder's Office(s) to:
  - Provide Seller/Servicers with Electronic delivery access to the Recorder's Office(s) to electronically record ECD(s), and
  - Return to Seller/Servicers Electronic or paper copies of:
    - The electronically recorded ECDs, with recording information therein, and/or
    - Other form of Recorder's Office(s) Electronic recording confirmations ("Recording Confirmation(s)") with recording information therein
- The Seller/Servicer represents and warrants to, and covenants with, Freddie Mac that:
  - The Electronic recording and Electronic storage of Electronic copies of the electronically recorded ECD(s) will not in any way adversely affect the validity, enforceability and effectiveness of the ECD(s)
  - Each electronically created Security Instrument and each eModification Agreement has been duly electronically recorded and creates a valid, effective and enforceable First Lien on each applicable Mortgaged Premises
  - Each eModification Agreement complies with the applicable requirements of Chapters 8406 and 9206
  - Each electronic power of attorney complies with the applicable requirements of Chapter 6301
  - All other ECD(s) have been duly electronically recorded, as required, and are valid, effective and enforceable

- ❑ That all ECD(s) that are Mortgage file documents are securely stored, protected and maintained with recording information therein in the Seller/Servicer's eStorage System (as defined in Section 1402.2)

- ❑ ECD(s) that are custodial file documents have been copied on paper and the paper copies with recording information therein have been delivered to the Document Custodian, and

- ❑ The Electronic copies of the electronically recorded ECD(s) comply with all applicable laws including, but not limited to, E-SIGN and/or UETA

■ The Seller/Servicer will promptly obtain, at the Seller/Servicer's expense, Recorder's Office(s) certified copies (paper or Electronic) of Security Instruments and other electronically recorded ECD(s) whenever:

- ❑ Necessary for the Servicing of such Mortgages and/or

- ❑ Required by Freddie Mac, in its sole discretion

■ The Seller/Servicer agrees that, as Transferor Servicer, it will inform any prospective Transferee Servicer that certain Mortgages have ECD(s) that are Mortgage file documents that:

- ❑ Are stored electronically in the Seller/Servicer's eStorage System and

- ❑ Would be electronically transferred to the Transferee Servicer's eStorage System, if applicable, as part of any Transfer of Servicing, subject to the requirements in Section 7101.8(a)(i) under which the Transferor Servicer may be required to convert the documents and records to the form of storage utilized by the Transferee Servicer or generate paper copies of all documents and records for the Transferee Servicer

■ The promissory notes for all such Mortgages are original paper instruments that have been signed by Borrowers in pen and ink, duly endorsed in blank by the Seller/Servicer and delivered to the Document Custodian

■ The title insurers that issued title insurance policies for such Mortgages have not made any exceptions in the final title insurance policies with respect to fact that the Electronic Security Instruments or other ECD(s) have been electronically delivered to and electronically recorded by the Recorder's Office(s)

■ The Seller/Servicer acknowledges and agrees that this Section 1401.15 applies to Mortgages

- ❑ Sold to Freddie Mac in which there are electronically created closing documents and/or post-closing documents that have been electronically recorded and

- ❑ Serviced for Freddie Mac in which there are electronically created closing documents and/or post-closing documents that have been electronically recorded

(b) Storage and delivery requirements

The Seller/Servicer must securely store and protect all ECD(s) and Electronic copies of electronically recorded ECD(s) with the recording information therein or Recording Confirmation(s) with the recording information therein in the Seller/Servicer's eStorage System and maintain the validity, effectiveness and enforceability of such Electronic Mortgage file documents for the life of each such Mortgage plus seven years.

The Seller/Servicer must comply with the following delivery and storage requirements for electronically recorded ECD(s):

If the Seller/Servicer receives back from the Recorder's Office(s)…	**Then the Seller/Servicer…**
1. Paper copies of the electronically recorded ECD(s) with recording information therein or Recording Confirmation(s)	(a) If, under the Guide, the ECD(s) must be delivered to the Document Custodian, deliver the Electronic copies of ECD(s) and Electronic scanned copies of the electronically recorded ECD(s), with recording information therein or Recording Confirmation(s), to the Document Custodian, and (b) Store and maintain Electronic copies of the electronically recorded ECD(s), with recording information therein or Recording Confirmation(s), in the Seller/Servicer's eStorage System for the life of each of the Mortgages plus seven years

If the Seller/Servicer receives back from the Recorder's Office(s)…	Then the Seller/Servicer…
2. Electronic copies of the electronically recorded ECD(s) with recording information therein or Recording Confirmation(s)	(a) If, under the Guide, the ECD(s) must be delivered to the Document Custodian, deliver the Electronic copies of ECD(s) and Electronic copies of the electronically recorded ECD(s), with recording information therein or Recording Confirmation(s), to the Document Custodian, and (b) Store and maintain Electronic copies of the electronically recorded ECD(s), with recording information therein or Recording Confirmation(s), in the Seller/Servicer's eStorage System for the life of each of the Mortgages plus seven years

Note: If the Seller/Servicer is required to deliver an Electronic copy of the document to the Document Custodian and the Custodian is not able to receive Electronic copies of the documents, Seller/Servicer must deliver a paper copy of the document to the Document Custodian.

1401.16: Electronically Notarized (In-Person or Remote Online) Electronic Documents (06/03/24)

Mortgages in which in-person Electronic Notarization or Remote Online Notarization was used in connection with the Electronic Security Instrument, other Electronic closing Documents ("Electronic Closing Documents") and/or Electronic assignments and other post-closing documents ("Electronic Post-Closing Documents"), are eligible for purchase by Freddie Mac, provided that:

- The signers' Electronic Signatures are: (i) attached to or logically associated with the Electronic Closing Documents and/or Electronic Post-Closing Documents, as applicable
- The notary public is licensed and domiciled in the State in which the Mortgaged Premises is located and the Electronic Notarization law was enacted or, with respect to Remote Online Notarization, each notary public must be located in a State which authorizes licensed notaries to engage in Remote Online Notarization and must be licensed in that State to engage in Remote Online Notarization
- The final title insurance policy does not make any exceptions regarding the fact that the Electronic Closing Document(s) and/or Electronic Post-Closing Documents have been

electronically created, executed, witnessed, and if applicable, notarized electronically in person or remotely and electronically recorded

- The Seller delivers the recorded document with the recording information thereon to the Document Custodian

- The Seller represents and warrants to, and covenants with, Freddie Mac that each: (i) Electronic Security Instrument that has been electronically signed, notarized electronically in person or remotely and recorded is a valid, effective and enforceable first lien; and (ii) any other Electronic Closing Document and Electronic Post-Closing Document that has been electronically signed, electronically (in person or remotely) notarized and recorded is a valid, effective and enforceable document

- The Seller represents and warrants to, and covenants with, Freddie Mac that each Electronic Closing Document and Electronic Post-Closing Document that has been electronically signed, electronically (in person or remotely) notarized and recorded complies with the UETA and/or E-SIGN, as applicable

- The system used for the Remote Online Notarization meets the following minimum standards:

  - At least two-factor identity authentication, including using a government-issued photo ID that has a signature, credential analysis and identity-proofing

  - Tamper-sealed notarized documents and system security sufficient to: (A) prevent interference with the authenticity, integrity and security of the notarial ceremony or corruption or loss of the recording of the same, and (B) protect the communication technology, electronic record and backup record from unauthorized use

  - The remote online notary must keep a secure electronic journal of the notarial act, including evidence of identity of the principal (a video and audio conference can be the basis for satisfactory evidence of identification) and maintain a backup of the electronic record; and

  - Recording of the notarial ceremony with storage for greater of (a) the minimum period required by applicable laws of the State in which the notary is licensed, or (b) 10 years, with the system providers making arrangements with participating notaries to provide access to Sellers and current and future Servicers

In addition, Mortgages closed using the Remote Online Notarization process must meet the following requirements:

- Mortgaged Premises must be located in one of the States listed on Exhibit 48

- The Mortgages must not be Texas Equity Section 50(a)(6) Mortgages

- If the Borrower and the Mortgaged Premises are located in a State different from the State in which the notary public is licensed and located, the State law in the State where the notary public is licensed and located must authorize the notary public to engage in such interstate Remote Online Notarization transactions

- The signers' Electronic Signatures are remotely, electronically notarized using a system meeting the minimum technical standards listed above in this section

- The Seller must record the electronically signed and remotely, electronically notarized Closing Documents and/or Post-Closing Documents in the applicable public land records recorder's office, in compliance with the requirements of the Guide

  - If necessary for enforcement or upon Freddie Mac's request, the current Servicer must obtain access to the recording of the notarial ceremony for greater of (a) the minimum period required by laws of the State in which the notary is licensed, or (b) 10 years

- If Borrowers request other notary options that are permitted by a State where the Borrower and the Mortgaged Premises are located, the Seller must not require Remote Online Notarization

- The Seller represents and warrants to, and covenants and agrees with, Freddie Mac that:

  - The Seller has confirmed, that all documents that are electronically created, executed, notarized and recorded:

    - Comply with all applicable laws, regulations and rules of each State that permits Remote Online Notarization and the State in which the Mortgaged Premises is located; and

    - Are recordable in the public land records of the State in which the Mortgaged Premises is located

- The Seller may deliver ULDD Data Point, Investor Feature Identifier, "J22," in compliance with Section 6302.5 or may deliver ULDD Data Point Remote Online Notarization Indicator

- The Seller must promptly advise Freddie Mac of any adverse events that arise (actual or threatened legal action(s), governmental official statements, attorneys general opinions or announcements, enacted or filed legislation, State or federal court decisions) of which Seller becomes aware in the normal course of business which may have an adverse effect on interstate Remote Online Notarization, as contemplated in this section;

- In the event the Seller wishes to include the seller of the Mortgaged Premises in the Electronic Closings process, the Seller must comply with the following:

- ❑ The Borrower and the seller of the Mortgaged Premises must give their individual, specific and express Electronic consent to their respective Electronic Signatures on an Electronic warranty deed and other purchase and sale documents;

- ❑ The title insurer must insure the validity, enforceability and effectiveness of the Electronic warranty deed;

- ❑ The use of Electronic warranty deeds and other purchase and sale documents must be permitted under the law of the State in which the Mortgaged Premises is located;

- ❑ The Electronic warranty deed must be recorded in the local recorder's office in the State in which the Mortgaged Premises is located;

- ❑ Long-term storage of the electronically recorded Electronic warranty deeds must be approved by the title insurer, Borrower and seller of the Mortgaged Premises; and

- ❑ All such Electronic warranty deeds and other closing documents must comply with ESIGN and/or the applicable UETA and all other applicable laws

1401.16: Electronically Notarized (In-Person or Remote Online) Electronic Documents (Future effective date 07/28/25)

Mortgages in which in-person Electronic Notarization or Remote Online Notarization was used in connection with the Electronic Security Instrument, other Electronic closing Documents ("Electronic Closing Documents") and/or Electronic assignments and other post-closing documents ("Electronic Post-Closing Documents"), are eligible for purchase by Freddie Mac, provided that:

- ■ The signers' Electronic Signatures are: (i) attached to or logically associated with the Electronic Closing Documents and/or Electronic Post-Closing Documents, as applicable

- ■ The notary public is licensed and domiciled in the State in which the Mortgaged Premises is located and the Electronic Notarization law was enacted or, with respect to Remote Online Notarization, each notary public must be located in a State which authorizes licensed notaries to engage in Remote Online Notarization and must be licensed in that State to engage in Remote Online Notarization

- ■ The final title insurance policy does not make any exceptions regarding the fact that the Electronic Closing Document(s) and/or Electronic Post-Closing Documents have been electronically created, executed, witnessed, and if applicable, notarized electronically in person or remotely and electronically recorded

- The Seller delivers the recorded document with the recording information thereon to the Document Custodian

- The Seller represents and warrants to, and covenants with, Freddie Mac that each: (i) Electronic Security Instrument that has been electronically signed, notarized electronically in person or remotely and recorded is a valid, effective and enforceable first lien; and (ii) any other Electronic Closing Document and Electronic Post-Closing Document that has been electronically signed, electronically (in person or remotely) notarized and recorded is a valid, effective and enforceable document

- The Seller represents and warrants to, and covenants with, Freddie Mac that each Electronic Closing Document and Electronic Post-Closing Document that has been electronically signed, electronically (in person or remotely) notarized and recorded complies with the UETA and/or E-SIGN, as applicable

- The system used for the Remote Online Notarization meets the following minimum standards:

  - At least two-factor identity authentication, including using a government-issued photo ID that has a signature, credential analysis and identity-proofing

  - Tamper-sealed notarized documents and system security sufficient to: (A) prevent interference with the authenticity, integrity and security of the notarial ceremony or corruption or loss of the recording of the same, and (B) protect the communication technology, electronic record and backup record from unauthorized use

  - The remote online notary must keep a secure electronic journal of the notarial act, including evidence of identity of the principal (a video and audio conference can be the basis for satisfactory evidence of identification) and maintain a backup of the electronic record; and

  - Recording of the notarial ceremony with storage for greater of (a) the minimum period required by applicable laws of the State in which the notary is licensed, or (b) 10 years, with the system providers making arrangements with participating notaries to provide access to Sellers and current and future Servicers

In addition, Mortgages closed using the Remote Online Notarization process must meet the following requirements:

- Mortgaged Premises must be located in one of the States listed on Exhibit 48

- The Mortgages must not be Texas Equity Section 50(a)(6) Mortgages

- If the Borrower and the Mortgaged Premises are located in a State different from the State in which the notary public is licensed and located, the State law in the State where the notary public is licensed and located must authorize the notary public to engage in such interstate Remote Online Notarization transactions

- The signers' Electronic Signatures are remotely, electronically notarized using a system meeting the minimum technical standards listed above in this section

- The Seller must record the electronically signed and remotely, electronically notarized Closing Documents and/or Post-Closing Documents in the applicable public land records recorder's office, in compliance with the requirements of the Guide

  - If necessary for enforcement or upon Freddie Mac's request, the current Servicer must obtain access to the recording of the notarial ceremony for greater of (a) the minimum period required by laws of the State in which the notary is licensed, or (b) 10 years

- If Borrowers request other notary options that are permitted by a State where the Borrower and the Mortgaged Premises are located, the Seller must not require Remote Online Notarization

- The Seller represents and warrants to, and covenants and agrees with, Freddie Mac that:

  - The Seller has confirmed, that all documents that are electronically created, executed, notarized and recorded:

    - Comply with all applicable laws, regulations and rules of each State that permits Remote Online Notarization and the State in which the Mortgaged Premises is located; and

    - Are recordable in the public land records of the State in which the Mortgaged Premises is located

- The Seller must deliver ULDD Data Point Remote Online Notarization Indicator (Sort ID 398.2) in compliance with Section 6302.5

- The Seller must promptly advise Freddie Mac of any adverse events that arise (actual or threatened legal action(s), governmental official statements, attorneys general opinions or announcements, enacted or filed legislation, State or federal court decisions) of which Seller becomes aware in the normal course of business which may have an adverse effect on interstate Remote Online Notarization, as contemplated in this section;

- In the event the Seller wishes to include the seller of the Mortgaged Premises in the Electronic Closings process, the Seller must comply with the following:

- ❑ The Borrower and the seller of the Mortgaged Premises must give their individual, specific and express Electronic consent to their respective Electronic Signatures on an Electronic warranty deed and other purchase and sale documents;

- ❑ The title insurer must insure the validity, enforceability and effectiveness of the Electronic warranty deed;

- ❑ The use of Electronic warranty deeds and other purchase and sale documents must be permitted under the law of the State in which the Mortgaged Premises is located;

- ❑ The Electronic warranty deed must be recorded in the local recorder's office in the State in which the Mortgaged Premises is located;

- ❑ Long-term storage of the electronically recorded Electronic warranty deeds must be approved by the title insurer, Borrower and seller of the Mortgaged Premises; and

- ❑ All such Electronic warranty deeds and other closing documents must comply with ESIGN and/or the applicable UETA and all other applicable laws

1401.17: Electronic Transactions conducted between Servicer and Borrower (08/14/19)

In lieu of using paper documents, such as Form 710, Mortgage Assistance Application, explanation letters, modification agreements, solicitation letters, evaluation notices and other forms and documents in connection with consideration for a reinstatement, relief or workout option as required in Chapters 9102, 9201, 9203, 9204 and 9206 (documents referred to as "loss mitigation documents"), the Servicer may either:

- ■ Mail, fax or electronically transmit copies of the loss mitigation documents (excluding letters a Borrower must provide) to a Borrower or permit a Borrower to copy, print or download a copy of the loss mitigation documents via a secure Servicer-provided internet website and permit the Borrower to complete, sign and fax copies (or e-mail copies) of the signed loss mitigation documents to the Servicer (Note: Under some State laws, an individual may not be required to transmit his/her Social Security number over an unsecured Electronic channel), or

- ■ Give the Borrower a secure means of access through which a Borrower may prepare and electronically sign loss mitigation documents (including letters a Borrower must provide) and submit them to Servicer.

In the event the Servicer permits Borrowers to provide any of the loss mitigation documents as Electronic Records, the Servicer:

- May create an Electronic substitute for Form 710 and any other required forms, provided that the information requested is the same information requested on Form 710 and the other required forms

- Must comply with all applicable requirements in the Guide and other Purchase Documents including, but not limited to, Chapters 1401 and 1402 and Section 9206.19

- Must consult with its legal counsel to determine that the Servicer's use of fax and/or other Electronic copies of loss mitigation documents, complies with the requirements of the federal Electronic Signatures in Global and National Commerce Act (E-SIGN) and/or the Uniform Electronic Transaction Act (UETA), as enacted in the jurisdiction in which the property securing each Mortgage is located, as applicable, and all other applicable laws

- Must use security measures, processes and procedures that protect the confidentiality and privacy of the Borrowers' personal and financial information in accordance with all applicable laws, including, without limitation, the Gramm-Leach-Bliley Act and its implementing regulations

- Must securely store and maintain all such Electronic Records for the same period of time as required by the Guide and other applicable Purchase Documents for paper forms and other loss mitigation documents
- Represents and warrants to Freddie Mac that the loss mitigation documents prepared, signed and submitted by a Borrower electronically are authentic and enforceable against the Borrower

- Must provide Borrowers with fax numbers, e-mail addresses, website addresses and/or other Electronic transmission destinations specifically dedicated to the secure receipt and, if applicable, storage of such Electronic Records

The Servicer acknowledges and agrees that Freddie Mac's above consent to the Servicer's conducting Electronic Transactions with Borrowers is limited to Electronic Transactions and communications between the Servicer and Borrowers in connection with the preparation, execution and submission of loss mitigation documents. The Servicer must continue to provide loss mitigation documents and information to Freddie Mac in the manner required by the Guide and other Purchase Documents. The Servicer may not permit Borrowers to submit any loss mitigation documents directly to Freddie Mac electronically without Freddie Mac's express written or Electronic consent.

Servicers must obtain a Borrower's express consent in accordance with E-SIGN before permitting a Borrower to use Electronic Records and Electronic Signatures in connection with the execution and/or delivery of any loss mitigation documents, communications or other servicing documents. In addition, Servicers must continue to provide and accept all loss mitigation documents on paper for Borrowers who choose not to use Electronic Records and Electronic Signatures. Under no circumstances may a Borrower be required to use Electronic Records and Electronic Signatures.

In addition, the Servicer acknowledges and agrees that the provisions of section 101 of E-SIGN (which permits the use of Electronic Signatures and Electronic Records) do not apply to any notice of default, acceleration, repossession, foreclosure, or eviction, or the right to cure, under a credit agreement secured by, or a rental agreement for, a primary residence of an individual. Accordingly, all such notices must be in writing and delivered in accordance with otherwise applicable State and/or federal law to Borrowers and all individuals on the title to the Mortgaged Premises.

1401.18: Representations, warranties and covenants for Eligible Electronic Transactions engaged in or conducted by the Seller/Servicer with Freddie Mac (03/02/16)

The Seller/Servicer represents and warrants to, and covenants with, Freddie Mac, that:

- The Seller/Servicer's Systems are compatible with Freddie Mac's Systems and the Seller/Servicer is able to receive, view, retrieve, print, send and store Electronic Records in connection with conducting Eligible Electronic Transactions with Freddie Mac

- The Seller/Servicer's Systems permit the Seller/Servicer to deliver Electronic Records, with or without Electronic Signatures, to Freddie Mac

- Copies of paper Records and Electronic Records, delivered to Freddie Mac have been duly authorized by the Seller/Servicer and are true, complete and correct

- Records delivered to Freddie Mac which have a copy or representation of the Seller/Servicer's representative's written signature or Electronic Signature affixed thereto, attached thereto or logically associated therewith, shall be conclusive verification that the Seller/Servicer: (i) duly authorized the completion, execution and delivery of such Records to Freddie Mac; and (ii) intended to be bound and is bound by the terms and conditions in such Records

- The Seller/Servicer waives any and all defenses, claims, counterclaims and/or assertions that Records delivered to Freddie Mac with the Seller/Servicer's representative's written signature or Electronic Signature affixed thereto, attached thereto or logically associated therewith, was not authorized by the Seller/Servicer

- The Seller/Servicer shall also be bound to such terms and conditions in such Records if Seller/Servicer: (i) performs any of the duties or undertakes any of the obligations set forth in such Records; or (ii) uses any of the services, rights, privileges or benefits made available to the Seller/Servicer in such Records

- If the Seller/Servicer is required or permitted by Freddie Mac to conduct Eligible Electronic Transactions, the Seller/Servicer shall not alter any language, the organization of information or the display of information in any Freddie Mac forms, documents, exhibits, uniform instruments or any other paper Records or Electronic Records used in connection with any such Eligible Electronic Transactions without Freddie Mac's express written consent

1401.19: Representations, warranties and covenants for Eligible Electronic Transactions engaged in or conducted by the Seller/Servicer's TPPs (03/02/16)

The Seller/Servicer represents and warrants to, and covenants with, Freddie Mac that:

- Each TPP's Systems are compatible with the Seller/Servicer's Systems

- Each TPP's Systems are able to readily print, store, send, receive, store and retrieve Electronic Records or Electronic Signatures that may be sent to the Seller/Servicer or received from the Seller/Servicer in connection with conducting Eligible Electronic Transactions

- Records or Electronic Records delivered to the Seller/Servicer by any TPP that contain a copy or representation of the TPP's representative's written signature or Electronic Signature affixed thereto, attached thereto or logically associated therewith, is valid, enforceable, effective and has been duly authorized by the TPP

- Electronic Records delivered to the Seller/Servicer by the Seller/Servicer's TPPs (with or without the Electronic Signatures) are true, correct and complete Electronic Records and the TPPs are bound by the terms and conditions in such Electronic Records

- The Seller/Servicer waives any and all defenses, claims, counterclaims and/or assertions that any Electronic Records delivered to the Seller/Servicer by the TPPs (with or without Electronic Signatures) were not authorized by the TPPs

1401.20: Indemnification (03/02/16)

With respect to all Electronic Transactions engaged in or conducted by the Seller/Servicer with Freddie Mac or all Electronic Transactions conducted by the TPPs with the Seller/Servicer, the Seller/Servicer agrees to indemnify, defend and hold Freddie Mac and Freddie Mac's technology provider(s) harmless from and against any and all losses, costs, claims, actions, damages including, but not limited to, indirect, incidental, special or consequential damages, whether foreseeable or not, liabilities, judgments, legal fees, counterclaims or defenses that Freddie Mac or Freddie Mac's technology provider(s) become subject to or incur as a result of any challenge, dispute or lawsuit relating to:

- The loss, theft, unauthorized or improper disclosure or use of Confidential Means of Access to Freddie Mac's Systems caused by the errors, omissions or negligence of the Seller/Servicer or its TPPs

- The destruction, corruption, malfunction or appropriation of, or damage or change to any part of Freddie Mac's Systems, Electronic Records, Electronic Signatures or data (e.g., financial information, proprietary information, confidential information or personal private information) stored in Freddie Mac's Systems, caused by the Seller/Servicer's or the Seller/Servicer's TPPs' errors, omissions or negligence

- The Seller/Servicer's or the Seller/Servicer's TPPs' failure to adopt, maintain and administer minimum security standards to safeguard and protect Freddie Mac's Systems from unauthorized persons, malicious software or other harmful computer information, commands, codes or programs

- The Seller/Servicer's or the Seller/Servicer's TPPs' claim or defense that certain Electronic Transactions conducted by the Seller/Servicer or the Seller/Servicer's TPP were not authorized by the Seller/Servicer, the Seller/Servicer's TPPs or any other party, or that certain Records or Electronic Records (with or without Electronic Signatures) delivered to Freddie Mac were not authorized by the Seller/Servicer or the Seller/Servicer's TPPs or any other party

- The Seller/Servicer's or any of the Seller/Servicer's TPPs' signature, Electronic Signature, Record or Electronic Record is (or are) Electronic

- The Seller/Servicer's repudiation of:

  - The Seller/Servicer's signature or Electronic Signature affixed to, attached to or logically associated with a Record or Electronic Record (or copy thereof) delivered to Freddie Mac, or

  - A copy or representation of the Seller/Servicer's representative's signature or Electronic Signature affixed to, attached to or logically associated with a Record or Electronic Record that has been sent to Freddie Mac by the Seller/Servicer using a fax machine, computer or other Electronic device and received by Freddie Mac using a fax machine, computer or other Electronic device as a Record or Electronic Record

- The Seller/Servicer's TPPs' repudiation of:

  - A copy or representation of any TPP's representative's written signature or Electronic Signature affixed to, attached to or logically associated with a Record or Electronic Record (or copy thereof) delivered to the Seller/Servicer

  - A copy or representation of any TPP's representative's written signature or Electronic Signature, that is affixed to, attached to or logically associated with a Record or

Electronic Record that has been sent to the Seller/Servicer by the Seller/Servicer or the Seller/Servicer's TPP using a fax machine, computer or other Electronic device, and received by the Seller/Servicer or Freddie Mac, using a fax machine, computer or other Electronic device, as a copy of the Record or Electronic Record

- The authenticity, validity, enforceability or effectiveness of any Record, Electronic Record or Electronic Signature delivered to Freddie Mac by the Seller/Servicer or delivered to the Seller/Servicer by the Seller/Servicer's TPPs

1401.21: Electronic Transaction liability (03/02/16)

Freddie Mac shall not be liable to the Seller/Servicer or any other party participating in any Electronic Transactions for any delays or other failures in performing Freddie Mac's obligations under any Eligible Electronic Transactions where such delay or failure:

- Is caused by any event beyond Freddie Mac's control
- Could not be reasonably foreseen at the time of the Electronic Transaction
- The consequences of which could not be avoided or overcome, or
- Is caused by Freddie Mac's, the Seller/Servicer's, the Correspondent's and/or Mortgage Broker's or any other party's internet service provider

In addition, Freddie Mac shall not be liable to the Seller/Servicer or any other party participating in any Electronic Transactions for indirect, incidental, special or consequential damages of any type arising out of or relating in any manner to the electronic transmission of Records, Electronic Records or Electronic Signatures whether under contract, tort or any other theory of liability, even if Freddie Mac is aware of the possibility of such damages.

The Seller/Servicer and any other party participating in Electronic Transactions shall be liable for any and all losses, costs, expenses, legal fees and/or damages including, but not limited to, indirect, incidental, special or consequential damages, whether foreseeable or not, incurred by Freddie Mac or Freddie Mac's technology provider and which are the result of the Seller/Servicer's, the Seller/Servicer's technology provider's, the Correspondent's and/or Mortgage Broker's or any other party's failure to comply with Freddie Mac's requirements in connection with conducting Eligible Electronic Transactions.

1401.22: Law governing Electronic Transactions (03/02/16)

The law governing Electronic Transactions shall be E-SIGN and/or the UETA, as enacted by an applicable State. Under no circumstances will any Electronic Transaction be governed by the

Uniform Computer Information Transactions Act (UCITA), unless Freddie Mac expressly agrees in a written or Electronic amendment to the Seller/Servicer's Purchase Documents.

1401.23: Delivery requirements for Mortgages closed using Remote Online Electronic Notarization (03/31/20)

As of March 31, 2020, Section 1401.23 has been deleted.

1401.24: Remote Ink Notarization (06/02/21)

Mortgages with Closing Documents or Pre-Closing Documents that have been notarized using audio-visual technology to facilitate an ink-signed notarization of an ink-signed paper document (a Remote Ink Notarization or "RIN"), are eligible for purchase by Freddie Mac, provided that:

- The RIN process has been expressly authorized under applicable law
- The notary public is licensed and domiciled in the State in which the Mortgaged Premises is located, and the RIN law was enacted
- The RIN process is performed in accordance with and is legally valid under the laws and regulations of the State in which the notarization is performed, at the time it was performed.
- The Mortgage is not a Texas Equity Section 50(a)(6) Mortgage
- The final title insurance policy does not make any exceptions regarding the fact that the any document was notarized using a RIN process
- All documents notarized using a RIN process are recordable in the public land records of the State in which the Mortgaged Premises is located
- The Seller makes all representations and warranties in the Guide related to validity, enforceability and lien priority, including that each Mortgage utilizing a RIN process is a valid, effective and enforceable First Lien on the Mortgaged Premises
- The RIN process and any audio-visual communication technology utilized meets the following minimum standards:
  - At least two-factor identity authentication, including using a government-issued photo ID that has a signature, credential analysis and identity-proofing

- ❑ System security sufficient to: (A) prevent interference with the authenticity, integrity and security of the notarial ceremony or corruption or loss of the recording of the same, and (B) protect the communication technology

- ❑ A secure electronic journal of the notarial act, including evidence of identity of the principal and a backup of the electronic record

- ❑ Recording of the notarial ceremony with storage for greater of (a) the minimum period required by applicable laws of the State in which the notary is licensed, or (b) 10 years

- ❑ The notarial certificate (acknowledgment) on the notarized document includes an indication that communication technology was utilized in the notarization process

■ The Seller must deliver ULDD Data Point, Investor Feature Identifier "J95" in compliance with Section 6302.5

Note: The RIN process to which this section applies should not be confused with Remote Online Notarization (RON) covered in Section 1401.16, as RON is electronic notarization of electronically signed documents.

Chapter 1402: Freddie Mac eMortgage Requirements

1402.1: Introduction to eMortgages (12/06/23)

An eMortgage is a Mortgage that is originated using an eNote. The Security Instrument and other Mortgage documents may be paper or Electronic Records.

- Introduction
- Interpreting requirements
- Complying with eMortgage requirements

(a) Introduction

Chapter 1402 sets forth Freddie Mac's requirements for eMortgages. Seller/Servicers, custodians and System Providers must comply with these requirements to create, store, sell and service eMortgages. The requirements and specifications in this chapter are based, for the most part, on the requirements of E-SIGN and the UETA.

(b) Interpreting requirements set forth in this Chapter 1402

Most types of Mortgages are eligible for delivery to Freddie Mac as eMortgages. Mortgages that are not currently eligible for sale to Freddie Mac as eMortgages, due to additional risks associated with such Mortgages, are set forth in Section 1402.7.

Seller/Servicers of eMortgages must comply with all selling and Servicing requirements of the Guide and the Seller/Servicer's other Purchase Documents, as applicable, including the special requirements set forth in this chapter.

With the exception of a Seller/Servicer's obligation to comply with applicable law, the requirements set forth in this chapter prevail over conflicting or contradictory requirements in other chapters of the Guide or the Seller/Servicer's other Purchase Documents with respect to any eMortgage.

(c) Complying with eMortgage requirements

A Seller/Servicer must obtain Freddie Mac's prior written approval, which it may provide in its sole discretion, to sell to and/or service eMortgages for Freddie Mac. This approval is a Purchase Document and may include additional restrictions, requirements, conditions or stipulations relating to the sale and/or Servicing of eMortgages.

Seller/Servicers of eMortgages must ensure that they and their System Providers (and if applicable, Correspondents and/or Mortgage Brokers) comply with the requirements specified in this chapter. In addition, contracts between the Seller/Servicer and any System Providers (and if applicable, Correspondents and/or Mortgage Brokers) regarding the provision of eMortgage closing services and eNote Vault System services, must contain certain terms and conditions that may be prescribed by Freddie Mac in its approval or other Purchase Documents.

The Seller/Servicer is solely, and, if applicable, with any Servicing Agent are jointly, responsible for any failure to comply with the provisions of the MERS® eRegistry membership agreement, including, but not limited to, any rules, and procedures and any liability that it, or its applicable Servicing Agent, or Freddie Mac incurs as a result of Seller/Servicer's registration of (or failure to timely register) eNotes in the MERS eRegistry. A Transfer of Control identifying Freddie Mac as the Controller of an eNote registered in the MERS eRegistry does not relieve the Seller/Servicer and, if applicable, any Servicing Agent, from its responsibility to comply with all applicable provisions of the MERS eRegistry rules, the Guide, and the Seller/Servicer's other Purchase Documents.

1402.2: Defined terms (12/06/23)

Capitalized terms: Capitalized terms used in this chapter that are not otherwise defined in Sections 1401.2, 1402.2 or the Glossary shall have the meanings ascribed to such terms in E-SIGN and UETA.

Defined terms: The following defined terms are used throughout Chapter 1402, other chapters of the Guide and the Seller/Servicer's other Purchase Documents with respect to eMortgages:

A	
AES	The advanced encryption standard, which is a symmetric block cipher implemented in software and hardware to encrypt sensitive data.
Alteration	A change to the terms or conditions of a Record or Electronic Record and/or a change in the variable information added to the Record or Electronic Record after it is signed or, if it is not required to be signed, after it has been delivered.
Authoritative Copy	The copy of the Transferable Record (eNote) that has been registered in the MERS® eRegistry and is stored by the entity named in

	the Location specified in the MERS eRegistry.
C	
Copy of the Authoritative Copy	A copy of the eNote registered in the MERS eRegistry.
Consumer Consent Form	A form to be electronically signed by each Borrower prior to the Borrower's use of an eClosing System.
Control	The authority of a Holder to manage and take action with respect to the Authoritative Copy of an eNote if a system employed for evidencing the transfer of interests in the eNote reliably establishes that the Holder is the Holder to whom the eNote was issued or transferred pursuant to Section 16 of UETA and Title II, Section 201 of E-SIGN.
Controller	The entity named in the MERS eRegistry that has Control of the Authoritative Copy of the eNote.
Custodial Documents	■ The Note or Authoritative Copy of the eNote and any Note or eNote addenda ■ All other documents required to be delivered to the Document Custodian as identified in Section 6301.8(a)
D	
Document Type Definitions (DTDs)	Markup declarations that define a document type for a family markup language, such as hypertext or extensible markup language.
Delegatee	A member of the MERS eRegistry authorized by the Controller to perform certain MERS eRegistry transactions on the Controller's behalf.
Digital Signature	The result of encrypting a Hash Value with a private key. Digital Signatures in the mortgage industry are also known as Tamper

	Seals, Tamper Seal Signatures and Tamper Evident Signatures.
E	
Electronic	Relating to technology having electrical, digital, magnetic, wireless, optical, electromagnetic or similar capabilities, as defined in the "UETA" and/or "E-SIGN".
eClosing System	An Electronic system that uses computer hardware and software that provides a Borrower the ability to electronically sign some or all of the closing documents and applies a Tamper Seal.
Electronic Payment Deferral Agreement	Electronic Payment Deferral Agreement is an Electronic Record that complies with the applicable Payment Deferral requirements of the Guide, as set forth in and subject to Chapter 9203and, solely for purposes of Chapter 1402, also includes Electronic Payment Deferrals for eMortgages.
Electronic Record	A "Record" created, generated, sent, communicated, received or stored by "Electronic" means, as defined in the "UETA" and/or "E-SIGN." The term also includes a paper document converted into an Electronic Record.
Electronic Signature	An "Electronic" sound, symbol or process attached to, or logically associated with, a contract or other "Record" and executed or adopted by a person with the intent to sign the "Record," as defined in the "UETA" and/or "E-SIGN".
eModification Agreement	eModification Agreement is an Electronic Record that complies with the applicable modification requirements of the Guide and includes, with respect to paper Notes, Electronic modification agreements and Electronic assumption and release of liability agreements under Chapters 9206 and 8406, respectively and, solely for purposes of

	this Chapter 1402, also includes Electronic modifications of eMortgages.
eMortgage	A Mortgage originated using an eNote. An eMortgage may also have an Electronic or paper Security Instrument and certain other paper or Electronic Records, which are part of the Mortgage File Documents.
eStorage System	An Electronic computer storage system for storing Electronic Mortgage File Documents safely, securely, confidentially in accordance with the Guide and other Purchase Documents.
eNote	An Electronic Record that would be a promissory note if it was issued in paper, and that the Borrower has agreed to issue it as a Transferable Record.
eNote Vault System or eVault	An Electronic storage system that uses computer hardware and software to store and maintain eNotes and other Electronic Records.
E-SIGN	The federal Electronic Signatures in Global and National Commerce Act (15 U.S. Code, Chapter 96).
H	
Hash Value	The result of a Hashing Algorithm and is a unique, fixed-sized computed value that represents any arbitrary length string (such as a document). Also known as message digests, hash codes, hash sums, or simply hashes.
Hashing Algorithm	A mathematical function that maps any arbitrary length string (such as a document) to a unique computed fixed length value. Since this value is unique to the document, if the document were altered, the result from applying the Hashing Algorithm to the altered document would be different from applying the mathematical function to the original document. The difference in results from the

	Hashing Algorithm indicates tampering of the data integrity of the original document.
Holder	A person described in Section 16(d) of UETA and in Title II, Section 201(d) of E-SIGN who has Control of a Transferable Record and who is named as the Controller in the MERS eRegistry. (Also known as Note Holder.)
L	
Location	The organization (business entity) named on the MERS eRegistry that stores and maintains the Authoritative Copy of the eNote either as Controller or as a designated custodian on behalf of the Controller.
M	
MERS eDelivery	A MERS® system (operated by MERSCORP Holdings, Inc.) that is used by MERS eRegistry members to deliver documents and data from one MERS eRegistry member to another using the same infrastructure, open system-to-system interface, and standards of the MERS eRegistry.
MERS eRegistry	The Electronic registry (operated by MERSCORP Holdings, Inc.) that serves as the system of record to identify the current Controller and Location of the Authoritative Copy of an eNote, and the Delegatee, if any, who is authorized by the Controller to make certain updates in the MERS eRegistry on behalf of the Controller.
MERS eRegistration History	An Electronic or paper printout of the record of all status changes and required actions that occurred during the life of the eMortgage as set forth in the MERS eRegistry.
MISMO®	Mortgage Industry Standards Maintenance Organization, which is the body created by the Mortgage Bankers Association of America (MBA) in October 1999 to develop, promote, and maintain voluntary Electronic

	commerce standards for the mortgage industry.
Mortgage File Documents	All Mortgage documents from the Mortgage closing (including paper or Electronic Records), including copies of the Custodial Documents, but not including the eNote or Authoritative Copy of the eNote, any eNote addendums, any ARM conversion instrument, any balloon/reset instrument, any modification agreements, assumption agreements (with or without a release of liability), power of attorney and any intervening or other assignments.
P	
PIN	A personal identification number.
Pledged eMortgage	A Pledged Mortgage that is an eMortgage.
Pledged eNote	An eNote related to a Pledged eMortgage.
Process	A series of actions or steps necessary to perform a particular task or meet a particular requirement. Except where applicable law or the context requires otherwise, a Process may be deployed through Electronic means or involve steps or actions that are non-Electronic or may involve a combination of both Electronic and non-Electronic means, steps or actions.
R	
Record	Information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form as defined in the "UETA" and/or "E-SIGN." A Record may be a paper or an "Electronic" document.
Remote Online Notarization	A notarial act performed by means of an Electronic device or process that allows a notary public and a principal, who is not in the same physical location as the notary public, to complete a notarial act and

	communicate with each other simultaneously by sight and sound.
RSA	RSA Data Security, Inc., a developer and publisher of public key cryptography standards.
S	
S/Key	A one-time password system developed for authentication of a user to access certain operating systems where a user's password is combined with a short set of characters generated by an offline device to form a single-use password that may never be used again.
Secured Party	Participant named on the MERS® eRegistry that has been sold, pledged, assigned, or granted a security interest in the eNote by the Controller.
Secured Party Delegatee	Participant authorized by the Secured Party to perform certain MERS eRegistry transactions for the eNote on the Secured Party's behalf.
SHA	The cryptography application programming interface name for secure Hashing Algorithm.
Smart Card Authentication	Two-factor user authentication process that uses certain software and hardware to access the user's digital private keys stored on a smart card placed into a smart card reader once the user supplies the requisite password or personal identification number.
SMART Document	An Electronic document created to conform to a specification standardized by MISMO. A SMART Document locks together data and presentation in such a way that it can be system-validated to guarantee the integrity of the document. There are different categories of SMART Documents as specified by MISMO.
SSL	Secure Sockets Layer, which is a standard security protocol used for establishing

	encrypted links between a web server and a browser in an online communication.
System	Either the eClosing System or eNote Vault System.
Systems	Both the eClosing System and the eNote Vault System.
System Provider	Entity providing a System, or any component of such System, used to create, register, sign, transfer, store, maintain, retrieve, and/or secure eNotes or other Mortgage File Documents.
T	
Tamper Seal, Tamper Seal Signatures, Tamper Evident Seal and Tamper Evident Signatures	Digital Signature applied to an Electronic Record. The Tamper Seal can be verified to ensure that no changes have been made to the Electronic Record since the seal was put in place.
TLS	Transport Layer Security, which is a cryptographic protocol that provides end-to-end communications security over networks and is widely used for internet communications and transactions.
Transfer of Control	Transfer, within an eNote registry, by a transferor with Control of an eNote, to a transferee, for the purpose of transferring the: (i) right, title, and/or interest in an eNote; and/or (ii) custody of an eNote. The purpose of a Transfer of Control must be provided in an agreement duly executed by the transferor and transferee. If the MERS eRegistry is the designated Note Holder registry, it means a change of Control and Controller.
Transferable Record	An Electronic Record as described in Section 16 of UETA and in Title II, Section 201 of E-SIGN. A Transferable Record is referred to herein as an eNote.
U	

UCC	Uniform Commercial Code, as amended from time to time, which is a model commercial transactions statute promulgated by the National Conference of Commissioners on Uniform State Laws (NCCUSL) and which has been published and distributed by members of NCCUSL to the states, territories, and possessions of the United States for enactment. UCC Article 3 governs negotiable instruments, including paper notes.
UETA	The Uniform Electronic Transactions Act of 1999, promulgated by the U.S. Uniform Law Commission for consideration and enactment by the States. Reference to the UETA herein, means the UETA as promulgated by the U.S. Uniform Law Commission or the UETA as enacted by an applicable State.
X	
X.509	Internationally recognized standard for digital certificates that defines their required parts.

1402.3: Selling eMortgages (12/06/23)

- Seller approval
- eClosing and eNote Vault Systems review
- System review process
- Notice of significant changes to eClosing System and/or eNote Vault System
- Ongoing reviews
- Requirements for eMortgages that are Wholesale Home Mortgages

(a) Seller approval

A Seller/Servicer who wishes to sell eMortgages to Freddie Mac must contact its Freddie Mac account representative or reach out to the Freddie Mac eMortgage Team (**eMortgage_Team@FreddieMac.com**) to determine eligibility and obtain Freddie Mac's prior written approval.

Freddie Mac's approval of a Seller/Servicer to sell eMortgages does not necessarily mean approval to service eMortgages for Freddie Mac or vice versa. The approval process to service eMortgages is detailed in Section 1402.9(a).

Before delivering an eMortgage to Freddie Mac, an approved Seller/Servicer of eMortgages must either be approved as a Servicer of eMortgages or be approved to engage in a Concurrent Transfer of Servicing involving eMortgages to a Transferee Servicer who has been approved to service eMortgages for Freddie Mac (see Section 1402.13(a)).

(b) eClosing and eNote Vault Systems review

As part of Freddie Mac's review and approval process to determine a Seller/Servicer's eligibility to sell eMortgages, Freddie Mac will conduct an initial review of the eClosing System and eNote Vault System to assess compliance with requirements specified in Sections 1402.4 and 1402.5. Additionally, Freddie Mac may, in its discretion, conduct periodic and as needed reviews of the eClosing System and eNote Vault System to confirm continued compliance with Freddie Mac eMortgage requirements.

(c) System review process

If the eClosing System and eNote Vault System were **not previously reviewed** by Freddie Mac (Note: Some of these steps can be performed simultaneously):	If the eClosing System and eNote Vault System were **previously reviewed** by Freddie Mac (**https://sf.freddiemac.com/working-with-us/electronic-loan-documents/reviewed-vendor-list**):
■ The Seller/Servicer must (or cause its System Provider to) provide a demonstration of these Systems for Freddie Mac's review ■ The Seller/Servicer must complete testing that includes verification of integration with MERS® eRegistry and eDelivery systems, among other things ■ If using System Provider's Systems, the Seller/Servicer must submit to Freddie Mac an attestation executed by the System Provider's Chief Technology/Security Officer (or comparable titled officer of the System Provider) using the attestation letter provided by Freddie Mac	■ The System review process will consist only of testing to verify integration of the Systems with MERS eRegistry and eDelivery systems. ■ If significant changes, as detailed in Section 1402.3(d), are made to a Freddie Mac reviewed System: ❑ The Seller/Servicer must (or cause its System Provider to) provide a demonstration of these modified Systems for Freddie Mac's review ❑ The Chief Technology/Security Officer (or comparable titled officer) of Seller/Servicer (or its System Provider) must execute and submit an attestation letter provided by Freddie

If the eClosing System and eNote Vault System were **not previously reviewed** by Freddie Mac (Note: Some of these steps can be performed simultaneously):	If the eClosing System and eNote Vault System were **previously reviewed** by Freddie Mac (**https://sf.freddiemac.com/working-with-us/electronic-loan-documents/reviewed-vendor-list**):
■ If using proprietary Systems, the Seller/Servicer must submit to Freddie Mac an attestation executed by the Seller/Servicer's Chief Technology/Security Officer (or comparable titled officer of Seller/Servicer) using the attestation letter provided by Freddie Mac ■ Freddie Mac may, in its sole discretion, request additional information concerning the Systems and associated processes and procedures for further analysis.	Mac ■ Freddie Mac may, in its sole discretion, request additional information concerning the Systems and associated processes and procedures for further analysis

If Freddie Mac, in its sole discretion, determines that the Systems are acceptable, and the Seller/Servicer is otherwise in good standing with Freddie Mac, the Seller/Servicer will be approved to sell eMortgages to Freddie Mac, subject to any terms and conditions set forth in a term of business that will be issued to the Seller/Servicer.

Despite Freddie Mac's review of the Seller/Servicer and any System Provider, and the eClosing System and/or eNote Vault System:

(i) The Seller/Servicer remains solely responsible and liable for any error, omission, System malfunction and/or negligence caused by the System Provider, eClosing System, eNote Vault System, and/or Seller/Servicer; and

(ii) Freddie Mac undertakes no responsibility and/or liability whatsoever in connection with any error, omission, System malfunction and/or negligence caused by the System Provider, eClosing System, eNote Vault System, and/or Seller/Servicer in connection with Seller/Servicer's use of such eClosing System and/or eNote Vault System

(d) Notice of significant changes to eClosing System and/or eNote Vault System

Significant proposed changes to the Seller/Servicer eClosing System and/or eNote Vault System are those that may materially and adversely affect the performance of the Seller/Servicer eClosing System and/or eNote Vault System, and include, but are not limited to, any change that would be reasonably likely to adversely affect the enforceability of the eNotes or other eMortgage documents or compliance with E-SIGN and/or the UETA.

The Seller/Servicer must provide the Freddie Mac eMortgage Team (**eMortgage_Team@FreddieMac.com**) 90 days' advance written notice and complete the Freddie Mac review process outlined in Section 1402.3(c) for any significant proposed change to the:

(i) Seller/Servicer eClosing System and/or eNote Vault System; and

(ii) Seller/Servicer's eClosing policies, procedures and/or processes

Additionally, if Seller/Servicer wishes to use an eClosing System or eNote Vault System that is different from what was communicated by the Seller/Servicer at the time of initial approval, the Seller/Servicer must provide the Freddie Mac eMortgage Team (**eMortgage_Team@FreddieMac.com**) 90 days' advance written notice, and complete the Freddie Mac review and approval process outlined in Section 1402.3(c).

(e) Ongoing reviews

The Seller/Servicer must (or cause the System Provider to) submit to Freddie Mac an annual attestation executed by Seller/Servicer's (or System Provider's) Chief Technology/Security Officer using the attestation letter provided by Freddie Mac. Freddie Mac may require an audit of the eClosing System and/or eNote Vault System conducted in accordance with the Statement on Standards for Attestation Engagements (SSAE) 18 or other comparable type of audit acceptable to Freddie Mac, in its sole discretion. A copy of the audit must be provided to Freddie Mac within 30 days of its completion.

Freddie Mac will provide Seller/Servicer with 30 days' notice before the Seller/Servicer (and/or the System Provider) is required to provide an SSAE 18 or other comparable type of audit report or information requested by Freddie Mac concerning the Systems and associated processes and procedures, unless such review is being conducted pursuant to Guide Series 1000, 2000 and/or 3000.

(f) Requirements for eMortgages that are Wholesale Home Mortgages

An approved eMortgage Seller/Servicer may also deliver eMortgages originated by the Seller/Servicer's Correspondents and Mortgage Brokers to Freddie Mac, provided that:

- The eClosing System and eNote Vault System used by the Correspondent or Mortgage Broker are either:
  - Already listed as Freddie Mac reviewed eMortgage Systems (**https://sf.freddiemac.com/working-with-us/electronic-loan-documents/reviewed-vendor-list**), or
  - Reviewed by Freddie Mac before the Seller/Servicer delivers eMortgages; and

- All eClosing Systems and eNote Vault Systems used by the Correspondent or Mortgage Broker and Seller/Servicer comply (and remain in compliance) with the requirements in this chapter at all times

The Seller/Servicer must require its Correspondents and Mortgage Brokers to agree in writing to:

- Identify their eClosing and eNote Vault System Providers to the Seller/Servicer;
- Represent and warrant to, and covenant with, the Seller/Servicer that:
  - Each such eClosing System and eNote Vault System complies with E-SIGN and the applicable UETA and Freddie Mac's requirements in this chapter, and
  - All eMortgages sold to the Seller/Servicer by such Correspondent or Mortgage Broker and sold and delivered to Freddie Mac comply with all other applicable laws and regulations, requirements in the Seller/Servicer's Purchase Documents
- Comply with the eNote recourse requirements in Section 1402.8(c)(v) and eNote transfer warranty requirements in Section 1402.8(c)(vii)

The Seller/Servicer must always know and approve the eClosing Systems and eNote Vault Systems being used by its Correspondents and Mortgage Brokers.

The Seller/Servicer is solely and absolutely responsible for:

- All acts, omissions and errors of each Correspondent and Mortgage Broker in connection with eMortgages sold to the Seller/Servicer and which the Seller/Servicer delivers and sells to Freddie Mac; and
- Its Correspondents' and Mortgage Brokers' eClosing Systems and eNote Vault Systems compliance with Freddie Mac's requirements

1402.4: eClosing requirements (12/06/23)

- eClosing System requirements
- Mandatory Electronic Record types and Tamper Seals
- Document licenses
- Ineligible types of Electronic Signatures

(a) eClosing System requirements

The eClosing System used by the Seller/Servicer to originate eMortgages must meet the following requirements:

System Requirement	Description
Verify Borrower's identity	Verify Borrower's identity and authority to sign the eNote and other Electronic Records
Obtain Borrower's consent to use electronic signatures	■ Before each Borrower uses an eClosing System, the Borrower must be given a "Consumer Consent Form," including a "clear and conspicuous" disclosure statement in accordance with the requirements in Section 101(c)(1) of E-SIGN ■ Each Borrower must electronically sign the Consumer Consent Form before signing the eNote or any other Electronic Record. If the Borrower consent to electronically sign eNote and other Electronic Records was obtained prior to the closing, and the Borrower has not revoked the consent there is no need to obtain another signed Consumer Consent Form at the closing. ■ The signed Consumer Consent Form must be securely stored either with the eNote or with other Electronic Records
Clearly identify the Electronic Signature symbol and purpose	Clearly identify the symbol or Process used as an Electronic Signature by the Borrower and the purpose of the Electronic Signature
Assure that the Borrower is aware of the legal consequences of the use of an Electronic Signature	The eClosing System and/or Process used for electronically signing eNotes and other Electronic Records with Electronic Signatures must: ■ Provide the Borrower with notice of the effect the Electronic Signature will have ■ Provide a mechanism or process for the Borrower to confirm that the Borrower intends to electronically sign the Electronic Record(s) presented ■ Provide the Borrower with notice that an Electronic Signature will be attached to, or logically associated with, an eNote and other Electronic Records, as applicable, and ■ Capture the Borrower's acknowledgment that his or her Electronic Signature has been attached to, or logically associated with, the eNote or other Electronic Records, as applicable

System Requirement	Description
Present Electronic Records in compliance with Applicable Laws	Present Electronic Records in compliance with all applicable laws concerning the content, display and format of information and retention (as required for paper Records). As an illustration only, some of the formatting and display requirements that must be observed include: ■ Physical location of particular information, such as disclosures that are required to appear just above the signature line, and ■ Requirements that certain information is boxed, segregated, or separately displayed
Present each Electronic Record individually and clearly identify it for Borrower to review and sign	■ For each Electronic Record that is required to be signed, the eClosing System must require Borrower to take an action (e.g., "I agree" button etc.) that expresses the Borrower's intent to sign the Electronic Record being presented ■ A single Electronic Signature must not be applied to multiple Electronic Records when one or more of those Records must be separately signed by the Borrower
Attach Electronic Signature to the signed Electronic Record	■ Attach the Borrower's Electronic Signature to, or associate the Electronic Signature with, the eNote and any other Electronic Records that must be executed by the Borrower ■ For Electronic Records signed electronically at closing, the eClosing System must have evidence (e.g., audit logs, etc.) to show the Borrower's intent to affix such Borrower's Electronic Signature to a particular Electronic Record and to be bound by it
Establish that the Borrower signed Electronic Records	Establish to Freddie Mac's satisfaction, that the Borrower electronically signed the Consumer Consent Form, eNote and any other related Electronic Records. For example, the Borrower may enter information into the System that is personal and attributable only to the Borrower such as, a confidential user ID, password and/or PIN before electronically signing an eNote or any other Electronic Record.
Include Borrower's Printed Name	Include the Borrower's printed name in a visible and legible manner on the Electronic Record
Record execution Time and Date	Record the time and the date of Borrower's execution of the eNote and any other Electronic Records
Apply Tamper Seals	■ Apply a Tamper Seal to the eNote and any other SMART Documents after each Borrower signs and immediately after the last Borrower signs and deliver it to Seller/Servicer's eNote Vault

System Requirement	Description
	System, which must then register the eNote with the MERS® eRegistry ■ Log any interim and all final Tamper Seals of eNotes and any other SMART Documents
Create and store eClosing Transaction Records	■ Create and store a Record of each eNote and Electronic Record presented and signed ("eClosing Transaction Record"). The eClosing System must also, among other things, track and log actions related to the creation, signing and transferring of the eNote and other Electronic Records using the System. Such information must be contained in the eClosing Transaction Record. ■ The eClosing Transaction Record must be retained and maintained by the Seller/Servicer and each subsequent Transferee Servicer. The eClosing Transaction Record, at all times, must be stored and maintained in a manner that preserves the integrity and reliability of the eClosing Transaction Record for at least the life of the applicable eMortgage plus seven years or longer as may be required by law.
Provide security against Unauthorized Access or Alteration	Provide reasonable evidence that Electronic Records created and maintained by the System are not (and have not been) subject to unauthorized access or Alteration. In the event of unauthorized access or Alteration, the System Provider must have processes in place to promptly notify, and has an obligation to notify, affected Seller/Servicers, Borrowers, other parties, and Freddie Mac, as applicable.
Accurately reproduce Electronic Records	■ Be capable of accurately reproducing the fonts, styling, margins, formatting, and other features of the eNotes and other Electronic Records when electronically displayed and printed post-execution and as required by applicable law ■ Permit the party viewing or printing the Electronic Record to ascertain: ❑ The content of the Electronic Record ❑ The name of the Borrower signing the Electronic Record and the legal capacity in which the Borrower signed, and ❑ The time and date the Electronic Record was signed

(b) Mandatory Electronic Record types and Tamper Seals

The Seller/Servicer must use the following Electronic document types:

- The eNote must be a valid, Version 1.02 MISMO Category 1 SMART Document, signed using an Electronic Signature process, and secured by a Tamper Seal; and
- All other Mortgage File Documents in Electronic form may be MISMO Category 1, Category 2 or 4 Version 1.02 SMART Documents or an Electronic format (e.g., portable document format (PDF)) acceptable to Freddie Mac

(c) Document licenses

All eNotes and other Electronic Records, regardless of format, must have no licensing conditions that would prohibit, limit or inhibit Freddie Mac from using the eNote and other Electronic Records for any customary business purpose or otherwise prevent Freddie Mac from selling or transferring any or all of its ownership interests in an eNote or eMortgage and related Electronic Records.

The Seller/Servicer must also ensure that Freddie Mac will not be required to pay any royalties or any other fees for its use of the eNotes and Electronic Records and agrees to indemnify Freddie Mac for any such royalties or other fees that might be assessed against Freddie Mac for its use of the eNotes, eMortgages and related Electronic Records delivered to, or serviced for, Freddie Mac by Seller/Servicer.

(d) Ineligible types of Electronic Signatures

Freddie Mac will not purchase an eMortgage if any of the Electronic Signatures is an audio or video recording or is solely created using a biometric (such as fingerprint, voice, facial, or retinal) data recognition system.

1402.5: eNote Vault System requirements (12/06/23)

The eNote Vault System used by the Seller/Servicer to originate eMortgages must meet the following requirements:

System Requirement	Description
Interface with MERS® eRegistry	■ Facilitates registration of eNote with the MERS eRegistry ■ Enables transfer of eNotes and other Electronic Mortgage File Documents to another eNote Vault System via MERS eDelivery

System Requirement	Description
Support MISMO standard	Supports the MISMO industry standard document version in which the eNote and other Electronic documents were originally created for the life of loan plus seven years
Document Integrity Verification	Verifies document integrity including, but not limited to, compliance with eNote Document Type Definition (DTD) or schema and eNote Tamper Evident Seal before accepting documents
Tamper Seal Logging	Logs the re-computations and validations of eNotes' and any other SMART Documents' Tamper Seals and permits Seller/Servicer and Freddie Mac to verify the same
Data Security	Prevents unauthorized viewing of the most sensitive data and documents through restricted access
Authoritative Copy Identification	Provides a screen that clearly states whether the eNote being viewed is the Authoritative Copy or a Copy of the Authoritative Copy
Accurate Reproduction	Capable of accurately reproducing the fonts, styling, margins, formatting, and other features of the eNotes and other Electronic Records accurately when electronically displayed and printed post-execution and as required by applicable law
Content Identification	Permits the party viewing or printing the Electronic Record to ascertain: ■ The content of the Electronic Record ■ The name of the Borrower signing the Electronic Record and the legal capacity in which the Borrower signed and ■ The time and date the Electronic Record was signed

1402.6: eNote Vault System/eClosing Systems information security requirements (12/06/23)

The Seller/Servicer must ensure that the Systems comply with the information security and business continuity planning requirements in Chapter 1302. In addition, Seller/Servicer must ensure that the Systems meet the following minimum encryption and information security requirements with respect to the protection of sensitive data and information:

System Requirement	Description
Encryption Standards	■ Encryption algorithms compliant with National Institute of Standards and Technology (NIST) and Federal Information Processing Standards (FIPS) 140-2 guidance, as may be amended, updated or superseded by subsequent NIST FIPS guidance ■ TLS session that uses a minimum of 2048-bit Rivest–Shamir–Adleman public-key cryptosystems (RSA) key and 128-bit AES key ■ Data is encrypted both while in transit and at rest
Digital Certificates	X.509 digital certificates for device/server-based TLS/SSL session authentication which support a minimum SHA-256 signing hash
Multifactor Authentication	Supports multifactor authentication methods such as combinations of unique user ID/password, S/Key, password tokens, biometrics, Smart Card Authentication and X.509 digital certificates
System Integrity	Protects System integrity through appropriate measures, including, but not limited to, safeguarding against malware, and the use of firewall and network perimeter security controls, etc.
Concurrent Sessions	Has parameters in place to limit the number of concurrent sessions.
Disaster Recovery and Business Continuity	Has disaster recovery, business continuity, redundancy, data back-up, archival and retrieval capabilities, and be supported by well-documented plans and annual tests

The Seller/Servicer must conduct due diligence on a digital certificate issuing authority's compliance with industry standards. Failure to do so may result in greater susceptibility to encryption eavesdropping (such as man-in-the-middle attacks) and fraudulent Digital Signatures, which increases the risk to data integrity and confidentiality. The Seller/Servicer is responsible for losses due to such noncompliance.

1402.7: Eligible eMortgage types and products (12/06/23)

Upon obtaining Freddie Mac's written approval to sell eMortgages to Freddie Mac and subject to Section 1402.3(a), the Seller/Servicer may sell all Mortgage types and products eligible under the Seller/Servicer's Purchase Documents to Freddie Mac as eMortgages, except for the following:

- Mortgages secured by Mortgaged Premises located in Puerto Rico
- Texas Equity Section 50(a)(6) Mortgages
- New York Consolidation, Extension and Modification Agreement ("NYCEMA") Mortgages. (Note: An eMortgage may be refinanced into NYCEMA using the NYCEMA process provided in Section 1402.17.)
- Mortgages for which the Borrower is a Living Trust, or any Mortgage where a non-individual entity is required to sign the eNote
- Cooperative Share Loans
- Section 184 Native American Mortgages where the Borrower is not an individual

1402.8: Closing and delivering eMortgages (06/03/24)

- eMortgage delivery requirements
- eNote certification
- eMortgage post-closing corrections and other requirements
- Use of eMortgage Warehouse Lender
- Post purchase support

(a) eMortgage delivery requirements

To deliver an eMortgage to Freddie Mac, a Seller/Servicer must:

1. Ensure, and represent and warrant to Freddie Mac, that the Seller/Servicer has complied with all applicable E-SIGN requirements with respect to Borrowers who are "consumers" (as that term is defined by E-SIGN) to the extent the transaction is subject to E-SIGN

2. Close the eMortgage with the applicable Fannie Mae/Freddie Mac Uniform Security Instrument. See Exhibit 5A for mandatory eNote language to be used with the applicable Uniform Note.

3. Provide the Borrower at closing with a paper copy of the executed eNote and all other Mortgage documents, unless the Borrower expressly agrees, in writing or electronically, to receive an Electronic copy of the eNote and all other Mortgage File Documents and provide copies of the eNote and other Mortgage File Documents, if requested by the Borrower in the future.

4. Register an eNote with the MERS® eRegistry, using a MIN, as soon as possible, but no later than one (1) Business Day after the eMortgage loan closing date and before certification of the eMortgage by Freddie Mac as set forth in Section 1402.8(b).

5. Deliver the Authoritative Copy of the eNote, using MERS eDelivery, to Freddie Mac's or a Freddie Mac-approved third-party eNote custodian's eNote Vault System. Upon receipt of an eNote, the eNote Vault System will validate (re-compute) the eNote's Tamper-Seals and compare them with the corresponding Tamper-Seals in the MERS eRegistry.

6. Retain a Copy of the Authoritative Copy of the eNote in Seller/Servicer's eNote Vault System.

7. Send an offer of Transfer of Control of the eNote to Freddie Mac and Location of the eNote to Freddie Mac or a Freddie Mac-approved third-party eNote custodian, as applicable, using the MERS eRegistry. For eMortgages delivered through Cash-Released XChange®, an offer of Transfer of Control and Transfer of Location must be sent to Freddie Mac.

8. Deliver ULDD Data Point eNote Indicator (Sort ID 233) as "true" in Loan Selling Advisor® to identify the Mortgage as an eMortgage. Also, insert the IFI "J22" code in one of the IFI fields or deliver ULDD Data Point Remote Online Notarization Indicator (Sort ID 398.2) as "true" in Loan Selling Advisor if the eMortgage loan is closed using the Remote Online Notarization process.

9. If the eNote was executed by a person acting as attorney-in-fact pursuant to authority granted by a Borrower under a paper power of attorney (POA), the Seller/Servicer must comply with the following delivery requirements:

If the authority granted by a Borrower is under a **paper power of attorney**:	If the authority granted by a Borrower is under an **Electronic power of attorney**:
■ Deliver an Electronic copy of the following, along with the eNote, to the Freddie Mac eVault (or to the eVault of	■ Deliver the Electronic POA, along with the eNote, to the Freddie Mac eVault (or to the eVault of the

If the authority granted by a Borrower is under a **paper power of attorney**:	If the authority granted by a Borrower is under an **Electronic power of attorney**:
the Freddie Mac-approved third-party eNote custodian, if applicable) using MERS eDelivery: ❑ The original POA (signed in ink by the Borrower), or ❑ A copy of the POA, or ❑ A copy of the POA showing the recordation information ■ If applicable law requires an original POA (signed in ink by the Borrower) for enforcement or foreclosure purposes, the Seller/Servicer must deliver an original POA (signed in ink by the Borrower) to the Document Custodian ■ If the POA is recorded, whether or not it is required, and the copy of the POA with recordation information is not delivered along with the eNote, the Seller/Servicer must deliver an Electronic copy of the POA with recordation information received from the recording office to the Freddie Mac eVault (or to the eVault of the Freddie Mac-approved third-party eNote custodian, if applicable), using MERS eDelivery, within 30 days of receipt Refer to Sections 6301.4 and 1401.14 for additional delivery requirements.	Freddie Mac-approved third-party eNote custodian, if applicable) using MERS eDelivery ■ If the POA is recorded, whether or not it is required, and the copy of the POA with recordation information is not delivered along with the eNote, the Seller/Servicer must deliver an Electronic copy of the POA with recordation information received from the recording office to the Freddie Mac eVault (or to the eVault of the Freddie Mac-approved third-party eNote custodian, if applicable), using MERS eDelivery, within 30 days of receipt Refer to Sections 6301.4 and 1401.15 for additional delivery requirements.

Note: If MERS eDelivery is not available, for delivery of the Electronic documents, delivery by other electronic means (e.g., e-mail) to Freddie Mac or the Freddie Mac-approved third-party eNote custodian is acceptable. If Freddie Mac is the eNote custodian, deliver the Electronic documents to **Loan_Delivery_Funding_Ops@FreddieMac.com**.

See Sections 1402.8(c) and 6302.5(b)(ii) for additional delivery requirements.

(b) eNote certification

Freddie Mac will not purchase an eMortgage delivered by a Seller/Servicer to Freddie Mac until Freddie Mac or a Freddie Mac-approved third-party eNote custodian has certified that the eNote data matches that data delivered in Loan Selling Advisor. Any other certification arrangement must be expressly approved by Freddie Mac.

Freddie Mac may agree to provide either its automated eNote certification process, or its manual eNote certification process to Seller/Servicer. Freddie Mac will make that determination at the time of the Seller/Servicer's approval to sell eMortgages.

(i) Automated eNote certification

Freddie Mac and Freddie Mac-approved third-party eNote custodians provide automated eNote certification services for eNotes delivered to Freddie Mac. Such automated eNote certification will occur after the eNotes are in Freddie Mac's or the Freddie Mac-approved third-party eNote custodian's eNote Vault System and Seller/Servicer has provided all required loan data to Loan Selling Advisor.

(ii) Manual eNote certification

In the event Freddie Mac or a Freddie Mac-approved third-party eNote custodian determines that Seller/Servicer must use the manual eNote certification process, in addition to applicable Note verification requirements as identified in Section 6304.3(a), Freddie Mac or a Freddie Mac-approved third-party eNote custodian must verify that:

- Loan Selling Advisor properly identifies eMortgages by confirming that:
  - The term "EMTG" is on the Form 1034E in Loan Selling Advisor or on a printed version of Form 1034E; or
  - The "Enote Indicator" column in the data export from Loan Selling Advisor is "true"; or
  - A check mark is in a column denoted with or labeled with a lower case "e," in the certification screens in Loan Selling Advisor
- The MIN in Loan Selling Advisor is the same as the MIN on the eNote;
- The Tamper Seal on the eNote matches the Tamper Seal stored in the MERS eRegistry;
- Freddie Mac is the Controller of the eNote and Freddie Mac or a Freddie Mac-approved third-party eNote custodian is the Location of the eNote in the MERS eRegistry;

- When the eNote is viewed in the eNote Vault System, there is a representation of the Borrower's typed name and Electronic Signature (which may or may not include a time and date stamp), and the Borrower's legal signing capacity, if signing other than in an individual capacity;

- When the eNote is viewed in the eNote Vault System, MERSCORP Holdings, Inc., a Delaware corporation, has been named as the "Operator of the Registry" in the eNote Uniform Instrument;

- The eNote is a valid Version 1.02 MISMO Category 1 SMART Document; and

- When the Borrower's holographic signature is not consistent with a typed or printed name below the signature line on the Note or in Loan Selling Advisor, a signature affidavit or name affidavit is not required for eMortgages since the eClosing System involves authentication of the Borrower and has an associated audit trail

The Seller/Servicer is responsible for resolving discrepancies before certification can be completed. If the eNote does not meet certification requirements and the Seller/Servicer has been unable to resolve outstanding issues, the eNote will be transferred back to the Seller/Servicer and purchase by Freddie Mac will not occur.

(c) eMortgage post-closing corrections and other requirements

(i) Major corrections

If the Seller/Servicer discovers a major error or omission (such as loan amount, Note Date, Floor Rate Percent, Ceiling Rate Percent, etc.) that affects the enforceability of the eNote, Electronic Security Instrument or other Electronic Mortgage File Documents ("Major Error") after closing, but before delivery to Freddie Mac, Seller/Servicer may correct such Major Error by having the Borrower re-execute the eNote, Electronic Security Instrument or other Electronic Mortgage File Document, as applicable.

(ii) Minor corrections

If the Seller/Servicer discovers a scrivener's or ministerial error or omission (such as misspelled City, State or Street names, etc.) that does not adversely affect the enforceability of the eNote, Electronic Security Instrument or Electronic Mortgage File Documents or affecting the First Lien status of the eMortgage ("Minor Error") in any eNote, Electronic Security Instrument or Electronic Mortgage File Documents after

closing, but before delivery to Freddie Mac, Seller/Servicer may correct any such Minor Error using the procedures and processes below:

- The Seller/Servicer may, pursuant to a limited power of attorney or closing compliance authorization agreement duly executed by the Borrower:
  - Make corrections only to a Seller/Servicer certified paper copy of the eNote, Electronic Security Instrument or Electronic Mortgage File Document marked "Copy," as applicable; and
  - Execute an affidavit similar to the sample provided in Exhibit 45 and insert the applicable information on a form similar to the sample provided in Exhibit 46

- The Seller/Servicer must:
  - Store Electronic copies of such documents in Seller/Servicer's eNote Vault System or eStorage System;
  - Deliver such documents to Freddie Mac's or a Freddie Mac-approved third-party eNote custodian's eNote Vault System as Electronic Records, in an Electronic format acceptable to Freddie Mac for storage with related eNotes; and
  - Deliver a paper copy of such documents to the Borrower on the day such documents are executed

- The Seller/Servicer represents and warrants to, and agrees and covenants with Freddie Mac that eNotes, Electronic Security Instruments and Electronic Mortgage File Documents corrected as set forth herein are accurate, valid, effective, enforceable, and in First Lien position and in compliance with all applicable laws, rules, and regulations, including, without limitation, E-SIGN and the UETA, as enacted in the applicable jurisdiction

- The Seller/Servicer may not use this procedure to correct any eNote, Electronic Security Instrument or Electronic Mortgage File Document after the eMortgage has been delivered to Freddie Mac, unless the Seller/Servicer obtains Freddie Mac's prior written approval

The Minor Error correction process in this Section 1402.8(c)(ii) is provided as a convenience for the Seller/Servicer and not as legal advice. The Seller/Servicer is (and remains) solely responsible for the validity, effectiveness and enforceability of any eNote or other Electronic Record and the First Lien status of the eMortgage corrected in this manner. The Seller/Servicer must confer with its legal counsel before using this process

in any State. Freddie Mac assumes no liability for the correction process used by the Seller/Servicer.

(iii) Electronic Record image quality

If an Electronic Record is delivered to Freddie Mac's or a Freddie Mac-approved third-party eNote custodian's eNote Vault System and Freddie Mac or the Freddie Mac approved third-party eNote custodian, as applicable, determines that the image quality of the Electronic Record is unacceptable, Freddie Mac may require the Seller/Servicer to provide an Electronic copy of the Electronic Record that is acceptable to Freddie Mac or the Freddie Mac-approved third-party eNote custodian, as applicable.

(iv) eMortgage file documentation management

The Mortgage File Documents for eMortgages delivered may contain paper and Electronic documents, so long as Seller/Servicer:

(i) Maintains Records in the Mortgage file, eNote Vault System, and/or eStorage System that cross-reference the paper and Electronic documents, and

(ii) Promptly delivers the Electronic Custodial Documents to Freddie Mac, its designee or a Freddie Mac-approved third-party eNote custodian, as applicable, and paper Custodial Documents to the Document Custodian in the format required by applicable law and/or Freddie Mac's requirements

If some of the Mortgage File Documents are paper and some are Electronic, the paper documents must be delivered and retained as required by other parts of the Guide, and the other Electronic Mortgage File Documents must be retained in the Seller/Servicer's eNote Vault System. If the eNote Vault System does not allow storage of Electronic Mortgage File Documents other than the eNote, these Electronic Mortgage File Documents must be stored securely in an eStorage System in compliance with the requirements of this chapter, the Guide and the Seller/Servicer's other Purchase Documents.

Note: Sections 1401.14 and 1401.15 and Chapters 3301 and 3302 contain most of Freddie Mac's Mortgage file document retention requirements.

The eStorage System must:

- Support multifactor authentication; acceptable methods may include a username and password, biometrics, and/or a key token

- Be setup with appropriate firewall and network perimeter security controls and measures to safeguard against malware, etc.

- Prevent unauthorized viewing or disclosure of the most sensitive data and documents through restricted access

(v) Selling eNotes with or without recourse

Unless the Seller/Servicer and Freddie Mac have agreed (or subsequently agree) in the Seller/Servicer's other Purchase Documents to the contrary, all eNotes sold to Freddie Mac are sold by the Seller/Servicer "without recourse," as that term is used and described in Article 3 of the UCC and Section 6201.7(b) of the Guide. Despite the sale of eNotes being sold "without recourse" to Freddie Mac, the Seller/Servicer remains responsible and liable for:

(i) For all of its representations, warranties, covenants and agreements under Seller/Servicer's Purchase Documents including, without limitation, any repurchase or indemnification agreements applicable to any eMortgage sold hereunder, and

(ii) The eNote transfer warranties set forth in Section 1402.8(c)(vii)

Note: Endorsements are not applicable for eNotes because eNotes are Transferable Records under UETA and E-SIGN and not subject to the UCC endorsement requirements applicable to paper promissory notes and other negotiable instruments.

(vi) Title insurance requirements

Each eMortgage must be insured by a lender's title insurance policy that complies with the requirements of Section 4702.2.

(vii) eNote (negotiable instrument) transfer warranties

Despite the transfer warranties or anything else contained in Section 3-416 of Article 3 of the UCC, the Seller/Servicer, as transferor of each eNote transferred to Freddie Mac for consideration, represents and warrants to, and agrees and covenants with, Freddie Mac, as transferee, and to Freddie Mac's successors and/or assigns, as successor transferees, that:

- Each eNote is being maintained in an eNote Vault System that satisfies the requirements of Section 16(b) and (c) of the UETA, and Section 201(b) and (c) of E-SIGN, and eNote Vault System requirements specified in this chapter;

- The transferor is duly authorized to transfer each eNote;

- The transferor is a person or an organization entitled to enforce each eNote;

- All Electronic Signatures attached to or logically associated with each eNote, and in connection with any prior authorization to transfer, are authentic, authorized, genuine and enforceable against the party purporting to have electronically signed the eNote;

- Each eNote has not been altered since it was executed by the Borrower;

- Each eNote is not subject to a defense or a claim of recoupment of any party that can be asserted against the transferor;

- The transferor has no knowledge of any insolvency proceeding commenced or threatened with respect to the Borrower on each eNote; and

- Each eNote has at all times been maintained by a person identified as the Holder: (a) to whom the eNote was issued or transferred; and (b) asserting Control of the eNote, or that Holder's designated custodian

Freddie Mac and any successor transferee accepting a Transfer of Control and Location of the eNotes sold hereunder in good faith may recover from the Seller/Servicer (as transferor) damages for breach of any of the representations, warranties, agreements and covenants set forth in this Section 1402.8(c)(vii), in an amount equal to the loss suffered as a result of the breach, but not more than the unpaid principal balance of the applicable eNote at the time of any such breach, plus expenses, loss of interest, and other amounts secured by the related eMortgage that are incurred as a result of the breach. The foregoing is not in limitation of any remedies of Freddie Mac contained in other chapters of the Guide or available under applicable law.

The Seller/Servicer and Freddie Mac agree that under no circumstances shall the transfer warranties or any conditions precedent to enforcement of such transfer warranties contained in Section 3-416 of Article 3 of the UCC (or in the UCC as enacted in the State in which the Mortgaged Premises is located) apply to eNotes sold to Freddie Mac.

(viii) eMortgage representations, warranties and covenants

In addition to making all applicable representations and warranties elsewhere in the Guide and in the Seller/Servicer's other Purchase Documents, the Seller/Servicer further represents and warrants to, and agrees and covenants with, Freddie Mac, with respect to each and every eMortgage (both Retail Mortgages and Wholesale Home Mortgages) sold to Freddie Mac, that:

- All Borrowers electronically signed an Electronic consent form ("Consumer Consent Form") in advance of being presented with any Electronic Record to be electronically signed;

- The eNote and other Electronic Mortgage documents, the Systems and Processes used to create, register, transfer, store, retrieve, maintain and secure these documents, and the Electronic Signature Process used by Borrower to electronically sign these documents comply with:

  - Seller/Servicer's Purchase Documents;

  - E-SIGN and/or the UETA, as enacted by the applicable jurisdiction, including, without limitation, Section 201 of Title II of E-SIGN and Section 16 of UETA; and

  - All other applicable laws, regulations and rules

- The Electronic Record identified as an eNote is a Transferable Record and is a valid, Version 1.02 MISMO Category 1 SMART Document;

- All required disclosures under applicable law, were provided to the Borrower either on paper or electronically. If the disclosures were provided electronically, then they were provided after the Borrower was presented with and executed the Consumer Consent Form;

- Each eMortgage was originated using the same credit, collateral and underwriting requirements applicable to identical paper Mortgages as set forth in the Seller/Servicer's Purchase Documents;

- Each eNote is registered with the MERS® eRegistry; and

- No eMortgage was funded at loan closing by the proceeds from the sale of such eMortgage to Freddie Mac.

(d) Use of eMortgage Warehouse Lender

This Section 1402.8(d) supplements and amends Chapter 6305 by setting forth the following requirements for Seller/Servicers and their Warehouse Lenders with respect to eMortgages:

- A Freddie Mac-approved Seller/Servicer that is also approved by Freddie Mac to originate and sell eMortgages to Freddie Mac, may enter into an eMortgage Warehousing Agreement with Freddie Mac-approved eMortgage Warehouse Lenders (**https://sf.freddiemac.com/working-with-us/electronic-loan-documents/emortgage-enote-warehouse-lenders**) to facilitate the closing or purchase of eMortgages, and may grant the Warehouse Lender a lien, interest and/or security interest in such eMortgages and related eNotes.

- If a Seller/Servicer wishes to use Warehouse Lenders that are not Freddie Mac-approved eMortgage Warehouse Lenders (**https://sf.freddiemac.com/working-with-us/electronic-loan-documents/emortgage-enote-warehouse-lenders**), the Warehouse Lender must complete the process described in Section 1402.16(a) to obtain Freddie Mac approval, before Seller/Servicer can deliver and sell any Pledged eMortgages to Freddie Mac

- The requirements applicable to Seller/Servicers and Warehouse Lenders for the delivery of Pledged eMortgages are set forth in Section 1402.16

(e) Post purchase support

A Seller/Servicer that creates, stores or transfers an eNote purchased by Freddie Mac must cooperate with Freddie Mac in all activities necessary to enforce the Security Instrument and eNote. Promptly upon request by Freddie Mac, the Seller/Servicer must provide or, if applicable, cause its third-party System Provider to provide to Freddie Mac an affidavit or certification regarding the creation and/or maintenance of the eNote, other Electronic Records in the Mortgage file and other Custodial Documents in connection with the eMortgage. The affidavit or certification must be in a form appropriate to ensure admissibility of the eNote, other Electronic Records in the Mortgage file and other Custodial Documents in a legal proceeding and must include, among other things:

1. A description of how the executed eNote and other Electronic Records have been stored to prevent against unauthorized access and unauthorized Alteration and a description of how the System can detect such unauthorized access or Alteration;

2. A description of the System controls in place to ensure compliance with E-SIGN and the UETA, including, without limitation, Section 201 of Title II of E-SIGN and Section 16 of UETA;

3. A description of the steps followed by a Borrower to execute the eNote or other Electronic Record using the eClosing System;

4. A copy of each screen, as it would have appeared to the Borrower, of the eNote or other Electronic Record that Freddie Mac is trying to enforce when the Borrower signed the eNote or other Electronic Record;

5. A description of the System controls in place at the time of signing to ensure the integrity of the data; and

6. Testimony by an authorized official or employee of the Seller/Servicer and/or System Provider and/or Correspondent or Mortgage Broker to support admission of the eNote and other Electronic Records into legal proceeding to defend and enforce the eMortgage

1402.8: Closing and delivering eMortgages (Future effective date 07/28/25)

- eMortgage delivery requirements
- eNote certification
- eMortgage post-closing corrections and other requirements
- Use of eMortgage Warehouse Lender
- Post purchase support

(a) eMortgage delivery requirements

To deliver an eMortgage to Freddie Mac, a Seller/Servicer must:

1. Ensure, and represent and warrant to Freddie Mac, that the Seller/Servicer has complied with all applicable E-SIGN requirements with respect to Borrowers who are "consumers" (as that term is defined by E-SIGN) to the extent the transaction is subject to E-SIGN

2. Close the eMortgage with the applicable Fannie Mae/Freddie Mac Uniform Security Instrument. See Exhibit 5A for mandatory eNote language to be used with the applicable Uniform Note.

3. Provide the Borrower at closing with a paper copy of the executed eNote and all other Mortgage documents, unless the Borrower expressly agrees, in writing or electronically, to receive an Electronic copy of the eNote and all other Mortgage File Documents and provide copies of the eNote and other Mortgage File Documents, if requested by the Borrower in the future.

4. Register an eNote with the MERS® eRegistry, using a MIN, as soon as possible, but no later than one (1) Business Day after the eMortgage loan closing date and before certification of the eMortgage by Freddie Mac as set forth in Section 1402.8(b).

5. Deliver the Authoritative Copy of the eNote, using MERS eDelivery, to Freddie Mac's or a Freddie Mac-approved third-party eNote custodian's eNote Vault System. Upon receipt of an eNote, the eNote Vault System will validate (re-compute) the eNote's Tamper-Seals and compare them with the corresponding Tamper-Seals in the MERS eRegistry.

6. Retain a Copy of the Authoritative Copy of the eNote in Seller/Servicer's eNote Vault System.

7. Send an offer of Transfer of Control of the eNote to Freddie Mac and Location of the eNote to Freddie Mac or a Freddie Mac-approved third-party eNote custodian, as applicable, using the MERS eRegistry. For eMortgages delivered through Cash-Released Xchange®, an offer of Transfer of Control and Transfer of Location must be sent to Freddie Mac.

8. Deliver ULDD Data Point eNote Indicator (Sort ID 233) as "true" in Loan Selling Advisor® to identify the Mortgage as an eMortgage. Also, deliver ULDD Data Point Remote Online Notarization Indicator (Sort ID 398.2) as "true" if the eMortgage loan is closed using the Remote Online Notarization process.

9. If the eNote was executed by a person acting as attorney-in-fact pursuant to authority granted by a Borrower under a paper power of attorney (POA), the Seller/Servicer must comply with the following delivery requirements:

If the authority granted by a Borrower is under a **paper power of attorney**:	If the authority granted by a Borrower is under an **Electronic power of attorney**:
■ Deliver an Electronic copy of the following, along with the eNote, to the Freddie Mac eVault (or to the eVault of the Freddie Mac-approved third-party eNote custodian, if applicable) using MERS eDelivery:	■ Deliver the Electronic POA, along with the eNote, to the Freddie Mac eVault (or to the eVault of the Freddie Mac-approved third-party eNote custodian, if applicable) using MERS eDelivery

If the authority granted by a Borrower is under a **paper power of attorney**:	If the authority granted by a Borrower is under an **Electronic power of attorney**:
❑ The original POA (signed in ink by the Borrower), or ❑ A copy of the POA, or ❑ A copy of the POA showing the recordation information ■ If applicable law requires an original POA (signed in ink by the Borrower) for enforcement or foreclosure purposes, the Seller/Servicer must deliver an original POA (signed in ink by the Borrower) to the Document Custodian ■ If the POA is recorded, whether or not it is required, and the copy of the POA with recordation information is not delivered along with the eNote, the Seller/Servicer must deliver an Electronic copy of the POA with recordation information received from the recording office to the Freddie Mac eVault (or to the eVault of the Freddie Mac-approved third-party eNote custodian, if applicable), using MERS eDelivery, within 30 days of receipt Refer to Sections 6301.4 and 1401.14 for additional delivery requirements.	■ If the POA is recorded, whether or not it is required, and the copy of the POA with recordation information is not delivered along with the eNote, the Seller/Servicer must deliver an Electronic copy of the POA with recordation information received from the recording office to the Freddie Mac eVault (or to the eVault of the Freddie Mac-approved third-party eNote custodian, if applicable), using MERS eDelivery, within 30 days of receipt Refer to Sections 6301.4 and 1401.15 for additional delivery requirements.

Note: If MERS eDelivery is not available, for delivery of the Electronic documents, delivery by other electronic means (e.g., e-mail) to Freddie Mac or the Freddie Mac-approved third-party eNote custodian is acceptable. If Freddie Mac is the eNote custodian, deliver the Electronic documents to **Loan_Delivery_Funding_Ops@FreddieMac.com**.

See Sections 1402.8(c) and 6302.5(b)(ii) for additional delivery requirements.

(b) eNote certification

Freddie Mac will not purchase an eMortgage delivered by a Seller/Servicer to Freddie Mac until Freddie Mac or a Freddie Mac-approved third-party eNote custodian has certified that the eNote data matches that data delivered in Loan Selling Advisor. Any other certification arrangement must be expressly approved by Freddie Mac.

Freddie Mac may agree to provide either its automated eNote certification process, or its manual eNote certification process to Seller/Servicer. Freddie Mac will make that determination at the time of the Seller/Servicer's approval to sell eMortgages.

(i) Automated eNote certification

Freddie Mac and Freddie Mac-approved third-party eNote custodians provide automated eNote certification services for eNotes delivered to Freddie Mac. Such automated eNote certification will occur after the eNotes are in Freddie Mac's or the Freddie Mac-approved third-party eNote custodian's eNote Vault System and Seller/Servicer has provided all required loan data to Loan Selling Advisor.

(ii) Manual eNote certification

In the event Freddie Mac or a Freddie Mac-approved third-party eNote custodian determines that Seller/Servicer must use the manual eNote certification process, in addition to applicable Note verification requirements as identified in Section 6304.3(a), Freddie Mac or a Freddie Mac-approved third-party eNote custodian must verify that:

- Loan Selling Advisor properly identifies eMortgages by confirming that:
  - The term "EMTG" is on the Form 1034E in Loan Selling Advisor or on a printed version of Form 1034E; or
  - The "Enote Indicator" column in the data export from Loan Selling Advisor is "true"; or
  - A check mark is in a column denoted with or labeled with a lower case "e," in the certification screens in Loan Selling Advisor
- The MIN in Loan Selling Advisor is the same as the MIN on the eNote;
- The Tamper Seal on the eNote matches the Tamper Seal stored in the MERS eRegistry;
- Freddie Mac is the Controller of the eNote and Freddie Mac or a Freddie Mac-approved third-party eNote custodian is the Location of the eNote in the MERS eRegistry;
- When the eNote is viewed in the eNote Vault System, there is a representation of the Borrower's typed name and Electronic Signature (which may or may not include a time and date stamp), and the Borrower's legal signing capacity, if signing other than in an individual capacity;

- When the eNote is viewed in the eNote Vault System, MERSCORP Holdings, Inc., a Delaware corporation, has been named as the "Operator of the Registry" in the eNote Uniform Instrument;

- The eNote is a valid Version 1.02 MISMO Category 1 SMART Document; and

- When the Borrower's holographic signature is not consistent with a typed or printed name below the signature line on the Note or in Loan Selling Advisor, a signature affidavit or name affidavit is not required for eMortgages since the eClosing System involves authentication of the Borrower and has an associated audit trail

The Seller/Servicer is responsible for resolving discrepancies before certification can be completed. If the eNote does not meet certification requirements and the Seller/Servicer has been unable to resolve outstanding issues, the eNote will be transferred back to the Seller/Servicer and purchase by Freddie Mac will not occur.

(c) eMortgage post-closing corrections and other requirements

(i) Major corrections

If the Seller/Servicer discovers a major error or omission (such as loan amount, Note Date, Floor Rate Percent, Ceiling Rate Percent, etc.) that affects the enforceability of the eNote, Electronic Security Instrument or other Electronic Mortgage File Documents ("Major Error") after closing, but before delivery to Freddie Mac, Seller/Servicer may correct such Major Error by having the Borrower re-execute the eNote, Electronic Security Instrument or other Electronic Mortgage File Document, as applicable.

(ii) Minor corrections

If the Seller/Servicer discovers a scrivener's or ministerial error or omission (such as misspelled City, State or Street names, etc.) that does not adversely affect the enforceability of the eNote, Electronic Security Instrument or Electronic Mortgage File Documents or affecting the First Lien status of the eMortgage ("Minor Error") in any eNote, Electronic Security Instrument or Electronic Mortgage File Documents after closing, but before delivery to Freddie Mac, Seller/Servicer may correct any such Minor Error using the procedures and processes below:

- The Seller/Servicer may, pursuant to a limited power of attorney or closing compliance authorization agreement duly executed by the Borrower:

  - Make corrections only to a Seller/Servicer certified paper copy of the eNote, Electronic Security Instrument or Electronic Mortgage File Document marked "Copy," as applicable; and

  - Execute an affidavit similar to the sample provided in Exhibit 45 and insert the applicable information on a form similar to the sample provided in Exhibit 46

- The Seller/Servicer must:
  - Store Electronic copies of such documents in Seller/Servicer's eNote Vault System or eStorage System;
  - Deliver such documents to Freddie Mac's or a Freddie Mac-approved third-party eNote custodian's eNote Vault System as Electronic Records, in an Electronic format acceptable to Freddie Mac for storage with related eNotes; and
  - Deliver a paper copy of such documents to the Borrower on the day such documents are executed
- The Seller/Servicer represents and warrants to, and agrees and covenants with Freddie Mac that eNotes, Electronic Security Instruments and Electronic Mortgage File Documents corrected as set forth herein are accurate, valid, effective, enforceable, and in First Lien position and in compliance with all applicable laws, rules, and regulations, including, without limitation, E-SIGN and the UETA, as enacted in the applicable jurisdiction
- The Seller/Servicer may not use this procedure to correct any eNote, Electronic Security Instrument or Electronic Mortgage File Document after the eMortgage has been delivered to Freddie Mac, unless the Seller/Servicer obtains Freddie Mac's prior written approval

The Minor Error correction process in this Section 1402.8(c)(ii) is provided as a convenience for the Seller/Servicer and not as legal advice. The Seller/Servicer is (and remains) solely responsible for the validity, effectiveness and enforceability of any eNote or other Electronic Record and the First Lien status of the eMortgage corrected in this manner. The Seller/Servicer must confer with its legal counsel before using this process in any State. Freddie Mac assumes no liability for the correction process used by the Seller/Servicer.

(iii) Electronic Record image quality

If an Electronic Record is delivered to Freddie Mac's or a Freddie Mac-approved third-party eNote custodian's eNote Vault System and Freddie Mac or the Freddie Mac approved third-party eNote custodian, as applicable, determines that the image quality of the Electronic Record is unacceptable, Freddie Mac may require the Seller/Servicer to provide an Electronic copy of the Electronic Record that is acceptable to Freddie Mac or the Freddie Mac-approved third-party eNote custodian, as applicable.

(iv) eMortgage file documentation management

The Mortgage File Documents for eMortgages delivered may contain paper and Electronic documents, so long as Seller/Servicer:

(i) Maintains Records in the Mortgage file, eNote Vault System, and/or eStorage System that cross-reference the paper and Electronic documents, and

(ii) Promptly delivers the Electronic Custodial Documents to Freddie Mac, its designee or a Freddie Mac-approved third-party eNote custodian, as applicable, and paper Custodial Documents to the Document Custodian in the format required by applicable law and/or Freddie Mac's requirements

If some of the Mortgage File Documents are paper and some are Electronic, the paper documents must be delivered and retained as required by other parts of the Guide, and the other Electronic Mortgage File Documents must be retained in the Seller/Servicer's eNote Vault System. If the eNote Vault System does not allow storage of Electronic Mortgage File Documents other than the eNote, these Electronic Mortgage File Documents must be stored securely in an eStorage System in compliance with the requirements of this chapter, the Guide and the Seller/Servicer's other Purchase Documents.

Note: Sections 1401.14 and 1401.15 and Chapters 3301 and 3302 contain most of Freddie Mac's Mortgage file document retention requirements.

The eStorage System must:

- Support multifactor authentication; acceptable methods may include a username and password, biometrics, and/or a key token
- Be setup with appropriate firewall and network perimeter security controls and measures to safeguard against malware, etc.
- Prevent unauthorized viewing or disclosure of the most sensitive data and documents through restricted access

(v) Selling eNotes with or without recourse

Unless the Seller/Servicer and Freddie Mac have agreed (or subsequently agree) in the Seller/Servicer's other Purchase Documents to the contrary, all eNotes sold to Freddie Mac are sold by the Seller/Servicer "without recourse," as that term is used and described in Article 3 of the UCC and Section 6201.7(b) of the Guide. Despite the sale of eNotes being sold "without recourse" to Freddie Mac, the Seller/Servicer remains responsible and liable for:

(i) For all of its representations, warranties, covenants and agreements under Seller/Servicer's Purchase Documents including, without limitation, any

repurchase or indemnification agreements applicable to any eMortgage sold hereunder, and

(ii) The eNote transfer warranties set forth in Section 1402.8(c)(vii)

Note: Endorsements are not applicable for eNotes because eNotes are Transferable Records under UETA and E-SIGN and not subject to the UCC endorsement requirements applicable to paper promissory notes and other negotiable instruments.

(vi) Title insurance requirements

Each eMortgage must be insured by a lender's title insurance policy that complies with the requirements of Section 4702.2.

(vii) eNote (negotiable instrument) transfer warranties

Despite the transfer warranties or anything else contained in Section 3-416 of Article 3 of the UCC, the Seller/Servicer, as transferor of each eNote transferred to Freddie Mac for consideration, represents and warrants to, and agrees and covenants with, Freddie Mac, as transferee, and to Freddie Mac's successors and/or assigns, as successor transferees, that:

- Each eNote is being maintained in an eNote Vault System that satisfies the requirements of Section 16(b) and (c) of the UETA, and Section 201(b) and (c) of E-SIGN, and eNote Vault System requirements specified in this chapter;
- The transferor is duly authorized to transfer each eNote;
- The transferor is a person or an organization entitled to enforce each eNote;
- All Electronic Signatures attached to or logically associated with each eNote, and in connection with any prior authorization to transfer, are authentic, authorized, genuine and enforceable against the party purporting to have electronically signed the eNote;
- Each eNote has not been altered since it was executed by the Borrower;
- Each eNote is not subject to a defense or a claim of recoupment of any party that can be asserted against the transferor;
- The transferor has no knowledge of any insolvency proceeding commenced or threatened with respect to the Borrower on each eNote; and
- Each eNote has at all times been maintained by a person identified as the Holder: (a) to whom the eNote was issued or transferred; and (b) asserting Control of the eNote, or that Holder's designated custodian

Freddie Mac and any successor transferee accepting a Transfer of Control and Location of the eNotes sold hereunder in good faith may recover from the Seller/Servicer (as transferor) damages for breach of any of the representations, warranties, agreements and covenants set forth in this Section 1402.8(c)(vii), in an amount equal to the loss suffered as a result of the breach, but not more than the unpaid principal balance of the applicable eNote at the time of any such breach, plus expenses, loss of interest, and other amounts secured by the related eMortgage that are incurred as a result of the breach. The foregoing is not in limitation of any remedies of Freddie Mac contained in other chapters of the Guide or available under applicable law.

The Seller/Servicer and Freddie Mac agree that under no circumstances shall the transfer warranties or any conditions precedent to enforcement of such transfer warranties contained in Section 3-416 of Article 3 of the UCC (or in the UCC as enacted in the State in which the Mortgaged Premises is located) apply to eNotes sold to Freddie Mac.

(viii) eMortgage representations, warranties and covenants

In addition to making all applicable representations and warranties elsewhere in the Guide and in the Seller/Servicer's other Purchase Documents, the Seller/Servicer further represents and warrants to, and agrees and covenants with, Freddie Mac, with respect to each and every eMortgage (both Retail Mortgages and Wholesale Home Mortgages) sold to Freddie Mac, that:

- All Borrowers electronically signed an Electronic consent form ("Consumer Consent Form") in advance of being presented with any Electronic Record to be electronically signed;

- The eNote and other Electronic Mortgage documents, the Systems and Processes used to create, register, transfer, store, retrieve, maintain and secure these documents, and the Electronic Signature Process used by Borrower to electronically sign these documents comply with:

  - Seller/Servicer's Purchase Documents;

  - E-SIGN and/or the UETA, as enacted by the applicable jurisdiction, including, without limitation, Section 201 of Title II of E-SIGN and Section 16 of UETA; and

  - All other applicable laws, regulations and rules

- The Electronic Record identified as an eNote is a Transferable Record and is a valid, Version 1.02 MISMO Category 1 SMART Document;

- All required disclosures under applicable law, were provided to the Borrower either on paper or electronically. If the disclosures were provided electronically, then they

were provided after the Borrower was presented with and executed the Consumer Consent Form;

- Each eMortgage was originated using the same credit, collateral and underwriting requirements applicable to identical paper Mortgages as set forth in the Seller/Servicer's Purchase Documents;

- Each eNote is registered with the MERS® eRegistry; and

- No eMortgage was funded at loan closing by the proceeds from the sale of such eMortgage to Freddie Mac.

(d) Use of eMortgage Warehouse Lender

This Section 1402.8(d) supplements and amends Chapter 6305 by setting forth the following requirements for Seller/Servicers and their Warehouse Lenders with respect to eMortgages:

- A Freddie Mac-approved Seller/Servicer that is also approved by Freddie Mac to originate and sell eMortgages to Freddie Mac, may enter into an eMortgage Warehousing Agreement with Freddie Mac-approved eMortgage Warehouse Lenders (**https://sf.freddiemac.com/working-with-us/electronic-loan-documents/emortgage-enote-warehouse-lenders**) to facilitate the closing or purchase of eMortgages, and may grant the Warehouse Lender a lien, interest and/or security interest in such eMortgages and related eNotes.

- If a Seller/Servicer wishes to use Warehouse Lenders that are not Freddie Mac-approved eMortgage Warehouse Lenders (**https://sf.freddiemac.com/working-with-us/electronic-loan-documents/emortgage-enote-warehouse-lenders**), the Warehouse Lender must complete the process described in Section 1402.16(a) to obtain Freddie Mac approval, before Seller/Servicer can deliver and sell any Pledged eMortgages to Freddie Mac

- The requirements applicable to Seller/Servicers and Warehouse Lenders for the delivery of Pledged eMortgages are set forth in Section 1402.16

(e) Post purchase support

A Seller/Servicer that creates, stores or transfers an eNote purchased by Freddie Mac must cooperate with Freddie Mac in all activities necessary to enforce the Security Instrument and eNote. Promptly upon request by Freddie Mac, the Seller/Servicer must provide or, if applicable, cause its third-party System Provider to provide to Freddie Mac an affidavit or certification regarding the creation and/or maintenance of the eNote, other Electronic Records in the Mortgage file and other Custodial Documents in connection with the eMortgage. The affidavit or certification must be in a form appropriate to ensure

admissibility of the eNote, other Electronic Records in the Mortgage file and other Custodial Documents in a legal proceeding and must include, among other things:

1. A description of how the executed eNote and other Electronic Records have been stored to prevent against unauthorized access and unauthorized Alteration and a description of how the System can detect such unauthorized access or Alteration;

2. A description of the System controls in place to ensure compliance with E-SIGN and the UETA, including, without limitation, Section 201 of Title II of E-SIGN and Section 16 of UETA;

3. A description of the steps followed by a Borrower to execute the eNote or other Electronic Record using the eClosing System;

4. A copy of each screen, as it would have appeared to the Borrower, of the eNote or other Electronic Record that Freddie Mac is trying to enforce when the Borrower signed the eNote or other Electronic Record;

5. A description of the System controls in place at the time of signing to ensure the integrity of the data; and

6. Testimony by an authorized official or employee of the Seller/Servicer and/or System Provider and/or Correspondent or Mortgage Broker to support admission of the eNote and other Electronic Records into legal proceeding to defend and enforce the eMortgage

1402.9: Servicing eMortgages (12/06/23)

- Becoming an eMortgage Servicer
- Becoming an eMortgage Servicing Agent

(a) Becoming an eMortgage Servicer

To become an eMortgage Servicer for Freddie Mac, the Seller/Servicer must contact its Freddie Mac account representative or the Freddie Mac eMortgage Team (**eMortgage_Team@FreddieMac.com**) to determine its eligibility and obtain Freddie Mac's prior written approval.

Freddie Mac's approval of a Seller/Servicer to service eMortgages for Freddie Mac does not necessarily mean that the Seller/Servicer will also be approved as a Seller of eMortgages to Freddie Mac or vice versa. The approval process to sell eMortgages is set forth in Section 1402.3. (Note: An approved Servicer of eMortgages may only engage in a Transfer of Servicing involving eMortgages in accordance with Section 1402.13(a).)

To obtain and maintain approval to service eMortgages, a Seller/Servicer shall at all times meet the following requirements or use the services of a Freddie Mac-approved eMortgage Servicer as a Servicing Agent:

1. Be a MERS eDelivery and MERS eRegistry participant

2. Have a Freddie Mac-reviewed eNote Vault System. (See Section 1402.5 for eNote Vault System requirements and Section 1402.3 for eNote Vault initial and ongoing review requirements and notice of significant change requirements.) The eNote Vault System must have the ability to:

    a. Maintain a Copy of the Authoritative Copy of the eNote and its Tamper Evident Seal for the life of the eMortgage plus seven years

    b. Identify and track all eMortgages that the Seller/Servicer services for Freddie Mac

    c. Record all status changes and required actions that occur during the life of the eMortgage in the MERS® eRegistry

    d. Accept an offer of change of Control from Freddie Mac, in the event of a foreclosure or other Freddie Mac Default Legal Matters with respect to an eMortgage, as applicable

    e. Create an offer of change of Control to Freddie Mac, in the event of termination of a foreclosure or other Freddie Mac Default Legal Matters with respect to an eMortgage, as applicable

    f. Confirm that the MERS eRegistry accurately reflects the Controller and Location at all times

    g. Accept a transfer of the Authoritative Copy of the eNote from Freddie Mac's eNote Vault System using MERS eDelivery, in the event of an eMortgage repurchase by the Seller/Servicer

    h. Securely store Electronic copies of Mortgage File Documents. (Note: A Seller/Servicer can store all Electronic Mortgage File Documents in its eNote Vault System, if the eNote Vault System allows such storage. If the eNote Vault System does not permit storage of Electronic Mortgage File Documents other than the eNote, the Seller/Servicer must have a secure eStorage System for storing such documents. (See Section 1402.8(c)(iv) for eStorage System requirements.)

3. Have written eMortgage Servicing policies and procedures in place

4. Meet any other eMortgage requirements imposed by Freddie Mac

The Servicing requirements of this chapter are applicable only to the Servicing of eMortgages. Seller/Servicers must not apply any of the requirements set forth in this chapter to a non-eMortgage, but rather, should continue Servicing such Mortgages in accordance with all other applicable Servicing requirements of the Servicing Contract.

Freddie Mac may exercise any and all of its rights under the Guide and applicable Purchase Documents, including, without limitation, the right set forth in Section 3603.1(a) to terminate for cause a Seller/Servicer's Servicing Contract, in whole or in part, if the Seller/Servicer fails to continue to meet the eligibility requirements set forth above, including, but not limited to, the Seller/Servicer's MERS eRegistry participation (or their Servicing Agent's MERS eRegistry participation, if applicable) being terminated or if the Seller/Servicer is unable to record status changes and required actions that occur during the life of the eMortgage in the MERS eRegistry.

Upon such termination, the Seller/Servicer agrees to facilitate a Transfer of Servicing of Freddie Mac's eMortgages to Freddie Mac's designated eMortgage Servicer at Seller/Servicer's own expense.

(b) Becoming an eMortgage Servicing Agent

Subject to Chapter 8102, a Seller/Servicer approved to service eMortgages for Freddie Mac may, as a Master Servicer, engage a Servicer as its Servicing Agent to service such eMortgages.

An eMortgage Servicing Agent is not required to obtain separate approval to service eMortgages, provided the eMortgage Servicing Agent uses the Master Servicer's Freddie Mac-reviewed eNote Vault System and Servicing staff to record status changes and required actions that occur during the life of the eMortgage in the MERS eRegistry and to create/accept offers of change of Control and Location requests, as applicable, during the Servicing of an eMortgage. However, if an eMortgage Servicing Agent intends on using its own eNote Vault System, the eMortgage Servicing Agent must be separately approved to service eMortgages for Freddie Mac and its eNote Vault System must comply with the requirements of this chapter.

If the eMortgage Servicing Agent intends on using its own eNote Vault System, the eMortgage Servicing Agent must provide to the Freddie Mac eMortgage Team (**eMortgage_Team@FreddieMac.com**) its eMortgage Servicing policies and procedures as part of its approval process to service eMortgages for Freddie Mac.

Regardless of the eNote Vault System used by the eMortgage Servicing Agent, the Master Servicer and the eMortgage Servicing Agent must have obtained Freddie Mac's approval of their fully executed Form 479A, Single-Family Servicing Agent Certification and Agreement, with an effective date on or after September 18, 2018.

For a Master Servicer and its eMortgage Servicing Agent that have been approved by Freddie Mac based on their submission of Form 479A with an effective date prior to

September 18, 2018, the Master Servicer and its eMortgage Servicing Agent must execute a new Form 479A and submit it to Freddie Mac and obtain Freddie Mac's prior approval in accordance with Section 8102.1.

When a Master Servicer and its eMortgage Servicing Agent submit a fully executed Form 479A to Freddie Mac, a copy must also be submitted to the Freddie Mac eMortgage Team (**eMortgage_Team@FreddieMac.com**).

Consistent with Section 8201.1, a Master Servicer may use only one eMortgage Servicing Agent for eMortgages being serviced under a particular Freddie Mac Seller/Servicer number at any one time. Freddie Mac's approval of an eMortgage Servicing Agent is limited to the Master Servicer designated on the approved Form 479A. Before an eMortgage Servicing Agent can subservice eMortgages for another Master Servicer, a separate fully executed Form 479A must be submitted to obtain Freddie Mac's prior written approval.

1402.10: Servicing performing eMortgages (12/06/23)

- eMortgage recast modification requirements
- Assumption of eMortgages
- eMortgage payoffs
- Conversion of the eNote to a paper Note

(a) eMortgage recast modification requirements

Upon a recast modification of an eMortgage under Section 8103.7, the Seller/Servicer must update the MERS® eRegistry to provide notice of the modification agreement.

(i) Paper modification agreement

If the modification of an eMortgage is memorialized in a paper modification agreement, the Seller/Servicer must adhere to the requirements in Section 9206.17.

If the Document Custodian receiving the original paper modification agreement requires a copy of the eNote, the Seller/Servicer must print a paper copy from the eNote Vault and deliver it to the Document Custodian. The Seller/Servicer may not convert the eNote into a paper note.

(ii) eModification Agreement

If the modification of an eMortgage is memorialized in an eModification, the Seller/Servicer must comply with the following requirements:

- Create and execute the eModification Agreement on a SMART Document version that meets the MERS eRegistry requirements
- Register the eModification Agreement with the MERS eRegistry to associate the eModification Agreement with the previously registered eNote
- Ensure that the MIN assigned to the eModification Agreement is the same as the MIN assigned to the previously registered eNote
- Ensure that the signing platform has a robust audit trail of all key events starting from the creation of the eModification Agreement through and including the Borrower and Seller/Servicer execution that the Seller/Servicer can reproduce upon request by Freddie Mac

(iii) Delivery requirements

If the eModification Agreement must be recorded and will **not** be recorded electronically	1. Deliver an Electronic copy of the executed eModification Agreement, by means of MERS eDelivery, to the Freddie Mac eVault (or to the eVault of the Freddie Mac-approved third-party eNote custodian, if applicable) that contains the Authoritative Copy of the eNote within 25 days after receiving it from the Borrower. 2. Deliver an Electronic scanned copy of the recorded eModification Agreement, with recording information therein or Recording Confirmation by means of MERS eDelivery, to the Freddie Mac eVault (or to the eVault of the Freddie Mac-approved third-party eNote custodian, if applicable) that contains the Authoritative Copy of the eNote within five Business Days of receipt.
If the eModification Agreement must be recorded and will be recorded electronically	1. Deliver an Electronic copy of the executed eModification Agreement, by means of MERS eDelivery, to the Freddie Mac eVault (or to the eVault of the Freddie Mac-approved third-party eNote custodian, if applicable) that contains the Authoritative Copy of the eNote within 25 days after receiving it from the Borrower. 2. Deliver an Electronic copy of the eModification Agreement, with recording information therein or Recording Confirmation by means of MERS eDelivery, to the Freddie Mac eVault (or to the eVault of the Freddie Mac-approved third-party eNote custodian, if applicable) that contains the

	Authoritative Copy of the eNote within five Business Days of receipt.
If the recordation is not required	Deliver an Electronic copy of the executed eModification Agreement, by means of MERS eDelivery, to the Freddie Mac eVault (or to the eVault of the Freddie Mac-approved third-party eNote custodian, if applicable) that contains the Authoritative Copy of the eNote within 25 days of receiving it from the Borrower.

Note: If MERS eDelivery is not available for delivery of the Electronic documents, delivery by other electronic means (e.g., e-mail) to Freddie Mac or the Freddie Mac-approved third-party eNote custodian is acceptable. If Freddie Mac is the eNote custodian, deliver the Electronic documents to **Loan_Delivery_Funding_Ops@FreddieMac.com**.

(b) Assumption of eMortgages

Upon an assumption (with or without a release of liability) of an eMortgage under Chapter 8406, the Seller/Servicer must update the MERS eRegistry to provide notice of the assumption agreement.

(c) eMortgage payoffs

In States that require the return of a paper Note marked "paid-in-full" upon payoff of an eMortgage, the Seller/Servicer must:

1. Provide the Borrower with a paper copy of the eNote (**marked "Copy" and "paid-in-full"**), and

2. Include a letter to the Borrower that explains they are receiving a paper copy of the eNote, originally registered in the MERS eRegistry, and that the Seller/Servicer has caused the eNote to be de-activated on the MERS eRegistry due to the eMortgage having been paid in full

(d) Conversion of the eNote to a paper Note

No party, including the Seller/Servicer, may convert an eNote owned by Freddie Mac into a paper-based Note without Freddie Mac's prior written approval, subject to any Freddie Mac instructions. A Seller/Servicer must contact the Freddie Mac Legal Division (**Legal_eMortgage@FreddieMac.com**) to obtain such approval.

The one exception to this requirement is when a Seller/Servicer is Servicing an eMortgage originated in New York and the Borrower later wishes to refinance the eMortgage using the New York Consolidation, Modification and Extension Agreement (NYCEMA) process

and documents. In such case, the Seller/Servicer must comply with the requirements in Section 1402.17.

Upon Freddie Mac's approval, as part of the eNote conversion to paper, the Seller/Servicer must:

- Update the eNote status to Papered Out in the eNote Vault System and confirm the MERS eRegistry accurately reflects a status of Papered Out
- Maintain the scanned copy of the converted paper note

1402.11: Servicing non-performing eMortgages (12/06/23)

- Electronic Payment Deferral documents
- eMortgage modification requirements
- Workout Mortgage assumption of eMortgages
- Short sale or deed-in-lieu of foreclosure involving an eMortgage
- Foreclosure, bankruptcy or other legal proceedings
- Producing the eNote for legal proceedings

(a) Electronic Payment Deferral documents

If an eMortgage is eligible for Payment Deferral in accordance with the requirements set forth in Chapter 9203, and if it is memorialized in a paper Payment Deferral Agreement, the Seller/Servicer must comply with the requirements set forth in Section 9203.23.

If the Payment Deferral is memorialized in an Electronic Payment Deferral Agreement, in addition to the requirements set forth in Section 9203.27, the Seller/Servicer must comply with the following delivery requirements:

If the Borrower signature is not required	Within 25 days of the effective date of the Payment Deferral, the Seller/Servicer must deliver an Electronic copy of the Seller/Servicer executed Electronic Payment Deferral Agreement, by means of MERS® eDelivery, to the Freddie Mac eVault (or to the eVault of the Freddie Mac-approved third-party eNote Custodian, if applicable) that contains the Authoritative Copy of the eNote.
If the Borrower signature is required and recordation is not required	Within 25 days of the effective date of the Payment Deferral, the Seller/Servicer must deliver an Electronic copy of the fully executed Electronic Payment Deferral Agreement, by means of MERS eDelivery, to the Freddie Mac eVault (or to the eVault of the Freddie Mac-approved third-party eNote Custodian, if applicable) that contains the Authoritative Copy of the eNote.
If recordation is required, and will not be recorded electronically	1. Within 25 days of the effective date of the Payment Deferral, the Seller/Servicer must deliver an Electronic copy of the fully executed Electronic Payment Deferral Agreement by means of MERS eDelivery to the Freddie Mac eVault (or to the eVault of the Freddie Mac-approved third-party eNote Custodian, if applicable) that contains the Authoritative Copy of the eNote 2. The Seller/Servicer must also deliver an Electronic scanned copy of the recorded Electronic Payment Deferral Agreement with recording information therein or Recording Confirmation by means of MERS eDelivery to the Freddie Mac eVault (or to the eVault of the Freddie Mac-approved third-party eNote Custodian, if applicable) that contains the Authoritative Copy of the eNote within five Business Days of receipt from the recorder's office
If recordation is required, and will be recorded electronically	1. Within 25 days of the effective date of the Payment Deferral, the Seller/Servicer must deliver an Electronic copy of the fully executed Electronic Payment Deferral Agreement by means of MERS eDelivery to the Freddie Mac eVault (or to the eVault of the Freddie Mac-approved third-party eNote Custodian, if applicable) that contains the Authoritative Copy of the eNote 2. The Seller/Servicer must also deliver an electronically recorded Electronic Payment Deferral Agreement with recording information therein or Recording Confirmation by means of MERS eDelivery to the Freddie Mac eVault (or to the eVault of the Freddie Mac-approved third-party eNote Custodian, if applicable) that contains the

	Authoritative Copy of the eNote within five Business Days of receipt from the recorder's office

If MERS eDelivery is not available for delivery of the Electronic documents, delivery by Electronic means (e.g., e-mail) to Freddie Mac or the Freddie Mac-approved third-party eNote custodian is acceptable. If Freddie Mac is the eNote custodian, deliver the Electronic documents to **Loan_Delivery_Funding_Ops@FreddieMac.com**.

(b) eMortgage modification requirements

Upon a modification of an eMortgage under Chapter 9206 or other applicable Purchase Documents, the Seller/Servicer must update the MERS® eRegistry to provide notice of the modification agreement.

(i) Paper modification agreement

If the modification of an **eMortgage** is memorialized in a paper modification agreement, the Seller/Servicer must comply with the requirements set forth in Section 9206.17.

If the Document Custodian receiving the original paper modification agreement requires a copy of the eNote, the Seller/Servicer must print a paper copy from the eNote Vault and deliver it to the Document Custodian. The Seller/Servicer may not convert the eNote into a paper note.

(ii) eModification Agreement

If the modification of an eMortgage is memorialized in an eModification Agreement, the Seller/Servicer must comply with the following requirements

- Create and execute the eModification Agreement on a SMART Document version that meets the MERS eRegistry requirements
- Register the eModification Agreement with the MERS eRegistry to associate the eModification Agreement with the previously registered eNote
- Assure that the MIN assigned to the eModification Agreement is the same as the MIN assigned to the previously registered eNote
- Assure that the signing platform has a robust audit trail of all key events starting from the creation of the eModification Agreement through and including the Borrower and Seller/Servicer execution that the Seller/Servicer can reproduce upon request by Freddie Mac

(iii) Delivery requirements

If the eModification Agreement must be recorded and will not be recorded electronically	1. Deliver an Electronic copy of the executed eModification Agreement, by means of MERS eDelivery, to the Freddie Mac eVault (or to the eVault of the Freddie Mac-approved third-party eNote custodian, if applicable) that contains the Authoritative Copy of the eNote within 25 days after receiving it from the Borrower. 2. Deliver an Electronic scanned copy of the recorded eModification Agreement, with recording information therein or Recording Confirmation by means of MERS eDelivery, to the Freddie Mac eVault (or to the eVault of the Freddie Mac-approved third-party eNote custodian, if applicable) that contains the Authoritative Copy of the eNote within five Business Days of receipt.
If the eModification Agreement must be recorded and will be recorded electronically	1. Deliver an Electronic copy of the executed eModification Agreement, by means of MERS eDelivery, to the Freddie Mac eVault (or to the eVault of the Freddie Mac-approved third-party eNote custodian, if applicable) that contains the Authoritative Copy of the eNote within 25 days after receiving it from the Borrower. 2. Deliver an Electronic copy of the recorded eModification Agreement, with recording information therein or Recording Confirmation by means of MERS eDelivery, to the Freddie Mac eVault (or to the eVault of the Freddie Mac-approved third-party eNote custodian, if applicable) that contains the Authoritative Copy of the eNote within 5 Business Days of receipt.
If the recordation is not required	Deliver an Electronic copy of the executed eModification Agreement, by means of MERS eDelivery, to the Freddie Mac eVault (or to the eVault of the Freddie Mac-approved third-party eNote custodian, if applicable) that contains the Authoritative Copy of the eNote within 25 days after receiving it from the Borrower.

Note: If MERS eDelivery is not available for delivery of the Electronic documents, delivery by electronic means (e.g., e-mail) to Freddie Mac or the Freddie Mac-approved

third-party eNote custodian is acceptable. If Freddie Mac is the eNote custodian, deliver the Electronic documents to **Loan_Delivery_Funding_Ops@FreddieMac.com**.

(c) Workout Mortgage assumption of eMortgages

Upon a workout Mortgage assumption (with or without a release of liability) of an eMortgage under Chapter 9207, the Seller/Servicer must update the MERS eRegistry to provide notice of the assumption agreement.

(d) Short sale or deed-in-lieu of foreclosure involving an eMortgage

In States that require the return of a paper Note upon a short sale or deed-in-lieu of foreclosure involving an eMortgage, the Seller/Servicer must provide the Borrower with a Seller/Servicer certified paper copy of the eNote (**marked "Copy" and "canceled"**).

In such States, the Seller/Servicer must deliver a letter to the Borrower explaining that the Borrower is receiving a paper copy of the eNote, originally registered in the MERS eRegistry, and that the Seller/Servicer has caused the eNote to be de-activated on the MERS eRegistry due to the eMortgage having been canceled as a result of the short sale or deed-in-lieu of foreclosure.

(e) Foreclosure, bankruptcy or other legal proceedings

In States requiring the Seller/Servicer to be the holder of an eNote prior to commencing foreclosure or to take legal action (such as responding to the bankruptcy of a Borrower, bringing or defending a lawsuit or other litigation relating to the maturity, prepayment, repurchase, substitution, conversion, modification, or assumption of a Mortgage or other Freddie Mac Default Legal Matters with respect to an eMortgage), the Seller/Servicer must deliver Form 1036 to Freddie Mac or the Freddie Mac-approved third-party eNote custodian, as applicable, to request a change of Control of the eNote in the MERS eRegistry from Freddie Mac to the Seller/Servicer and if needed, change of Location in the MERS eRegistry from Freddie Mac or the Freddie Mac-approved third-party eNote custodian to the Seller/Servicer.

If Freddie Mac is the eNote custodian, Form 1036 must be sent to Freddie Mac (**Loan_Delivery_Funding_Ops@FreddieMac.com**) at least three Business Days before the change of Control is needed. Once the Seller/Servicer's request is confirmed, Freddie Mac or a Freddie Mac-approved third-party eNote custodian, as applicable, will create an offer of change of Control to the Seller/Servicer, which the Seller/Servicer must accept.

Immediately upon Seller/Servicer's acceptances of the offer of change of Control:

(i) Freddie Mac or the applicable Freddie Mac-approved third-party eNote custodian shall be automatically and conclusively deemed to be the Seller/Servicer's designated custodian, as the term "designated custodian" is defined or described in the UETA and

E-SIGN, and will maintain the eNote in its eNote Vault System, in trust, for the benefit of the Seller/Servicer; and

(ii) The Seller/Servicer shall be automatically and conclusively deemed to be the holder of such eNote, as the term "holder" is defined in Article 1 of the UCC, as enacted in the applicable State. The Seller/Servicer will be responsible for confirming that the Seller/Servicer is identified as the Controller of the eNote in the MERS eRegistry

During the period for which the Seller/Servicer is identified as the Controller under this Section 1402.11(e), Freddie Mac or the Freddie Mac-approved third-party eNote custodian, as applicable, will remain the Location in the MERS eRegistry and Freddie Mac or the applicable Freddie Mac-approved third-party eNote custodian shall maintain the Authoritative Copy of the eNote as the Seller/Servicer's designated custodian, except where the Location was transferred to the Seller/Servicer. Freddie Mac shall at all times, however, be the owner or beneficial owner of the eNote.

When the legal proceeding is concluded, the Seller/Servicer must promptly create an offer of change of Control of the eNote in the MERS eRegistry to Freddie Mac and change of Location to Freddie Mac or the Freddie Mac-approved third-party eNote custodian, as applicable.

Upon Freddie Mac's acceptance of the change of Control, Freddie Mac shall be the Controller, and Freddie Mac or the Freddie Mac-approved third-party eNote custodian, as applicable, shall automatically and immediately cease maintaining the eNote, in trust, for the benefit of the Seller/Servicer as its designated custodian and resume maintaining the eNote for Freddie Mac. If, at the conclusion of the legal proceeding, the loan is charged off, the Seller/Servicer must de-activate the eNote on the MERS eRegistry.

(f) Producing the eNote for legal proceedings

If the Seller/Servicer is required to produce a copy of the eNote for foreclosure or other Freddie Mac Default Legal Matters with respect to an eMortgage, the Seller/Servicer must produce a Seller/Servicer certified paper copy of the eNote (marked "Copy") together with any required affidavit. The Seller/Servicer may not convert the eNote into a paper note.

1402.12: Mortgage File Documents management requirements (12/06/23)

- Cross-referencing paper Mortgage File Documents to eMortgages
- Obtaining access to Custodial Documents

(a) Cross-referencing paper Mortgage File Documents to eMortgages

Paper documents that are part of the Mortgage File Documents related to an eMortgage must be cross-referenced to all Electronic Records that are stored in the eNote Vault System for that eMortgage and, as necessary, the eStorage System. All Records (both paper and Electronic) must be identified and cross-referenced to the applicable eMortgage. (See Section 1402.8(c)(iv) for eStorage System requirements.)

(b) Obtaining access to Custodial Documents

The Seller/Servicer must complete and send Form 1036 to the Document Custodian to obtain any Custodial Document in the Document Custodian's custody.

1402.13: Transfer of Servicing involving eMortgages (12/06/23)

- Transfer of Servicing involving eMortgages
- Transfer of Servicing and custody
- Transfer of Custodial Documents and Mortgage File Documents

(a) Transfer of Servicing involving eMortgages

A Transferor Servicer may engage in a Transfer of Servicing involving eMortgages provided the Transferee Servicer is also an approved eMortgage Servicer for Freddie Mac. (Note: The approval process to service eMortgages is set forth in Section 1402.9(a)).

(b) Transfer of Servicing and custody

In connection with a Transfer of Servicing involving eMortgages, and in completing Form 1034T, the Transferor Servicer must:

1. Deliver a Copy of the Authoritative Copy of eNote and eClosing Transaction Record to the Transferee Servicer's eNote Vault System, and

2. Change the "Servicer" designation in the MERS® System and the MERS eRegistry to the legal name and change the MERS organizational identifier and MERS eRegistry organizational identifier of the Transferee Servicer (who must have already received Freddie Mac's approval to service eMortgages for Freddie Mac)

If a Transferee Servicer is using a Freddie Mac-approved third-party eNote custodian for eNote custody, the Transferor Servicer must create an offer of change in the MERS eRegistry of the Location of the eNote to the Transferee Servicer's eNote custodian.

If a Transferee Servicer is using Freddie Mac as the eNote custodian and Freddie Mac is not already designated as the Location in the MERS eRegistry, the Transferor Servicer must create an offer of change in the MERS eRegistry of the Location of the eNote to Freddie Mac.

(c) Transfer of Custodial Documents and Mortgage File Documents

Prior to requesting Freddie Mac's approval of a Transfer of Servicing involving eMortgages, if some or all of the Mortgage File Documents are Electronic Records, the Transferor Servicer must confirm that the Transferee Servicer has an eNote Vault System or other eStorage System capable of storing Electronic Mortgage File Documents.

In the event the Transferee Servicer does not have a document and records maintenance system capable of storing the Electronic Mortgage File Documents (other than the Copy of the Authoritative Copy of the eNote), the Transferor Servicer must, in accordance with Section 7101.8(a)(i), either convert the documents and records to the form of storage utilized by the Transferee Servicer or generate paper copies of all documents and records for the Transferee Servicer.

Consistent with the requirements in Section 7101.9, the Transferor Servicer must instruct the Document Custodian responsible for storing and maintaining paper documents related to all eMortgages connected to the Transfer of Servicing, to transfer such paper documents to the Transferee Servicer's Document Custodian.

1402.14: Special eMortgage Servicing representations and warranties (12/06/23)

A Seller/Servicer approved to service eMortgages for Freddie Mac represents and warrants to, and agrees and covenants with, Freddie Mac that:

- The Seller/Servicer maintains (or causes its Servicing Agent to maintain) at all times connectivity to the MERS® System, MERS eRegistry and MERS eDelivery

- The Seller/Servicer is at all times in compliance (or ensures that its Servicing Agent is in compliance) with the provisions of the MERS Membership Agreements and MERS Rules of

Membership

- The Seller/Servicer has not, and will not, through any act or omission on its part, cause any eMortgage it services for Freddie Mac to become invalid, ineffective or unenforceable or to lose its First Lien status

1402.15: Voluntary eMortgage repurchase request (06/12/19)

In addition to complying with the Guide's other repurchase requirements, when a Seller/Servicer makes a request to repurchase an eMortgage, the Seller/Servicer must identify such eMortgage as an "eMortgage" in its request to Freddie Mac.

1402.16: Warehouse Lender requirements (12/06/23)

This section contains the requirements for Pledged eMortgages to be delivered to Freddie Mac for sale. The contents of Form 994SF, Warehouse Lender and Freddie Mac Pledged eMortgage Agreement, are incorporated by this reference into the Seller/Servicer's Purchase Documents and are made a part thereof.

- Becoming a Freddie Mac-approved eMortgage Warehouse Lender
- Delivery and Transfer of Control to Freddie Mac
- Accepted purchase offer
- Declined purchase offer
- Amendments to Chapter 6305
- Ancillary Custodial Documents
- eNote certification
- Termination of procedures

(a) Becoming a Freddie Mac-approved eMortgage Warehouse Lender

The Seller/Servicer may deliver eMortgages that are pledged to Freddie Mac's approved eMortgage Warehouse Lender (**https://sf.freddiemac.com/working-with-us/electronic-loan-documents/emortgage-ready-participants#warehouse-lenders**) to Freddie Mac or a Freddie Mac-approved third-party eNote custodian, from time to time, that are eligible for purchase under the Seller/Servicer's Purchase Documents.

If the Seller/Servicer wishes to deliver eMortgages that are pledged to a Warehouse Lender that is not approved for eMortgages, the Warehouse Lender must contact the Freddie Mac eMortgage Team (**eMortgage_Team@FreddieMac.com**) to determine its eligibility and obtain Freddie Mac's prior written approval.

The approval process consists of review of the eNote Vault System used by the Warehouse Lender according to the process described in the table below and the Warehouse Lender executing and delivering a completed Form 994SF to Freddie Mac. Either the original paper Form 994SF signed by the Warehouse Lender must be sent to Freddie Mac by mail or a scanned copy of the Warehouse Lender signed Form 994SF must be electronically delivered to Freddie Mac at **Counterparty_Authorization@FreddieMac.com**.

If the eNote Vault System was not previously reviewed by Freddie Mac:	If the eNote Vault System was previously reviewed by Freddie Mac (**https://sf.freddiemac.com/working-with-us/electronic-loan-documents/reviewed-vendor-list**):
■ The Warehouse Lender must (or cause its System Provider to) provide a demonstration of the eNote Vault System for Freddie Mac's review ■ The Warehouse Lender must complete testing that includes verification of integration with MERS® eRegistry and eDelivery systems, among other things ■ Freddie Mac may, at its sole discretion, request additional information concerning the System and associated processes and procedures for further analysis	■ The Warehouse Lender must complete testing that includes verification of integration with MERS® eRegistry and eDelivery systems, among other things ■ Freddie Mac may, at its sole discretion, request additional information concerning the System and associated processes and procedures for further analysis

Despite Freddie Mac's review of the Warehouse Lender's eNote Vault System:

(i) The Warehouse Lender remains solely responsible and liable for any error, omission, System malfunction and/or negligence caused by: the System Provider, the eNote Vault System and/or the Warehouse Lender; and

(ii) Freddie Mac undertakes no responsibility and/or liability whatsoever in connection with any error, omission, System malfunction and/or negligence caused by the System Provider, the eNote Vault System and/or the Warehouse Lender in connection with Warehouse Lender's use of such eNote Vault System

The Warehouse Lender must provide the Freddie Mac eMortgage Team (**eMortgage_Team@FreddieMac.com**) with 90 days' advance written notice and complete the Freddie Mac review process outlined in table above in case of any significant proposed change to the Warehouse Lender's eNote Vault System. Significant proposed changes to the Warehouse Lender's eNote Vault System are those that may materially and adversely affect the performance of the Warehouse Lender's eNote Vault System and include, but are not limited to, any change that would be reasonably likely to adversely affect the enforceability of the eNotes or other eMortgage documents or compliance with E-SIGN and/or the UETA.

Additionally, if the Warehouse Lender wishes to use an eNote Vault System that is different from what was communicated at the time of initial approval, the Warehouse Lender must provide the Freddie Mac eMortgage Team (**eMortgage_Team@FreddieMac.com**) with 90 days' advance written notice and complete the Freddie Mac review process outlined in the table above.

(b) Delivery and Transfer of Control to Freddie Mac

If the Warehouse Lender or its agent has previously accepted the delivery and Transfer of Control and Location of the eNote, then the Seller/Servicer, Warehouse Lender and Freddie Mac agree that Warehouse Lender or its agent will:

(i) eDeliver the related Pledged eNotes from Warehouse Lender or its agent's eNote Vault System to Freddie Mac's or a Freddie Mac-approved third-party eNote custodian's eNote Vault System using MERS® eDelivery; and

(ii) Transfer Control to Freddie Mac and Location to either Freddie Mac or the Freddie Mac-approved third-party eNote custodian, as applicable, using MERS eRegistry

If the Warehouse Lender desires to be in the Secured Party field, then the Seller/Servicer, Warehouse Lender and Freddie Mac agree that Seller/Servicer having Control of the eNote will:

(i) Populate the Secured Party field with the Warehouse Lender's MERS eRegistry organizational identifier and Secured Party Delegatee field with the Warehouse Lender's delegatee's MERS eRegistry organizational identifier, as applicable, and

(ii) eDeliver the related Pledged eNotes from Seller/Servier's eNote Vault System to Freddie Mac's or a Freddie Mac-approved third-party eNote custodian's eNote Vault System using MERS eDelivery; and

(iii) Transfer Control to Freddie Mac and Location to either Freddie Mac or the Freddie Mac-approved third-party eNote custodian, as applicable, using MERS eRegistry

Freddie Mac or the applicable Freddie Mac-approved third-party eNote custodian will maintain and store the related Pledged eNotes for Warehouse Lender's benefit commencing

on the date and at the time the eRegistry reflects that Freddie Mac is the Controller and Freddie Mac or the Freddie Mac-approved third-party eNote custodian is the Location of the related Pledged eNotes in the MERS eRegistry.

(c) Accepted purchase offer

If Freddie Mac accepts Seller/Servicer's purchase offer, Freddie Mac shall purchase the Pledged eMortgages and related Pledged eNotes by sending the Purchase Proceeds, on the Funding Date or Settlement Date, by wire transfer in accordance with the wire transfer instructions in Form 996E, executed and delivered by Warehouse Lender to Freddie Mac.

Upon Freddie Mac sending the Purchase Proceeds, Seller/Servicer's and/or Warehouse Lender's:

(i) Rights, title and/or interest in such Pledged eMortgages and related Pledged eNotes shall be immediately, automatically, absolutely and unconditionally conveyed, transferred and assigned to Freddie Mac, and/or

(ii) Security interest in or lien upon such Pledged eMortgages and related Pledged eNotes shall be immediately, automatically, absolutely and unconditionally released and relinquished to Freddie Mac. Thereafter, Freddie Mac shall be the sole and absolute owner of any and all rights, title, interest in such Pledged eMortgages and related Pledged eNotes, free and clear of any and all claims, interests, security interests and/or liens.

(d) Declined purchase offer

Seller/Servicer agrees that if Freddie Mac declines to purchase the Pledged eMortgages, Warehouse Lender or its agent will:

(i) Accept the eDelivery of related Pledged eNotes back to Warehouse Lender or its agent's eNote Vault from Freddie Mac's or a Freddie Mac-approved third-party eNote custodian's eNote Vault using MERS eDelivery; and

(ii) Accept the Transfer of Control from Freddie Mac and Location from Freddie Mac or the Freddie Mac-approved third-party eNote custodian, as applicable, of such related Pledged eNotes using MERS eRegistry

If the Warehouse Lender desires to be in the Secured Party field, then the Seller/Servicer and Warehouse Lender agree that Freddie Mac or the Freddie Mac-approved third-party eNote custodian, as applicable, will populate the Secured Party field with the Warehouse Lender's MERS eRegistry organizational identifier and the Secured Party Delegatee field with the Warehouse Lender's delegatee's MERS eRegistry organization identifier, as applicable, and transfer the Control and Location of the eNote to Seller/Servicer using MERS eRegistry.

(e) Amendments to Chapter 6305

In connection with delivery of eMortgages pursuant to this Chapter 1402, Chapter 6305 is amended and supplemented as follows:

- Section 6305.1 is supplemented and amended to add the following definitions "Pledged eMortgages" and "Pledged eNotes" and paragraph as the final terms in Section 6305.1:
  - "Pledged eMortgages" means the same thing as "Pledged Mortgages," as defined in Section 6305.1, except that the evidence of indebtedness for a Pledged eMortgage is an eNote (Transferable Record) governed by the UETA and/or E-SIGN
  - "Pledged eNotes" means the eNotes that are pledged to the Warehouse Lender together with the related "Pledged eMortgages," as defined above"
  - "For eMortgages, whenever the terms "Pledged Mortgages" and "Notes" are used in Chapter 6305, substitute the terms "Pledged eMortgages" and related "Pledged eNotes"

(f) Ancillary Custodial Documents

Seller/Servicer must concurrently deliver paper ancillary Custodial Documents to its Document Custodian or Designated Custodian, as applicable, which shall store and maintain custody and possession of such paper documents under Seller/Servicer's Custodial Agreement, Form 1035, Document Custodial Agreement: Single-Family Mortgages, at the time Seller/Servicer instructs the Warehouse Lender to:

(i) Deliver to Freddie Mac or a Freddie Mac-approved third-party eNote custodian certain Pledged eNotes related to certain Pledged eMortgages that are eligible for purchase by Freddie Mac under Seller/Servicer's Purchase Documents; and

(ii) Transfer Controller and Location status of the related Pledged eNotes, registered in the MERS® eRegistry, to Freddie Mac or the Freddie Mac-approved third-party eNote custodian, as applicable

In the event Freddie Mac does not purchase certain Pledged eMortgages and related Pledged eNotes, Seller/Servicer is responsible for arranging for the return of the ancillary Custodial Documents from the Document Custodian or Designated Custodian, as applicable.

(g) eNote certification

After Seller/Servicer's delivery of Pledged eMortgages and related Pledged eNotes to Freddie Mac or a Freddie Mac-approved third-party eNote custodian, but before each Settlement Date/Funding Date for such Pledged eMortgages and related Pledged eNotes, all such related Pledged eNotes will be automatically certified by Freddie Mac or automatically/manually certified by the Freddie Mac-approved third-party eNote custodian,

as applicable, provided the data meets the requirements of Section 1402.8(b). In the event automated certification is unavailable, Pledged eNotes that meet the data requirements of Section 1402.8(b) will be certified manually.

(h) Termination of procedures

The warehousing procedures and process set forth in this Section 1402.16 may be terminated by Seller/Servicer, Warehouse Lender or Freddie Mac by written notice delivered to the other parties. Such notice may specify an effective date for such termination, but in no event shall the termination be effective less than thirty (30) days after such notice is sent; provided, however, the provisions of Section 1402.16 shall automatically terminate on:

(i) The date Freddie Mac disqualifies or suspends Seller/Servicer's eligibility to sell Mortgages or eMortgages to or service Mortgages or eMortgages for Freddie Mac, or

(ii) The date of Seller/Servicer's dissolution

Notwithstanding anything contained herein, the Seller/Servicer's Purchase Documents or any other agreement to the contrary:

(i) Any and all representations, warranties, covenants, conveyances, assignments and transfers given by Seller/Servicer to Freddie Mac in connection with Freddie Mac's purchase of eligible Pledged eMortgages, and

(ii) Any and all representations, warranties, covenants, conveyances, assignments, transfers, relinquishments and releases given by Warehouse Lender to Freddie Mac in connection with Freddie Mac's purchase of eligible Pledged eMortgages

These shall survive the termination hereof and shall remain in full force and effect and be valid and enforceable.

1402.17: New York CEMA Refinance of New York eMortgage (12/06/23)

A New York Consolidation, Extension and Modification Agreement Mortgage ("NYCEMA Mortgage") may not be closed as an eMortgage and sold to Freddie Mac.

Servicer may however:

(i) Refinance eMortgages using the NYCEMA Mortgage process and documentation, or

(ii) Assist and cooperate with other lenders originating a refinance of eMortgages (serviced by Servicer) that wish to use the NYCEMA Mortgage origination process and documentation; provided that:

1. Servicer requests a change of Control in the MERS® eRegistry from Freddie Mac to Servicer by sending a completed Form 1036 to Freddie Mac or the Freddie Mac-approved third-party eNote custodian, as applicable, with the reason: "Servicer (or another lender) is originating a NYCEMA refinance of an eMortgage serviced by Servicer." If Freddie Mac is the eNote custodian, Form 1036 must be sent to Freddie Mac (**Loan_Delivery_Funding_Ops@FreddieMac.com**) at least three Business Days before the change of Control is needed.

2. If such request is confirmed to be in compliance with Freddie Mac requirements, Freddie Mac or a Freddie Mac-approved third-party eNote custodian, as applicable, will send an offer of change of Control of such eNote to Servicer via MERS eRegistry;

3. Servicer promptly accepts the offer of change of Control from Freddie Mac or a Freddie Mac-approved third-party eNote custodian, as applicable

4. After Servicer has accepted the offer of change of Control of the eNote, Servicer will confirm that:

   (i) The MERS eRegistry reflects that Servicer is the Controller, as Holder, of such eNote, and

   (ii) Freddie Mac or a Freddie Mac-approved third-party eNote custodian is the Location

5. From the moment that Servicer accepts change of Control of such eNote, Servicer shall have Control of the eNote and shall be the Controller of the eNote entitled to enforce such eNote for the benefit of Freddie Mac, the eNote owner

6. Servicer prints all pages of the eNote being refinanced under the NYCEMA Mortgage process to paper and certifies the paper copy is true, correct and complete in a blank space on the face of the eNote

7. Servicer requests MERS Registration History of the eNote from MERS eRegistry and attaches this history to the Servicer certified paper copy of the eNote

8. Servicer, in consultation with its legal counsel, must prepare an affidavit to be signed by a duly authorized officer of Servicer and attach the affidavit to the Servicer certified paper copy of the eNote; and

9. The affidavit to be prepared by Servicer must include the following statements:

   - The affiant is a duly appointed and authorized officer of Servicer, the "Controller" of the eNote, which was registered in the MERS® eRegistry on or about _____, 20___ and has a MERS eRegistry Identification number of **[INSERT MIN NUMBER]**

- The affidavit is attached to a complete, accurate, true and correct Servicer certified paper copy of the eNote, which evidences the borrower's indebtedness

- The eNote will be stored and maintained by the owner of the eNote throughout the New York Consolidation, Extension and Modification Agreement Mortgage (NYCEMA) refinance process

- The Servicer certified paper copy of the eNote, to which the affidavit and MERS Registration History of the eNote are attached, is intended to be delivered to the lender originating a NYCEMA refinance Mortgage

- The Servicer certified paper copy of the eNote, together with the affidavit and MERS Registration History of the eNote attached thereto, shall automatically convert into and become the one and only valid, effective and enforceable paper Note evidencing the borrower's indebtedness upon Servicer's receipt of all amounts due and payable under the eNote

- The Servicer will de-activate the eNote in the MERS eRegistry after Servicer's receipt of all amounts due and payable under the eNote from the lender originating NYCEMA refinance Mortgage

- The Servicer will notify the lender originating the NYCEMA refinance Mortgage that the eNote has been de-activated on the MERS eRegistry

10. In the event the NYCEMA refinance Mortgage **closes** as a paper NYCEMA Mortgage, it is eligible for purchase by Freddie Mac if the originating lender is a Freddie Mac Seller/Servicer and the paper NYCEMA Mortgage complies with the Seller/Servicer's Purchase Documents; and

11. In the event the NYCEMA refinance Mortgage **fails to close**, Servicer must:

    (i) Not de-activate the eNote on the MERS eRegistry;

    (ii) Promptly send Freddie Mac an offer of change of Control of the eNote using MERS eDelivery; and

    (iii)Confirm that Freddie Mac is once again the Controller of the eNote

1402.18: eNote custodian requirements (12/06/23)

- Becoming a Freddie Mac-approved third-party eNote custodian
- Notice of significant changes to the eNote Vault System
- Ongoing reviews

- Contracting with Seller/Servicer
- Freddie Mac-approved third-party eNote custodian's duties to Freddie Mac

(a) Becoming a Freddie Mac-approved third-party eNote custodian

A Document Custodian who wishes to be approved for eNote custody must contact the Freddie Mac eMortgage Team (**eMortgage_Team@FreddieMac.com**) to determine its eligibility and obtain Freddie Mac's prior written approval.

As part of Freddie Mac's review and approval process, Freddie Mac will review the Document Custodian's eNote Vault System in accordance with the processes described in the table below to assess compliance with requirements specified in Section 1402.5.

If the eNote Vault System was **not previously reviewed** by Freddie Mac (Note: Some of these steps can be performed simultaneously):	If the eNote Vault System was **previously reviewed** by Freddie Mac (**https://sf.freddiemac.com/working-with-us/electronic-loan-documents/reviewed-vendor-list**):
■ The Document Custodian must (or cause its System Provider to) provide a demonstration of these Systems for Freddie Mac's review ■ The Document Custodian must complete testing that includes verification of integration with MERS® eRegistry and eDelivery systems, among other things ■ If using System Provider's eNote Vault System, the Document Custodian must submit to Freddie Mac an attestation executed by the System Provider's Chief Technology/Security Officer (or comparable titled officer of the System Provider) using the attestation letter provided by Freddie Mac ■ If using proprietary eNote Vault System, the Document Custodian must submit to Freddie Mac an attestation executed by the Document Custodian's Chief Technology/Security Officer (or comparable titled officer of Document	■ The System review process will consist only of testing to verify integration of the Systems with MERS eRegistry and eDelivery systems ■ If significant changes, as detailed in Section 1402.18(b), are made to a Freddie Mac reviewed eNote Vault System: ❑ The Document Custodian must (or cause its System Provider to) provide a demonstration of the modified eNote Vault System for Freddie Mac's review ❑ The Chief Technology/Security Officer (or comparable titled officer) of Document Custodian (or its System Provider) must execute and submit an attestation letter provided by Freddie Mac ■ Freddie Mac may, at its sole discretion, request additional information concerning the Systems and associated processes and procedures for further

If the eNote Vault System was **not previously reviewed** by Freddie Mac (Note: Some of these steps can be performed simultaneously):	If the eNote Vault System was **previously reviewed** by Freddie Mac (**https://sf.freddiemac.com/working-with-us/electronic-loan-documents/reviewed-vendor-list**):
Custodian) using the attestation letter provided by Freddie Mac ■ Freddie Mac may, at its sole discretion, request additional information concerning the Systems and associated processes and procedures for further analysis	analysis

If Freddie Mac, in its sole discretion, determines that the Document Custodian's eNote Vault System is acceptable and the Document Custodian is otherwise in good standing with Freddie Mac, the Document Custodian will be approved for eNote custody and certification of eMortgages, subject to any terms and conditions set forth by Freddie Mac in Form 1035A and the related third-party agreement.

Despite Freddie Mac's review of the Document Custodian and the eNote Vault System:

(i) The Document Custodian remains solely responsible and liable for any error, omission, System malfunction and/or negligence caused by the System Provider, eNote Vault System and/or the Document Custodian; and

(ii) Freddie Mac undertakes no responsibility and/or liability whatsoever in connection with any error, omission, System malfunction and/or negligence caused by the System Provider, eNote Vault System and/or the Document Custodian in connection with the Document Custodian's use of such eNote Vault System

In addition to the requirements set forth below, the Document Custodian must also abide by the requirements of Chapter 2202.

(b) Notice of significant changes to eNote Vault System

The Document Custodian must provide the Freddie Mac eMortgage Team (**eMortgage_Team@FreddieMac.com**) with 90 days' advance written notice and complete the Freddie Mac review process outlined in Section 1402.18(a) in case of any significant proposed change to the Document Custodian's eNote Vault System.

Significant proposed changes to the Document Custodian's eNote Vault System are those that may materially and adversely affect the performance of the Document Custodian's eNote Vault System and include, but are not limited to, any change that would be reasonably likely to adversely affect the enforceability of the eNotes or other eMortgage documents or compliance with E-SIGN and/or the UETA. The Document Custodian must provide the

Freddie Mac eMortgage Team (**eMortgage_Team@FreddieMac.com**) with 90 days' advance written notice of any significant proposed change to the Document Custodian's eNote Vault System.

Additionally, if the Document Custodian wishes to use an eNote Vault System that is different from what was communicated at the time of initial approval, the Document Custodian must provide the Freddie Mac eMortrgage team (**eMortgage_Team@FreddieMac.com**) with 90 days' advance written notice and complete the Freddie Mac review process outlined in Section 1402.18(a)..

(c) Ongoing reviews

The Document Custodian must confirm compliance with Freddie Mac information security requirements provided in Chapters 1302 and 1402, as part of completing the Annual Document Custodian Eligibility Certification. Freddie Mac may require an audit of the eNote Vault System conducted in accordance with the Statement on Standards for Attestation Engagements (SSAE) 18 or other comparable type of audit acceptable to Freddie Mac, in its sole discretion. A copy of the audit must be provided to Freddie Mac within 30 days of its completion.

Freddie Mac will provide the Document Custodian with 30 days' notice before the Document Custodian (and/or the System Provider) is required to provide an SSAE 18 or other comparable type of audit report or information requested by Freddie Mac concerning the Systems and associated processes and procedures, unless such review is being conducted pursuant to Guide Series 1000, 2000 or 3000.

At all times, the Document Custodian's eNote Vault System must comply with the requirements set forth in Sections 1402.5, 1402.6 and 1402.12.

(d) Contracting with Seller/Servicer

A Freddie Mac-approved eMortgage Seller/Servicer choosing to use a Freddie Mac-approved third-party eNote custodian must execute an Addendum to Document Custodial Agreement (Form 1035A) with the Freddie Mac-approved third-party eNote custodian and Freddie Mac and any other agreements required by the Guide, including Section 2202.3.

The Freddie Mac-approved third-party eNote custodian or Freddie Mac can terminate the Form 1035A in accordance with the provisions set forth in Section 2202.6. Termination of the Form 1035A will not impact or interfere with the continuation of the Tri-Party Agreement (Form 1035), but termination of the Form 1035 will terminate the Form 1035A unless the parties agree otherwise in writing, in advance.

(e) Freddie Mac-approved third-party eNote custodian's duties to Freddie Mac

In addition to the requirements set forth in Chapter 2202, the Freddie Mac-approved third-party eNote custodian covenants to Freddie Mac that it will do the following:

1. Accept eNote Authoritative Copy deliveries and Transfers of Location of eNotes coming into their eNote Vault System after validating the Tamper Evident Seal against the MERS eRegistry

2. Accept and store Electronic Custodial Documents in their eNote Vault System or eStorage System

3. Review the eNote per certification requirements set forth in Section 1402.8(b)

4. Maintain additional ancillary paper documents related to the eMortgage in a related Note file and have a cross reference between paper and Electronic documents as required by Section 1402.12

5. Manage the administration of outgoing Transfers of Control and Location on behalf of Freddie Mac and the incoming Transfer of Control requests to Freddie Mac

6. Validate the Tamper Evident Seal, Controller, and Location of the eNotes received through transfers of custody

7. Semi-annually revalidate the Tamper Evident Seal of each eNote against the MERS eRegistry and verify that Freddie Mac is the Controller, and Document Custodian is the Location of the eNotes, and notify Freddie Mac (**Loan_Delivery_Funding_Ops@FreddieMac.com**) of any issues

Chapter 1501: Seller Master Agreements, other Pricing Identifier Terms and Guide Plus Additional Provisions

1501.1: Master Agreements and other Pricing Identifier Terms (05/04/22)

This chapter covers the terms relating to or associated with Master Agreements, other Pricing Identifier Terms and Guide Plus Additional Provisions. See Section 1501.3 for information specific to Guide Plus Additional Provisions.

Freddie Mac has identified Master Agreements, other Pricing Identifier Terms and other Purchase Contracts as "confidential information" as defined in Section 1201.8.

Pursuant to Section 7101.2, Freddie Mac requires that the Transferor Servicer must provide to the Transferee Servicer copies of:

- All of the Transferor Servicer's Purchase Documents applicable to the Mortgages related to the Transfer of Servicing (excluding any Credit Fees in Yield and other Credit Fees); and
- All of the Purchase Documents of any preceding Transferor Servicer that are applicable to the Mortgages related to the Transfer of Servicing (excluding any other Credit Fees in Yield and Credit Fees)

Refer to Section 1201.8(d) for applicable exclusions regarding the receipt and treatment of confidential information and derivative information.

(a) Binding contract

Freddie Mac and Sellers may enter into Master Agreements, other Pricing Identifier Terms and/or other Purchase Contracts that provide Seller-specific, negotiated terms for the purchase and sale and Servicing of Mortgages

A binding contract between Freddie Mac and the Seller is established when the following occur, as applicable:

Document	Actions by Seller to Indicate Acceptance of Terms of the Contract
Master Agreement	Seller signs and returns the Master Agreement
Pricing Identifier Terms	If contained in a Purchase Contract other than a Master Agreement and: ■ The Pricing Identifier Terms require signature: the Seller signs and returns the Purchase Contract ■ In all other cases: the Seller delivers Mortgages under the Pricing Identifier Terms

(b) Amendments to Purchase Contracts (including Master Agreements and other Pricing Identifier Terms)

From time to time, Freddie Mac will provide the Seller with amendments to the Seller's Purchase Contracts. Freddie Mac may issue the amendments under provisions in the Seller's Purchase Contract or the Guide that allow Freddie Mac to amend, supplement, revise or terminate a provision. Freddie Mac and the Seller may enter into amendments that either amend existing provisions of, or add new provisions to, the Seller's Purchase Contracts.

Amendments become binding:

- On the date Freddie Mac and the Seller have signed the amendment and the Seller has returned the signed amendment; or

- On the date stated in the amendment, when Freddie Mac has issued the amendment under a Master Agreement, other Pricing Identifier Terms or Guide provision that allows Freddie Mac to amend, supplement, revise or terminate a provision; or

- If either the Master Agreement or other Pricing Identifier Terms, as applicable, does not require the Seller to sign the amendment, when the Seller has delivered Mortgages under the Master Agreement or other Pricing Identifier Terms, as applicable; the Seller's delivery of Mortgages is deemed to be acceptance of all terms and conditions of the amendment

(c) Transmission of Master Agreements, other Pricing Identifier Terms and/or Amendments

When Freddie Mac provides the Seller with a new or an amendment to a Master Agreement and/or other Pricing Identifier Terms (collectively referred to as the "Document") and if

execution of the Document by the Seller is required, the Seller will have a time period specified in the Document to sign and return the Document either:

- By facsimile transmission to the fax number contained in the cover letter accompanying the Document, or

- As an Electronic Record attached to an Internet e-mail transmission sent to an e-mail address specifically and expressly authorized by Freddie Mac and provided to the Seller

The execution and delivery of a Document as stated above is an Eligible Electronic Transaction, as defined in and governed by Chapter 1401.

Unless stated otherwise in the Document, a Seller's failure to sign and return the executed Document within the specified period may, at Freddie Mac's option, render Freddie Mac's offer null and void.

(d) Part and section headings of Master Agreements and other Pricing Identifier Terms

Part and section headings set forth in Master Agreements and/or other Pricing Identifier Terms are for convenience of reference only and will not be construed as part of the Master Agreement and/or other Pricing Identifier Terms.

(e) Defined terms

Capitalized terms used in a Master Agreement and/or other Pricing Identifier Terms and not otherwise defined in the Master Agreement and/or other Pricing Identifier Terms shall have the meanings ascribed to them in the Guide. References in a Master Agreement and/or other Pricing Identifier Terms to Freddie Mac's Mortgage Products and delivery programs shall have the meanings ascribed to them in the Guide.

1501.2: Terms of Master Agreements and other Pricing Identifier Terms (05/04/22)

(a) Master Agreements

The Master Agreement sets forth terms relating to the purchase and sale of Mortgages, including:

1. Any Mortgage Products or programs not eligible for sale under the Guide

2. Any negotiated provisions that may vary from the provisions of the Guide

3. Any other relevant terms and conditions

From time to time, Freddie Mac may negotiate alternative Master Agreement structures that do not include some or all of the above provisions.

(b) Other Pricing Identifier Terms, when issued under a Master Agreement

Other Pricing Identifier Terms, when issued under a Master Agreement, incorporate the terms of the Master Agreement and set forth the remaining terms relating to the purchase and sale of Mortgages under the Master Agreement, including:

1. The Commitment Amount

2. The Pricing Identifier Effective Date for Delivery

3. The Pricing Identifier Expiration Date

4. Any negotiated provisions that may vary from the Guide or the Master Agreement

5. Whether delivery is mandatory (that is, the Seller is obligated to sell Mortgages under the Pricing Identifier Terms) or optional (that is, the Seller has the option to sell Mortgages under the Pricing Identifier Terms)

6. If applicable, a stated tolerance for purchases that are either in excess of or less than the Commitment Amount

7. The Credit Fees in Yield for Mortgages eligible for sale under the Guarantor and MultiLender Swap programs. For all other delivery paths and executions, the increase referred to above will be reflected in the pricing provided to Sellers.

8. Whether the Seller may sell Mortgages with recourse. Mortgages sold under Pricing Identifier Terms issued under a Master Agreement will be sold without recourse subject to any other specified requirements as to certain provisions or credit enhancement, unless otherwise stated in the Purchase Documents

9. Any other relevant terms and conditions

(c) Pricing Identifier Terms issued without a Master Agreement

Pricing Identifier Terms issued without a Master Agreement sets forth all the terms relating to the purchase and sale of Mortgages, including:

1. The Commitment Amount

2. The Pricing Identifier Effective Date

3. The Pricing Identifier Expiration Date

4. Whether delivery is mandatory (that is, the Seller is obligated to sell Mortgages under the Pricing Identifier Terms) or optional (that is, the Seller has the option to sell Mortgages under the Pricing Identifier Terms)

5. If applicable, a stated tolerance for purchases that are either in excess of or less than the Commitment Amount

6. Any restrictions on the delivery program that may be used (Cash program only; Guarantor program only; Guarantor and MultiLender Swap programs only; Cash and Guarantor and MultiLender Swap programs), subject to the requirements of the Purchase Documents

7. Any Mortgage Products or programs not eligible for sale under the Guide

8. Any negotiated provisions that may vary from the provisions of the Guide

9. Whether the Seller may sell Mortgages with recourse. Mortgages sold under Pricing Identifier Terms without a Master Agreement will be sold without recourse subject to any other specified requirements as to certain provisions or credit enhancement, unless otherwise stated in the Purchase Documents.

10. The Credit Fees in Yield for Mortgages eligible for sale under the Guarantor and MultiLender Swap programs. For all other delivery paths and executions, the increase referred to above will be reflected in the pricing provided to Sellers.

11. Any other relevant terms and conditions

(d) Changes to Master Agreements and other Pricing Identifier Terms

Freddie Mac may amend, supplement, revise or terminate the provisions of a Seller's Master Agreement or other Pricing Identifier Terms, in whole or in part, upon written notice during the term of the Master Agreement or other Pricing Identifier Terms.

The terms and conditions of the Master Agreement remain in full force and effect unless or until Freddie Mac provides the Seller with written notice of a change to all or part of the Master Agreement or unless state otherwise in the Master Agreement. Such changes are effective as of the date specified in the written notice.

An amendment to the Guide that affects any negotiated provision of the Seller's Master Agreement or other Pricing Identifier Terms is effective as of the date specified by Freddie Mac in a written notice to the Seller indicating how the negotiated provision will be affected by the Guide amendment. The notice may be provided in a Bulletin.

1501.3: Guide Plus Additional Provisions (08/04/21)

Certain Sellers may be eligible to deliver Mortgages in accordance with the requirements of Guide Plus Additional Provisions. Freddie Mac has identified Guide Plus Additional Provisions as "confidential information" as defined in Section 1201.8.

The Seller's delivery of Mortgages constitutes acceptance of all terms and conditions of the Guide Plus Additional Provisions, as amended from time to time.

(a) Accessing Guide Plus Additional Provisions

(i) Guide Plus Additional Provisions

Access to Guide Plus Additional Provisions will be provided to the Seller through AllRegs®.

(ii) Authorized Users

The Seller must authorize a designated representative ("Guide Access Manager") to be responsible for providing and maintaining user access to Guide Plus Additional Provisions. An authorized representative of the Seller must sign and submit Form 905, Guide Access Manager Authorization Form, designating the Guide Access Manager to the Guide Plus mailbox at **guideplus@freddiemac.com**. The Seller must submit a new Form 905 each time a new Guide Access Manager is designated; submission and completion of Form 905 is not required to add or delete employee users who are not Guide Access Managers. The Seller, through the designated Guide Access Manager, is responsible for authorizing and managing employee access to Guide Plus through AllRegs.

The Seller must safeguard and protect the User IDs, passwords and Personal Identification Numbers (PINs) that allow the Seller to access Guide Plus terms, and adopt security measures to prevent their loss, theft or unauthorized disclosure or use.

(b) Changes to Guide Plus Additional Provisions

Freddie Mac reserves the right to amend, supplement, revise or terminate any or all of the Seller's Guide Plus Additional Provisions. All updates and notifications related to Guide Plus Additional Provisions will be announced through notification e-mails from **guideplus@freddiemac.com** or "AllRegs Alerts" from elliemae.com or ice.com e-mail domains. Notifications may also be published in the Announcements section of the AllRegs web site. E-mail communications and/or publication constitute written communication and notice from Freddie Mac. Amendments are effective on the date specified by Freddie Mac.

The Seller is responsible for ensuring spam filters are set to allow e-mails from the e-mail domains above and must comply with all amendments to Guide Plus Additional Provisions,

regardless of the Seller's spam filter settings and regardless of whether the Seller has unsubscribed from the e-mail notifications.

(c) Consent to conduct Electronic Transactions

The Seller's consent to conduct Electronic Transactions with Freddie Mac under Chapter 1401 applies to Electronic Transactions conducted in connection with Guide Plus Additional Provisions, including, but not limited to, using Records, Electronic Records and Electronic Signatures in accordance with Chapter 1401.

1501.4: Contracts, delivery programs and procedures (08/03/20)

The Seller may sell Mortgages to Freddie Mac by entering into:

- Fixed-Rate Cash and ARM Cash Contracts
- Fixed-Rate Guarantor Contracts or WAC ARM Guarantor Contracts under the Guarantor program or MultiLender Swap Contracts under the MultiLender Swap program, or
- Both cash contracts and Guarantor or MultiLender Swap contracts

(a) Cash contracts

The Seller may sell Mortgages under the Cash program to Freddie Mac using the functionality that Freddie Mac, in its sole discretion, makes available to the Seller. The provisions of the Purchase Documents including, but not limited to, Chapters 2403, 6101 and 6102, any additional Guide chapters providing for use of specific Loan Selling Advisor® functionality, and any additional terms and conditions contained within Loan Selling Advisor, will apply to the sale of Mortgages for cash.

(b) Guarantor and MultiLender Swap contracts

If the Seller is eligible to sell Mortgage Products under the Guarantor or MultiLender Swap programs, the Seller may sell those Mortgage Products to Freddie Mac as set forth in Section 6201.1 under the Guarantor program and, subject to the terms of the Purchase Documents, the MultiLender Swap program in exchange for:

- UMBS™
- MBS
- Supers™

- WAC ARM PCs

1501.5: Credit toward a Commitment Amount or any dollar amount stated in a Master Agreement (07/12/17)

The aggregate UPB of Mortgages purchased pursuant to Purchase Contracts taken out under the Guarantor or MultiLender Swap programs will be credited to the Commitment Amount and, if applicable, to any amount stated in the Seller's Master Agreement. Such Purchase Contracts will be so credited until the earliest occurrence of one of the following:

- Freddie Mac has purchased Mortgages with an aggregate UPB equal to:
  - The Commitment Amount, including the allowable purchase tolerance; or
  - Any dollar amount stated in the Seller's Master Agreement, or
- The Pricing Identifier Expiration Date

Unless the Pricing Identifier Terms provide otherwise, cash purchases are eligible to fulfill the Commitment Amount. At the Seller's request, the aggregate UPB of Mortgages specified in any Cash Purchase Contract may be credited to the Seller's outstanding Commitment Amounts. For any Seller that concurrently has two or more Pricing Identifiers outstanding, the allocation of cash contracts will be made to the Pricing Identifier specified when entering into the cash contract.

1501.6: Contract tolerances, pairoffs (07/12/17)

Purchase tolerances for Commitment Amounts are stated in the Pricing Identifier Terms.

In the event the Seller delivers Mortgages with an aggregate UPB greater than the Commitment Amount plus the purchase tolerance set forth in the Pricing Identifier Terms, Freddie Mac reserves the right to charge a fee if it agrees to accept the delivery.

A Cash Purchase Contract is subject to:

- The purchase tolerances applicable to Cash Purchase Contracts for fixed-rate Mortgages and ARMs and
- Pairoff fees as set forth in Section 6401.1

The Seller may pair off a mandatory Commitment Amount in accordance with the procedures set forth in Section 6401.1. Any pairoff fees assessed for failure to fulfill a mandatory Commitment Amount shall be in addition to the pairoff fees assessed for failure to satisfy the mandatory

delivery requirements for fixed-rate Mortgages or for ARMs delivered under Cash Purchase Contracts.

1501.7: Remittance cycles (05/01/19)

Effective May 1, 2019, this section is deleted.

1501.8: Revocation of Master Agreement and/or other Pricing Identifier Terms (07/12/17)

The terms, provisions and any waivers of Guide requirements set forth in the Master Agreement and/or other Pricing Identifier Terms are expressly conditional upon:

- Compliance by the Seller with the terms and conditions set forth in the Master Agreement and/or other Pricing Identifier Terms, the Guide and the other Purchase Documents, and
- The truth and accuracy of the representations and warranties made by the Seller under the Purchase Documents

In the event of a breach by the Seller of any of the Purchase Document terms and conditions or in the event any representation or warranty proves to have been untrue at the time made, Freddie Mac may immediately revoke the Master Agreement and/or other Pricing Identifier Terms in whole or in part for future deliveries.

Chapter 2101: Seller/Servicer Institutional Eligibility

2101.1: Eligibility criteria (09/30/23)

(a) Approval required

An institution must be approved by Freddie Mac as a Seller/Servicer before it can sell Mortgages to and/or service Mortgages for Freddie Mac. Once approved, the Seller/Servicer must comply with all the applicable requirements in the Purchase Documents, including the requirements in this chapter.

A Seller/Servicer must be separately and specifically approved before it can sell eMortgages to and/or service eMortgages for Freddie Mac. (See Sections 1402.3 and 1402.9.)

(b) Representations, warranties, covenants and agreements

The Seller/Servicer represents and warrants to, and covenants and agrees with, Freddie Mac that at all times it:

- Is a viable organization and, as applicable, able effectively to:
  - Originate or otherwise acquire Mortgages acceptable for sale to Freddie Mac in accordance with the Guide and applicable Purchase Documents and/or
  - Service Mortgages in accordance with the Servicing Contract
- Maintains a minimum Tangible Net Worth and other financial requirements (see Section 2101.2)
- Will comply with any additional requirements, as deemed appropriate by Freddie Mac in its sole discretion. Freddie Mac will provide Seller/Servicer with notice of any additional requirements
- Will provide audited or Reviewed Financial Statements, as may be required by Freddie Mac, at the time of approval and otherwise as may be required by Freddie Mac, including audited or Reviewed Financial Statements for the Seller/Servicer's parent, subsidiaries, and affiliates
- Maintains fidelity and errors and omissions insurance coverages as set forth in Sections 2101.6 through 2101.9
- Maintains a quality control program that is acceptable to Freddie Mac (see Chapter 3402)

- Is able to demonstrate to Freddie Mac's satisfaction, that it has sufficient capitalization, profitability, liquidity and funding sources to support its ongoing operations and its commitments to Freddie Mac

- Complies with the information security and business continuity planning requirements in Chapter 1302, and

- Upon request, provides information related to Related Third Parties, including but not limited to the nature of the relationship and address of the Related Third Party

Freddie Mac's determinations regarding Seller/Servicer's compliance with the representations, warranties, covenants and agreements listed above shall be conclusive and in Freddie Mac's sole discretion.

(c) Freddie Mac may request additional organizational documents

In addition to the other information and documents required at the time of application in accordance with the **Freddie Mac Single-Family Seller/Servicer Application Document Checklist**, Freddie Mac in its sole discretion may request the applicant provide additional information related to its application including, without limitation, any or all of the following:

- Articles of Incorporation/Organization of the applicant and any amendments thereto

- Operating Agreement/Bylaws of the applicant and any amendments thereto

- Certificate of Formation of the applicant

- Identification information for every person who directly or indirectly has the right to vote a material portion of a class of a voting interest of the company or has the power to sell or direct the sale of a material portion of a class of voting interests of the company

(d) Special purpose entities

For applicants whose ownership structure or affiliate relationships may pose a bankruptcy consolidation risk (such as special purpose entities, special purpose vehicles or organizations that have or are requested by Freddie Mac to have a similar organizational structure), Freddie Mac may require that the applicant (and its parent) adopt some or all of the separateness covenants substantially similar to those in Exhibit 115, Special Purpose Entity ("SPE") Covenants Sample Provisions.

Freddie Mac may require a non-consolidation opinion from a law firm generally acceptable to Freddie Mac and containing only industry standard qualifications and assumptions. Freddie Mac may deny approval or request additional assurances if an applicant is a recycled entity or vehicle.

2101.2: Acceptable Net Worth and other financial requirements (12/31/23)

(a) Defined terms

Seller/Servicers should be familiar with the following terms used in this section as they relate to financial requirements:

- **Agency Mortgage Servicing:** The aggregate Residential First Lien Mortgage Servicing UPB of all Mortgages serviced for the Enterprises and Ginnie Mae

- **Enterprise:** Freddie Mac and Fannie Mae, each an "Enterprise" and collectively the "Enterprises."

- **Large Non-Depository Institutions:** Non-depository institutions with $50 billion or more in Residential First Lien Mortgage Servicing UPB plus Other Servicing UPB as determined at the end of each calendar quarter.

- **Liquidity:** Cash and cash equivalents (unrestricted), certain unpledged investment grade securities that are available for sale or held for trade (including single-family mortgage-backed securities backed solely by Agency Mortgage Servicing, obligations of the Enterprises, and Treasury obligations), and 50% of committed/unused Agency Mortgage Servicing advance lines of credit.

- **Long-Term Senior Unsecured Debt Rating**: A rating assigned to a financial obligation with an original maturity of one year or more that reflects both on the likelihood of a default on contractually promised payments on senior unsecured debts and the expected financial loss suffered in the event of default on such debts from a Rating Agency.

- **Long-Term Corporate Family Rating:** A long-term rating that reflects the relative likelihood of a default on a corporate family's debt and debt-like obligations and the expected financial loss suffered in the event of default from a Rating Agency.

- **Other Servicing UPB:** Using the fields from the Form 1055, Mortgage Bankers' Financial Reporting Form (MBFRF), the outstanding UPB of a Seller/Servicer's portfolio of one- to four- unit residential First Lien Mortgages the Seller/Servicer is contractually obligated to service for all investors other than the Enterprises and Ginnie Mae, plus the following regardless of the investor:

  - Second lien Mortgages,

  - Funded home equity lines of credit,

  - Reverse Mortgages, plus

- ❑ Construction and land development Mortgages

This does not include the outstanding UPB of Mortgages serviced under a subservicing arrangement.

- **Rating Agency:** An entity that is a "Nationally Recognized Statistical Rating Organization" as defined by Section 78c(a) of Title 15 of the United States Code (15 U.S.C. 78c(a)).

- **Residential First Lien Mortgage Servicing UPB:** Using the fields from the Form 1055, Mortgage Bankers' Financial Reporting Form (MBFRF), the outstanding UPB of a Seller/Servicer's portfolio of one- to four- unit residential First Lien Mortgages the Seller/Servicer is contractually obligated to service for the Enterprises and Ginnie Mae, as applicable, excluding:

  - ❑ Funded home equity lines of credit,

  - ❑ Reverse Mortgages, plus

  - ❑ Construction and land development Mortgages

  This does not include the outstanding UPB of Mortgages serviced under a subservicing arrangement.

- **Servicer Rating:** An evaluation of a servicer for its capacity to carry out servicing business, which is different from evaluations of financial instruments or credit standing of corporations, from a Rating Agency. Servicer Ratings may be conducted based upon the type of servicing actions performed, including evaluations for entities that act as primary servicers, special servicers or master servicers.

- **Small Seller:** A Seller that originates $1 billion or less in one- to four- unit residential first lien Mortgages (excluding reverse Mortgages, one-to four-unit residential construction and land development loans to home buyers, and lot loans to consumers) in the most recent four-quarter period.

- **Tangible Net Worth:** Total equity (as determined by generally accepted accounting principles (GAAP)) less receivables due from related entities, less goodwill and other intangible assets, less carrying value of pledged assets net of associated liabilities, less deferred tax assets net of associated deferred tax liabilities.

  Note: If the deferred tax liabilities are greater than the deferred tax assets, then the deduction from the Tangible Net Worth will be zero.

(b) Seller/Servicers that are depository institutions

Seller/Servicers that are depository institutions must maintain at all times a Tangible Net Worth of $2,500,000 plus a dollar amount equal to or exceeding the sum of:

- 25 basis points of that portion of the Seller/Servicer's Residential First Lien Mortgage Servicing UPB serviced for the Enterprises,
- 25 basis points of the Other Servicing UPB, plus
- 35 basis points of that portion of the Seller/Servicer's Residential First Lien Mortgage Servicing UPB serviced for Ginnie Mae

Seller/Servicers that are depository institutions must maintain compliance with their applicable capital and liquidity requirements imposed by their regulators.

(c) Seller/Servicers that are non-depository institutions

Seller/Servicers that are non-depository institutions must maintain at all times the Tangible Net Worth requirements applicable to depository institutions above, and must also maintain:

- A Tangible Net Worth/total assets ratio greater than or equal to 6%, where total assets are determined in accordance with GAAP, and
- A base Liquidity of eligible assets equal to or exceeding the sum of:
  - 7 basis points of that portion of the Seller/Servicer's Residential First Lien Mortgage Servicing UPB serviced for the Enterprises, if the Seller/Servicer remits (or an Enterprise draws) interest or principal, or both, as scheduled, regardless of whether principal or interest has been collected from the Borrower,
  - 3.5 basis points of that portion of the of the Seller/Servicer's Residential First Lien Mortgage Servicing UPB serviced for the Enterprises, if the Seller/Servicer remits (or an Enterprise draws) the interest and principal only as actually collected from the Borrower,
  - 3.5 basis points of the Seller/Servicer's Other Servicing UPB, plus
  - 10 basis points of that portion of the Seller/Servicer's Residential First Lien Mortgage Servicing UPB serviced for Ginnie Mae
- An origination Liquidity* equal to or exceeding 50 basis points of the sum of the following as reported by Seller/Servicer using the fields from the Form 1055, Mortgage Bankers' Financial Reporting Form (MBFRF):
  - One-to-four unit residential first lien (excluding reverse Mortgages, one-to-four-unit residential construction and land development loans to home buyers, and lot loans to consumers) Mortgages held for sale, at lower of cost or market,

- ❑ One-to-four unit residential first lien (excluding reverse Mortgages, one-to-four-unit residential construction and land development loans to home buyers, and lot loans to consumers) Mortgages held for sale, at fair value, plus

- ❑ UPB of interest rate lock commitments after fallout adjustments.

*Note: These origination Liquidity requirements do not apply to Small Sellers.

(d) Seller/Servicers that are Large Non-Depository Institutions

In addition to the Liquidity requirements specified in subsection (c) above, all Seller/Servicers that are Large Non-Depository Institutions must at all times maintain supplemental Liquidity equal to or exceeding the sum of:

- ■ 2 basis points of that portion of the Seller/Servicer's Residential First Lien Mortgage Servicing UPB serviced for the Enterprises, plus

- ■ 5 basis points of that portion of the Seller/Servicer's Residential First Lien Mortgage Servicing UPB serviced for Ginnie Mae

(e) Additional requirements

Notwithstanding the above, Freddie Mac may, as it deems appropriate and in its sole discretion:

- ■ Modify a Seller/Servicer's Tangible Net Worth requirement

- ■ Impose limitations, restrictions or qualifications on the sale of Mortgages to, or the Servicing of Mortgages for Freddie Mac by any Seller/Servicer, and

- ■ Impose additional financial requirements on any Seller/Servicer, including, but not limited to, (i) requirements relating to liquidity and profitability, regardless of the Seller/Servicer's Tangible Net Worth, and (ii) the requirement that any Seller/Servicer execute and deliver a Collateral Pledge Agreement, in substantially the form and substance of Exhibit 104, whereby the Seller/Servicer will pledge certain collateral (whether cash, securities or otherwise), as pledgor, to Freddie Mac, as secured party, in such amount as determined by Freddie Mac, in its sole discretion

Freddie Mac will provide the Seller/Servicer with notice of any modification to the Seller/Servicer's Tangible Net Worth or other financial requirements, any additional requirements, and any limitations, restrictions or qualifications on the sale of Mortgages or Servicing of Mortgages.

2101.3: Activity thresholds and no-activity fee (04/07/21)

Beginning January 1, 2014, a Seller/Servicer that does not meet certain activity thresholds may be assessed a no-activity fee.

To avoid being assessed the no-activity fee, Seller/Servicers must meet at least one of the following activity thresholds:

- Sell to Freddie Mac during the immediately preceding 36 months, or
- Service, or be a Servicing Agent for, a Mortgage portfolio for Freddie Mac as of December 31 of the immediately preceding calendar year

New Seller/Servicers are exempt from the fee until they have been approved by Freddie Mac for three years.

The no-activity fee may also be assessed for each subsequent calendar year in which the Seller/Servicer does not meet the activity threshold but remains an approved Freddie Mac Seller/Servicer. The fee will be assessed and paid in accordance with the requirements of Chapter 6303.

2101.4: Financial reporting (03/31/24)

(a) All Seller/Servicers

The Seller/Servicer must at all times comply with the following reporting requirements:

- Each Seller/Servicer must submit annual audited financial statements to Freddie Mac, except that:
  - A federally insured depository institution need not submit such statements, and
  - A Seller/Servicer that is approved only to sell Mortgages to Freddie Mac may submit Reviewed Financial Statements
- Each Seller/Servicer that is a subsidiary of another institution and that is required to submit audited financial statements (as noted above) may submit audited financial statements prepared at the Seller/Servicer level or at its parent level, with a consolidating worksheet
- An annual audited report on internal controls is required only if audited financial statements are required by Freddie Mac. This internal control report should be a separate report stating whether the independent public accountant (IPA) noted any material

weaknesses during the audit of the financial statements. The report should be prepared in accordance with Interpretation 1 of Statement and Auditing Standards (SAS) No. 60, "Communication of Internal Control Structure Related Matters Noted in an Audit," titled, "Reporting on the Existence of Material Weaknesses" (AICPA, Professional Standards, vol. I, AU sec. 9325).

If audited financial statements and internal control reports are required by Freddie Mac, the audited financial statements and internal control reports must be prepared by an IPA who is a licensed certified public accountant (CPA) or a public accountant licensed on or before December 31, 1970, who complies with the applicable provisions of the public accountancy law and rules of the jurisdiction(s) where the audit is conducted and the jurisdiction(s) in which the IPA is licensed.

Freddie Mac reserves the right to require audited financial statements, audited reports on internal controls, additional financial statements and other information relevant to the Seller/Servicer's eligibility, including audited or Reviewed Financial Statements for the Seller/Servicer's parent, subsidiaries and affiliates, at any time and regardless of the Seller/Servicer's annual eligibility reporting requirements.

(b) Seller/Servicers that are Large Non-Depository Institutions

All Large Non-Depository Institutions, as defined in Section 2101.2, must obtain an assessment of the Seller/Servicer's performance and creditworthiness by a qualified, independent third-party on an annual basis. The assessment must be made available to Freddie Mac upon request, must substantiate that the Seller/Servicer has adequate capacity to perform its financial obligations in an adverse stress environment and must meet the following criteria:

- One primary Servicer Rating or master Servicing Rating, as applicable, as defined in Section 2101.2, for Large Non-Depository Institutions that have greater than or equal to $50 billion in Servicing UPB; and

- One primary Servicer Rating or master Servicing Rating, as applicable, and one third-party Long-Term Senior Unsecured Debt Rating or Long-Term Corporate Family Rating, each as defined in Section 2101.2, for Large Non-Depository Institutions that have greater than $100 billion in Servicing UPB; and

- One primary Servicer Rating or master Servicing Rating, as applicable, and issued by two Rating Agencies, each of which must issue either a third-party Long-Term Senior Unsecured Debt Rating or Long-Term Corporate Family Rating for Large Non-Depository Institutions that have greater than $150 billion in Servicing UPB

Additionally, Large Non-Depository Institutions must submit to Freddie Mac, annually on or before March 31, a capital and liquidity plan that describes how the Seller/Servicer intends to manage its capital and liquidity consistent with Freddie Mac requirements. Capital and

liquidity plans must be submitted to **CCRM_Mortgage_Bank@FreddieMac.com** and must, at a minimum:

- Include a description of the Seller/Servicer's corporate governance over the capital and liquidity planning process, such as oversight responsibilities of Senior Management and its board of directors, and a discussion of the Seller/Servicer's risk management framework;

- Describe processes to monitor and measure liquidity risks, such as business activity reports and financial forecast and cashflow projections;

- Contain capital and liquidity contingency funding plans and provide for testing and reaffirmation of such plans at least annually;

- Provide for an annual liquidity stress test, including a stress test of the value of Servicing Contract Rights in an adverse scenario (1) developed by the Seller/Servicer or (2) that may be prescribed by Freddie Mac, or both. The Servicing Contract Rights stress test may be conducted either in-house or using a third-party vendor; and

- Require notice to Freddie Mac within five (5) Business Days following any material change to or material deviation from the plan. During times of stress, material changes must require immediate notification within one (1) Business Day.

2101.5: Mortgage bankers financial reporting (04/30/24)

Each Seller/Servicer that is a mortgage banker must submit a complete and accurate Form 1055, Mortgage Bankers' Financial Reporting Form, on a quarterly basis. For reporting purposes, mortgage bankers are firms other than federally insured depositories originating mortgages for sale in the secondary market and/or servicing mortgages. This includes Sellers/Servicers that are mortgage banker subsidiaries of federally insured depositories.

Form 1055 must be completed and submitted as follows:

- For reporting periods ending March 31, June 30 or September 30, Form 1055 must be filed no later than 30 days after the end of the reporting period. For reporting periods ending on December 31, the Form 1055 must be filed no later than 60 days after the end of the reporting period. Mortgage bankers with fiscal years that do not end on December 31 should refer to the instructions for Form 1055 at **http://www.mbfrf.org**.

- Form 1055 may be printed from the website and must be completed and submitted online at **http://www.mbfrf.org**

- Seller/Servicer's chief executive officer (CEO), chief financial officer (CFO) or an equivalent officer must certify that Form 1055 was prepared in accordance with generally accepted accounting principles (GAAP) and that the information submitted is true and accurate

Additionally, for each Seller/Servicer that completes Form 1055 quarterly reporting and is either (1) a Large Non-Depository Institution, as defined in Section 2101.2 or (2) separately identified by Freddie Mac through a written communication to that Seller/Servicer, such Seller/Servicer must submit a complete and accurate Form 1055A, Monthly Mortgage Bankers' Financial Reporting Short Form, as follows:

- Form 1055A must be filed no later than the last day of the month following the end of the reporting month for the first and second months of each fiscal quarter (e.g., Form 1055A will be effective for the April 2024 filing, due May 31, 2024). Seller/Servicers are not required to provide a monthly report for each third month of the fiscal quarter, as the data will be captured in the quarterly Form 1055 report.

- Form 1055A may be printed from the website and must be completed and submitted online at **http://www.mbfrf.org**

- Seller/Servicer's CEO, CFO or an equivalent officer must certify that Form 1055A was prepared in accordance with GAAP and that the information submitted is true and accurate

Failure to submit Form 1055 or 1055A as described herein may result in suspension or disqualification of the Seller/Servicer.

2101.6: Seller/Servicer insurance requirements (08/10/22)

(a) Coverage levels

(i) Limits of insurance

The Seller/Servicer must maintain in effect, at all times and at its expense, a fidelity bond and a mortgagee's errors and omissions (E&O) insurance policy.

If the Seller/Servicer uses its parent's bond or policy, as permitted in Section 2101.6, the minimum limit of insurance must be based on the consolidated base amount for the parent and for all institutions related to the parent that are covered by the parent's bond or policy, as applicable.

Freddie Mac will accept bonds or policies that provide for an aggregate limit of insurance for a bond's or policy's term provided that the aggregate at least equals the minimum limit per loss or occurrence calculated in accordance with this Section 2101.6.

For fidelity bond and E&O insurance, the higher minimum Freddie Mac Multifamily coverage limit applies if:

- The Seller/Servicer is also a Freddie Mac Multifamily Seller/Servicer
- The required fidelity or mortgagee's E&O coverage is provided under the same insurance contract that covers both Home Mortgages and Multifamily Mortgages and
- The Freddie Mac *Multifamily Seller/Servicer Guide* requires a higher limit of fidelity or mortgagee's E&O coverage

(A) Limits of fidelity bond

The minimum acceptable limits per fidelity loss or occurrence are as follows:

Base*	Minimum required insurance limit
$100 million or less	$300,000
$500 million or less	$300,000 +0.15% of base over $100 million
$1 billion or less	$300,000 +0.15% of $400 million (i.e., $600,000) +0.125% of base over $500 million
Over $1 billion	$300,000 +0.15% of $400 million (i.e., $600,000) +0.125% of $500 million (i.e., $625,000) +0.1% of base over $1 billion

* Base = The highest of total annual Home Mortgage and Multifamily Mortgage origination, sale or servicing volume including Home Mortgages and Multifamily Mortgages held in portfolio.

(B) Limits of E&O insurance

Mortgagee's E&O coverage must be maintained at a minimum limit equal to the higher of (i) $300,000 or (ii) 20% of the fidelity coverage required in the table above. If the base consists of Home Mortgages only, the limit of mortgagee's E&O insurance may be capped at $10 million.

For mortgagee's E&O insurance, Freddie Mac will accept policies providing coverage per Mortgage if the insurance limit per Mortgage is no less than the UPB of

the largest Mortgage originated and/or sold by the Seller or serviced by the Servicer, whichever is highest.

For mortgagee's E&O insurance, Freddie Mac will accept a policy that provides lower limits of insurance for losses other than those caused by lack or insufficiency of property insurance on Mortgaged Premises, if any such lower limit of insurance is the maximum liability that the insurer will assume for similar losses by institutions similar to the Seller/Servicer.

Examples of calculations of the required minimum insurance limits are as follows:

Base	Calculation	Minimum required insurance limit for fidelity bond
$90 million	not applicable	$300,000*
$400 million	$300,000 +0.15% of $300 million $750,000	$750,000*
$750 million	$300,000 +0.15% of $400 million +0.125% of $250 million $1,212,500	$1,212,500*
$1.5 billion	$300,000 +0.15% of $400 million +0.125% of $500 million +0.1% of $500 million $2,025,000	$2,025,000**

* $300,000 in mortgagee's E&O coverage (the higher of $300,000 or 20% of the required fidelity coverage)

** $405,000 in mortgagee's E&O coverage (the higher of $300,000 or 20% of the required fidelity coverage)

(ii) Deductibles

The maximum deductible allowed for any one fidelity loss is the higher of:

- 5% of the minimum limit of fidelity insurance required by Freddie Mac, or
- $100,000

The maximum deductible allowed for any one mortgagee's E&O loss is the higher of:

- 5% of the minimum limit of mortgagee's E&O insurance required by Freddie Mac, or

- $100,000

The deductible may not be calculated based on the actual limit of insurance in force. For example, Freddie Mac requires a Servicer to maintain at least $5 million in fidelity insurance. The Servicer actually maintains $7 million in fidelity insurance. The maximum deductible allowed is 5% of $5 million or $250.000.

(b) Acceptable insurer

Freddie Mac will accept coverage underwritten by an insurer that is rated A- (A-minus) or better by the A.M. Best Company.

(c) Parent institution's coverage

When the Seller/Servicer is a subsidiary of an institution with fidelity and/or mortgagee's E&O insurance that meets Freddie Mac's requirements, Freddie Mac will accept the insurance of the Seller/Servicer's parent as adequate for the Seller/Servicer if:

- The Seller/Servicer is named as joint insured, and

- Coverage under the parent's policy or policies of insurance does not restrict or otherwise limit the Seller/Servicer's ability to comply with all of Freddie Mac's insurance requirements

(d) Other obligations of the Seller/Servicer

The Seller/Servicer must maintain at its offices a complete and accurate copy of its fidelity bonds and mortgagee's E&O policies for the current year and the past five years. Copies of these bonds and policies shall be provided to Freddie Mac upon request.

The Seller/Servicer authorizes Freddie Mac to obtain copies of the bonds and policies and all related information from the Seller/Servicer's insurer and/or agent or representative of the insurer.

Freddie Mac's requirements for fidelity and mortgagee's E&O insurance do not diminish, restrict or otherwise limit the Seller/Servicer's responsibilities and obligations stated in the Purchase Documents.

The Seller/Servicer must familiarize itself with the terms of the fidelity and mortgagee's E&O coverages and take all actions necessary to preserve the coverage and maximum benefits of such insurance for the Seller/Servicer and Freddie Mac, as applicable.

2101.7: Fidelity insurance coverage (04/13/16)

(a) Documentation

Fidelity insurance coverage may be documented on a bond form acceptable to Freddie Mac or on the standard bond form currently mandated by or acceptable to the government agency that has regulatory or supervisory authority over the Seller/Servicer. If the Seller/Servicer is not regulated or supervised, Freddie Mac will accept coverage documented on the bond form commonly issued to institutions similar to the Seller/Servicer. The coverage may be provided in policy forms with names that include, but are not limited to, Fidelity Bond, Mortgage Bankers Bond, Financial Institution Bond, Financial Institution Crime Policy or Bankers Blanket Bond. Whichever policy form is relied upon to document the coverage required by Freddie Mac, the Seller/Servicer warrants that the terms of such coverage meet all of the requirements in Section 2101.7(b).

(b) Scope

Fidelity insurance coverage must protect the Seller/Servicer against loss resulting from dishonesty, theft and/or fraud committed by officers and/or employees of the Seller/Servicer as well as by persons duly authorized to act on the Seller/Servicer's behalf in the origination and/or sale of Mortgages and/or Servicing of Mortgages or REO, including, but not limited to, the following:

- Employees of outside firms while providing legal services to the Seller/Servicer or performing as data processors of checks or other accounting records for the Seller/Servicer — unless such firms have provided to the Seller/Servicer satisfactory evidence of fidelity insurance at least equal to that required of the Seller/Servicer by Freddie Mac

- Persons assigned to the Seller/Servicer through an intervening employer or agency to perform the usual duties of an employee of the Seller/Servicer on a contingent or temporary basis, and

- Interns

For this section, REO includes the following:

- REO held for investment

- REO acquired in the settlement of Mortgages (e.g., foreclosed Mortgages)

Fidelity insurance must also:

- Protect Freddie Mac, as an investor, against losses that Freddie Mac incurs in connection with dishonesty, theft and/or fraud committed by any partner, sole proprietor or major shareholder of the Seller/Servicer

- Not be limited solely to dishonesty, theft and/or fraud committed for improper personal gain

- Provide that the insurer will name Freddie Mac, as an investor, as sole loss payee on payment drafts the insurer issues for losses that Freddie Mac incurs in connection with acts covered by the insurance, and

- Give Freddie Mac, as an investor, the right to file a claim directly with the insurer for losses that Freddie Mac incurs in connection with acts covered by insurance, irrespective of whether the Seller/Servicer tenders a claim under the bond in connection with the events that give rise to the claim filed by Freddie Mac

2101.8: Mortgagee's errors and omissions (E&O) insurance coverage (06/10/20)

(a) Documentation

Mortgagee's errors and omissions (E&O) insurance coverage must be documented on policy forms commonly issued to institutions similar to the Seller/Servicer. The coverage may be provided in policy forms with names that include, but are not limited to, Mortgage Bankers Bond, Mortgage Errors & Omissions, Mortgage Impairment, Mortgage Holders Liability, Professional Liability or Mortgage Protection. Whichever policy form is relied upon to document the coverage required by Freddie Mac, the Seller/Servicer warrants that the terms of such coverage meet all of the requirements in Section 2101.8(b) below.

(b) Scope

The coverage must protect the Seller/Servicer against loss resulting from negligence, errors or omissions committed by the persons required to be covered by the Seller/Servicer's fidelity insurance, under Section 2101.7(b), while performing their duties with respect to Mortgages originated and/or sold by the Seller and/or Mortgages or REO serviced by the Servicer. Such duties include, but are not limited to, the following:

- Determining whether the Mortgaged Premises are located in Special Flood Hazard Areas (SFHA) as defined by the Director of the Federal Emergency Management Agency (FEMA)

- Ensuring that the Mortgaged Premises are insured in accordance with Chapter 4703

- Maintaining, where applicable, FHA insurance, VA guaranty, RHS guaranty or mortgage insurance on the Mortgages

- Complying with applicable reporting requirements of the FHA, VA, RHS or MI, and

- Ensuring the payment of property taxes and any other mandatory assessments on the Mortgaged Premises or REO

For this section, REO includes the following:

- REO held for investment
- REO acquired in the settlement of Mortgages (e.g., foreclosed Mortgages)

Mortgagee's E&O insurance coverage must also:

- Provide that the insurer will name Freddie Mac, as an investor, as sole loss payee on payment drafts the insurer issues for losses that Freddie Mac incurs in connection with acts covered by the insurance, and
- Give Freddie Mac, as an investor, the right to file a claim directly with the insurer for losses that Freddie Mac incurs in connection with acts covered by the insurance, irrespective of whether the Seller/Servicer tenders a claim under the policy in connection with the events that give rise to the claim filed by Freddie Mac

2101.9: Seller/Servicer insurance reporting requirements (12/07/20)

(a) Certificate of insurance

Within 30 days of obtaining or renewing fidelity and/or mortgagee's errors and omissions (E&O) insurance, the Seller/Servicer must submit to Freddie Mac **(see Directory 1)** a certificate of insurance and related documentation showing the following information:

- Name and address of insurer and insurance broker
- Bond or policy number
- The Seller/Servicer as named insured or joint named insured
- Type of insurance and coverage; limit of liability on a per loss, occurrence or mortgage basis (specify) and/or any applicable aggregate limit of coverage; and effective dates of coverage
- Deductible amounts
- Any endorsement or optional coverage modifying the original bond or policy if the endorsement or optional coverage reinforces compliance with Freddie Mac's

requirements or effectively reduces the coverage required by Freddie Mac. Reference to a form number is not acceptable. A copy of the endorsement or optional coverage is required if the endorsement or optional coverage cannot be summarized substantively on the certificate.

- The insurer's agreement to notify Freddie Mac **(see Directory 1)** at least 30 calendar days before the insurer, on its own initiative, cancels or non-renews the Seller/Servicer's coverage for any reason

- The insurer's agreement to notify Freddie Mac **(see Directory 1)** within 10 Business Days after the insurer, on its own initiative, reduces or restrictively modifies the Seller/Servicer's coverage for any reason or, at the Seller/Servicer's request, cancels or non-renews the Seller/Servicer's coverage

- The insurer's agreement to notify Freddie Mac **(see Directory 1)** within 10 Business Days after the insurer's payment to the Seller/Servicer of a claim that (i) applies to a coverage written with an aggregate limit of insurance and (ii) depletes such aggregate limit of insurance by more than 50%

(b) Annual certification

The Seller/Servicer must certify compliance with Freddie Mac's requirements for fidelity and mortgagee's E&O insurance on its Annual Certification Report, submitted in accordance with Sections 2101.10 and 2101.11.

(c) Notice of loss or change in coverage

The Seller/Servicer must report to Freddie Mac the following events within 10 Business Days of their occurrence using the Change and Activity Report, submitted in accordance with Section 2101.12:

- The determination that any single act of embezzlement, theft of funds or fraud or mortgagee's E&O loss has caused loss exceeding $100,000, whether or not Freddie Mac's interests are affected or a claim is filed with the insurer, or

- The receipt of a notice from the insurer that the insurer has taken or intends to take action to cancel, reduce, not renew or restrictively modify the Seller/Servicer's fidelity and/or mortgagee's E&O insurance for any reason. The Seller/Servicer must include a copy of the insurer's notice and detail the reasons for the insurer's action or intended action if not stated in the insurer's notice. The Seller/Servicer must also report its effort to obtain replacement coverage or otherwise satisfy Freddie Mac's insurance requirements.

2101.10: Annual certification (12/07/20)

Freddie Mac makes the Annual Certification available to each Seller/Servicer on or about the end of the Seller/Servicer's fiscal year. The Annual Certification Report requires certain information about the Seller/Servicer and its operations and the Seller/Servicer's certification that it continues to meet Freddie Mac's eligibility requirements and comply with the provisions and requirements of the Guide and the Seller/Servicer's other Purchase Documents. If the Seller/Servicer does not meet or comply with one or more requirements, it must identify each such failure on the Annual Certification Report together with such information concerning remediation of such failure as Freddie Mac may request.

See Section 2101.11 for information and requirements regarding submission of the Annual Certification Report.

2101.11: Annual reporting requirements (12/07/20)

The following must be completed with information as of the Seller/Servicer's fiscal year-end and submitted to Freddie Mac within 90 days after the end of that fiscal year:

- Annual Certification Report (see Section 2101.10)
- Audited or reviewed financial statements, as required by Section 2101.4, and
- Any other documentation requested by Freddie Mac

Seller/Servicers must access and complete an Annual Certification Report using the Unified Counterparty Experience® (UCount®) system and any required audited financial statements and auditor's reports (see Section 2101.4) must be submitted using UCount or electronically as attachment to an e-mail to **Institutional_Eligibility@FreddieMac.com**.

The Seller/Servicer is responsible for truthfulness, completeness and accuracy of the information in the electronically executed and submitted Annual Certification Report (including any required or supplemental information submitted with the Annual Certification Report) to the same degree as if the Seller/Servicer's duly authorized representative made the submission to Freddie Mac in paper and signed in ink.

A Seller/Servicer that is suspended from selling Mortgages to or Servicing Mortgages for, or is not approved to sell Mortgages to or service Mortgages for Freddie Mac is not required to submit Annual Certification Report unless directed to do so by Freddie Mac. Failure of any other Seller/Servicer to submit the Annual Certification Report as set forth in this Section 2101.11 may result in suspension or disqualification of that Seller/Servicer.

2101.12: Reporting of changes in Seller/Servicer's organization or status (10/01/24)

A Seller/Servicer must submit a Change and Activity Report to Freddie Mac using the Unified Counterparty Experience® (UCount®) system at least 60 calendar days before a major change in its ownership or organization, including, but not limited to, a:

(a) Merger

(b) Consolidation (including a regulatory agency-assisted transaction)

(c) Change of Control

(d) Charter change (such as a State-chartered bank becoming federally chartered)

(e) Conversion (such as a thrift institution converting from mutual to stock form), or such other change of a Seller/Servicer's identity or type of organization

(f) Transfer of all of the Seller/Servicer's assets or assets of a mortgage-related function, without the transfer of accompanying liabilities, to a Freddie Mac-approved Seller/Servicer

A Seller/Servicer must submit a Change and Activity Report to Freddie Mac using UCount at least fourteen (14) calendar days before any of the following events:

1. A name change, including a change relating to a fictitious or alias name

2. A change concerning:

   (a) Relationships with any Affiliate

   (b) External auditors

   (c) Fiscal year-end

   (d) Any contract between a Seller/Servicer and a Related Third Party that will have or is reasonably likely to have a Material Adverse Effect

3. The jurisdiction of its organization or State of formation

4. Any change in Seller/Servicer's chief executive office, principal place of business or change in the location of its books and records (other than a non-material change in the location of its books and records in the normal course of its business in selling or servicing Mortgages)

A Seller/Servicer must submit a Change and Activity Report to Freddie Mac using UCount within one Business Day after it:

1. Is terminated by a mortgage insurance company, secondary marketing agency or other secondary mortgage investor

2. Voluntarily files a petition under federal bankruptcy or State insolvency laws, or answers an involuntary proceeding admitting insolvency or inability to pay debts

3. Fails to obtain a vacation or stay of involuntary proceedings brought for its reorganization, dissolution or liquidation

4. Is adjudged bankrupt or insolvent

5. Has a trustee, conservator or receiver is appointed for the Seller/Servicer or its property

6. Makes an assignment for the benefit of its creditors

7. Is put on probation or has its activities restricted in any manner by any agency of the federal or of State government

8. Becomes subject to an active or threatened (overtly and in writing) class action legal proceeding or a regulatory or supervisory action, proceeding or investigation including, without limitation, any judgment, order, finding or settlement that may have a Material Adverse Effect

9. With respect to any lender or secured party of a credit, loan or funding facility, including, but not limited to, any Warehouse Lender or any Secured Party under an Acknowledgment Agreement or Consent Agreement:

   (a) Notifies any lender or secured party, or is notified by any lender or secured party of a breach or default under a credit, loan or funding facility or other related financing documents, or of Seller/Servicer's violation of any financial covenants (e.g., covenants relating to Seller/Servicer's working capital, debt or equity or net worth) of a credit, loan or funding facility or other related financing documents (to the extent such breach, default or violation is not cured within any applicable cure period set forth in the applicable agreement); or

   (b) Notifies the Warehouse Lender or Secured Party, or is notified by the Warehouse Lender or Secured Party of a breach or default under a Warehouse Agreement or other relevant contract (including an Acknowledgment Agreement or Consent Agreement), or of Seller/Servicer's violation of any financial covenant (e.g., covenants relating to Seller/Servicer's working capital, debt or equity, servicing portfolio or net worth) of a Warehouse Agreement or other relevant contract (including an Acknowledgment Agreement or Consent Agreement); or

   (c) Agrees to or becomes aware of any other major event regarding the agreements referenced in the foregoing Guide Section 2101.12(9)(a), such as execution of a new

agreement or cancelation, termination or substantive modification to an existing agreement or other relevant contract

10. Without derogating from the generality of Section 2101.12(8), with respect to any dispute, litigation or other adversary proceeding with a Related Third Party or other party that may have a Material Adverse Effect:

    (a) Receives notice of a dispute not subject to litigation or other adversary proceeding, no later than one Business Day after Seller/Servicer's reasonable determination that such dispute may have a Material Adverse Effect

    (b) Initiates litigation or other adversary proceedings asserting claims by or on behalf of the Seller/Servicer that may have a Material Adverse Effect, no later than one Business Day after the initiation of such litigation or proceedings; and

    (c) Receives notice of litigation or other adversary proceedings asserting claims against the Seller/Servicer that may have a Material Adverse Effect, no later than one Business Day after notice to the Seller/Servicer of any such litigation or proceedings

The Seller/Servicer must keep Freddie Mac apprised in writing of any major developments in any such dispute, litigation or other adversary proceedings and must provide, at Freddie Mac's request, copies of any pleadings or other documents related to the dispute, litigation or other adversary proceedings. Freddie Mac may also require the Seller/Servicer to provide additional information concerning any event covered by this Section 2101.12(10) and reserves the right to take any action it deems necessary based on such information and change.

1. Receives notice that the Seller/Servicer is suspended, disqualified or terminated as a Fannie Mae-approved seller, lender or servicer and/or a Ginnie Mae-approved issuer

A Seller/Servicer submitting a Change and Activity Report should also review its (i) Form 988SF, Certificate of Incumbency for a Bank, Savings Bank, Savings and Loan Association, Credit Union, Corporation or Limited Liability Company, or (ii) Form 989SF, Certificate of Incumbency for Limited Partnerships, as applicable, to determine if a new Certificate of Incumbency (and board of directors or other governing body resolution) should be submitted with new or modified wire transfer instructions, Automated Clearing House (ACH) instructions, or other payment instructions. Refer to Section 2201.1 for Certificate of Incumbency delivery instructions.

For example, the Seller/Servicer may need to submit one or more of the following with the new Certificate of Incumbency:

- Form 483, Wire Transfer Authorization,
- Form 1132, Authorization for Automatic Transfer of Funds Through the Automated Clearing House (ACH) for Seller/Servicers

- Form 1132A, Authorization for Automatic Transfer of Funds from Principal and Interest Custodial Account through the Automated Clearing House (ACH)

Refer to Section 2201.2 for delivery instructions for Form 483, Section 2405.1 for delivery instructions for Form 1132 (for Servicers), Section 6303.2 for delivery instructions for Form 1132 (for Sellers) and Section 8303.3 for delivery instructions for Form 1132A.

2101.13: Transfer of assets to an entity that is not a Freddie Mac-approved Seller/Servicer (12/07/20)

Failure to comply with all of the requirements of this Section 2101.13 within the prescribed time frame may result in suspension or disqualification of the Seller/Servicer.

A Seller/Servicer must complete a Change and Activity Report and submit relevant information to Freddie Mac using the Unified Counterparty Experience® (UCount®) system at least 75 Business Days prior to the proposed transfer of:

- All of its assets without the transfer of accompanying liabilities, to an entity that is not a Freddie Mac-approved Seller/Servicer, or

- The assets of a Mortgage-related function (for example, originations or Servicing), without the transfer of accompanying liabilities, to an entity that is not a Freddie Mac-approved Seller/Servicer

In such situations, Freddie Mac does not consider that the Seller/Servicer has transferred its Freddie Mac approval and Seller/Servicer number to the transferee.

Freddie Mac may require the Seller/Servicer to provide additional information concerning the proposed transfer of assets.

The proposed transferee must obtain Freddie Mac's approval as a Seller/Servicer prior to the effective date of the asset transfer. To obtain such approval, the proposed transferee must apply to become an approved Seller/Servicer concurrent with the Seller/Servicer's submission of the Change and Activity Report. If the proposed transferee fails receive approval as a Freddie Mac Seller/Servicer, it will be precluded from selling Mortgages to or Servicing Mortgages for, Freddie Mac. Information on applying for approval as a Freddie Mac Seller/Servicer may be obtained by contacting Freddie Mac **(see Directory 1)** or by visiting: **https://sf.freddiemac.com/working-with-us/become-a-seller-servicer/overview**.

2101.14: Seller/Servicer changes that result in a Transfer of Servicing (12/07/20)

A change in a Seller/Servicer's organization may also involve a Transfer of Servicing. If the change will result in a Transfer of Servicing as defined in the Glossary, the Seller/Servicer must comply with the notification requirements in Sections 2101.12 and 2101.13, and all requirements for Subsequent Transfers of Servicing in Chapter 7101, including the requirement that the request for approval of the transfer be submitted to Freddie Mac at least 45 Business Days prior to the requested Effective Date of Transfer.

If a proposed transfer of assets includes a Transfer of Servicing, the request for approval of the proposed Transfer of Servicing should be submitted along with the application to become a Seller/Servicer, but no later than 45 Business Days prior to the Effective Date of the Transfer.

If a Transfer of Servicing will result from an organizational or status change, the request for approval of Transfer of Servicing must be submitted 45 Business Days prior to the requested Effective Date of Transfer even though the notification of the organizational change is not required until after the change has occurred.

Chapter 2201: Additional Documentation Requirements

2201.1: Seller/Servicer Certificate of Incumbency requirements (06/08/22)

(a) As to Seller/Servicers

Each Seller, Servicer and Seller/Servicer (hereafter in this section, each a "Seller/Servicer") must provide Freddie Mac with a certificate of incumbency ("Certificate of Incumbency" or "COI") as follows: (i) Form 988SF, Certificate of Incumbency for a Bank, Savings Bank, Savings and Loan Association, Credit Union, Corporation or Limited Liability Company, (ii) Form 988SF – HFA, Certificate of Incumbency for Housing Finance Agency, or (iii) Form 989SF, Certificate of Incumbency for Limited Partnerships, together with a resolution ("Resolution") of the Seller/Servicer's board of directors, board of members, sole member, general partner or other governing body ("Governing Body") that empowers and authorizes certain employees to, individually and singularly, provide Freddie Mac with instructions (or modified instructions) to transfer funds or securities by wire transfer, Automated Clearing House (ACH) or other funds transfer system expressly approved and designated by Freddie Mac in connection with the sale of Mortgages to and/or Servicing of Mortgages for Freddie Mac (such instructions or modified instructions, "Wire Transfer Instructions").

A certified copy of the Seller/Servicer's Resolution, in the form provided electronically to the Seller/Servicer by Freddie Mac unless applicable law requires otherwise, must be attached to the executed COI as Exhibit A. For each duly authorized employee ("Authorized Employee"), the COI must contain either such Authorized Employee's original pen and ink signature or an Electronic copy or representation of the original pen and ink signature.

The COI, Resolution, and any other required documents or forms must be delivered to Freddie Mac either as: (i) paper Records, as defined in Section 1401.2, signed by the Seller/Servicer's Secretary, Assistant Secretary or in-house counsel (a "Signatory") using a pen and ink, or (ii) Electronic Records, as defined in Section 1401.2, using a Portable Document Format (PDF) with a copy or representation of the pen and ink signature of the Seller/Servicer's Signatory attached thereto or logically associated therewith as an Electronic Signature, as defined in Section 1401.2. The Seller/Servicer agrees that delivery of these documents as Electronic Records to Freddie Mac, with the Electronic Signature of the Seller/Servicer's Signatory attached thereto or logically associated therewith is as valid, effective and enforceable as the Seller/Servicer's delivery of an original paper Record of such documents signed using a pen and ink. Freddie Mac and the Seller/Servicer agree that delivery of Electronic Records with Electronic Signatures is an Eligible Electronic Transaction, as defined in Section 1401.2 and governed by Chapter 1401. Any such Electronic Record must be a PDF attached to an e-mail and delivered to Freddie Mac at: **counterparty_authorization@freddiemac.com**.

By executing the COI and delivering it and the Resolution to Freddie Mac, the Seller/Servicer represents and warrants to, and covenants with, Freddie Mac that:

- Each person listed under paragraph numbered 2 of the COI is the Seller/Servicer's employee who has been (and continues to be) duly authorized by the Seller/Servicer's Governing Body as an Authorized Employee, who is individually and singularly empowered to provide Freddie Mac with Wire Transfer Instructions

- Each Authorized Employee (a) holds the position or title as an employee of the Seller/Servicer that is set forth directly across from the employee's name and (b) is duly authorized individually and singularly to:

  - Execute any and all paper Records or Electronic Records, instruments, documents or forms that are necessary or proper or required by Freddie Mac to effectuate the authority set forth in paragraph numbered 1 of the COI, by having the Authorized Employee either sign paper Records with a pen and ink or electronically sign Electronic Records by attaching or logically associating a copy or representation of the Authorized Employee's pen and ink signature as the Authorized Employee's Electronic Signature and

  - Deliver the duly executed paper Record or Electronic Record

- The specimen signature set forth directly across from each Authorized Employee's name and position or title is the true and genuine original pen and ink signature or Electronic Signature of each such Authorized Employee, and Freddie Mac may conclusively rely on the accuracy, genuineness, good faith, validity, effectiveness and enforceability of any paper Record or Electronic Record provided to Freddie Mac bearing an Authorized Employee's signature

- Each Authorized Employee is duly authorized to engage in and conduct Electronic Transactions, as defined in Chapter 1401, to provide Freddie Mac with Wire Transfer Instructions, and the Seller/Servicer consents to such Electronic Transactions

- Each COI is a Purchase Document and all capitalized terms used in such forms that are not defined therein, shall have the meanings ascribed to such terms in the Guide

- The information set forth in any COI delivered to Freddie Mac is true and correct and Freddie Mac may conclusively rely upon the information in the COI and any addendum, Resolution, paper Record or Electronic Record attached to (or associated with) the COI that is delivered to Freddie Mac, until the Seller/Servicer delivers a new COI to Freddie Mac that is reviewed and accepted by Freddie Mac

Freddie Mac reserves the right to verify or authenticate any Seller/Servicer request for a change, and the Seller/Servicer may not consider Freddie Mac's failure to do so an act of negligence.

In an urgent situation, the Seller/Servicer may request Freddie Mac to remove the name of an employee who is listed as an Authorized Employee from the Seller/Servicer's COI by sending an e-mail or facsimile transmission with a copy of (i) a cover letter signed by a Signatory directing Freddie Mac to remove an Authorized Employee's name and position or title from the list of Authorized Employees, and (ii) a copy of the Seller/Servicer's most recent COI provided to Freddie Mac with the Authorized Employee's name struck through (lined-out) **(see Directory 8)**. The Seller/Servicer should promptly deliver a new COI together with any new Wire Transfer Instructions, if necessary. Freddie Mac will make every effort to act promptly on such urgent requests to remove the name and position or title of such Authorized Employee, but cannot guarantee that it will be able to prevent wire transfers of funds or securities made in accordance with Wire Transfer Instructions previously provided to Freddie Mac by such Authorized Employee.

Any Wire Transfer Instructions provided by an Authorized Employee on the Seller/Servicer's behalf remain in effect and are valid until modified by such Authorized Employee or another Authorized Employee. The Seller/Servicer is solely responsible for any and all Wire Transfer Instructions. If the Seller/Servicer has requested that Freddie Mac remove an Authorized Employee from its COI, the Seller/Servicer should review all existing Wire Transfer Instructions to determine if any other changes are necessary.

If a Seller/Servicer has requested that Freddie Mac remove the sole Authorized Employee assigned to the Loan Selling Advisor® user role of Setup Manager from the Seller/Servicer's COI, the Seller/Servicer must concurrently assign the role of Setup Manager to another Authorized Employee on the Seller/Servicer's COI. In addition, if the Seller/Servicer has requested that Freddie Mac remove from the Seller/Servicer's COI the Authorized Employee(s) who executed the most recently delivered Form 483, Wire Transfer Instructions, Form 987E, Wire Transfer Authorization for a Cash Warehouse Delivery, Form 1132, Authorization for Automatic Transfer of Funds Through the Automated Clearing House (ACH) for Seller/Servicers or Form 1132A, Authorization for Automatic Transfer of Funds from Principal and Interest Custodial Account through the Automated Clearing House (ACH), the Seller/Servicer must submit new Forms 483, 987E, 1132, and/or 1132A, as applicable, signed by an Authorized Employee on the Seller COI.

Refer to Section 2201.2 for delivery instructions for Form 483, Section 2405.1 for delivery instructions for Form 1132 (for Servicers), Section 6303.2 for delivery instructions for Form 1132 (for Sellers), Section 6305.3 for delivery instructions for Form 987E and Section 8303.3 for delivery instructions for Form 1132A.

A new Seller/Servicer will not be given access to Loan Selling Advisor until Freddie Mac has accepted the Seller/Servicer's COI and all other required forms and documents. A Servicer will not receive expense reimbursements and incentive payments via ACH credit entries into their commercial accounts until Freddie Mac has accepted the Servicer's COI and all other required forms and documents, including Form 1132.

Each Seller/Servicer must renew and update its COI every two years and its Resolution every four years, and determine if such renewal requires new or modified Wire Transfer

Instructions. Freddie Mac will notify the Seller/Servicer of the renewal approximately 120 days before the renewal due date. The Seller/Servicer remains responsible for timely renewal even if Freddie Mac does not provide notification.

If a Seller/Servicer fails to deliver an acceptable COI by the due date specified by Freddie Mac, Freddie Mac has the right, in its sole discretion, to do the following until a renewal COI has been accepted by Freddie Mac and any other Freddie Mac requirements have been met:

- Disable the Seller/Servicer's access to Loan Selling Advisor and/or cancel or postpone any pending Settlement Date or Funding Date

- For a Servicer, cancel or postpone receipt of expense reimbursements and incentive payments via ACH credit entries

The Seller/Servicer shall indemnify and hold Freddie Mac, its directors, officers, employees, successors, assigns and fiscal and transfer agents harmless from and against the consequences of any such cancelation or postponement by Freddie Mac, as set forth in Section 6301.8.

(b) As to Related Third Parties

Each Seller/Servicer shall require each of its Related Third Parties that are to be paid by Freddie Mac to sign and complete Form 99V, Certificate of Incumbency for Vendors, prior to submitting any requests for expense reimbursements or other payment.
Before a Related Third Party may begin receiving expense reimbursements and incentive payments, the Related Third Party must have completed Form 99V and met the process requirements herein. Freddie Mac must have accepted the Related Third Party's COI and all other required forms and documents before Related Third Party may receive reimbursement.

To receive expense reimbursement and incentive payments, Related Third Parties must authorize Freddie Mac to make such payments and receive debits, via Wire Instructions or ACH into their commercial checking accounts. Vendors must complete Form 98, Authorization for the Automatic Transfer of Funds for Vendors, and submit the form to Freddie Mac as an Electronic Record (as defined in Section 1401.2), using a PDF (or other Electronic Record format commonly used in the Mortgage industry), that has been completed and contains the copy or representation of the pen and ink signature of the Authorized Employee (such copy or representation of the Authorized Employee's signature shall be such Authorized Employee's adopted Electronic Signature as defined in Section 1401.2) attached to an e-mail and delivered to Freddie Mac at the following e-mail address: **counterparty_authorization@freddiemac.com**.

2201.2: Establishing and maintaining wire transfer instructions for cash proceeds (12/09/20)

In order to make timely and accurate wire transfers of cash proceeds for the purchase of Mortgages, Freddie Mac maintains a centralized database containing individual wire instructions as provided by the Seller on Form 483, Wire Transfer Authorization. This file is maintained and controlled in the Freddie Mac office in McLean, Virginia.

Freddie Mac will not wire transfer any cash proceeds for the purchase of Mortgages unless and until the Seller has submitted to Freddie Mac a Form 988SF, Certificate of Incumbency for a Bank, Savings Bank, Savings and Loan Association, Credit Union, Corporation or Limited Liability Company, or Form 989SF, Certificate of Incumbency for Limited Partnerships, as applicable, that lists "Authorized Employees" who are authorized and empowered to provide Freddie Mac with instructions (or modified instructions) to transfer funds (cash or securities) by wire transfer on the Seller's behalf in connection with the sale of Mortgages to Freddie Mac. See Section 2201.1 for additional information regarding certificate of incumbency ("Certificate of Incumbency" or "COI") requirements.

Freddie Mac accepts wire transfer instructions only if submitted to Freddie Mac on Form 483 signed by an authorized officer of the Seller who is designated as an Authorized Employee (as defined in Section 2201.1) on the Seller's COI. The officer's signature on Form 483 must be acknowledged by a notary public. (Wire transfer instructions will not be accepted by telephone.)

Any questions concerning Certificate(s) of Incumbency or wire transfer instructions may be directed to Freddie Mac **(see Directory 8)**.

Form 483 is the Seller's legal authorization to allow Freddie Mac to wire transfer funds to a designated bank. Settlements cannot be made if wire transfer instructions are not on file with Freddie Mac. The Seller must ensure that the wire transfer instructions on file at the time of Mortgage delivery are complete and correct. Once instructions are on file, all future settlements will be transferred according to the same instructions, unless the instructions are changed in accordance with the Guide. The Seller can change the wire transfer instructions only by submitting a new, executed and authorized Form 483 to Freddie Mac. At least five Business Days are required by Freddie Mac to process a change. Wire transfer instructions given in connection with the payment of Purchase Proceeds to a Warehouse Lender for Pledged Mortgages must comply with Chapter 6305.

To use multiple wire transfer instructions, the Seller must complete and execute a new Form 483 for each set of wire transfer instructions. In each instance, the Form 483, executed by an Authorized Employee on the Seller's most recently accepted COI, must be submitted to Freddie Mac at the address on the form.

The Seller agrees to indemnify, defend and hold Freddie Mac, its successors, assigns and transfer agents harmless from and against any and all losses, claims, demands, actions, suits, damages,

costs and expenses (including reasonable attorney fees) of every nature and character that may arise or be made against or be incurred by Freddie Mac as a result of any of the following:

- The Seller's failure to provide a COI that lists Authorized Employees authorized and empowered to provide Freddie Mac with instructions (or modified instructions) to transfer funds (cash or securities) by wire transfer on the Seller's behalf in connection with the sale of Mortgages to Freddie Mac

- The Seller's failure to provide Freddie Mac with a resolution of the board of directors or other governing body resolution that authorizes and empowers the employees identified by the Seller as Authorized Employees in the COI

- Freddie Mac's transfer of any cash proceeds in connection with the sale of Mortgages to Freddie Mac in accordance with the Purchase Documents and Seller's wire transfer instructions on Form 483 and the Seller's listing and designation of Authorized Employees on the Seller's COI

- The Seller's failure to provide complete, accurate and authorized wire transfer instructions

- The Seller's failure to promptly notify Freddie Mac of any necessary or desired changes to the authorized wire transfer instructions

- Security interests, claims or encumbrances of any third party, including a Warehouse Lender, if any

The Seller will deliver or transmit a completed Form 483 to Freddie Mac as an Electronic Record (as defined in Section 1401.2), using a Portable Document Format (PDF) (or other Electronic Record format commonly used in the mortgage industry), that has been completed and contains the copy or representation of the pen and ink signature of the Authorized Employee (such copy or representation of the Authorized Employee's signature shall be such Authorized Employee's adopted Electronic Signature as defined in Section 1401.2) and submit as either:

- An attachment to an email and delivered to Freddie Mac at **cashcollections@freddiemac.com**, or

- An upload through the Freddie Mac eBill system

By delivering or transmitting to Freddie Mac a properly completed Electronic Form 483 with a copy or representation of the Seller's Authorized Employee's handwritten signature as an Electronic Signature (as defined in Section 1401.2) attached to, logically associated with or contained on such Electronic Form 483, the Seller:

- Consents to conduct Electronic Transactions (as defined in Section 1401.2) with Freddie Mac using fax copies of Records, Electronic Records and/or Electronic Signatures in connection with the delivery of an Electronic Form 483

- Adopts as its Electronic Signature the Electronic Signature of its Authorized Employee as it appears on the Electronic Form 483
- Agrees that its Authorized Employee intended to sign the Form 483 with the authority and intent to bind the Seller to the terms and conditions contained therein

Chapter 2202: Document Custodian and Document Custody

2202.1: Document Custodian (10/05/22)

For each Seller/Servicer number, the Seller/Servicer must contract with at least one Document Custodian, which may be a Designated Custodian or another approved Document Custodian chosen by the Seller/Servicer, on the Tri-Party Agreement, in accordance with the requirements of Sections 2202.2 and 2202.3.

Seller/Servicers may enter into Tri-Party Agreements with up to 10 Document Custodians per Seller/Servicer number. Compensation for each Document Custodian's services is the sole responsibility of the Seller/Servicer.

For requirements related to eMortgages, refer to Chapter 1402.

2202.2: Document Custodian eligibility (12/13/23)

(a) General requirements

The Seller/Servicer must choose a Document Custodian that will:

- Enter into a Tri-Party Agreement with the Seller/Servicer and Freddie Mac (see Section 2202.3)
- Meet and maintain all applicable eligibility requirements of this section
- Comply with:
  - All Guide requirements pertaining to Notes and assignments held for Freddie Mac including, but not limited to, Sections 4101.9 and 7101.9 and other requirements for Notes, assignments and related documents. If the requirements are amended in the Guide, then the Tri-Party Agreement will be deemed amended as necessary to conform with such amended requirements.
  - All terms of the Tri-Party Agreement
  - Any other requirements which Freddie Mac may specify to ensure the safety and security or enforceability of the Notes and assignments held by the Document Custodian

- ❑ Such standards, including custodial performance, and such fiduciary responsibilities as may be prescribed by Freddie Mac, in its discretion, from time-to-time

- Notify Freddie Mac and the Seller/Servicer if, at any time, it fails to meet any applicable eligibility requirement

The Seller/Servicer must have its own oversight process to monitor its Document Custodian(s) to ensure they remain in good standing and meet Freddie Mac eligibility requirements. The Seller/Servicer will notify Freddie Mac within one Business Day at **Institutional_Eligibility@FreddieMac.com**, if at any time, the Document Custodian fails to meet any applicable eligibility requirement.

Freddie Mac is not approving new Document Custodians until further notice. The eligibility requirements stated in this chapter and elsewhere in the Guide are requirements for continuing eligibility as a Freddie Mac Document Custodian. This does not limit the ability of Freddie Mac-approved Document Custodians to obtain Freddie Mac approval to provide eNote custody. (See Section 1402.18 regarding eNote custodian requirements.)

(b) Basic eligibility requirements

An eligible Document Custodian must:

1. Be:

   - A financial institution that is supervised and regulated by the Federal Deposit Insurance Corporation (FDIC), Board of Governors of the Federal Reserve System or the Office of the Comptroller of the Currency (OCC)

   - A subsidiary of a supervised and regulated financial institution listed above, authorized to perform trust services under applicable law, or

   - A Federal Home Loan Bank chartered pursuant to the Federal Home Loan Bank Act

2. Not be in receivership, conservatorship or liquidation, and may not be a subsidiary of a, federally-regulated parent that is in receivership, conservatorship or liquidation

3. Maintain an acceptable risk threshold based on the requirements set forth in Section 2202.2(c) or (d) or have an Acceptable Net Worth of at least $500,000,000 if it is one of the following:

   - An entity applying to be a Document Custodian

   - A Document Custodian with existing custodial relationship(s) or entering into new custodial relationships with Freddie Mac Seller/Servicers

Servicers and Document Custodians will be notified if a Document Custodian is below the acceptable risk threshold **and** does not have an Acceptable Net Worth of at least $500,000,000.

4. Be equipped with secure, fire-resistant storage facilities with adequate controls on access to ensure the safety and security of the Notes and assignments in its custody. The vault must provide a minimum of two hours fire protection, and the fireproof certificate must be renewed annually; however, if a Document Custodian's regulator requires a higher standard of fire protection, then that higher standard shall apply.

5. Maintain the Notes and assignments in such a manner as to ensure security and confidentiality and to prohibit unauthorized access to or use of information contained in the Notes and assignments

6. Use employees who are knowledgeable in the handling of Notes and assignments and of the functions and duties of a Document Custodian as required by Freddie Mac, including access to and use of Loan Selling Advisor®. (See Section 2403.11 for information on obtaining Loan Selling Advisor access and user roles.)

7. Access the electronic version of the Guide through the link on **https://sf.freddiemac.com/tools-learning/sellerservicer-guide/overview** or arrange for a current subscription to the electronic Guide via AllRegs®

8. Maintain the following insurance coverages, at a minimum:

   - Financial institution bond, or equivalent insurance, covering any loss resulting from:

     - Employee dishonesty

     - Physical damage or destruction to, or loss of, any Notes and assignments while such documents are located on the Document Custodian's premises

     - Physical damage or destruction to, or loss of, any Notes and assignments while such documents are in transit between the Document Custodian's premises and any destination, regardless of the means by which they are transported, if the Document Custodian has contractually agreed with the Seller/Servicer to assume liability for Notes and assignments while in transit. (See Section 2202.5(c) for Seller/Servicer insurance requirements if the parties have not so agreed).

   - Errors and omissions insurance covering claims resulting from the Document Custodian's breach of duty, neglect, errors or omissions, misstatements, misleading statements or other wrongful acts committed in the conduct of its services

     For the purpose of these insurance coverages, the Notes are to be defined as "Negotiable Instruments" per Section 3-104 of the Uniform Commercial Code (UCC).

Freddie Mac's insurance requirements as stated above do not diminish, restrict or otherwise limit the Document Custodian's responsibilities and obligations as stated in any Tri-Party Agreement.

The required insurance coverages must:

- Be underwritten by an insurer that has an A- (A minus) or better rating according to the A.M. Best Company
- Be maintained in amounts that are deemed adequate for the number of Notes held in custody and appropriate based on prudent business practice
- Each have a deductible amount of no more than the greater of 5% of the Document Custodian's generally accepted accounting principles (GAAP) net worth or $100,000, but in no case be more than $10,000,000

A Document Custodian may be covered under its parent's insurance program rather than maintaining its own insurance only if:

- The acceptable deductible amount for each insurance coverage does not exceed the greater of 5% of the parent's GAAP net worth or $100,000, but in no case be more than $10,000,000
- The Document Custodian is a named insured
- The parent's insurance policy(ies) meets the insurance requirements for Document Custodians as stated in this section

In the event of cancelation or non-renewal of any of the required insurance coverages, the Document Custodian or its insurer, insurance broker or agent must provide the Seller/Servicer and Freddie Mac's Counterparty Credit Risk Management Department **(see Directory 1)** 30 days advance written notice thereof.

9. Have and maintain a document tracking and reporting system that, at minimum:

   - Provides, in an electronic format acceptable to Freddie Mac, an accounting of all Notes held for Freddie Mac identified by Freddie Mac loan number and the six-digit Seller/Servicer number
   - Monitors the receipt of Notes and assignments, including related or trailing documentation (for example, modifying instruments or powers of attorney)
   - Monitors the release of Notes and assignments
   - Tracks the physical location of Notes and related documents

- Cross references the Freddie Mac loan number for each Mortgage with the loan number assigned by the Seller/Servicer

- Accurately accounts for documents transferred or released

The Document Custodian must provide screen prints of its document tracking system to Freddie Mac with its request for initial approval, annually as part of its eligibility certification, and upon Freddie Mac's request.

10. Have and maintain a disaster recovery plan that documents, at a minimum:

    - The process by which the physical recovery/restoration of documents will occur

    - The recovery of tracking system data, including any electronically maintained information

    - The relocation/restoration of the facilities to ensure continuing ability to perform required custodial functions

    - Provisions for the testing and maintenance of the plan

    - A provision to notify Freddie Mac **(see Directory 9)** of a disaster within 24 hours of the disaster according to the requirement in Section 8107.2(a)

11. Have and implement written procedures that ensure compliance with Freddie Mac requirements and prudent practices in performing the duties of a Document Custodian with respect to the Notes and associated documents, including, at minimum:

    - Certification and maintenance

    - Release and transfer

    - Access

    - Tracking and reporting

(c) Eligibility requirements for the Seller/Servicer acting as its own Document Custodian

Subject to Freddie Mac's approval and in Freddie Mac's sole discretion, the Seller/Servicer may act as its own Document Custodian if it satisfies all requirements in Sections 2202.2(a) and 2202.2(b) and if the Notes and assignments for Mortgages serviced for Freddie Mac in its custody are entrusted to a department that:

- Is established and operated under trust powers granted by the Seller/Servicer's primary regulator

- Has custodial officers who are duly authorized to act on behalf of the Document Custodian in its trust capacity and empowered to enter into a Tri-Party Agreement with the Seller/Servicer and Freddie Mac

- Is subject to periodic review, examination and inspection by the regulator granting trust powers

- It has a financial rating of 130 or better rating from IDC Financial Publishing, Inc. (IDC) or C or better rating from Kroll Bond Rating Agency, Inc. (KBRA). Document Custodian may satisfy one rating provided the other rating is not lower than 75 from IDC or a C from KBRA. If Document Custodian is not a rated institution, then Document Custodian's parent or subsidiary must meet these standards. Additionally, the Seller/Servicer is required to have a financial rating that meets or exceeds a long-term rating of BBB from Standard & Poor's or a long-term rating of Baa2 from Moody's. If the Seller/Servicer is not a rated institution, then the nearest parent must meet these requirements.

- Is independently and separately managed from any functional area that performs Mortgage origination, selling or Servicing

- Maintains separate records, files and operations

- Uses personnel not engaged in the functions of Mortgage origination, selling or Servicing to perform the custodial function

(d) Eligibility requirements for a third-party Document Custodian that is not an affiliate of the Seller/Servicer

An institution that is not an affiliate of the Seller/Servicer may act as a Document Custodian if:

- It meets all requirements in Sections 2202.2(a) and 2202.2(b)

- It has a financial rating of 125 or better rating from IDC or C or better rating from KBRA. Document Custodian may satisfy one rating provided the other rating is not lower than 75 from IDC or a C from KBRA. If Document Custodian is not a rated institution, then Document Custodian's parent or subsidiary must meet these standards.

- Within the institution, the document custodial function:

  - Is independently and separately managed from any functional area that performs Mortgage origination, selling or Servicing

  - Maintains separate records, files and operations

- ❑ Is performed by personnel not engaged in the functions of Mortgage origination, selling or Servicing

(e) Eligibility requirements for a third-party Document Custodian that is an affiliate of the Seller/Servicer

Subject to Freddie Mac's approval and in Freddie Mac's sole discretion, a third-party that is an affiliate of the Seller/Servicer may act as a Document Custodian if:

- ■ It meets all the requirements in Sections 2202.2(a) and 2202.2(b)

- ■ It is independently and separately managed from the Seller/Servicer. The third-party Document Custodian may occupy the same premises as the Seller/Servicer, as long as the Seller/Servicer is not involved in the management or operations of the third-party custodian.

- ■ It has a financial rating of 130 or better rating from IDC or C or better rating from KBRA. Document Custodian may satisfy one rating provided the other rating is not lower than 75 from IDC or a C from KBRA. If Document Custodian is not a rated institution, then Document Custodian's parent or subsidiary must meet these standards. Additionally, the Seller/Servicer is required to have a financial rating that meets or exceeds a long-term rating of BBB from Standard & Poor's or a long-term rating of Baa2 from Moody's. If the Seller/Servicer is not a rated institution, then the nearest parent must meet these requirements.

- ■ Within the institution, the document custodial function:

  - ❑ Is independently and separately managed from any functional area that performs Mortgage origination, selling or Servicing

  - ❑ Maintains separate records, files and operations

  - ❑ Is performed by personnel not engaged in the functions of Mortgage origination, selling or Servicing

(f) Additional eligibility requirements for a Document Custodian that is an affiliate of a Warehouse Lender

Freddie Mac recognizes that there may be instances where, for operational efficiency, the document custodial function shares personnel with the institution's warehouse lending function. This sharing of personnel will be allowed only when the document custodial function has:

- ■ A separate tracking and reporting system that provides a clear distinction between Freddie Mac's assets and the collateral held for the Warehouse Lender

- Separate record keeping from other functional areas, including warehouse lending
- Operating controls that provide a clear distinction between:
  - Activities that an employee performs for the benefit of the Warehouse Lender and activities performed for Freddie Mac
  - Management decisions that apply to collateral held as security for the warehouse line and those that apply to Notes that are held in trust for the sole benefit of Freddie Mac

2202.3: Contracting with a Document Custodian (04/12/23)

(a) Contracting with a Document Custodian other than a Designated Custodian

Before delivering any Notes and assignments to a Document Custodian other than a Designated Custodian, a paper version of Form 1035, Document Custodial Agreement: Single-Family Mortgages, executed by the Seller/Servicer and the Document Custodian must be delivered to and approved by Freddie Mac **(see Directory 1)**. Form 1035 is the Tri-Party Agreement among Freddie Mac, a Document Custodian and a Seller/Servicer governing the verification and custody of all Notes and assignments for Mortgages delivered for sale to or serviced for Freddie Mac by a Seller/Servicer. Additional application requirements to become a Freddie Mac-approved Document Custodian may be obtained from Freddie Mac **(see Directory 1)**.

After reviewing the Document Custodian application and any other required documentation, if Freddie Mac determines that the applicant meets the eligibility requirements, Freddie Mac will assign a Document Custodian number to the Document Custodian and assign a Tri-Party Agreement number to identify that relationship.

Freddie Mac will:

- Execute the Form 1035
- Provide the Seller/Servicer and the Document Custodian each with a copy of the fully executed Form 1035, and
- Inform the respective parties of the Document Custodian number and the Document Custodial agreement number

Freddie Mac will maintain the original fully executed Form 1035.

The Document Custodian will be assigned only one Document Custodian number for all Seller/Servicer relationships approved at that location. It must, however, complete a separate

application, including a Form 1035 executed by the Seller/Servicer and the Document Custodian, for each Seller/Servicer that wishes to use its custodial services. A Document Custodian with an assigned Document Custodian number must insert the number in the appropriate space on the Form 1035.

Seller/Servicers may not make a delivery pursuant to Section 6301.8 until Freddie Mac has executed the Form 1035 and provided written confirmation of the approval and its effective date.

For Document Custodians other than the Designated Custodians, Freddie Mac relies on the representations and warranties of the Seller/Servicer in Form 1035 that the Document Custodian satisfies the eligibility requirements of Section 2202.2. Freddie Mac and/or its auditors may perform, with or without prior notice, on-site audits of all records and documents held by the Document Custodian that relate to the Notes and assignments held for Freddie Mac. Freddie Mac also reserves the right to perform on-site audits at any time to evaluate the Document Custodian's compliance with Freddie Mac requirements and to assess its internal controls. Freddie Mac's execution of Form 1035 will not be deemed to be an approval of the Document Custodian or a waiver of any rights to enforce the eligibility conditions.

(b) Contracting with a Designated Custodian

Servicers may use a Freddie Mac Designated Custodian to hold the Notes for Mortgages they service for Freddie Mac, except as set forth in Sections 2202.3(c) and (d).

To establish a custodial relationship with a Designated Custodian, the Seller/Servicer must complete:

- A Tri-Party Agreement on Form 1035DC for BNYM or Form 1035CS for Computershare Trust Company, N.A. ("Computershare"), and

- All other forms required by, and available from, the Designated Custodian **(see Directory 4)**.

Note that Form 1035DC and Form 1035CS differ from Form 1035.

Freddie Mac has assigned each Designated Custodian a Document Custodian number to insert on the application package and in the Tri-Party Agreement. Freddie Mac will review each application and, if approved, will notify the Seller/Servicer of the effective date of the related Tri-Party Agreement.

Questions about the Designated Custodians and Form 1035DC or Form 1035CS should be directed to Freddie Mac **(see Directory 1)**.

Questions about BNYMs Designated Custodian Registration Forms or Computershare's customer forms should be directed to the appropriate entity **(see Directory 4)**.

(c) Special requirements – Mortgages sold through Cash-Released Xchange®

For Mortgages other than eMortgages, Sellers selling Mortgages to Freddie Mac through Cash-Released XChange, and Servicers participating in that process, must use a Document Custodian set forth in Exhibit 43. If the Document Custodian used by the Seller/Servicer is a Designated Custodian, the requirements in Section 2202.3(b) apply; in all other cases, the Seller/Servicer should refer to the requirements in Section 2202.3(a).

For deliveries and Transfers of Servicing of eMortgages sold through Cash-Released XChange, Seller/Servicers must use Freddie Mac as the eNote Custodian **(**see **Directory 4** and Chapter 1402**)**.

(d) Special requirements for eMortgages

Seller/Servicers selling or Servicing eMortgages must comply with the document custody requirements of Chapter 1402 and the Seller's other Purchase Documents.

(e) Terminating the document custodial relationship

Any party may terminate a Tri-Party Agreement as set forth in Section 2202.6. The Document Custodian must transfer all Notes and assignments for Mortgages held pursuant to the agreement being terminated to a Transferee Document Custodian as described in Sections 2202.6 and 7101.9. The Document Custodian may not refuse, or fail to fulfill, its custodial responsibilities or obligations under the Tri-Party Agreement being terminated until all Notes and assignments have been received by the Transferee Document Custodian.

2202.4: Document Custodian duties to Freddie Mac (05/04/20)

Document Custodian covenants to Freddie Mac that it will:

1. Maintain physical custody of all Mortgage documents delivered to it, such as original paper Notes, addendums, riders, assignments, powers of attorney and modification agreements, and, for Cooperative Share Loans, the documents listed in Section 6304.2(b); such documents include any copies provided to the Document Custodian, in trust for the benefit of Freddie Mac. For example:

   - For an original executed paper document (other than a Note) that has been electronically recorded, the Seller/Servicer must deliver the original executed paper document and a paper copy of such electronically recorded document (showing its recordation information), and the Document Custodian will maintain such original executed paper document and such paper copy of the electronically recorded original paper document

- For an electronically created document (other than a Note) that has been electronically recorded, the Seller/Servicer must deliver a paper copy of such electronically recorded document (containing its recordation information), and the Document Custodian will maintain such paper copy of the electronically recorded Electronic (as defined in Section 1401.2) document; and

- For an electronically created document (other than a Note) that is not required by State law to be recorded, the Seller/Servicer must deliver a paper copy of the unrecorded electronically created document, certified by the Seller/Servicer as a true and correct copy, and the Document Custodian will maintain such certified paper copy of the document

Note: Seller/Servicer delivery requirements pertaining to Electronic recording of closing and post-closing documents are found in Sections 1401.14 and 1401.15.

2. Make available for review by Freddie Mac or its designee, at any time during normal business hours, with or without prior notice, Notes and assignments and the facilities in which they are stored, maintenance and release procedures, and control and tracking systems, and other evidence of compliance with eligibility requirements as requested

3. Make the custodial staff available for interview by Freddie Mac or its designee at any time during normal business hours, with or without prior notice, for an assessment of the staff's familiarity with and adherence to Freddie Mac's custodial requirements and the Document Custodian's internal controls

4. Indemnify Freddie Mac for such losses as may occur as a result of any negligence by the Document Custodian in the performance of its duties under the Guide and the Tri-Party Agreement pertaining to Freddie Mac Notes and assignments in the custody of the Document Custodian

5. Maintain physical custody of the Note and assignments, in trust, for the benefit of the Seller/Servicer in circumstances when the Document Custodian receives a completed and signed Form 1036 from the Seller/Servicer requesting constructive possession

6. Provide, in an electronic format acceptable to Freddie Mac, an accounting of all Notes and assignments, as described in Section 2202.2(b)(9), that the Document Custodian has in its physical custody: (i) in trust for the benefit of Freddie Mac or (ii) in trust for the benefit of the Seller/Servicer when the Seller/Servicer has constructive possession of the Notes

7. Consent and agree to conduct Electronic Transactions, as defined in Chapter 1401, with the Seller/Servicer and Freddie Mac in connection with its functions, duties and obligations under this section and Form 1035

8. Adopt, as its signature and its Electronic Signature, as defined in Chapter 1401, its Freddie Mac Document Custodian number and comply with the applicable requirements of Chapter

1401 as if each reference to the word "Seller/Servicer" were a reference to the words "Document Custodian" and/or "Designated Custodian," as applicable

Freddie Mac may, at any time, and in its sole discretion, require a Document Custodian to segregate the Notes and assignments that it maintains, in trust, for the benefit of Freddie Mac from those it maintains for other investors.

The Document Custodian may not enter into any understanding, agreement, or relationship with any party by which any such party would obtain, retain or claim any interest (including an ownership or security interest) in the Notes and any assignments or the underlying Mortgages, unless otherwise specifically and expressly approved by Freddie Mac in writing.

If the Document Custodian's facilities are affected by a disaster, the Document Custodian must promptly notify Freddie Mac **(see Directory 9)**, but such notification shall occur no later than 24 hours after the discovery of such disaster, time being of the essence.

2202.5: Seller/Servicer and the Document Custodian (11/01/20)

(a) Responsibility for documents and Document Custodian compliance

The Seller/Servicer agrees to indemnify Freddie Mac and hold Freddie Mac harmless for any loss, damage or expense (including court costs and reasonable attorney fees) that Freddie Mac may incur as a result of the Seller/Servicer's Document Custodian holding Notes and any other documents. The Servicer is responsible at all times for the original Note. if a Note is lost or destroyed, the Servicer must follow the procedures set forth in Section 8107.1(d).

Except with respect to the Designated Custodians, the Seller/Servicer is responsible for verifying that its Document Custodian complies with all applicable Freddie Mac requirements regarding Note custody. Freddie Mac's Document Custody Procedures Handbook is located and available to Seller/Servicers and Document Custodians on the internet at AllRegs.com, or at **https://sf.freddiemac.com/working-with-us/selling-delivery/delivery-options-pricing/document-custody**. Seller/Servicers and Document Custodians will find this handbook to be a useful resource in fulfilling these requirements.

(b) Monitoring the eligibility status of the Document Custodian

The Seller/Servicer is responsible for monitoring its Document Custodian for compliance with Freddie Mac's Document Custodian eligibility requirements and must ensure that the Document Custodian complies with all eligibility requirements at all times, with the exception of (i) the Designated Custodians and (ii) certification and verification services performed outside of the United States by Document Custodians. Freddie Mac will monitor

the Designated Custodians and any activities of Document Custodians that Freddie Mac has contractually authorized to be conducted overseas.

If, at any time, the Document Custodian (including a Designated Custodian) fails to comply with any eligibility requirement or violates a provision of the Guide or Tri-Party Agreement, the Seller/Servicer must contact Freddie Mac **(see Directory 1)** in writing within one day of the Seller/Servicer learning of the noncompliance. Freddie Mac, at its discretion, may allow the Seller/Servicer a period of time to work with its Document Custodian to ensure that the Document Custodian takes all necessary steps to meet the requirements. However, Freddie Mac reserves the right to immediately terminate a Tri-Party Agreement. Further, Freddie Mac may direct the Seller/Servicer to transfer the Notes to a Designated Custodian or a new Document Custodian pursuant to Sections 2202.1 through 2202.3, and transfer all Notes and assignments for Mortgages serviced for Freddie Mac from the old Document Custodian to the new Document Custodian, pursuant to Section 2202.6(a).

(c) Transit insurance requirements

Unless the Servicer has agreed with the Document Custodian in writing for the Document Custodian to assume liability for Notes and assignments while in transit, the Servicer must obtain insurance covering physical damage or destruction to, or loss of, any Notes and assignments while such documents are in transit between the Document Custodian's vault and anywhere, regardless of the means by which they are transported. For the purpose of this insurance, Mortgage Notes are to be referred to as "Negotiable Instruments" as that term is defined in Section 3-104 of the model Uniform Commercial Code (UCC), promulgated by the National Conference of Commissioners on Uniform State Laws, and enacted in the applicable State.

At a minimum, the required insurance coverage must:

- Be underwritten by an insurer that has an A- (A minus) or better rating according to the A.M. Best Company
- Be maintained in amounts that are deemed adequate for the number of Notes and assignments held in custody and that are deemed appropriate based on prudent business practice
- Each have a deductible amount no more than the greater of 5% of the Seller/Servicer's GAAP net worth or $100,000, but in no case greater than $10,000,000
- Not exclude from coverage Negotiable Instruments that are, under Article 3 of the Uniform Commercial Code, bearer paper (e.g., Notes with blank endorsements) with an endorsement that does not identify a payee

If a Servicer is covered under its parent's insurance program rather than by its own insurance:

- The acceptable deductible amount for each insurance coverage may be no more than the greater of 5% of the parent's GAAP net worth or $100,000, but in no case greater than $10,000,000

- The Servicer must be a named insured

- The parent's insurance policy(ies) must meet requirements as stated in this subsection

In the event of cancelation or non-renewal of any of the required insurance coverages, the Servicer or the Servicer's insurer, insurance broker or agent must provide Freddie Mac **(see Directory 1)** a minimum of 30 days advance written notice thereof.

Freddie Mac's insurance requirements as stated in this subsection do not diminish, restrict or otherwise limit the Servicer's responsibilities and obligations as stated in the Tri-Party Agreement or otherwise in the Purchase Documents.

2202.6: Transfer of custody and terminating Tri-Party Agreements (11/01/20)

(a) Transfers and terminations initiated by Freddie Mac

Upon 30 days written notice to the Seller/Servicer and the Document Custodian and at its sole discretion, Freddie Mac may terminate a Tri-Party Agreement without cause and require the transfer of all Notes and assignments held by the Document Custodian to another Document Custodian or to a Designated Custodian **(see Directory 4)**.

Freddie Mac may immediately terminate a Tri-Party Agreement upon written notice to a Seller/Servicer and the Document Custodian and require the transfer of all Notes and assignments to another Document Custodian or as directed by Freddie Mac upon the occurrence of any of the following:

- Disqualification or suspension of the Seller/Servicer pursuant to Section 2301.2

- Failure of the Document Custodian to meet Freddie Mac's eligibility requirements. (See Section 2202.2)

- Freddie Mac's determination that the Document Custodian's performance has been unsatisfactory

- Any other circumstance with respect to the Document Custodian, the Notes or assignments that might adversely affect the Notes or assignments or Freddie Mac's interests

(b) Transfers and terminations initiated by Seller/Servicers

To change Document Custodians for a group of Mortgages or to terminate a Tri-Party Agreement, the Seller/Servicer must have a new Tri-Party Agreement in place with another Document Custodian. (See Sections 2202.2 and 2202.3.) The Document Custodian must transfer custody of all Notes and assignments held pursuant to the Tri-Party Agreement being terminated to the Transferee Document Custodian within 30 days after Freddie Mac's written approval of the transfer of custody or by such other date requested by the Seller/Servicer and approved by Freddie Mac; however, Freddie Mac may require the Notes and assignments to be transferred immediately.

(c) Terminations initiated by Document Custodians

A Document Custodian may terminate a Tri-Party Agreement upon 90 days prior written notice to the Seller/Servicer and to Freddie Mac **(see Directory 1)**. The Document Custodian must transfer custody of all Notes and assignments held pursuant to the Tri-Party Agreement being terminated to a new Document Custodian no later than 30 days after Freddie Mac's written approval of transfer of custody or by such other date approved by Freddie Mac; however, Freddie Mac may require the Notes and assignments to be transferred immediately.

(d) Additional responsibilities

A Document Custodian may not refuse or fail to fulfill its custodial obligations under a Tri-Party Agreement or for any Mortgage in a transfer of custody until the Notes and assignments have been transferred to the Transferee Document Custodian.

The Transferee Document Custodian must deliver Form 1034T, Subsequent Transfer Document Custodial Certification Schedule, executed by the Seller/Servicer and the Transferee Document Custodian to Freddie Mac **(see Directory 9)** no later than 180 days after the termination date of the Tri-Party Agreement or approved Date of Transfer. By submitting Form 1034T to Freddie Mac, the Seller/Servicer and the Transferee Document Custodian represent and warrant to Freddie Mac that the information in the Form 1034T is correct and complete and that each of them shall be bound by the certifications contained in Form 1034T.

Chapter 2203: MERS® Membership

2203.1: MERS® membership (03/02/16)

(a) MERS® membership

A Seller/Servicer must comply with the requirements of the MERS Governing Documents if the Seller/Servicer is a MERS Member and sells to and/or services on behalf of Freddie Mac, as applicable, Mortgages registered on the MERS System. If any requirements of the MERS Governing Documents conflict with the requirements of the Guide, the Seller/Servicer must comply with the requirements of the Guide.

(b) Termination of MERS membership

If a Seller/Servicer's membership in MERS is terminated for any reason, the Seller/Servicer must promptly notify Freddie Mac at **mers@freddiemac.com**, subject line: MERS Membership Termination**.** For each Mortgage registered on the MERS System that will be sold to or is being serviced for Freddie Mac, the Seller/Servicer must, upon such termination, and as applicable, either (i) prepare an assignment of the Mortgage from MERS to itself, have the assignment executed, and, where required by law, record the executed assignment in the applicable public land records, or (ii) where there is a transfer of such Servicing to a Transferee Servicer, follow the Concurrent Transfer of Servicing obligations under Section 6301.6(d) depending on whether or not the Transferee Servicer is a MERS Member.

Chapter 2301: Disqualification or Suspension of a Seller/Servicer

2301.1: Disqualification or suspension of Seller's eligibility to sell (04/12/23)

Freddie Mac, in its discretion, may disqualify or suspend a Seller from eligibility to sell Mortgages to Freddie Mac. The Seller will be ineligible to obtain new purchase commitments during a period of disqualification or suspension. During the period of Seller disqualification or suspension, Freddie Mac may, at its discretion, determine whether outstanding commitments held by the Seller must be honored or the outstanding balance of the commitment fulfilled by using the pairoff procedure (see Section 6401.1). Freddie Mac will determine the length of any suspension period and may prescribe the terms and conditions for reinstatement. The notice of disqualification or suspension and the opportunity of a Seller to respond to and appeal the action are governed by the procedures in Sections 2301.3 through 2301.6.

For information regarding outstanding purchase commitments when Freddie Mac terminates the Servicing Contract and related Servicing Contract Rights with or without cause, see Section 3603.5.

2301.2: Disqualification or suspension of the Seller or the Servicer (09/30/23)

(a) Disqualification or suspension with cause

Without limiting Freddie Mac's right to take whatever other action it deems appropriate to protect its interests and enforce its rights (including disqualification or suspension for reasons not listed below), Freddie Mac may disqualify or suspend a Seller or a Servicer for any of the following reasons:

1. Impending or actual insolvency of the Seller or the Servicer, its parent, or an affiliate or subsidiary of the Seller or the Servicer

2. The filing of a voluntary petition by the Seller or the Servicer, its parent, or an affiliate or subsidiary of the Seller or the Servicer under federal bankruptcy or State insolvency laws

3. The filing of an answer by the Seller or the Servicer, its parent, or an affiliate or subsidiary of the Seller or the Servicer, in an involuntary proceeding admitting insolvency or inability to pay debts

4. The adjudication of the Seller or Servicer, its parent, or an affiliate or subsidiary of the Seller or the Servicer, as bankrupt

5. The appointment of a trustee or receiver for the Seller or the Servicer or its property, or for its parent, an affiliate or subsidiary of the Seller or the Servicer or for the property of such entities

6. The execution by the Seller or the Servicer, its parent, or an affiliate or subsidiary of the Seller or the Servicer, of an assignment for the benefit of creditors

7. The failure of the Seller or the Servicer, its parent, or an affiliate or subsidiary of the Seller or the Servicer, to obtain a vacation or stay of involuntary proceedings brought for its reorganization, dissolution or liquidation

8. The Seller's or the Servicer's failure to maintain qualified loan origination or Servicing staff and/or adequate facilities to assure (i) the investment quality of the Mortgages sold to Freddie Mac or (ii) the adequacy of the Servicing of Mortgages purchased by Freddie Mac

9. Any weakness or notable change in the financial or organizational status or management of the Seller or the Servicer, its parent, or an affiliate or subsidiary of the Seller or the Servicer, including any adverse change in profitability or liquidity, that, in the opinion of Freddie Mac, could adversely affect Freddie Mac

10. The failure of the Seller or the Servicer to meet any requirement as may be prescribed by Freddie Mac for eligibility as a Seller or a Servicer, including, but not limited to, a Seller or Servicer's failure to maintain a minimum Tangible Net Worth and/or failure to meet any other financial requirements related to the Seller or Servicer's eligibility required by Freddie Mac (see Section 2101.2)

11. The placement of the Seller or the Servicer, its parent, or an affiliate or subsidiary of the Seller or the Servicer, on probation or restriction of its activities, or the activities of its parent, or an affiliate or subsidiary of the Seller or the Servicer, in any manner by a federal or State government agency

12. Any judgment, order, finding or regulatory action to which the Seller or Servicer (or its management), its parent, or an affiliate or subsidiary of the Seller or the Servicer, is subject that would adversely affect the Seller's or Servicer's ability to comply with the terms and conditions of the Purchase Documents

13. Freddie Mac's determination that the Seller's or Servicer's warranty obligations are disproportionate to its capital and/or assets

14. The Seller's failure to deliver any documents under a Freddie Mac mandatory delivery purchase program

15. The Seller's or the Servicer's failure to observe or comply with any term or provision of the Purchase Documents

16. The Seller's or the Servicer's misstatement, misrepresentation or omission of any material fact on any application, certification or other document submitted, or in any oral representation made, to Freddie Mac

17. The Seller's or the Servicer's assigning or attempting to assign its interests, rights or obligations under the Purchase Documents without Freddie Mac's written consent

18. The Servicer's failure or inability to account properly for the disposition of all monies required to be safeguarded in Custodial Accounts or buydown accounts

19. Seller's or Servicer's default or failure to perform under any contract with Freddie Mac including, but not limited to, contracts not directly related to the sale or Servicing of Mortgages and contracts relating to Mortgages purchased or serviced other than pursuant to this Guide

20. The Seller's or Servicer's having a 30-, 60- or 90+-day Delinquency rate or an REO rate more than 50% higher than the average 30-, 60- or 90+-day Delinquency rate or REO rate for any or all Mortgages owned or guaranteed by Freddie Mac nationally or in the same geographical area (which may include Standard Metropolitan Statistical Area, county, or State) in which the Mortgaged Premises that secure the Mortgages either sold by the Seller or serviced by the Servicer are located and with similar Mortgage and Borrower characteristics, such as origination year, loan-to-value ratio, and documentation type (e.g., full documentation, reduced documentation)

21. The Seller/Servicer's failure to submit a complete and accurate Annual Certification Report within the time frame prescribed by Section 2101.11

22. The failure of the Seller/Servicer that is a mortgage banker to submit a complete and accurate Form 1055, Mortgage Bankers' Financial Reporting Form, within the time frame prescribed by Section 2101.5

23. The Seller/Servicer's failure to comply with the provisions of Section 3101.1 regarding the Freddie Mac Exclusionary List

24. Placement on the Exclusionary List of the Seller or Servicer, its parent, or an affiliate or subsidiary of the Seller or Servicer

25. The Seller/Servicer's failure to submit a complete and accurate Change and Activity Report within the time frame required in Section 2101.12 or 2101.13

26. Freddie Mac's determination that the Servicer's overall performance is unacceptable pursuant to Section 3501.2. Freddie Mac considers the Servicer Success Scorecard results (see Section 3501.2), together with other factors, including, but not limited to, Servicer Success File Reviews, trends in performance, adequacy of staffing, audit results, and/or

compliance with all requirements of the Purchase Documents in evaluating whether the Servicer's overall performance is unacceptable.

27. The failure of the Seller to deliver a minimum volume of Mortgages (measured by dollar amount or number of Mortgages) within the time frame specified by Freddie Mac

28. The Seller/Servicer's failure to maintain the confidentiality of the Exclusionary List or information contained on the Exclusionary List

29. The Seller/Servicer's failure to fulfill any obligation to Freddie Mac when due including, but not limited to, the failure to repurchase a Mortgage, pay fees or other monies, and remit custodial or buydown funds

30. The Seller/Servicer's failure to provide audited or Reviewed Financial Statements for its parent, subsidiaries and affiliates upon Freddie Mac request

When the Seller is also a Servicer, suspension or disqualification as a Seller is sufficient cause for suspension or disqualification as a Servicer or termination of all or a portion of the Servicing Contract and related Servicing Contract Rights with cause. Whether or not Freddie Mac terminates the Servicing Contract and related Servicing Contract Rights, any of the above events is cause for revocation of the power of attorney granted to the Servicer in accordance with Section 8101.2. When the Servicer is also a Seller, suspension or disqualification as a Servicer or termination of all or a portion of the Servicing Contract and related Servicing Contract Rights with cause under Chapter 3603 is sufficient cause for suspension or disqualification as a Seller.

(b) Disqualification or suspension without cause

Freddie Mac may disqualify or suspend a Seller or a Servicer without cause. Disqualification or suspension of a Seller or a Servicer without cause will be effective immediately upon notice of the disqualification or suspension, unless the notice specifies a later date. During the period of Seller disqualification or suspension, Freddie Mac may, at its discretion, determine whether outstanding commitments held by the Seller must be honored or the outstanding balance of the commitment fulfilled by using the pairoff procedure (see Section 6401.1). A Seller will not be entitled to a termination fee or any other compensation from Freddie Mac for any reason or cause relating to any consequential, incidental or indirect damages arising out of, or in connection with, its disqualification or suspension without cause.

Notwithstanding Sections 2301.3 through 2301.6, Freddie Mac's decision to suspend or disqualify a Seller without cause or to terminate Servicing without cause is conclusive.

2301.3: Notice of intent to disqualify or suspend the Seller or the Servicer (03/02/16)

Freddie Mac will not provide the Seller or the Servicer with prior written notice of an intent to disqualify or suspend the Seller or the Servicer, unless Freddie Mac determines, in its discretion, that the giving of prior notice will in no way adversely affect Freddie Mac's interests. In such cases, 30 days' prior written notice will be given. Certain violations of this Guide (such as the commission of fraudulent acts or the failure to deliver under a mandatory delivery purchase program) are viewed with particular seriousness by Freddie Mac. In such cases, Freddie Mac will tend to act without prior written notice to disqualify or suspend the Seller. If prior written notice is not provided, disqualification or suspension will become effective upon oral notice from Freddie Mac to the Seller. Written confirmation of that oral notice will follow.

Any prior written notice or written confirmation of oral notice will contain a brief statement of the basis for the disqualification or suspension and may advise the Seller or the Servicer of its right to obtain a review of Freddie Mac's action or proposed action if permitted in accordance with the procedures in Section 2301.5.

Before giving notice of disqualification or suspension, Freddie Mac may, in its discretion, notify a Seller or a Servicer that it has violated, is violating or may be about to violate provisions of this Guide or other Purchase Documents, and that unless corrective action is taken within a specified time period, disqualification or suspension may result. Freddie Mac may give the notification as part of an audit report or as a result of any other review or investigation of the Seller or the Servicer by Freddie Mac. Any such notification may be issued by means determined by Freddie Mac including, but not limited to, electronic mail to the Seller's or Servicer's e-mail address provided to Freddie Mac by the Seller or Servicer in accordance with Freddie Mac's requirements.

2301.4: Request for voluntary termination of status as a Freddie Mac Seller or Servicer (08/09/23)

A Seller/Servicer may ask for a voluntary termination of its status as a Freddie Mac-approved Seller and/or Servicer by submitting a request to Freddie Mac. The request may be submitted in writing or may be submitted or transmitted in the form of a Record or Electronic Record, as those terms are defined in Section 1401.2, by the Seller/Servicer's authorized employee or representative. If the request is Electronic, it must be signed using the Seller/Servicer's Electronic Signature and will be subject to Chapter 1401. The request will be deemed to have been duly given to and received by Freddie Mac on the date such request is:

- Received in writing by Freddie Mac **(see Directory 1)** via first class mail, or

- Received in electronic form (e-mail) as an Electronic Record by Freddie Mac's computer information processing system via the internet, at its internet e-mail address **(see Directory 1)**

- Received as a Record or Electronic Record in electronic form (facsimile) by Freddie Mac's electronic facsimile machine or system at Freddie Mac **(see Directory 1)**

Other addresses may be substituted for the above upon notice of the substitution.

The Seller/Servicer may also request the termination of its status as a Freddie Mac-approved Seller and/or Servicer by submitting a Change and Activity Report as described in Section 2101.12.

The Seller/Servicer's voluntary termination shall not be effective until an authorized representative of Freddie Mac has approved the request in writing or in a Record or Electronic Record. Freddie Mac may condition its approval of a voluntary termination on requirements such as full satisfaction of FRE Claims, the transfer of any portfolio, and/or compensation to Freddie Mac for a negatively-valued portfolio. In the event of a portfolio transfer, the Servicer is responsible for all transfer-related expenses, and remains responsible and liable to Freddie Mac for all representations and warranties arising prior to the transfer.

2301.5: Appeal (03/02/16)

The provisions of this section and Section 2301.6 do not apply to Sellers and Servicers approved by Freddie Mac on or after October 3, 2012 to sell and/or service Mortgages. Those Sellers and Servicers do not have a right to appeal Freddie Mac's notice of determination to disqualify or suspend.

A Seller or Servicer approved to sell and/or service Mortgages for Freddie Mac prior to October 3, 2012 may write to Freddie Mac **(see Directory 1)** to appeal a determination to disqualify or suspend with cause pursuant to Section 2301.2(a).

The appeal must be postmarked or hand delivered no later than 15 days:

- From the date the Seller or the Servicer received written notice of Freddie Mac's intention to suspend or disqualify, or

- If prior written notice was not provided by Freddie Mac, from the date the Seller or Servicer received written confirmation of Freddie Mac's oral notice to suspend or disqualify

If an appeal is not filed within the 15-day period, the Seller or Servicer will be deemed to have waived its right to appeal.

Any appeal must provide Freddie Mac with information and documentation that clearly supports the Seller's or Servicer's request for reconsideration of Freddie Mac's disqualification or suspension determination.

2301.6: Final decision (03/02/16)

Freddie Mac's Vice President — Counterparty Credit Risk Management, or that person's designee, will review the appeal of the Seller/Servicer if eligible to file an appeal under Section 2301.5 before rendering a final decision.

The Vice President — Counterparty Credit Risk Management, or that person's designee, will then render a final decision in writing to the Seller/Servicer either affirming, reversing or modifying Freddie Mac's prior determination to disqualify or suspend.

Chapter 2401: Master Systems License

2401.1: Master Systems License (12/13/23)

(a) Scope and applicability

Immediately upon a User's first access to a System on or after the Effective Date, the Seller/Servicer shall be bound by the terms and conditions of this Section 2401.1 (i.e., the "Master Systems License") and, to the extent applicable, any System-Specific License. Except with respect to Section 2401.1(f) and the Seller/Servicer's use of Freddie Mac Access Manager, neither this Master Systems License nor any System-Specific License shall apply to any Excluded Servicing Tool, which shall continue to be governed by its separate license, user agreement or similar document.

(b) Definitions

The definitions below apply solely for purposes of this Master Systems License and each System-Specific License. Capitalized terms used but not defined in this Master Systems License have the meaning set forth in the Glossary or as otherwise specified in the Guide.

- "Access Manager" has the meaning set forth in Section 2401.1(f)(i)
- "Administrator" has the meaning set forth in Section 2401.1(f)(i)
- "Aggregate Data" has the meaning set forth in Section 2401.1(g)(vi)
- "Authentication Credentials" has the meaning set forth in Section 2401.1(f)(i)
- "Authorized User" means any employee or contract worker of the Seller/Servicer or of a Related Third Party who is authorized by the Seller/Servicer or such Related Third Party to access and use the Licensed Materials in connection with his or her responsibilities to the Seller/Servicer and/or the Related Third Party. Authorized Users are sometimes referred to in Purchase Documents as "Permitted Users"
- "Distributed Code" means any application or operating system software provided or made available by Freddie Mac (or third parties on behalf of Freddie Mac) to the Seller/Servicer for implementation at a Seller/Servicer location in connection with the Purpose
- "Documentation" means user guides, job aids, training materials, any written instructions (including such instructions as they relate to administering Authentication Credentials and any other Confidential Means of Access), and any other documentation relating to a System that Freddie Mac provides or makes available to the Seller/Servicer, as amended from time to time

- "Effective Date" shall be the date, set forth in the Guide Bulletin pursuant to which the Master Systems License and each System-Specific License is published, on or after which a User's access to a System will bind the Seller/Servicer or Related Third Party, as applicable, to the Master Systems License and each System-Specific License

- "Enhancements" has the meaning set forth in Section 2401.1(g)(iii)

- "Excluded Servicing Tool" means a Servicing Tool that is governed by a separate license, user agreement or similar document (whether in the Guide or elsewhere) other than a System-Specific License

- "Form" has the meaning set forth in Section 2401.1(f)(i)

- "License" has the meaning set forth in Section 2401.1(k)(iii)

- "Licensed Materials" means, individually and collectively, the Systems, Output and Documentation

- "Master Systems License" has the meaning set forth in the first paragraph of this Section 2401.1

- "Output" means any reports, findings, feedback certificates, messages (including those in such reports, findings or certificates), data, information or other content generated by a System that is provided or made available to the Seller/Servicer

- "Purpose" has the meaning set forth in Section 2401.1(c)(i)

- "Related Third Party" has the meaning set forth in the Glossary

- "Specifications" has the meaning set forth in Section 2402.1(b)

- "Support Services" means services provided by Freddie Mac or its contractors to support the operation and maintenance of a System

- "System" means, individually and collectively, a Freddie Mac-owned, -leased, -licensed or -controlled technology platform whether or not identified in a System-Specific License including, without limitation, Distributed Code, Specifications, any related computer, other hardware or electronic device, application or operating system software, website, private data or other communication network, interface (including any application programming interface (API) created and hosted by Freddie Mac to facilitate back-end access to its systems) and/or connectivity which, in each instance, Freddie Mac provides or makes available to the Seller/Servicer in connection with the Purpose; provided, however, that the term "System" as used in this Master Systems License and any System-Specific License shall not include any Excluded Servicing Tool or the Uniform Collateral Data Portal®; and provided further that the term "System" shall include Access Manager.

The term "System," as used within this Master Systems License and any System-Specific License, is to be construed as within the meaning of the term "Systems" as this latter term is defined in Chapter 1401.

- "System Data" has the meaning set forth in Section 2401.1(g)(v)
- "System-Specific License" means each license set forth in Chapter 2402
- "Third Parties" has the meaning set forth in Section 2401.1(i)(iv)(A)
- "User" means any individual who gains access to the Licensed Materials directly or indirectly through the Seller/Servicer or a Related Third Party, and includes Authorized Users
- "User IDs" has the meaning set forth in Section 2401.1(f)(i)

(c) Royalty free use license

(i) Freddie Mac grants to the Seller/Servicer a limited, revocable, non-exclusive, non-transferable license to access and use the Licensed Materials through its Authorized Users during the term of this Master Systems License and any System-Specific License; provided, however, that such access and use shall be solely for the Seller/Servicer's internal business purposes in connection with its origination and/or Servicing of Mortgages, as applicable (collectively, the "Purpose").

(ii) Upon the prior written consent of Freddie Mac obtained in accordance with Section 1101.2(d), the Seller/Servicer may allow Related Third Parties to access and use the Licensed Materials solely to the extent necessary to discharge their respective responsibilities to the Seller/Servicer in connection with the Purpose, except to the extent prohibited by or, if permitted, subject to any requirements set forth in, any applicable Purchase Document; provided, however, the Seller/Servicer shall obligate each such Related Third Party in writing to comply with the terms of this Master Systems License and each applicable System-Specific License, as set forth in Section 2401.1(e)(iv).

(iii) Except as otherwise indicated by Freddie Mac in any relevant Documentation or Purchase Document, Freddie Mac does not currently assess a fee in connection with the Seller/Servicer's use of any System, but expressly reserves the right to do so in the future. The Seller/Servicer acknowledges that it may incur (and will be responsible for) costs from third parties such as credit reporting agencies, other vendors and other Related Third Parties in connection with its use of certain Systems.

(d) Licensed Materials; use and other limitations

(i) Use of the Licensed Materials is subject to, and the Seller/Servicer shall comply at all times with, (A) the terms of this Master Systems License and any applicable System-

Specific License, (B) the Documentation, and (C) all other applicable requirements of the Purchase Documents (including, but not limited to, requirements relating to confidentiality such as those set forth in Section 1201.8). The Seller/Servicer's use of each System constitutes an Eligible Electronic Transaction, as such term is defined in Section 1401.2, using Freddie Mac Systems within the meaning of the Guide, including, without limitation, Chapter 1401.

(ii) Under no circumstances shall the Seller/Servicer (A) provide access to or otherwise make the Freddie Mac Exclusionary List available to a Related Third Party or any other party except as permitted under and in accordance with Section 1201.8(a)(iii), or (B) enable or permit any person or entity on the Freddie Mac Exclusionary List to access or use the Licensed Materials, whether directly or indirectly through the Seller/Servicer or any Related Third Party.

(iii) The Seller/Servicer is and shall remain fully responsible and liable for use of the Licensed Materials by each Related Third Party and any User and expressly consents to the sharing and receipt of Output, data and information among and between the Seller/Servicer and each Related Third Party as permitted by a System and described in its Documentation.

(iv) The Seller/Servicer shall have controls in place to ensure that each Related Third Party and Authorized Users comply with the terms of this Master Systems License and any System-Specific License in their use of the Licensed Materials.

(v) Freddie Mac reserves the right, at any time and in its sole discretion, to modify, enhance, retire or otherwise cease providing the Licensed Materials or the Support Services. To the extent possible, Freddie Mac will endeavor to provide reasonable notice of any such action, unless it is legally required to cease providing the Licensed Materials immediately. Regardless of such action by Freddie Mac, the Seller/Servicer agrees that it will remain in full compliance with all applicable law in connection with its origination and Servicing of Mortgages.

(vi) The Seller/Servicer shall (A) not make any copies of the Distributed Code, other than for the limited purpose of creating a single archival or backup copy, (B) use only the most recent version of the Distributed Code provided or made available by Freddie Mac, (C) follow Freddie Mac's instructions concerning the cessation of use of the Distributed Code (including any old or retired versions thereof), and (D) except to the extent otherwise permitted by Freddie Mac in writing, not distribute to or otherwise share any Output with, a party not otherwise licensed by Freddie Mac to access such Output, except with respect to a consumer to whom such Output relates, upon his or her request.

(vii) The Seller/Servicer shall (A) not make any representation, statement or suggestion to a third party regarding any capability of any Licensed Materials that purport to be, or might reasonably be construed to be, made on behalf of Freddie Mac, (B) not issue any press release regarding its use of the Licensed Materials, or otherwise use Freddie Mac's name or marks in any marketing or promotional materials without the prior written consent of a

duly authorized officer of Freddie Mac, and (C) permit Freddie Mac, from time to time upon reasonable notice, to audit facilities and systems used in conjunction with the Licensed Materials to confirm compliance with the requirements of this Master Systems License and any System-Specific License.

(e) System access; interface development and maintenance; Related Third Parties

(i) The Seller/Servicer may access a System by means of a (A) web server hosted by or on behalf of Freddie Mac, (B) system-to-system interface between the System and the Seller/Servicer's platform which is developed and maintained by the Seller/Servicer and approved in writing by Freddie Mac, and/or (C) System interface with a Related Third Party-provided loan origination or other loan manufacturing tool or Servicing Tool.

(ii) With respect to its System access under Section 2401.1(e)(i)(B), Freddie Mac may provide the Specifications to the Seller/Servicer pursuant to Section 2402.1 so as to facilitate the Seller/Servicer's design, development and maintenance of the system-to-system interface with such System. With respect to its System access under Section 2401.1(e)(i)(C), Freddie Mac may have conducted limited testing on Related Third Party interfaces with loan origination or other loan manufacturing tools or Servicing Tools, and those interfaces which have been deemed to be compatible with identified Systems are listed on Freddie Mac's website.

(iii) Notwithstanding any Freddie Mac-conducted testing or website identification, and, without limiting the application of any other provision of this Master Systems License or a System-Specific License, Freddie Mac assumes no responsibility for, and shall bear no liability whatsoever arising out of or related to any interface identified in Sections 2401.1(e)(i)(B) or 2401.1(e)(i)(C), despite the fact that such an interface provides access to a System, or that Freddie Mac may have conducted limited testing or provided Support Services or other assistance with respect to the same.

(iv) As permitted under Section 2401.1(c)(ii), the Seller/Servicer may engage Related Third Parties to assist it in its furtherance of the Purpose. Freddie Mac does not endorse any Related Third Party or sanction any engagement by the Seller/Servicer of any Related Third Party. The Seller/Servicer shall maintain a separate, independent contract with each Related Third Party concerning the Seller/Servicer's use of such party's platform, product or service. As part of such contract, the Seller/Servicer may appoint a Related Third Party to act as the Seller/Servicer's agent for purposes of gaining access to a System, including entering data into the System, ordering and receiving consumer credit data through the System, and obtaining Output, in each instance on behalf of its principal, the Seller/Servicer. The Seller/Servicer shall be responsible for and bear all liability arising out of or related to any act or omission of its Related Third Parties, including any act or omission that causes a Seller/Servicer to violate any applicable law and/or any provision of the Guide or other Purchase Document, and under no circumstances shall Freddie Mac assume any responsibility or bear any liability whatsoever arising out of or related to any act or omission of a Related Third Party, notwithstanding that Freddie Mac may have facilitated the relationship between the Seller/Servicer and such Related Third Party.

(v) The Seller/Servicer shall include in its separate, independent contracts with Related Third Parties provisions that bind each Related Third Party to the terms and conditions of this Master Systems License and each System-Specific License, including, without limitation, Sections 2401.1(d), 2401.1(f), 2401.1(h)(ii), 2401.1(h)(iii) and 2401.1(h)(iv). The Seller/Servicer shall (A) specifically designate Freddie Mac as an express, intended third-party beneficiary of each contract referenced in this Section 2401.1(e)(v) solely for the purpose of enforcing Freddie Mac's rights under such contract, and (B) monitor the performance of its Related Third Parties so as to ensure the compliance of each with this Master Systems License and each System-Specific License.

(vi) Freddie Mac may also maintain separate, independent contracts with Related Third Parties regarding their respective provision of platforms and services to other entities, including the Seller/Servicer. Freddie Mac may from time to time and in its sole discretion terminate any such contract, which termination could result in the need for the Seller/Servicer to obtain an alternate platform, product and/or service from an alternative provider. Freddie Mac will attempt to notify the Seller/Servicer of such termination, but shall have no liability arising out of or in connection with any such termination, whether or not prior notice is provided to the Seller/Servicer.

(f) Authorized User registration; access management and security; requirements for Excluded Servicing Tools

(i) To facilitate its provision of System access to a Related Third Party for use on its behalf as provided hereunder, the Seller/Servicer may share Authorized Users' identification codes ("User IDs") and passwords, PIN or other access codes, including system-level access codes ("Sys-to-Sys Credentials"), together with User IDs, the "Authentication Credentials," with such Related Third Party. In addition, Freddie Mac may provide or make available to the Seller/Servicer: (i) an electronic or paper registration form for the provisioning of Authentication Credentials and Authorized Users ("Form") and/or (ii) Access Manager, an automated access and credential management application designed to facilitate the Seller/Servicer's management of Authentication Credentials and its Authorized Users, which may also include one or more Forms (collectively, "Access Manager"). The Seller/Servicer shall, and, if applicable, shall cause each Related Third Party to, specifically identify each Authorized User for the System in Access Manager. Access Manager may require the designation of one or more Authorized Users to perform administrative functions for the particular System (each, an "Administrator") such as:

- Identifying other Authorized Users to whom Freddie Mac may grant System(s) access
- Receiving the Authentication Credentials from Freddie Mac, and
- Adding or deleting Authorized Users and modifying or submitting new User IDs and completing additional Forms in accordance with the Documentation

(ii) Without limiting the application of any information security or other similar requirement of a Purchase Document including, without limitation, any contained in Chapter 1302, the Seller/Servicer shall safeguard and protect all information it provides to Access Manager, as well as all Authentication Credentials and other Confidential Means of Access (as that term is defined in Section 1401.2), and shall adopt security measures to prevent the loss, theft, unauthorized access, disclosure, compromise or use of any of the foregoing. Such measures shall include the maintenance of up-to-date virus detection software to protect against malware and other malicious software. As soon as practicable, and, in any event, no later than within one Business Day of an Administrator's name change, or an employee's or contractor's termination, the Seller/Servicer shall either (i) utilize Access Manager to register the Administrator name change, or remove or otherwise delete such employee or contract worker as an Authorized User, or (ii) notify Freddie Mac of such name change or termination so that Freddie Mac may register the name change or revoke the employee's or contractor's access to each System.

(iii) The Seller/Servicer shall notify Freddie Mac as soon as practicable and, in any event, no later than within one Business Day in the event:

- Of any actual or suspected loss, theft or unauthorized access, disclosure, compromise or use of any System, Authentication Credential, or any other Confidential Means of Access
- The Seller/Servicer has reason to believe that an Administrator's access to a System, including Access Manager, is no longer secure for any reason
- An unauthorized User has gained access to a System
- An Authorized User has gained access to a System that he or she is not authorized to access or use, or
- An Authorized User has used a System for purposes other than the Purpose

(iv) From time to time an Administrator may be required by Access Manager to engage in campaigns to recertify the authorizations and roles of Authorized Users. The Administrator shall comply with all reasonable instructions, including any provided through Access Manager, for any such campaign.

(v) The Seller/Servicer shall reset Authentication Credentials (other than User IDs) no less than once every 90 days, except with respect to Sys-to-Sys Credentials, which shall be reset no less than once every 365 days. In the event such resets do not occur, or if Authentication Credentials have not been used for a period of at least 90 days, or Sys-to-Sys Credentials have not been used for a period of at least 365 days, then, in any such event, Freddie Mac may, in its sole discretion, deactivate System access associated with any such Authentication Credential.

(vi) Without limiting the application of any other provision of this Section 2401.1(f) or a Purchase Document, the Seller/Servicer agrees to implement and maintain industry best practices with respect to the security of, and access to, each System, including the imposition and enforcement of requirements against sharing of Authentication Credentials between and among Users, and accepts all risks and liability resulting from any failure to adopt and maintain such industry best practices.

(vii) The Seller/Servicer shall manage each of its Authorized Users' access to those Excluded Servicing Tools that Freddie Mac designates from time to time in accordance with the Authorized User registration, access management, and security requirements set forth in this Section 2401.1(f), except that the Seller/Servicer may not permit a Related Third Party to access an Excluded Servicing Tool unless otherwise permitted by Freddie Mac in writing (e.g., under another section of the Guide, other Purchase Document, applicable user agreement, system license or related system documentation). Until Freddie Mac designates an Excluded Servicing Tool as subject to this Section 2401.1(f), including through the issuance of a Form identifying such Excluded Servicing Tool, the Seller/Servicer must continue to follow the user access and security requirements applicable to such Excluded Servicing Tool.

(g) Ownership of the Licensed Materials; rights in data

(i) The Licensed Materials are the sole and exclusive property of Freddie Mac (or, as applicable, its third-party licensors). The Seller/Servicer acknowledges that it has no ownership or other rights or interests in the Licensed Materials, except to the extent of the rights expressly granted in this Master Systems License and any System-Specific License, and covenants that it will treat all nonpublic information and data concerning the Licensed Materials and any Support Services as strictly confidential in accordance with Section 1201.8.

(ii) The Seller/Servicer will not modify, enhance, disassemble or reverse engineer any Licensed Materials in any manner or for any reason. All rights in and to copyrights, trade secrets, patents, trademarks and other rights in and to the Licensed Materials shall be the property of and remain with Freddie Mac (or, as applicable, its third-party licensors).

(iii) The Seller/Servicer agrees that Freddie Mac shall be the sole and exclusive owner of any actual or proposed changes, modifications, upgrades or enhancements in functionality, design or otherwise, to the Licensed Materials and any successor products or systems (collectively, the "Enhancements"), and the Seller/Servicer hereby assigns, and agrees to assign, to Freddie Mac all rights in the Enhancements, without any recourse to the Seller/Servicer. The Seller/Servicer understands and acknowledges that Freddie Mac shall not be under any obligation to consider or implement any Enhancements it may suggest or recommend to Freddie Mac.

(iv) The Seller/Servicer shall reproduce without modification on any copy of the Output, Specifications or Documentation all copyright, confidentiality and other proprietary

notices included on the original version or otherwise provided or made available by the System or Freddie Mac.

(v) The Seller/Servicer acknowledges and agrees that Freddie Mac may use, modify, reproduce and retain all data (A) submitted by a User to any System, (B) generated in the utilization of a System that pertains to the functionality or performance of the System, and/or (C) necessary or useful in assisting Freddie Mac in the provision of Support Services (all such data collectively referenced in this Section 2401.1(g)(v)(A)-(C) as the "System Data") for all purposes related to such System, the underlying software and models, and any actual or potential Mortgage to which such data relate, including, without limitation, for analytic, statistical, quality control and similar purposes.

(vi) Freddie Mac may provide statistical, comparative and summary information derived from the System Data (i.e., the "Aggregate Data") to Freddie Mac's customers and other third parties; provided, however, that except to the extent permitted or required by applicable law, Aggregate Data shall be anonymized, and shall not specifically identify or be linked to any consumer.

(vii) Notwithstanding the foregoing, Freddie Mac will not disclose System Data or Aggregate Data in a manner that either associates the Seller/Servicer with a particular Mortgage file, or enables the recipient of any such data to determine that the Seller/Servicer submitted such Mortgage file to the System, in either case unless (A) required by applicable law, a subpoena or a court order, or (B) consented to by the Seller/Servicer.

(viii) Notwithstanding anything to the contrary contained in this Master Systems License or any System-Specific License, Freddie Mac may provide System Data and Aggregate Data to the FHFA, any agency of the federal government or any State government, or as otherwise permitted by the Purchase Documents.

(ix) As set forth in Sections 1201.9 and 3301.1, and notwithstanding anything to the contrary contained in this Master Systems License or any System-Specific License, all System Data, Aggregate Data and other data and information associated with a Mortgage that is purchased or guaranteed by Freddie Mac shall be the sole and exclusive property of Freddie Mac, which it may use for any purpose including, but not limited to, such purposes set forth in this Section 2401.1(g).

(h) Representations and warranties; indemnification

(i) The Seller/Servicer acknowledges and agrees that:

(A) All of the representations and warranties it is deemed to make under applicable Purchase Documents with respect to loan documentation, data and other information it provides to Freddie Mac shall apply to any such materials it or any User provides to Freddie Mac through any System, as well as to the Seller/Servicer's use of the Licensed Materials, and

(B) Freddie Mac will have all rights and remedies available to it under the Purchase Documents with respect to a breach by the Seller/Servicer of any such representation or warranty or any Seller/Servicer misrepresentation.

(ii) In addition to the provisions of Section 2401.1(h)(i) or any other provision of a Purchase Document pertaining to its compliance with laws including, without limitation, Section 1301.2 and Chapter 4202, the Seller/Servicer represents, warrants and agrees that it has obtained or, if applicable, will obtain, legal counsel and has developed policies, systems and procedures to ensure that its use of the Licensed Materials is, and, at all times relevant to this Master Systems License and any System-Specific License, shall remain, in full compliance with:

(A) All federal, State and local laws, rules and regulations applicable to its activities in connection with which any Licensed Materials are used, including, without limitation, the Real Estate Settlement Procedures Act, the Truth in Lending Act, the Fair Credit Reporting Act, the Equal Credit Opportunity Act and the Home Mortgage Disclosure Act, and each of their implementing regulations and commentary, as applicable, and

(B) All applicable laws, rules, regulations and conventions relating to data privacy, international communications and the importation and exportation of software and data.

(iii) The Seller/Servicer bears sole responsibility for complying with all laws, rules, regulations and conventions referenced in the preceding Section 2401.1(h)(ii), and shall not rely on the Licensed Materials in connection with its compliance efforts. The Seller/Servicer acknowledges and agrees that (A) the Licensed Materials do not analyze compliance with laws, regulations, or ordinances, or with any requirements that may be imposed by any regulator, and (B) the Seller/Servicer's compliance obligations shall in no event be imposed upon, assumed or shared by Freddie Mac as a result of the Seller/Servicer's (or any Related Third Party's) use of the Licensed Materials.

(iv) In addition to the provisions of Section 2401.1(h)(i), the Seller/Servicer further represents, warrants and agrees that:

(A) Each Administrator is an officer of the Seller/Servicer or is otherwise specifically authorized by the Seller/Servicer to perform such administrative functions,

(B) Each User is duly authorized to act on behalf of, and has full authority to legally bind the Seller/Servicer by such User's acts and omissions,

(C) Freddie Mac is entitled to rely on the truth, accuracy and completeness of all data and information submitted by each Administrator and any other User to each System, including any data and information submitted through a Form, and

(D) No computer virus, including any malware, time bomb or any code designed to cause a System to malfunction or self-destruct or allow unauthorized access or cause harm to a System shall be introduced into a System by or through the Seller/Servicer.

(v) In addition to its obligations under the provisions of any Purchase Document, including Chapter 1401, the Seller/Servicer shall indemnify Freddie Mac and its directors, officers, employees, agents, successors and assigns and hold each harmless from and against any and all liabilities, losses, claims, damages, costs and expenses, including reasonable attorneys' fees, arising directly or indirectly out of or relating to any (i) User's use of the Licensed Materials, and/or (ii) breach of a Seller/Servicer representation, warranty, covenant and/or obligation under this Master Systems License or any System-Specific License, whether such breach arises out of its own action or inaction or the action or inaction of a Related Third Party, any User, or of any Seller/Servicer or Related Third Party director, officer, employee, subcontractor, partner, principal, agent, successor or assign. Freddie Mac shall provide the Seller/Servicer with notice of any such claim after it comes to Freddie Mac's attention.

(i) Limited warranty; liability limitation

(i) Freddie Mac represents and warrants that it has the right to grant the Seller/Servicer the rights specified in this Master Systems License and any System-Specific License

(ii) EXCEPT AS EXPRESSLY PROVIDED IN SECTION 2401.1(i)(i), THE LICENSED MATERIALS AND THE SUPPORT SERVICES ARE PROVIDED ON AN "AS IS" AND "AS AVAILABLE" BASIS, AND ALL USES OF THE FOREGOING ARE AT THE SELLER/SERVICER'S, A RELATED THIRD PARTY'S AND EACH USER'S SOLE RISK. FREDDIE MAC MAKES NO REPRESENTATIONS OR WARRANTIES WITH RESPECT TO ANY DATA OR OTHER INFORMATION OBTAINED, PROVIDED OR TRANSMITTED THROUGH ANY SYSTEM, INCLUDING, WITHOUT LIMITATION, ANY DATA OR OTHER INFORMATION CONTAINED IN A CONSUMER REPORT. EXCEPT TO THE EXTENT EXPRESSLY PROVIDED IN SECTION 2401.1(i)(i), ALL WARRANTIES (BOTH EXPRESS AND IMPLIED) CONCERNING THE LICENSED MATERIALS AND THE SUPPORT SERVICES ARE HEREBY EXPRESSLY DISCLAIMED, INCLUDING ANY WARRANTIES OF MERCHANTABILITY, ACCURACY AND/OR FITNESS FOR A PARTICULAR PURPOSE.

(iii) ONE OR MORE SYSTEMS MAY INCLUDE COLOR DESIGNATIONS IN THEIR RESPECTIVE OUTPUT, SOME OF WHICH MAY BE EMBEDDED IN ICONS. ANY SUCH COLOR DESIGNATION (INCLUDING ANY ICON IN WHICH SUCH A DESIGNATION IS EMBEDDED) IS INTENDED SOLELY AS A VISUAL GUIDE FOR INDICATING THE NEED (IF ANY) FOR AN AUTHORIZED USER TO REVIEW DATA FILES FOR ERRORS OR INCONSISTENCIES, AS SET FORTH IN THE LICENSED MATERIALS. SUCH DESIGNATIONS AND ICONS ARE NOT PROVIDED FOR ANY OTHER REASON, NOR SHOULD THEY BE USED OR RELIED UPON EXCEPT FOR PURPOSES OF TRIGGERING DATA FILE REVIEWS

AS SET FORTH IN THE LICENSED MATERIALS. NO OUTPUT (INCLUDING ANY DESIGNATION OR ICON) GENERATED BY A SYSTEM SHALL BE INTERPRETED OR CONSTRUED AS GIVING RISE TO ANY AGREEMENT OR OBLIGATION ON THE PART OF FREDDIE MAC TO PURCHASE ANY MORTGAGE ASSOCIATED WITH THE OUTPUT.

(iv) NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS MASTER SYSTEMS LICENSE OR IN ANY SYSTEM-SPECIFIC LICENSE:

(A) FREDDIE MAC WILL HAVE NO LIABILITY TO (i) THE SELLER/SERVICER, OR (ii) ANY RELATED THIRD PARTY, ANY USER OR ANY OTHER INDIVIDUAL OR ENTITY (COLLECTIVELY, "THIRD PARTIES") FOR INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES OF ANY TYPE WHATSOEVER, INCLUDING, WITHOUT LIMITATION, LOST PROFITS, ARISING OUT OF OR RELATING IN ANY MANNER WHATSOEVER TO THE LICENSED MATERIALS, THE SUPPORT SERVICES, OR ANY USE THEREOF, WHETHER UNDER A CONTRACT, TORT OR ANY OTHER THEORY OF LIABILITY, EVEN IF FREDDIE MAC, SELLER/SERVICER OR ANY THIRD PARTY IS AWARE OF THE POSSIBILITY OF SUCH DAMAGES.

(B) FREDDIE MAC WILL HAVE NO LIABILITY TO ANY THIRD PARTY FOR ANY CLAIMS ARISING OUT OF OR RELATING TO THE LICENSED MATERIALS, THE SUPPORT SERVICES, OR ANY USE OF OR INABILITY TO USE THE LICENSED MATERIALS OR SUPPORT SERVICES.

(C) WITHOUT LIMITING THE PROVISIONS OF SECTIONS 2401.1(i)(iv)(A) AND (B), FREDDIE MAC'S SOLE LIABILITY ARISING OUT OF OR RELATING TO THE LICENSED MATERIALS OR THE SUPPORT SERVICES FROM ANY SOURCE AND UNDER ANY THEORY OF LIABILITY WHATSOEVER, INCLUDING, WITHOUT LIMITATION, LIABILITY ARISING OUT OF CONTRACT, NEGLIGENCE OR STRICT LIABILITY, OR IN TORT OR WARRANTY, WILL CONSIST OF ACTUAL MONETARY DAMAGES UP TO, BUT NOT TO EXCEED, AN AGGREGATE OF FIVE THOUSAND DOLLARS ($5,000).

(v) FREDDIE MAC AND THE SELLER/SERVICER EXPRESSLY ACKNOWLEDGE AND AGREE THAT THE LIMITATIONS AND EXCLUSIONS CONTAINED HEREIN (A) REPRESENT THE PARTIES' AGREEMENT AS TO THE ALLOCATION OF RISK BETWEEN THEM (INCLUDING, WITHOUT LIMITATION, THE POSSIBILITY THAT A REMEDY MAY FAIL ITS ESSENTIAL PURPOSE AND CAUSE CONSEQUENTIAL LOSS), WITHOUT WHICH THE PARTIES WOULD NOT HAVE BEEN WILLING TO ENTER INTO THIS MASTER SYSTEMS LICENSE OR ANY SYSTEM-SPECIFIC LICENSE INCORPORATED HEREIN, AND (B) FORM AN ESSENTIAL BASIS OF THE BARGAIN BETWEEN THE PARTIES.

(j) Term and Termination

(i) The term of this Master Systems License shall commence upon a User's first access to any System on or after the Effective Date, and, except as set forth in this Section 2401.1(j), shall continue in full force and effect until terminated by the Seller/Servicer upon thirty (30) days' prior written notice to Freddie Mac, or by Freddie Mac upon ten (10) days' prior written notice to the Seller/Servicer.

(ii) Without limiting Freddie Mac's rights to terminate any User's access to a System as provided for in this Master Systems License, Freddie Mac may terminate this Master Systems License and/or any System-Specific License and/or Seller/Servicer's rights to access and use any specific System pursuant to this Master Systems License, effective immediately, upon notice to the Seller/Servicer in the event of any default by the Seller/Servicer under this Master Systems License, or any default by the Seller/Servicer under the terms of any Purchase Document or other agreement between Freddie Mac and the Seller/Servicer, including any System-Specific License.

(iii) The Seller/Servicer's rights under this Master Systems License will automatically terminate if and when the Seller/Servicer ceases to be an approved Freddie Mac Seller/Servicer. Freddie Mac may terminate an Authorized User's rights to use any System if an Authorized User or Related Third Party identified in the Freddie Mac Exclusionary List (or any of its employees, contractors, directors or officers identified in the Freddie Mac Exclusionary List) participates as described in Section 3101.1 in the origination, sale, quality control or Servicing of a Mortgage or in the underlying real estate transaction.

(iv) All System-Specific Licenses and the rights of all Authorized Users to use each System will terminate as of the effective date of termination of this Master Systems License. Freddie Mac may terminate, in its sole discretion and without notice, what it believes to be unauthorized access to any System by any User.

(v) Upon termination of the Seller/Servicer's right to use a System, the Seller/Servicer will have no further right to access such System or any associated Documentation, Output or Support Services, except that the Seller/Servicer may retain and continue to use a copy of any Output associated with the System to the extent required by (A) the Purchase Documents, (B) the Seller/Servicer's normal internal quality control processes or document retention protocols, or (C) applicable law, in each case subject to the provisions of this Master Systems License and any applicable System-Specific License. Upon termination, the Seller/Servicer will promptly, and in no event later than thirty (30) days after the effective date of such termination, return to Freddie Mac (or, if requested by Freddie Mac, destroy and have an officer of the Seller/Servicer certify in writing that it has destroyed) all copies of Distributed Code and Documentation.

(vi) Any provisions of this Master Systems License and any System-Specific License that contemplate their continuing effectiveness following termination of this Master Systems

License and any System-Specific License including, but not limited to, Sections 2401.1(d), 2401.1(g), 2401.1(h), 2401.1(i), 2401.1(j)(vi) and 2401.1(k) hereof shall survive any termination of this Master Systems License and such System-Specific License.

(k) Miscellaneous

(i) The Seller/Servicer shall not assign any of its rights or obligations under this Master Systems License or any System-Specific License in any manner whatsoever without Freddie Mac's prior written consent.

(ii) All notices required or permitted hereunder, including, but not limited to, notice of an amendment to the terms of this Master Systems License or any System-Specific License, shall be in accordance with Section 1101.2(d) or Section 1302.2(b), as applicable, and may be provided via the applicable System.

(iii) The failure of either party to exercise in any respect any right or remedy provided for in this Master Systems License shall not be deemed a waiver of such right or remedy. No waiver at any time of any provision of this Master Systems License or any System-Specific License (any such license, a "License") will be deemed a waiver of any other provision of that License or any other License, or a waiver of that or any other provision of this License or any other License at any other time.

(iv) The Seller/Servicer recognizes that it is responsible for (A) obtaining and maintaining connectivity to each System, and (B) developing and maintaining its own record-keeping processes and systems for Output, in each instance at its own expense in accordance with the Documentation.

(v) This Master Systems License and each System-Specific License will be construed, and the rights and obligations of the parties hereunder determined, in accordance with the laws of the Commonwealth of Virginia, without regard to provisions concerning conflicts of law. Any dispute arising out of or in connection with this Master Systems License and any System-Specific License shall be settled in a proceeding brought in the United States District Court for the Eastern District of Virginia, and the Seller/Servicer irrevocably submits to the jurisdiction and venue of that Court. Subject to the provisions of Section 2401.1(i) above, the rights and remedies of the parties are cumulative and are in addition to, and not in lieu of, all rights and remedies available at law and in equity.

(vi) If any provision of this Master Systems License or a System-Specific License is held invalid, illegal or unenforceable, such provision will to that extent be deemed omitted from this Master Systems License or such System-Specific License, and the remaining provisions of the Master Systems License or System-Specific License will continue to be valid and enforceable and will not be affected in any way.

(vii) This Master Systems License and each System-Specific License is binding upon the parties and (as permitted under Section 2401.1(k)(i)) their respective successors and

assigns. In the event of a conflict between a term or condition of this Master Systems License and a term or condition of any System-Specific License, the term or condition of the System-Specific License shall prevail.

(viii) Freddie Mac may amend this Master Systems License and each System-Specific License by providing notice to the Seller/Servicer of the terms of such amendment in accordance with Section 2401.1(k)(ii). The Seller/Servicer's use of any System on and after the effective date of any such amendment shall constitute the Seller/Servicer's consent to, and agreement with, the terms of the amendment.

(ix) Notwithstanding any other provision in the Guide to the contrary, Freddie Mac may utilize traffic filtering or block or otherwise restrict the access of Seller/Servicers, Related Third Parties and/or their respective Authorized Users (as defined in Section 2401.1(b)) to one or more Systems (as defined in Section 2401.1(b)) from certain countries or regions outside the United States. This may include, but is not limited to, blocking access from countries or regions implicated by sanctions or other restrictions imposed by the Office of Foreign Assets Control ("OFAC"). Freddie Mac shall have no liability to Seller/Servicers, their Related Third Parties or any other party as a result of imposing or effecting any such restrictions on access.

Chapter 2402: System-Specific Licenses for Selling Tools and Systems

2402.1: System-Specific License for Specifications (05/17/17)

(a) Scope and applicability

The Specifications are licensed pursuant to this System-Specific License and the Master Systems License.

Immediately upon a User's first receipt of any Specifications on or after the Effective Date, the Seller/Servicer shall be bound by this System-Specific License and the Master Systems License. This System-Specific License is incorporated into and made a part of the Master Systems License by this reference. Any reference herein to the System-Specific License shall be deemed to include this System-Specific License and the Master Systems License.

(b) Definitions

The definitions below apply for purposes of this System-Specific License. Capitalized terms used but not defined in this System-Specific License have the meaning set forth in the Glossary, the Master Systems License (Chapter 2401) or elsewhere in the Guide.

- "Consumer Message" means a finding or message developed by the Seller/Servicer that is readily understood by a consumer and is made available to such consumer by the Seller/Servicer through the Lender Platform

- "Interface" means one or more technical or user interfaces developed, owned and/or maintained by or on behalf of the Seller/Servicer that enables Users to communicate with and use one or more Systems through the transmission and receipt of data and other information to and from, each such System by means of the Lender Platform

- "L2C Specifications" means any lender-to-consumer Specifications provided to the Seller/Servicer that enable it to develop Consumer Messages

- "Lender Platform" means a custom loan origination or other technology platform (including any web-based application, software or system, as well as each Interface and all releases, upgrades and other modifications thereto) developed, owned and/or maintained by or on behalf of the Seller/Servicer

- "Lender Test Materials" has the meaning set forth in Section 2402.1(c)(v)

- "Specifications" mean the specifications, including L2C Specifications, integration guides and any related technical documentation provided by or on behalf of Freddie Mac to enable the development and maintenance of each Interface, and Consumer Message, as applicable, including any Specification Update

- "Specification Update" has the meaning set forth in Section 2402.1(c)(iii)

(c) Provision of the Specifications; development and use of the Interface

(i) Freddie Mac shall provide discrete sets of Specifications to the Seller/Servicer to facilitate the Seller/Servicer's development of Consumer Messages and one or more Interfaces relating to one or more Systems. Each set of Specifications is incorporated into this System-Specific License by this reference, and constitutes confidential information for purposes of Sections 1201.8 and 2401.1(g)(i). The terms and conditions of this System-Specific License shall apply to all Specifications separately provided by Freddie Mac.

(ii) The Seller/Servicer shall develop and maintain the Interface and each Consumer Message solely and exclusively at its own direction, cost and expense, and shall have complete and exclusive ownership of the Interface and each Consumer Message subject to the license set forth in Section 2402.1(c)(vi).

(iii) The Seller/Servicer shall be solely responsible for the accuracy, technical sufficiency and functionality of the Interface. The Interface shall at all times comply in all respects with the Specifications, including any modifications to or replacements of the Specifications (each such modified or replaced version of a Specification referred to herein as a "Specification Update") as Freddie Mac may undertake from time to time.

(iv) The Seller/Servicer shall be solely responsible for the accuracy of each Consumer Message, each of which shall at all times comply in all respects with (i) the Specifications, including the L2C Specifications, and (ii) all federal, State and local laws, rules and regulations applicable to a Consumer Message including, without limitation, the Real Estate Settlement Procedures Act, the Truth in Lending Act, the Fair Credit Reporting Act, the Equal Credit Opportunity Act and the Home Mortgage Disclosure Act and each of their implementing regulations and commentary, as applicable. Freddie Mac has the right, but not the obligation, to review and comment on each Consumer Message. The Seller/Servicer shall promptly make (or cause to be made) any modifications to a Consumer Message that Freddie Mac may request, and in no event shall any Consumer Message contain any (x) Output including, without limitation, any credit risk categorization or loan purchase eligibility such as "Accept" or "Eligible," or (y) reference to Freddie Mac or a System which reference has not previously been approved in writing by an officer of Freddie Mac.

(v) Except as set forth below in Section 2402.1(c)(vi), the Seller/Servicer and Freddie Mac may mutually agree to test the Seller/Servicer's implementation of the Specifications. In such event, Freddie Mac may retain a third-party vendor to perform such testing on

Freddie Mac's behalf, and the Seller/Servicer shall provide to Freddie Mac and/or its vendor (i) one access privilege or one copy of the Lender Platform, (ii) one copy of each export and any other file (including any Consumer Message), along with any associated documentation that includes the results of the Seller/Servicer's testing (collectively with the Lender Platform, the "Lender Test Materials") and (iii) reasonable assistance in such testing. The Seller/Servicer shall use commercially reasonable efforts to correct any defects in the Interface revealed by any such testing. In addition to the foregoing, the Seller/Servicer will correct any "bugs" or other defects in the Interface promptly after it receives notice thereof from Freddie Mac.

(vi) From time to time Freddie Mac may make Specification Updates available to the Seller/Servicer, which the Seller/Servicer shall implement in accordance with the timelines and testing requirements (if any) set forth in each Specification Update.

(A) Freddie Mac will provide the Seller/Servicer with as much notice as is practicable under the circumstances with respect to each Specification Update, including any such update that Freddie Mac directs the Seller/Servicer to implement on an emergency basis

(B) If Freddie Mac does not specify an implementation timeline for a Specification Update, the implementation date shall be ninety (90) days after publication of the Specification Update

(C) If a Specification Update sets forth testing requirements, the Seller/Servicer shall not implement an associated version of its Interface or any related Consumer Message until Freddie Mac has successfully conducted its review and, as applicable, testing with the Seller/Servicer

(vii) The Seller/Servicer hereby grants to Freddie Mac a royalty free, nonexclusive, nontransferable license to use the Lender Test Materials for testing and evaluation purposes as permitted under this Section 2402.1(c).

(d) Representations and warranties

In addition to representations and warranties made and otherwise referenced in the Master Systems License, the Seller/Servicer represents and warrants to Freddie Mac that (i) the Interface will comply with the Specifications, (ii) each Consumer Message will comply with all laws and regulations as set forth in Section 2402.1(c)(iv), (iii) the Interface will accurately transmit to the System all data and information input into the Interface, (iv) the Lender Platform will not violate any patents, copyrights or other proprietary rights belonging to third parties and (v) the Seller/Servicer will use its best efforts to ensure that the Lender Platform will at all times be and remain free of computer viruses and any code designed to cause the System to malfunction or self-destruct or to allow unauthorized access or cause harm to the System.

2402.2: System-Specific License for Freddie Mac Loan Advisor® (12/06/23)

(a) Scope and applicability

Freddie Mac Loan Advisor® is the collection of Systems and their associated services that is licensed pursuant to this System-Specific License, other System-Specific Licenses referenced in this Section 2402.2, and the Master Systems License.

Immediately upon a User's first access to any System within Freddie Mac Loan Advisor on or after the Effective Date, the Seller/Servicer shall be bound by this System-Specific License (and, as applicable, any other System-Specific License governing such System) and the Master Systems License. This System-Specific License is incorporated into and made a part of the Master Systems License by this reference. Any reference herein to the System-Specific License shall be deemed to include this System-Specific License and the Master Systems License.

(b) Definitions

The definitions below apply for purposes of this System-Specific License. Capitalized terms used but not defined in this System-Specific License have the meaning set forth in the Glossary, the Master Systems License (Chapter 2401) or elsewhere in the Guide.

- "Correspondent Assignment Center" has the meaning set forth in Section 2402.2(k)
- "Freddie Mac Loan Advisor" is the collection of Systems and their associated services which currently include Condo Project Advisor®, Loan Closing Advisor®, Loan Collateral Advisor®, Loan Coverage Advisor®, Loan Product Advisor®, Loan Quality Advisor®, Loan Selling Advisor®, Portal Business Intelligence and Quality Control Advisor®, all as described in their respective Documentation
- "Portal/Business Intelligence" has the meaning set forth in Section 2402.2(c)
- "Uniform Appraisal Dataset" is a common data set that defines all fields required for an appraisal submission on specific appraisal forms, and standardizes definitions and responses for a key subset of data fields
- "Uniform Closing Dataset" is a common data set that allows information on the Settlement/Closing Disclosure Statement to be communicated electronically in a standardized format
- "Uniform Collateral Data Portal®" is a portal through which the Seller/Servicer submits appraisal data to Freddie Mac that conforms to the Uniform Appraisal Dataset standards and requirements. Uniform Collateral Data Portal is not a System, and is not to be construed as such.

(c) Portal/Business Intelligence

Portal/Business Intelligence is a System licensed pursuant to this System-Specific License that provides Authorized Users with access to certain other Systems, and which makes available certain dashboard and other tracking features and business intelligence functionality and reporting on various System usage and other trends (i.e., "Output," within the meaning of the Master Systems License). The Output is generally based in significant part on data and other information Users submit to and through Portal/Business Intelligence and other Systems accessed through Portal/Business Intelligence.

(d) Loan Product Advisor

Loan Product Advisor is licensed pursuant to Section 2402.3.

(e) Loan Quality Advisor

Loan Quality Advisor is licensed pursuant to Section 2402.4.

(f) Loan Collateral Advisor

Loan Collateral Advisor is a System licensed pursuant to this System-Specific License that Authorized Users may use to submit appraisal files to the System via the Uniform Collateral Data Portal. Authorized Users shall submit such files in a format that is consistent with the Uniform Appraisal Dataset requirements. Utilizing proprietary and publicly available databases, Loan Collateral Advisor performs assessments of (i) appraisers' opinions of value, (ii) appraisal quality, and (iii) support for value conclusions in any files so submitted, and returns findings (i.e., "Output," within the meaning of the Master Systems License) to Authorized Users.

Without limiting the generality of any provision of the Master Systems License or this System-Specific License, Seller/Servicer shall not distribute to or otherwise share any Loan Collateral Advisor Output with an appraiser where such Output specifically relates to an appraisal generated by such an appraiser.

(g) Loan Closing Advisor

Loan Closing Advisor is a System licensed pursuant to this System-Specific License that Authorized Users may use to submit loan files containing data obtained at settlement to the System. Authorized Users shall submit such files in a format that is consistent with the Uniform Closing Dataset requirements. Loan Closing Advisor will evaluate each such loan file against the Uniform Closing Dataset and other data values and provide related findings as to various data validation and other data quality issues (i.e., "Output," within the meaning of the Master Systems License) to Authorized Users.

(h) Loan Coverage Advisor

Loan Coverage Advisor is licensed pursuant to Section 2402.5.

(i) Loan Selling Advisor

Loan Selling Advisor is licensed pursuant to Section 2402.6.

(j) Quality Control Advisor

Quality Control Advisor is licensed pursuant to Section 2402.8.

(k) Condo Project Advisor

Condo Project Advisor is a System licensed pursuant to this System-Specific License that, as more fully described in its Documentation, Authorized Users may use to:

- Submit, track and obtain Output (within the meaning of the Master Systems License) pertaining to single-unit condominium waivers
- Submit, track and/or obtain status-related Output (within the meaning of the Master Systems License) for Condominium Projects
- Submit other information and obtain other Output (within the meaning of the Master Systems License) as may be described in the Documentation for Condo Project Advisor

2402.3: System-Specific License for Loan Product Advisor® (05/04/22)

(a) Scope and applicability

Loan Product Advisor® is the System licensed pursuant to this System-Specific License and the Master Systems License. As set forth in its Documentation, Loan Product Advisor is a successor System to Loan Prospector®.

Immediately upon a User's first access to Loan Product Advisor on or after the Effective Date, the Seller/Servicer shall be bound by this System-Specific License and the Master Systems License. This System-Specific License is incorporated into and made a part of the Master Systems License by this reference. Any reference herein to the System-Specific License shall be deemed to include this System-Specific License and the Master Systems License.

(b) Definitions

The definitions below apply for purposes of this System-Specific License. Capitalized terms used but not defined in this System-Specific License have the meaning set forth in the Glossary, the Master Systems License (Chapter 2401) or elsewhere in the Guide.

- "Applicant" means any consumer with respect to whom Loan Application Information is submitted to the System
- "Closed Loan" has the meaning set forth in Section 2402.3(c)
- "Credit Report" has the meaning set forth in Section 2402.3(d)(i)
- "Credit Reporting Agency" has the meaning set forth in Section 2402.3(d)(i)
- "Eligible Mortgage" has the meaning set forth in Section 2402.3(f)(i)
- "HVE®" is the System described in its Documentation and licensed pursuant to Section 2402.7
- "Loan Application Information" means data and information concerning any actual and/or potential Mortgage (including Credit Reports) a User submits to the System
- "Open Loan" has the meaning set forth in Section 2402.3(c)

(c) License limitation

In addition to the provisions of Section 2401.1(c), an Authorized User may enter data into the System solely in connection with (1) an existing Mortgage in which the Seller/Servicer or a Related Third Party has a beneficial ownership interest (i.e., a "Closed Loan"), or (2) a potential Mortgage for which Loan Application Information has been obtained by the Seller/Servicer or a Related Third Party (i.e., an "Open Loan"). Freddie Mac may include additional limitations in the Documentation on the types of Open Loans, Closed Loans, Mortgages and Loan Application Information that may be submitted to the System.

(d) Credit Report retrieval

(i) With respect to any Closed Loan or Open Loan submitted to the System, the Seller/Servicer may use the System to request and obtain a consumer credit report ("Credit Report") on Applicant(s) and/or Borrower(s) associated with such loans from a credit repository or credit bureau (each a "Credit Reporting Agency"). To effect any such request for and receipt of a Credit Report, the Seller/Servicer shall submit to the Credit Reporting Agency, via the System, its subscriber number(s), including any merged credit reference number and/or other authenticating credential(s) issued to the Seller/Servicer under its contract with the Credit Reporting Agency.

(ii) With respect to any Credit Report retrieved as set forth in this Section 2402.3(d), the Seller/Servicer hereby:

(A) Certifies that it has a permissible purpose under applicable State and federal fair credit reporting laws to obtain the Credit Report retrieved in conjunction with an Open Loan or a Closed Loan

(B) Authorizes the System, on behalf of the Seller/Servicer, to retrieve, process, assess, store and share with its Related Third Parties the Credit Report; and

(C) Appoints the System as its limited agent for the sole purpose of having the System effect such Credit Report retrieval, processing, assessment, storage and sharing with the Seller/Servicer and its Related Third Parties.

(iii) This System-Specific License does not create any principal or agency relationship other than the limited agency set forth in the preceding Section 2402.3(d)(ii)(C), and (except with respect to its agency relationship required under Section 2401.1(e)(iv) of the Master Systems License), the Seller/Servicer shall not assert or represent to any third party the existence of any other principal or agency relationship arising from or in connection with this System-Specific License or otherwise.

(iv) The Seller/Servicer acknowledges and agrees that Credit Reports constitute System Data for purposes of Chapter 2401.

(e) HVE® Data

(i) From time to time, the Seller/Servicer may receive HVE Data (as defined in Section 2402.7(b)) directly through Loan Product Advisor (as opposed to by means of an authorized HVE distributor or re-seller).

(ii) Immediately upon a User's first receipt of HVE Data via Loan Product Advisor, the Seller/Servicer shall be bound by the HVE System-Specific License (see Section 2402.7).

(f) Excess capacity timesharing

(i) Freddie Mac provides the System in part to assist the Seller/Servicer in assessing whether an actual or potential Mortgage may be eligible for sale to Freddie Mac, which eligibility is determined, among other things, by the Mortgage amount not exceeding the UPB amount that Freddie Mac is permitted to purchase (any such Mortgage, an "Eligible Mortgage").

(ii) The System has excess capacity beyond that required for identifying Eligible Mortgages, and the Seller/Servicer may, consistent with the Purpose and on a timesharing basis, use the System to assess Mortgages other than Eligible Mortgages.

(g) Related Third Parties; Servicing transfers and sales; prospective purchasers

(i) The Seller/Servicer may from time to time purchase or consider purchasing a Mortgage from a Related Third Party that such Related Third Party processed through the System. The Seller/Servicer shall not rely on any Output provided to the Related Third Party with respect to any such Mortgage, but, rather, shall rely exclusively on any representations and warranties made by the Related Third Party in connection with the Seller/Servicer's actual or potential purchase of such Mortgage.

(ii) With respect to any Mortgage processed through the System for which the Seller/Servicer seeks to or does effect a Concurrent Transfer of Servicing, Subsequent Transfer of Servicing or sale of such Mortgage, the Seller/Servicer may provide the Output associated with such Mortgage to the Transferee Servicer or purchaser prior to and after the Transfer of Servicing or sale; provided, however, that the Seller/Servicer binds the Transferee Servicer or purchaser, as applicable, to non-disclosure obligations that are substantially similar to those in the Guide to which the Seller/Servicer is bound with respect to the Output. Under no other circumstances shall the Seller/Servicer or any Related Third Party provide any Output to any other third party, except to a consumer to whom such Output relates upon his or her request.

(iii) Seller may share a Feedback Certificate with a third-party service provider in connection with a securitization or with a prospective purchaser, provided the following requirements are met:

(A) The Feedback Certificate relates to a Closed Loan

(B) The Feedback Certificate is shared solely for the purpose of the assessment of the Mortgage associated with the Feedback Certificate in order to determine eligibility for a related pool/security or to make a purchase decision regarding the Mortgage

(C) The Feedback Certificate includes, or the Seller has provided to the third-party service provider or prospective purchaser in writing concurrently with its sharing of the Feedback Certificate, the following notice:

> This Feedback Certificate (i) is not a consumer report; (ii) does not constitute an approval or denial by Loan Product Advisor or Freddie Mac of any consumer loan application; (iii) may only be shared or distributed by the Loan Product Advisor licensee, including the Seller/Servicer, as permitted in Freddie Mac Seller/Servicer Guide Sections 2401.1 and 2402.3

(h) Representations and warranties

Without limiting the representations, warranties and agreements set forth in Section 2401.1(h), the Seller/Servicer further represents, warrants and agrees that:

(i) Each Seller/Servicer shall provide any adverse action or other notice as and in the manner required under applicable law to be provided to an Applicant for which the Seller/Servicer or, as applicable, a Related Third Party, has taken "adverse action" (as that term is defined under applicable law) with respect to such Applicant, and

(ii) It shall exercise its own independent judgment in determining (A) whether to extend credit, or (B) the terms of any credit offered, and shall not rely on any Output as the determining factor in its decisions.

2402.4: System-Specific License for Loan Quality Advisor® (09/14/17)

(a) Scope and applicability

Loan Quality Advisor® is the System licensed pursuant to this System-Specific License and the Master Systems License.

Immediately upon a User's first access to Loan Quality Advisor on or after the Effective Date, the Seller/Servicer shall be bound by this System-Specific License and the Master Systems License. This System-Specific License is incorporated into and made a part of the Master Systems License by this reference. Any reference herein to the System-Specific License shall be deemed to include this System-Specific License and the Master Systems License.

(b) Definitions

The definitions below apply for purposes of this System-Specific License. Capitalized terms used but not defined in this System-Specific License have the meaning set forth in the Glossary, the Master Systems License (Chapter 2401) or elsewhere in the Guide.

- "Applicant" means any consumer with respect to whom Loan Application Information is submitted to the System
- "Closed Loan" has the meaning set forth in Section 2402.4(c)
- "Credit Report" has the meaning set forth in Section 2402.4(d)(i)
- "Credit Reporting Agency" has the meaning set forth in Section 2402.4(d)(i)
- "Loan Application Information" means data and information concerning any actual and/or potential Mortgage (including Credit Reports) a User submits to the System
- "Open Loan" has the meaning set forth in Section 2402.4(c)

(c) License limitation

In addition to the provisions of Section 2401.1(c), an Authorized User may enter data into the System solely in connection with (1) an existing Mortgage in which the Seller/Servicer or a Related Third Party has a beneficial ownership interest (i.e., a "Closed Loan"), or (2) a potential Mortgage for which Loan Application Information has been obtained by the Seller/Servicer or a Related Third Party (i.e., an "Open Loan"). Freddie Mac may include additional limitations in the Documentation on the types of Closed Loans, Open Loans, Mortgages and Loan Application Information that may be submitted to the System.

(d) Credit Report retrieval

(i) With respect to any Closed Loan or Open Loan submitted to the System, the Seller/Servicer may use the System to request and obtain a consumer credit report ("Credit Report") on Applicant(s) and/or Borrower(s) associated with such loans from a credit repository or credit bureau (each a "Credit Reporting Agency"). To effect any such request for and receipt of a Credit Report, the Seller/Servicer shall submit to the Credit Reporting Agency, via the System, its subscriber number(s), including any merged credit reference number and/or other authenticating credential(s) issued to the Seller/Servicer under its contract with the Credit Reporting Agency.

(ii) With respect to any Credit Report retrieved as set forth in this Section 2402.4(d), the Seller/Servicer hereby:

(A) Certifies that it has a permissible purpose under applicable State and federal fair credit reporting laws to obtain the Credit Report retrieved in conjunction with an Open Loan or a Closed Loan

(B) Authorizes the System, on behalf of the Seller/Servicer, to retrieve, process, assess, store and share with its Related Third Parties the Credit Report; and

(C) Appoints the System as its limited agent for the sole purpose of having the System effect such Credit Report retrieval, processing, assessment, storage and sharing with the Seller/Servicer and its Related Third Parties

(iii) This System-Specific License does not create any principal or agency relationship other than the limited agency set forth in the preceding Section 2402.4(d)(ii)(C), and (except with respect to its agency relationship required under Section 2401.1(e)(iv) of the Master Systems License), the Seller/Servicer shall not assert or represent to any third party the existence of any other principal or agency relationship arising from or in connection with this System-Specific License or otherwise.

(iv) The Seller/Servicer shall establish or, as applicable, amend separate contractual relationships with any Credit Reporting Agency from which the System retrieves a Credit Report as set forth in this Section 2402.4(d) to require the Consumer Reporting Agency to denote in a consumer's file that any Credit Report retrieved through the System on an

Open Loan or a Closed Loan is an account review inquiry, or "soft pull," as that term is commonly understood in the credit reporting industry.

(v) The Seller/Servicer acknowledges and agrees that Credit Reports constitute System Data for purposes of Chapter 2401.

(e) Representations and warranties

Without limiting the representations, warranties and agreements set forth in Section 2401.1(h), the Seller/Servicer further represents, warrants and agrees that:

(i) It shall use the System solely in connection with Open Loans and Closed Loans for purposes of (A) obtaining the System's view of the risk associated with such loan, (B) determining whether such loan may be eligible for sale to Freddie Mac, (C) validating that the data associated with the last file submission in Loan Product Advisor® is the same as that in the file currently submitted through the System, and (D) obtaining an assessment of whether such loan, if sold to Freddie Mac, might be eligible for certain representation and warranty relief; and

(ii) It shall not use the System as a basis for any credit determination.

(f) Additional system disclaimer

IN ADDITION TO AND NOT IN LIMITATION OF ANY DISCLAIMER IN SECTION 2401.1(i), ANY COLOR DESIGNATION (INCLUDING ANY SUCH DESIGNATION EMBEDDED IN AN ICON) GENERATED BY THIS SYSTEM AS PART OF ANY RISK ASSESSMENT OUTPUT IS INTENDED ONLY AS A VISUAL GUIDE FOR INDICATING THE RISK CLASS ASSOCIATED WITH THE DATA FILE. SUCH DESIGNATION AND ICON ARE NOT PROVIDED FOR ANY OTHER REASON, NOR SHOULD THEY BE USED OR RELIED UPON EXCEPT FOR PURPOSES OF TRIGGERING DATA FILE REVIEWS AS SET FORTH IN THE LICENSED MATERIALS.

2402.5: System-Specific License for Loan Coverage Advisor® (07/11/16)

(a) Scope and applicability

Loan Coverage Advisor® is the System licensed pursuant to this System-Specific License and the Master Systems License.

Immediately upon a User's first access to Loan Coverage Advisor on or after the Effective Date, the Seller/Servicer shall be bound by this System-Specific License and the Master Systems License. This System-Specific License is incorporated into and made a part of the

Master Systems License by this reference. Any reference herein to the System-Specific License shall be deemed to include this System-Specific License and the Master Systems License.

(b) Definitions

The definition below applies for purposes of this System-Specific License. Any capitalized term used but not defined in this System-Specific License shall have the meaning set forth in the Glossary, the Master Systems License (Chapter 2401) or elsewhere in the Guide.

"Loan Coverage Advisor Output" means Output generated by Loan Coverage Advisor.

(c) Loan Coverage Advisor; Source of Loan Coverage Advisor output

(i) As more fully described in its Documentation, Loan Coverage Advisor calculates, tracks and publishes the date on which the Seller/Servicer is relieved of certain specified selling representations and warranties related to its underwriting of the Borrower, Mortgaged Premises and any project in which the Mortgaged Premises is located for Mortgages sold to Freddie Mac.

(ii) Loan Coverage Advisor Output is provided to the Seller/Servicer for informational purposes to assist it in assessing its potential liabilities for representation and warranty obligations to Freddie Mac, and is based on or derived directly from the following:

(A) Loan-level delivery data provided by the original Seller/Servicer of each Mortgage in connection with Freddie Mac's purchase of such Mortgage, and any additional or corrective loan delivery data provided by the Seller/Servicer after such Mortgage purchase; and

(B) Investor accounting and reporting data provided by the Seller/Servicer to Freddie Mac as required by the Guide

(iii) All Loan Coverage Advisor Output is subject to final verification for accuracy by Freddie Mac. This may result in a change in the date upon which certain of the Seller/Servicer's representations and warranties expire under Section 1301.11.

(iv) If the Seller/Servicer finds that any Loan Coverage Advisor Output is not consistent with the Seller/Servicer's loan data, including the loan-level delivery data, or the investor accounting and reporting data for any Mortgage, the Seller/Servicer should contact its Freddie Mac representative or 800-FREDDIE.

2402.6: System-Specific License for Loan Selling Advisor® (09/10/18)

(a) Scope and applicability

Loan Selling Advisor® is licensed pursuant to this System-Specific License and the Master Systems License.

Immediately upon a User's first access to Loan Selling Advisor on or after the Effective Date, the Seller/Servicer shall be bound by this System-Specific License and the Master Systems License. This System-Specific License is incorporated into and made a part of the Master Systems License by this reference. Any reference herein to the System-Specific License shall be deemed to include this System-Specific License and the Master Systems License.

(b) Definitions

Any capitalized term used but not defined in this System-Specific License shall have the meaning set forth in the Glossary, the Master Systems License (Chapter 2401) or elsewhere in the Guide.

(c) Limitation on Authorized Users

Notwithstanding anything to the contrary in Section 2401.1, only employees of a Seller, a Selling Agent, a Document Custodian, a Warehouse Lender or other Related Third Party shall be Authorized Users under Section 2401.1, the Guide and other Purchase Documents. Accordingly, and for the avoidance of doubt, Seller shall provide or make access to the System available only to its employees, employees of its Selling Agent, Document Custodians, Warehouse Lenders and other Related Third Parties, subject to the limitations and requirements of Section 2401.1, the Guide and other Purchase Documents.

(d) Relation to Chapter 2403

This Section 2402.6 is in addition to and not in limitation of Chapter 2403, the latter of which addresses rights and obligations associated with the sale of Mortgages to Freddie Mac by means of Loan Selling Advisor.

2402.7: System-Specific License for HVE® (10/02/19)

(a) Scope and applicability

HVE® is the System licensed pursuant to this System-Specific License and the Master Systems License.

Immediately upon the first to occur on or after the Effective Date of a User's (i) receipt of HVE Data as provided under Section 2402.3(e), or (ii) access to HVE, the Seller/Servicer shall be bound by this System-Specific License and the Master Systems License. This System-Specific License is incorporated into and made a part of the Master Systems License by this reference. Any reference herein to the System-Specific License shall be deemed to include this System-Specific License and the Master Systems License.

(b) Definitions

The definitions below apply for purposes of this System-Specific License. Any capitalized term used but not defined in this System-Specific License shall have the meaning set forth in the Glossary, the Master Systems License (Chapter 2401) or elsewhere in the Guide.

- "Affiliated Third Parties" means third-party brokers, correspondent lenders and Outsourced Vendors who are contractually affiliated with the Seller/Servicer.
- "HVE Data" means Output generated by HVE, as described in the Documentation.
- "Legal Requirements" has the meaning set forth in Section 2402.7(c)(iii).

(c) Uses, disclosure and copying of HVE Data

The provisions of this Section 2402.7(c) shall be in addition to and not in limitation of Sections 1201.8 and 2401.1(g)(i).

(i) The Seller/Servicer shall treat all HVE Data as strictly confidential. Without limiting the foregoing:

(A) The Seller/Servicer shall keep all HVE Data, including any notes, files or reports that are based on HVE Data, confidential except to the extent Freddie Mac agrees otherwise in writing; and

(B) Except to the extent otherwise (1) agreed upon by Freddie Mac in writing, (2) required under the Home Mortgage Disclosure Act and its implementing regulations and associated regulatory guidance, or (3) expressly permitted in this System-Specific License, the Seller/Servicer shall not disclose HVE Data, except to its employees, contractors and Affiliated Third Parties who need access to such data for the Seller/Servicer's and Affiliated Third Parties' internal mortgage business purposes and use it only for the purposes permitted herein

(ii) The Seller/Servicer shall exercise at least the same degree of care to preserve the confidentiality of the HVE Data that it exercises to protect its own confidential information of a similar level of sensitivity, but in no event less than a reasonable standard of care. Without limiting the application of Section 2401.1(h), in its use of HVE Data, the Seller/Servicer shall comply with all applicable laws, including, but not limited to, the privacy provisions of the Gramm-Leach-Bliley Act of 1999 (Public Law 106-102, 113 Stat. 1138), as it may be amended from time to time, and the applicable regulations promulgated thereunder, as such regulations are amended from time to time.

(iii) The Seller/Servicer also may disclose HVE Data to the extent, and only to the extent, necessary to comply with orders or subpoenas issued by a court of competent jurisdiction or with regulatory examiners with jurisdiction over the Seller/Servicer, or to the extent otherwise required by applicable law (the "Legal Requirements"), provided that prior to any particular such disclosure:

(A) The Seller/Servicer provides to Freddie Mac reasonable notice of the Legal Requirement and takes, at its own expense, such actions as may be necessary or reasonably requested by Freddie Mac to provide Freddie Mac with a reasonable opportunity to seek either a protective order or otherwise to minimize the required disclosure; and

(B) The Seller/Servicer notifies all auditors and regulators and any other recipients of the HVE Data in writing that the HVE Data may not be copied or used for any purpose other than review or examination of the Seller/Servicer except to the extent ordered by a court of competent jurisdiction, and, further, that the HVE Data is proprietary to Freddie Mac and its use is strictly limited under Chapter 2401 and this Section 2402.7.

(iv) If the Seller/Servicer is contemplating (A) a Concurrent Transfer of Servicing or a Subsequent Transfer of Servicing, or (B) the sale of any Mortgages for which HVE Data provided by Freddie Mac may be retained in the Mortgage file, the Seller/Servicer shall have the right to disclose the HVE Data with respect to the Mortgages included in such Transfer of Servicing or such sale, as the case may be, to the Transferee Servicer or purchaser.

(v) If the Seller/Servicer uses the HVE Data as permitted in this System-Specific License, and such use results in a Mortgage or mortgage insurance related decision that has a direct financial impact on the Borrower, the HVE Data in question may be disclosed to the Borrower. In addition, the Seller/Servicer may disclose to the loan applicant(s) HVE Data developed in connection with the Seller/Servicer's credit determination. When disclosing the HVE Data to a Borrower or loan applicant, unless Freddie Mac notifies the Seller/Servicer to use a different disclaimer, the Seller/Servicer should include the following:

DISCLAIMER:

Data are generated by Freddie Mac's proprietary automated property valuation product, Home Value Explorer® (HVE®). HVE values are calculated using various models and techniques proprietary to Freddie Mac. An HVE value is not an appraisal and is not prepared by a certified or licensed appraiser. A lender may have used a different property value to make its credit determination. If you have questions regarding Freddie Mac's HVE information, please see Freddie Mac's website at **https://sf.freddiemac.com/tools-learning/home-value-suite/home-value-explorer**.

Home Value Explorer® and HVE® are registered trademarks of Freddie Mac. All rights reserved.

(d) Permitted uses; restrictions on use

The provisions of this Section 2402.7(d) shall be in addition to and not in limitation of Section 2401.1(c)(i).

(i) The Seller/Servicer may disclose and use HVE Data (A) in connection with activities associated with the origination of a Freddie Mac Enhanced Relief Refinance® Mortgage backed by the value of the collateral, and (B) to review a property value included in an appraisal provided during the loan origination process.

(ii) Any use other than those specified in Section 2402.7(d)(i) is prohibited unless Freddie Mac consents to the use in writing. The following are three examples of prohibited uses:

(A) Any use that could be construed as being connected to "predatory lending" such as generating high-rate/high cost loans covered by the Home Ownership and Equity Protection Act of 1994 (HOEPA);

(B) Uses associated with identifying potential customers, including but not limited to generating marketing or mailing lists for solicitation purposes, except to the extent expressly permitted by Freddie Mac in writing; and

(C) Uses associated with endeavoring to reverse engineer HVE Data to discover the underlying models

(iii) HVE Data must be clearly identified as Freddie Mac property and cannot be presented as any other brand or merged with valuation data generated by any other model.

(iv) The Seller/Servicer may not make HVE Data available or disclose it to (A) any agency, instrumentality or entity formed or controlled by a State, city or local government, or (B) any agency or instrumentality of the United States government, except as required by applicable law.

(e) Intellectual property rights

The provisions of this Section 2402.7(e) shall be in addition to and not in limitation of Section 2401.1(g).

(i) The models underlying HVE Data and all HVE Data are the sole and exclusive property of Freddie Mac, and Freddie Mac reserves all rights thereto. HVE Data provided to the Seller/Servicer have not been, and are not being, sold to the Seller/Servicer. The Seller/Servicer shall have no title or ownership interest in the models underlying HVE Data, in HVE Data or in any copies thereof.

(ii) The Seller/Servicer may not reverse engineer, modify, summarize, add to or delete information from the HVE Data or create derivative products from the HVE Data. Nothing herein shall be deemed to transfer to the Seller/Servicer any rights in any Freddie Mac trademark, patent, copyright or other intellectual property.

(iii) In the event Freddie Mac receives notice of any claim that either the HVE Data or the model underlying the HVE Data violate or infringe on any patent, trade secret, copyright or other proprietary right of any third party, Freddie Mac may elect to suspend or terminate the Seller/Servicer's right to use HVE Data, which action shall in no event be deemed to give rise to any claim against Freddie Mac.

(f) Relation to other agreements

This System-Specific License and the Master Systems License constitute the only agreement relating to Freddie Mac's provision of HVE Data directly to the Seller/Servicer by any means (electronic or otherwise). For the avoidance of doubt, if the Seller/Servicer has (i) executed an "End-User Agreement" with an authorized "reseller" of the System, (ii) executed a "Reseller Agreement" with an authorized "Distributor" of the System, or (iii) entered into a "Distributor Agreement" with Freddie Mac, the terms of such agreements do not apply to the provision of HVE Data directly to the Seller/Servicer outside of the distribution channel provided for in such agreements.

2402.8: System-Specific License for Quality Control Advisor® (06/26/17)

(a) Scope and applicability

Quality Control Advisor® is the System licensed pursuant to this System-Specific License and the Master Systems License. Quality Control Advisor hosts certain remedy management information and quality control loan management data for Mortgages Freddie Mac owns or guarantees.

Immediately upon a User's first access to the System on or after the Effective Date, the Seller/Servicer shall be bound by this System-Specific License and the Master Systems License. This System-Specific License is incorporated into and made a part of the Master

Systems License by this reference. Any reference herein to the System-Specific License shall be deemed to include this System-Specific License and the Master Systems License.

(b) Definitions

Any capitalized term used but not defined in this System-Specific License shall have the meaning set forth in the Glossary, the Master Systems License (Chapter 2401) or elsewhere in the Guide.

(c) System access and use; loan classification

Notwithstanding anything to the contrary in Section 2401.1(c)(i), the Seller/Servicer shall use the System only in connection with Mortgages that Freddie Mac owns or guarantees. Notwithstanding Section 2401.1(f) or any other applicable Purchase Document, the Seller/Servicer shall only access and use the System with Authentication Credentials and other Confidential Means of Access that are specifically assigned or provisioned to an Authorized User by means of the System.

In connection with its quality control efforts, Freddie Mac may classify within the System the loan and remedy management status of the Seller/Servicer Mortgages or otherwise assign labels to such Mortgages. The Seller/Servicer understands and agrees that any such classifications, labels or designations that Freddie Mac assigns to Mortgages tracked in the System do not constitute a waiver by Freddie Mac of any rights and remedies available to it under the Guide, any other Purchase Document or applicable law with respect to any such Mortgage, and Freddie Mac hereby expressly reserves all such rights and remedies.

2402.9: System-Specific License for Freddie Mac Servicing Data Corrections (12/09/19)

Effective December 9, 2019, this section has been deleted.

Chapter 2403: Selling Mortgages through Loan Selling Advisor®

2403.1: Sale of Mortgages through Loan Selling Advisor® (12/11/17)

This chapter sets forth requirements for the sale of Mortgages through Loan Selling Advisor®.

By virtue of its use of Loan Selling Advisor, each Seller agrees to be bound by the Purchase Documents including, but not limited to, Chapter 1401, the applicable terms of this chapter, the terms of any additional Guide chapters or other Purchase Documents.

This Section 2403.1 is in addition to, and not in limitation of, Chapter 2401 and Section 2402.6, which address the license terms applicable to the Sellers' and Selling Agents' use of Loan Selling Advisor in connection with the sale of Mortgages to Freddie Mac.

2403.2: Termination of eligibility (12/11/17)

Effective December 11, 2017, the content of this section has moved from Section 2403.4.

The Seller acknowledges and agrees that at any time and in addition to any other remedies Freddie Mac is entitled to under the Purchase Documents, Freddie Mac (i) may revoke or suspend its consent for a Seller to use the provisions of this chapter or any chapter providing terms for the sale of Mortgages to Freddie Mac using Loan Selling Advisor® and (ii) may terminate a Seller's eligibility to use any application or functionality within Loan Selling Advisor.

2403.3: Use of Selling Agents (02/02/22)

(a) Definitions

Capitalized terms used herein, but not defined herein have the meanings set forth in the Glossary, Form 478, Secondary Market Advisor Selling Agent Agreement, Chapter 2401, Chapter 2402 or elsewhere in the Guide.

(b) Use of Selling Agent

A Secondary Market Advisor (SMA) and the Seller engaging the SMA must request Freddie Mac's consent for the SMA to access and enter Loan Selling Advisor® to perform secondary

market services for the Seller on the Seller's behalf, as Selling Agent, for each such Seller. The Seller and the SMA must comply with the following:

- Every SMA must complete, execute and deliver to Freddie Mac a one-time Form 478. A single Form 478 applies to all Sellers for which secondary market services are performed.

- The SMA must enter, or have entered, into a services agreement with one or more Sellers

- The Seller must designate duly authorized employees, as described in Section 2403.11, of the Selling Agent who have been assigned roles ("User Roles") to access, enter and use Loan Selling Advisor, on behalf of their employer, the Selling Agent, to perform services for the Seller.

  For cash or guarantor executions, the User Roles may be as follows: Closer/Shipper, Exclusionary List, Loan Manager, Pipeline Manager and Secondary Analyst. The specific roles for cash executions may be Cash SMO or Price Sheet Analyst. The specific roles for guarantor executions may be Guarantor SMO, Security Wire Assignor or Rate Sheet Analyst.

Immediately upon any of the SMA's duly authorized employee's first access to Loan Selling Advisor, the Seller, by and through the SMA, as Selling Agent, shall be bound by the terms and conditions of Sections 2401.1 and 2402.6.

(c) Selling Agent and Related Third Party

The SMA agrees that if Freddie Mac gives the SMA access to Loan Selling Advisor to perform secondary market services for a Seller, as principal, the SMA shall do so as such Seller's duly authorized Selling Agent and a Related Third Party as defined in the Glossary.

(d) Former Form 900SA exception

Any Seller that has: (i) an SMA that is performing secondary market services for the Seller in Loan Selling Advisor under a services agreement, (ii) completed, signed and delivered to Freddie Mac either a form titled "Selling System Price Sheet Analyst User ID Request Form" and/or Form 900SA and/or Form 900 that was delivered to Freddie Mac on or before April 2, 2022, and (iii) authorized the SMA's authorized employees to perform secondary market services in Loan Selling Advisor (excluding the User Roles of Setup Administrator or Setup Manager), is not immediately required to identify User Roles as required in Section 2403.11 to Freddie Mac, **unless and until** it is necessary to do so because the SMA and/or Seller need to: (A) add, modify or delete any SMA authorized employees and/or (B) add or change secondary market services and "User Roles."

(e) Loan Selling Advisor access and security

The Seller and Selling Agent both acknowledge and agree that Loan Selling Advisor is Freddie Mac's proprietary system and access to Loan Selling Advisor is provided by Freddie

Mac in its sole and absolute discretion. The Seller and Selling Agent also agree that each will keep the Seller-provided information updated and current by making sure that the authorized users identified are accurate and true. Changes to the authorized users identified must be made according to this section and Sections 2401.1(f) and 2403.11.

The Seller and Selling Agent represent and warrant to (and covenant with) Freddie Mac that only duly authorized employees of the SMA have been provided with their own individual access to Loan Selling Advisor. Without limiting the application of any other representation or warranty to (or covenant with) Freddie Mac under the Guide or any other agreement, the Seller and Selling Agent further represent and warrant to (and covenant with) Freddie Mac that the Seller and Selling Agent shall:

- Safeguard User IDs and passwords to Loan Selling Advisor

- Adopt security measures to prevent sharing, loss, theft, or unauthorized disclosure or use of User IDs and passwords to Loan Selling Advisor and information in Loan Selling Advisor

- Notify Freddie Mac as soon as practicable and, in any event, no later than within one Business Day in the event:

  - Any authorized User's (a) name change, (b) position/title change, (c) employment termination, (d) authorization termination or (e) authorization expiration. Notification may be made by submitting changes per Section 2403.11 or by emailing Freddie Mac at **csa_operations@freddiemac.com.**

  - Of any loss, theft or unauthorized disclosure or use of any authorized User's User ID and password to Loan Selling Advisor by emailing Freddie Mac at **csa_operations@freddiemac.com**; and

  - Either the Seller or Selling Agent become aware of or has reason to believe that an authorized user's access to Loan Selling Advisor is no longer secure for any reason by emailing Freddie Mac at **csa_operations@freddiemac.com**

(f) Indemnification

Without limiting the application of any other representation or warranty to (or covenant with) Freddie Mac under the Guide or any other agreement, the Seller hereby indemnifies and holds Freddie Mac and its respective directors, officers, employees, agents, designees, successors and assigns harmless for any and all liabilities, obligations, damages, penalties, actions, judgments, suits, disbursements, losses, costs and expenses of any kind or nature, including reasonable legal fees and expenses of counsel, court costs and costs of appeal which may be imposed on, incurred by, or asserted against Freddie Mac as the result of any of Selling Agent's errors, omissions, negligence, breaches, gross negligence, willful misconduct or malicious conduct when accessing, entering and/or using Loan Selling Advisor.

(g) Form 478

Every SMA which is already in Loan Selling Advisor on behalf of a Seller must complete, execute and deliver Form 478 to Freddie Mac. Failure to do so may result in suspension of the SMA's access to Loan Selling Advisor.

2403.4: Termination of eligibility (12/11/17)

Effective December 11, 2017, this section is deleted and the content has moved to Section 2403.2.

2403.5: Incorporation of Loan Selling Advisor® into the Purchase Documents (12/11/17)

Loan Selling Advisor® is a Purchase Document. Any amendments, modifications, revisions, changes, and/or updates made to Loan Selling Advisor by Freddie Mac will be automatically incorporated into and made a part of the Purchase Documents whenever such amendments, modifications, revisions, changes, and/or updates are published, disseminated or otherwise made available to a Seller by Freddie Mac.

2403.6: Special representations and warranties (12/11/17)

Effective December 11, 2017, this section is deleted.

2403.7: Consent to conduct Electronic Transactions (12/11/17)

The Seller consents to conduct Electronic Transactions, as defined in Chapter 1401, with Freddie Mac using Loan Selling Advisor® including, but not limited to, using Records, Electronic Records and Electronic Signatures in accordance with and as defined in Chapter 1401 and agrees that the Seller will be bound by the terms and conditions of such Electronic Transactions. When using Loan Selling Advisor, the Seller will make on-screen selections by "clicking on" certain designated items, icons or buttons to signify the Seller's selection and/or agreement with various terms and conditions presented within Loan Selling Advisor. The Seller's Electronic Signature, includes, but is not necessarily limited to, the process or action of "clicking on" such designated items, icons or buttons.

2403.8: System security (02/02/22)

Without limiting the provisions of Chapter 2401, Freddie Mac, in its sole discretion, will provide Sellers, Document Custodians and Warehouse Lenders with, or require Sellers, Document Custodians and Warehouse Lenders to create, user IDs, passwords, personal identification numbers and/or access codes, as applicable, to permit secure access to Loan Selling Advisor®. Sellers, Document Custodians and Warehouse Lenders must adopt security measures in accordance with Sections 1302.2, 1401.5, 1401.6, 2401.1 and 2403.3(g), as applicable.

When a previously authorized user's access must be terminated, the Seller, Document Custodian or Warehouse Lender must revoke the authorized user's access as described in Section 2403.11. Alternatively, if a Seller, Document Custodian or Warehouse Lender is not enrolled in Freddie Mac Access Manager, they may request termination of access of a previously authorized employee by notifying Freddie Mac at **csa_operations@freddiemac.com**. Freddie Mac will make commercially reasonable efforts to prevent the terminated employee from accessing Loan Selling Advisor promptly after the initial request, but cannot guarantee that it can prevent that employee from accessing Loan Selling Advisor before access has been terminated.

Although Freddie Mac reserves the right to verify the information relating to any new authorized user identified, neither the Seller, Document Custodian nor Warehouse Lender may consider our failure to do so an act of negligence.

2403.9: Access to copies of transaction records (12/11/17)

The Seller acknowledges and agrees that its ongoing access to copies of Records and Electronic Records related to any Electronic Transactions, as those terms are defined in Chapter 1401, conducted by Seller using Loan Selling Advisor® will be:

- Paper copies the Seller prints out using Seller's computer print capabilities and its printer, or
- Electronic copies Seller is able to download to its computer or copy to a disk

Accordingly, the Seller assumes responsibility for obtaining and retaining copies of any such Records and Electronic Records for the Seller's future reference. If the Seller is unable to print, download or copy any of the Records or Electronic Records, the Seller may contact Freddie Mac for assistance in obtaining copies of the Electronic Records that Freddie Mac may have stored.

2403.10: System requirements (12/11/17)

Effective December 11, 2017, this section is deleted.

2403.11: User roles (02/02/22)

(a) Seller roles

In connection with use of Loan Selling Advisor®, the Seller must provide information to Freddie Mac regarding authorized Loan Selling Advisor users and their designated user roles. The Seller must submit its duly authorized employees, or, if using a Selling Agent, the Seller may designate the Selling Agent's duly authorized employees as described in Section 2403.3 by completing and submitting the Freddie Mac Access Manager Administrator Registration form (i.e., FAM Form) or the Loan Advisor Registration form (i.e., LAR Form).

Upon receipt of the FAM Form or LAR Form, Freddie Mac will provide the Seller with user IDs and passwords for the designated individuals. See Section 2403.8 with respect to system security and Seller's responsibility.

Any employee identified within the FAM Form or within the LAR Form as performing the External Seller Setup Manager role must be designated by the Seller as an Authorized Employee, authorized to provide Freddie Mac with instructions (or modify instructions) to transfer funds or securities on the Seller's behalf in connection with the sale of Mortgages to Freddie Mac on the Seller's Form 988SF, Certificate of Incumbency for a Bank, Savings Bank, Savings and Loan Association, Credit Union, Corporation or Limited Liability Company, Form 988SF-HFA, Certificate of Incumbency for Housing Finance Agency, or Form 989SF, Certificate of Incumbency for Limited Partnerships, as applicable. (See Section 2201.1 for more information regarding Certificate of Incumbency requirements.) In addition, any Administrator designated as such on the FAM Form shall likewise be designated by the Seller in the applicable Certificate of Incumbency identified above.

(b) Document Custodian roles

In connection with use of Loan Selling Advisor, the Document Custodian must provide information to Freddie Mac regarding Document Custodian's authorized Loan Selling Advisor users and their designated user roles by completing and submitting the FAM Form or LAR Form. The Document Custodian must submit this information to Freddie Mac for each Seller with which the Document Custodian has established a custodian relationship, in accordance with Section 2202.3.

Upon receipt of the completed FAM Form or LAR Form, Freddie Mac will assign user roles in Loan Selling Advisor and issue user IDs and/or passwords to Authorized Users.

By executing the FAM or LAR Form, the Document Custodian represents and warrants to, and covenants with, Freddie Mac that Freddie Mac may rely on the information contained in the completed FAM Form and LAR Form. To add, remove or change a user role, a Document Custodian must submit a FAM Form or LAR Form. See Section 2403.8 for requirements related to information security.

(c) Warehouse Lender roles

In connection with use of Loan Selling Advisor, the Warehouse Lender must provide information to Freddie Mac regarding the Warehouse Lender's authorized Loan Selling Advisor Administrators, other Authorized Employees and their designated user roles. (See Section 6305.12(c) regarding the Warehouse Lender's use of and access to Loan Selling Advisor.) The Warehouse Lender must submit this information to Freddie Mac by completing and submitting Form 990SF, Agreement and Certificate of Incumbency: Warehouse Lender and adding its Authorized Employees in Loan Selling Advisor. To add, remove or change any user role, a Warehouse Lender must submit a FAM Form or LAR Form.

By executing Form 990SF, the Warehouse Lender represents and warrants to, and covenants with, Freddie Mac that Freddie Mac may rely on the information on the Form 990SF until the Warehouse Lender adds, modifies, or removes an Authorized Employee by submitting a new Form 990SF. See Section 2403.8 for requirements related to information security.

2403.12: Post-Fund Data Correction tool (07/01/20)

Seller/Servicer shall use the Post-Fund Data Correction tool, which is a "System" as defined in Section 2401.1(b) to correct data on Seller/Servicer's Mortgages previously entered into Loan Selling Advisor®, and shall access such corrected data by means of the Post-Fund Data Correction tool in accordance with Section 2401.1 and any directions provided by Freddie Mac, including, without limitation, any instructions set forth in the Documentation as defined in Section 2401.1(b). Except to the extent consented to by Freddie Mac in writing, Seller/Servicer will not permit any third parties to use the Post-Fund Data Correction tool, either directly or through Seller/Servicer.

Chapter 2404: System-Specific Licenses for Servicing Tools and Systems

2404.1: System-Specific License for Specifications (12/09/19)

(a) Scope and applicability

The Specifications are licensed pursuant to this System-Specific License and the Master Systems License.

Immediately upon a User's first receipt of any Specifications on or after the Effective Date, the Seller/Servicer shall be bound by this System-Specific License and the Master Systems License. This System-Specific License is incorporated into and made a part of the Master Systems License by this reference. Any reference herein to the System-Specific License shall be deemed to include this System-Specific License and the Master Systems License.

Notwithstanding any applicable Purchase Document, the Servicer shall only access and use a System with Authentication Credentials and other Confidential Means of Access that are specifically assigned or provisioned to an Authorized User by means of a System.

(b) Definitions

The definitions below apply for purposes of this System-Specific License. Capitalized terms used but not defined in this System-Specific License have the meaning set forth in the Glossary, the Master Systems License (Chapter 2401) or elsewhere in the Guide.

- "Interface" means one or more technical or user interfaces developed, owned and/or maintained by or on behalf of the Seller/Servicer that enables Users to communicate with and use one or more Systems through the transmission and receipt of data and other information to and from, each such System by means of the Lender Platform

- "Lender Platform" means a custom or other Servicing technology platform (including any web-based application, software or system, as well as each Interface and all releases, upgrades and other modifications thereto) developed, owned and/or maintained by or on behalf of the Seller/Servicer

- "Lender Test Materials" has the meaning set forth in Section 2404.1(c)(iv)

- "Specifications" mean the specifications integration guides and any related technical documentation provided by or on behalf of Freddie Mac to enable the development and maintenance of each Interface, including any Specification Update

- "Specification Update" has the meaning set forth in Section 2404.1(c)(iii)

(c) Provision of the Specifications; development and use of the Interface

(i) Freddie Mac may provide discrete sets of Specifications to the Seller/Servicer to facilitate the Seller/Servicer's development of one or more Interfaces relating to one or more Systems. Each set of Specifications is incorporated into this System-Specific License by this reference and constitutes confidential information for purposes of Sections 1201.8 and 2401.1(g)(i). The terms and conditions of this System-Specific License shall apply to all Specifications separately provided by Freddie Mac.

(ii) The Seller/Servicer shall develop and maintain the Interface solely and exclusively at its own direction, cost and expense, and shall have complete and exclusive ownership of the Interface subject to the license set forth in Section 2404.1(c)(vi).

(iii) The Seller/Servicer shall be solely responsible for the accuracy, technical sufficiency and functionality of the Interface. The Interface shall at all times comply in all respects with the Specifications, including any modifications to or replacements of the Specifications (each such modified or replaced version of a Specification referred to herein as a "Specification Update") as Freddie Mac may undertake from time to time.

(iv) Except as set forth below in Section 2402.1(c)(v), the Seller/Servicer and Freddie Mac may mutually agree to test the Seller/Servicer's implementation of the Specifications. In such event, Freddie Mac may retain a third-party vendor to perform such testing on Freddie Mac's behalf, and the Seller/Servicer shall provide to Freddie Mac and/or its vendor (i) one access privilege or one copy of the Lender Platform, (ii) one copy of each export and any other file, along with any associated documentation that includes the results of the Seller/Servicer's testing (collectively with the Lender Platform, the "Lender Test Materials") and (iii) reasonable assistance in such testing. The Seller/Servicer shall use commercially reasonable efforts to correct any defects in the Interface revealed by any such testing. In addition to the foregoing, the Seller/Servicer will correct any "bugs" or other defects in the Interface promptly after it receives notice thereof from Freddie Mac.

(v) From time to time Freddie Mac may make Specification Updates available to the Seller/Servicer, which the Seller/Servicer shall implement in accordance with the timelines and testing requirements (if any) set forth in each Specification Update.

(A) Freddie Mac will provide the Seller/Servicer with as much notice as is practicable under the circumstances with respect to each Specification Update, including any such update that Freddie Mac directs the Seller/Servicer to implement on an emergency basis

(B) If Freddie Mac does not specify an implementation timeline for a Specification Update, the implementation date shall be ninety (90) days after publication of the Specification Update

(C) If a Specification Update sets forth testing requirements, the Seller/Servicer shall not implement an associated version of its Interface or any related Consumer Message until Freddie Mac has successfully conducted its review and, as applicable, testing with the Seller/Servicer

(vi) The Seller/Servicer hereby grants to Freddie Mac a royalty free, nonexclusive, nontransferable license to use the Lender Test Materials for testing and evaluation purposes as permitted under this Section 2402.1(c).

(d) Representations and warranties

In addition to representations and warranties made and otherwise referenced in the Master Systems License, the Seller/Servicer represents and warrants to Freddie Mac that (i) the Interface will comply with the Specifications, (ii) the Interface will accurately transmit to the System all data and information input into the Interface, (iii) the Lender Platform will not violate any patents, copyrights or other proprietary rights belonging to third parties and (iv) the Seller/Servicer will use its best efforts to ensure that the Lender Platform will at all times be and remain free of computer viruses and any code designed to cause the System to malfunction or self-destruct or to allow unauthorized access or cause harm to the System.

2404.2: Servicing Gateway System-Specific License (10/09/24)

This section contains requirements related to:

- Scope and applicability
- Definitions

(a) Scope and applicability

Freddie Mac Servicing Gateway is the collection of Systems and their associated services that is licensed pursuant to this System-Specific License, other System-Specific Licenses referenced in this Section 2404.2 (subject to the proviso set forth in Section 2404.2(b) below), and the Master Systems License.

Immediately upon a User's first access to any System within the Servicing Gateway on or after the Effective Date, the Seller/Servicer shall be bound by this System-Specific License (and, as applicable, any other System-Specific License governing such System) and the Master Systems License. This System-Specific License is incorporated into and made a part of the Master Systems License by this reference. Any reference herein to the System-Specific License shall be deemed to include this System-Specific License and the Master Systems License.

Notwithstanding any applicable Purchase Document, the Servicer shall only access and use a System with Authentication Credentials and other Confidential Means of Access that are specifically assigned or provisioned to an Authorized User by means of a System.

(b) Definitions

Capitalized terms: Capitalized terms used but not defined in this System-Specific License have the meaning set forth in the Glossary, the Master Systems License (Chapter 2401) or elsewhere in the Guide.

Defined terms: The definitions in the table below apply for purposes of this System-Specific License. Capitalized terms used but not defined in this System-Specific License have the meaning set forth in the Glossary, the Master Systems License (Chapter 2401) or elsewhere in the Guide.

"Servicing Gateway" is the collection of Systems and their associated services which currently include:

- BPOdirect®, Cash Manager, Default Fees Appeal System, Foreclosure Sale Reporting, EDR, Loan Level Reporting, PAID (Payments Automated Intelligent and Dynamic), Post Funding Data Corrections, Real Estate Valuation and Pricing, Resolve®, Servicing Data Corrections, Servicer Performance Profile, Servicing Transfer Manager, Total MI® and Workout Prospector®, all as described in their respective Documentation.

- Provided that, while references to Servicing Gateway shall also be deemed to include third-party owned and maintained applications that are directly licensed to Servicers by such third parties (see Section 2407.1), such third-party applications are not Systems for purposes of Chapters 2401, 2404, 2405 and 2406. These applications constitute Excluded Servicing Tools within the meaning of Section 2401.1(b).

B	
BPOdirect	BPOdirect is a System licensed pursuant to Section 2406.4.
C	
Cash Manager	Cash Manager is a System licensed pursuant to this System-Specific License that Authorized Users may use to receive certain reports that provide insight on amounts Freddie Mac will draft from the P&I Custodial Account throughout the month.
D	
Default Fees Appeal System	DFAS is a System licensed pursuant to this System-Specific License that Authorized Users may use to obtain information

("DFAS")	regarding foreclosure-related compensatory fees, file appeals and monitor the status of Freddie Mac's review of such appeals.
E	
EDR	EDR is a System licensed pursuant to this System-Specific License that Authorized Users may use to report required delinquency or bankruptcy data on Freddie Mac Mortgages.
F	
Foreclosure Sale Reporting ("FSR")	FSR is a System licensed pursuant to this System-Specific License that Authorized Users may use to report the results of foreclosure sales and deed-in-lieu of foreclosure activity.
L	
Loan Level Reporting ("LLR")	LLR is a System licensed pursuant to this System-Specific License that Authorized Users may use to report monthly loan level transactions on performing and non-performing loans.
P	
PAID (Payments Automated Intelligent and Dynamic)	PAID is a System licensed pursuant to Chapter 2405.
Post-Fund Data Correction tool ("PFDC")	PFDC is a System licensed pursuant to this System-Specific License that Authorized Users may use to correct and access data on the Servicer's Mortgages, which data had been previously entered into Loan Selling Advisor.
R	
Real Estate Valuation and Pricing ("REVP")	REVP is a System licensed pursuant to this System-Specific License that Authorized Users may use to obtain estimated market values, minimum net proceeds for short sale transactions, and credit bid amounts for a foreclosure sale that Freddie Mac will accept for a third-party sale.
Resolve	Resolve is a System licensed pursuant to this System-Specific License that Authorized Users may use to assess Borrowers for relief and workouts options and alternatives to foreclosure.

S	
Servicing Data Corrections ("SDC")	SDC is a System licensed pursuant to this System-Specific License that Authorized Users may use to electronically submit data correction requests related to adjustments to third-party foreclosure sales, short sales, charge-offs, mortgage modification settlements, ARM rates, modifications to principal and interest payments and rollbacks. Notwithstanding anything to the contrary in Section 2401.1(c)(i), the Servicer shall use the System only in connection with Mortgages that Freddie Mac owns or guarantees.
Servicer Performance Profile ("SPP")	SPP is a System licensed pursuant to this System-Specific License that Authorized Users may use to gain insight into Servicing performance using several tools, including: ■ Servicer Success Scorecard ("Scorecard") – A confidential monthly performance review for all Servicers which measures a Servicer's performance based on key criteria in several categories, including investor reporting and remitting, and default management ■ Manager Series Reports – Various reports that contain high-level summary and loan-level detail data to give a Servicer additional insight into its performance results, including results reflected on their Scorecard. Reports are accessible via corresponding tiles in the SPP such as "Default Reporting," "Repayment Plans," "Modifications," "Incentives," "Timelines," "Liquidations," "Foreclosures" and "REO."
Servicing Transfer Manager ("STM")	STM is a System licensed pursuant to this System-Specific License that Authorized Users may use to manage Subsequent Transfers of Servicing and Intra-Servicer Portfolio Moves (as defined by Section 7101.2(e)).
T	
Total MI	Total MI is a System licensed pursuant to this System-Specific License that Authorized Users may use to manage certain mortgage insurance processes including, but not limited to, reconciliations, claims and cancelations.
W	
Workout Prospector ("WP")	WP is a System licensed pursuant to this System-Specific License that Authorized Users may use to analyze and deliver workouts, receive reports, and access specific loan information from the System.

2404.2: Servicing Gateway System-Specific License (Future effective date 12/20/24)

This section contains requirements related to:

- Scope and applicability
- Definitions

(a) Scope and applicability

Freddie Mac Servicing Gateway is the collection of Systems and their associated services that is licensed pursuant to this System-Specific License, other System-Specific Licenses referenced in this Section 2404.2 (subject to the proviso set forth in Section 2404.2(b) below), and the Master Systems License.

Immediately upon a User's first access to any System within the Servicing Gateway on or after the Effective Date, the Seller/Servicer shall be bound by this System-Specific License (and, as applicable, any other System-Specific License governing such System) and the Master Systems License. This System-Specific License is incorporated into and made a part of the Master Systems License by this reference. Any reference herein to the System-Specific License shall be deemed to include this System-Specific License and the Master Systems License.

Notwithstanding any applicable Purchase Document, the Servicer shall only access and use a System with Authentication Credentials and other Confidential Means of Access that are specifically assigned or provisioned to an Authorized User by means of a System.

(b) Definitions

Capitalized terms: Capitalized terms used but not defined in this System-Specific License have the meaning set forth in the Glossary, the Master Systems License (Chapter 2401) or elsewhere in the Guide.

Defined terms: The definitions in the table below apply for purposes of this System-Specific License. Capitalized terms used but not defined in this System-Specific License have the meaning set forth in the Glossary, the Master Systems License (Chapter 2401) or elsewhere in the Guide.

"Servicing Gateway" is the collection of Systems and their associated services which currently include:

- BPOdirect®, Cash Manager, Default Fees Appeal System, EDR, Loan Level Reporting, PAID (Payments Automated Intelligent and Dynamic), Post Funding Data Corrections, Real Estate Valuation and Pricing, Resolve®, Servicing Data Corrections, Servicer Performance Profile, Servicing Transfer Manager, and Total MI®, all as described in their respective Documentation.

- Provided that, while references to Servicing Gateway shall also be deemed to include third-party owned and maintained applications that are directly licensed to Servicers by such third parties (see Section 2407.1), such third-party applications are not Systems for purposes of Chapters 2401, 2404, 2405 and 2406. These applications constitute Excluded Servicing Tools within the meaning of Section 2401.1(b).

B	
BPOdirect	BPOdirect is a System licensed pursuant to Section 2406.4.
C	
Cash Manager	Cash Manager is a System licensed pursuant to this System-Specific License that Authorized Users may use to receive certain reports that provide insight on amounts Freddie Mac will draft from the P&I Custodial Account throughout the month.
D	
Default Fees Appeal System ("DFAS")	DFAS is a System licensed pursuant to this System-Specific License that Authorized Users may use to obtain information regarding foreclosure-related compensatory fees, file appeals and monitor the status of Freddie Mac's review of such appeals.
E	
EDR	EDR is a System licensed pursuant to this System-Specific License that Authorized Users may use to report required delinquency or bankruptcy data on Freddie Mac Mortgages.
L	
Loan Level Reporting ("LLR")	LLR is a System licensed pursuant to this System-Specific License that Authorized Users may use to report monthly loan level transactions on performing and non-performing loans.
P	
PAID (Payments Automated Intelligent and	PAID is a System licensed pursuant to Chapter 2405.

Dynamic)	
Post-Fund Data Correction tool ("PFDC")	PFDC is a System licensed pursuant to this System-Specific License that Authorized Users may use to correct and access data on the Servicer's Mortgages, which data had been previously entered into Loan Selling Advisor.
R	
Real Estate Valuation and Pricing ("REVP")	REVP is a System licensed pursuant to this System-Specific License that Authorized Users may use to obtain estimated market values, minimum net proceeds for short sale transactions, and credit bid amounts for a foreclosure sale that Freddie Mac will accept for a third-party sale.
Resolve	Resolve is a System licensed pursuant to this System-Specific License that Authorized Users may use to assess Borrowers for relief and workouts options and alternatives to foreclosure.
S	
Servicing Data Corrections ("SDC")	SDC is a System licensed pursuant to this System-Specific License that Authorized Users may use to electronically submit data correction requests related to adjustments to third-party foreclosure sales, short sales, charge-offs, mortgage modification settlements, ARM rates, modifications to principal and interest payments and rollbacks. Notwithstanding anything to the contrary in Section 2401.1(c)(i), the Servicer shall use the System only in connection with Mortgages that Freddie Mac owns or guarantees.
Servicer Performance Profile ("SPP")	SPP is a System licensed pursuant to this System-Specific License that Authorized Users may use to gain insight into Servicing performance using several tools, including: ■ Servicer Success Scorecard ("Scorecard") – A confidential monthly performance review for all Servicers which measures a Servicer's performance based on key criteria in several categories, including investor reporting and remitting, and default management ■ Manager Series Reports – Various reports that contain high-level summary and loan-level detail data to give a Servicer additional insight into its performance results, including results reflected on their Scorecard. Reports are accessible via corresponding tiles in the SPP such as "Default Reporting," "Repayment Plans," "Modifications," "Incentives," "Timelines," "Liquidations," "Foreclosures" and "REO."

Servicing Transfer Manager ("STM")	STM is a System licensed pursuant to this System-Specific License that Authorized Users may use to manage Subsequent Transfers of Servicing and Intra-Servicer Portfolio Moves (as defined by Section 7101.2(e)).
T	
Total MI	Total MI is a System licensed pursuant to this System-Specific License that Authorized Users may use to manage certain mortgage insurance processes including, but not limited to, reconciliations, claims and cancelations.

2404.3: Freddie Mac Servicing Reporting Tools incorporated into the Guide (12/09/19)

Effective December 9, 2019, this section has been deleted.

2404.4: Amendments (12/09/19)

Effective December 9, 2019, this section has been deleted.

2404.5: Special representations and warranties, covenants and agreements (12/09/19)

Effective December 9, 2019, this section has been deleted.

2404.6: Electronic Transactions (12/09/19)

Effective December 9, 2019, this section has been deleted.

2404.7: Security and Servicer responsibilities (12/09/19)

Effective December 9, 2019, this section has been deleted.

2404.8: Access to copies of Electronic Transaction Records (12/09/19)

Effective December 9, 2019, this section has been deleted.

Chapter 2405: PAID (Payments Automated Intelligent and Dynamic)

2405.1: Process for requesting expense reimbursement and for receiving reimbursement of expenses (09/27/21)

The Servicer must submit a request for reimbursement via PAID (Payments Automated Intelligent and Dynamic) (available at **https://sf.freddiemac.com/working-with-us/servicing/overview)** in accordance with the requirements of this chapter.

Any Servicer submitting an expense reimbursement request for the first time must obtain access to PAID through Access Manager.

To be reimbursed for expenses, Servicers must authorize Freddie Mac to make such payments and receive debits via Automated Clearing House (ACH) credit entries into their commercial checking accounts. To authorize receipt of ACH credit entries or to make changes to ACH credit account instructions previously provided, Servicers must complete and execute Form 1132, Authorization for Automatic Transfer of Funds Through the Automated Clearing House (ACH) For Sellers/Servicers.

Submit the exhibit to Freddie Mac as an Electronic Record (as defined in Section 1401.2), using a Portable Document Format (PDF) (or other Electronic Record format commonly used in the mortgage industry), that has been completed and contains the copy or representation of the pen and ink signature of the Authorized Employee (such copy or representation of the Authorized Employee's signature shall be such Authorized Employee's adopted Electronic Signature as defined in Section 1401.2) and either:

- Attach to an e-mail and deliver to Freddie Mac at the following e-mail address: **cashcollections@freddiemac.com**; or

- Upload through the Freddie Mac eBill system

Servicers may submit ACH credit-related questions or concerns to **expense@freddiemac.com**.

Servicers may access the **PAID Online Help Section** for additional information and assistance with PAID.

The employee authorized to execute Form 1132 on the Servicer's behalf must be designated as an "Authorized Employee" on the Servicer's Form 988SF, Certificate of Incumbency for a Bank, Savings Bank, Savings and Loan Association, Credit Union, Corporation or Limited Liability Company, or Form 989SF, Certificate of Incumbency for Limited Partnerships, as applicable.

Before a Servicer may receive expense reimbursements and incentive payments via ACH credit entries, the Servicer must have completed the certificate of incumbency ("COI") process requirements in Section 2201.1, and Freddie Mac must have accepted the Servicer's COI and all other required forms and documents.

2405.2: Servicer bound by use of PAID (Payments Automated Intelligent and Dynamic) (09/27/21)

By virtue of Servicer's use of PAID (Payments Automated Intelligent and Dynamic), the Servicer agrees and is deemed to be bound by the provisions of: (i) Chapter 1401; (ii) Section 2401.1, (iii) this Chapter 2405; (iv) Chapter 9701; and (v) all other applicable terms and conditions of the Guide and other Purchase Documents.

2405.3: Consent to conduct Electronic Transactions (09/27/21)

Servicers should refer to Chapter 1401 for the definition of the following terms used in this section:

- Electronic Record
- Electronic Signature
- Electronic Transaction
- Record

Servicer consents to conduct Electronic Transactions with Freddie Mac using PAID (Payments Automated Intelligent and Dynamic) including, but not limited to, Records, Electronic Records and Electronic Signatures in accordance with Chapter 1401 and agrees that Servicer will be bound by the terms and conditions of such Electronic Transactions. When using PAID, the Servicer will make on-screen selections by "clicking on" certain designated terms, items, icons or buttons to signify Servicer's agreement with various terms and conditions presented within PAID. Servicer's Electronic Signature, includes, but is not necessarily limited to, the process or action of "clicking on" such designated items, icons or buttons.

2405.4: System security (09/27/21)

Effective September 27, 2021, Section 2405.4 is deleted.

2405.5: Access to copies of Electronic Transaction Records (09/27/21)

Servicers should refer to Chapter 1401 for the definition of the following terms used in this section:

- Electronic
- Electronic Record
- Electronic Transaction
- Record
- System

The Servicer acknowledges and agrees that its ongoing access to copies of Records and Electronic Records related to any Electronic Transactions conducted by Servicer using PAID (Payments Automated Intelligent and Dynamic) will be:

- Paper copies Servicer prints out using its Systems, print capabilities and its printer, or
- Electronic copies Servicer is able to download to its computer or copy to a disk or other Electronic device

Accordingly, the Servicer assumes responsibility for obtaining and retaining copies of any such Records and Electronic Records for Servicer's future reference. If the Servicer is unable to print, download or copy any of the Records or Electronic Records, the Servicer may contact (800) FREDDIE and select option four for Servicing for assistance in obtaining copies of the Electronic Records.

2405.6: User access requirements (09/27/21)

Servicer acknowledges and agrees that Freddie Mac has provided Servicer with written or Electronic, as defined in Chapter 1401, information that describes the minimum hardware, software, browser and other Internet connectivity requirements necessary to conduct Electronic Transactions, as defined in Chapter 1401, with Freddie Mac using PAID (Payments Automated Intelligent and Dynamic).

2405.7: Use of PAID (Payments Automated Intelligent and Dynamic) by Related Third Parties and process for Related Third Parties to receive reimbursement of expenses (06/08/22)

The Servicer may grant PAID (Payments Automated Intelligent and Dynamic) access to one or more of its vendors which provide services in connection with Mortgages serviced for Freddie Mac. Each vendor is a "Related Third Party" within the meaning of the Guide. Related Third Parties are allowed access to PAID for the purposes of:

- Submitting requests for pre-approval (RPAs) via the RPA functionality in PAID pursuant to Section 9701.3

- Submitting expenses for Servicer reimbursement based on the expense and income codes, subject to any associated expense limits, listed in Exhibits 57, 57A and 74, Expense and Income Codes for Expense Reimbursement Claims

Freddie Mac, at any time and in its sole discretion, may terminate a Related Third Party's access to PAID and/or direct the Servicer to terminate a Related Third Party's access.

The Servicer must comply with the following requirements related to use of PAID by a Related Third Party:

- The Servicer must ensure that Related Third Parties sign and comply with their separate, independent contracts under Sections 2401.1(e)(iv) and 2401.1(v). The Servicer must maintain auditable records of such contracts

- The Servicer must monitor its Related Third Party to ensure compliance with all applicable requirements of the Guide and any other Purchase Documents and applicable law and have written policies and procedures in place for doing so

- The Servicer must have written policies and procedures in place that document its criteria for selecting Related Third Party and how the Servicer will monitor the Related Third Party's use of PAID

- The Servicer must periodically review and analyze the types and dollar amounts of expenses requested by Related Third Parties to ensure compliance with all applicable requirements

- For property preservation services, if Freddie Mac requires that competitive bids be obtained from multiple vendors, the Servicer is responsible for obtaining the multiple bids and keeping records of the bids

To be reimbursed for expenses and paid incentives (see Section 9204.6 regarding Servicer compensation for alternatives to foreclosure), Related Third Parties must authorize Freddie Mac

to make such payments and receive debits via Automated Clearing House (ACH) credit entries into their commercial checking accounts. To authorize receipt of ACH credit entries or to make changes to ACH credit account instructions previously provided, vendors must complete and execute Form 98, Authorization for the Automatic Transfer of Funds for Vendors, and submit the form to Freddie Mac as an Electronic Record (as defined in Section 1401.2), using a PDF (or other Electronic Record format commonly used in the mortgage industry), that has been completed and contains the copy or representation of the pen and ink signature of the Authorized Employee (such copy or representation of the Authorized Employee's signature shall be such Authorized Employee's adopted Electronic Signature as defined in Section 1401.2) attached to an e-mail and delivered to Freddie Mac at the following e-mail address: **counterparty_authorization@freddiemac.com**.

Related Third Parties also agree to authorize Freddie Mac to initiate ACH drafts from accounts designated on Form 98 for overpayments of expenses.

The employee authorized to execute Form 98 on the vendor's behalf must be designated as an "Authorized Employee" on the vendor's Form 99V, Certificate of Incumbency for Vendors. Before a vendor may receive expense reimbursements and incentive payments, the vendor must have completed the certificate of incumbency ("COI") process requirements in Section 2201.1, and Freddie Mac must have accepted the vendor's COI and all other required forms and documents.

2405.8: Servicer's responsibilities for the Reimbursement System (09/27/21)

Section 2405.8 will be deleted effective September 27, 2021.

Chapter 2406: Additional Servicing Tools and Systems

2406.1: Workout Prospector® User Agreement (12/09/19)

Effective December 9, 2019, this section has been deleted.

2406.2: Quality Control Advisor® (06/26/17)

Quality Control Advisor® is a system that hosts for Freddie Mac certain quality control loan management data and remedy management information for Mortgages Freddie Mac owns or guarantees. Each Seller/Servicer that accesses Quality Control Advisor, by virtue of such access, will be deemed to have agreed to the terms and conditions set forth in Sections 2401.1, 2402.2 (if applicable) and 2402.8.

2406.3: Freddie Mac Loan Coverage Advisor® (02/08/23)

Effective February 8, 2023, Section 2406.3 is deleted. Seller/Servicers' use of Loan Coverage Advisor® continues to be subject to the terms and conditions set forth in Sections 2401.1 and 2402.5 and the Seller/Servicer's other applicable Purchase Documents, as amended from time to time.

2406.4: Managing access to and obtaining a property value via BPODirect® (10/11/23)

When Freddie Mac requires that a property value be obtained through **BPODirect®**, the Servicer must obtain the property value via the **Servicing Gateway**.

The Servicer represents and warrants that all information it provides for the purpose of obtaining the property value, including the address of the Mortgaged Premises, is true, complete and accurate.

(a) Managing access to BPODirect

- The Servicer must ensure that only active employees of the Servicer or its Related Third Parties with a need to use **BPODirect** are provided access, which shall be facilitated and managed through Access Manager pursuant to Section 2401.1(f)

- If the Servicer engages a Related Third Party to perform loss mitigation activities including the use of **BPODirect** in connection with the Servicing of Freddie Mac Mortgages, the Servicer must monitor its Related Third Party to ensure compliance with all applicable requirements of the Guide and any other Purchase Documents and applicable law and have written policies and procedures in place for doing so

(b) Obtaining a property value via BPODirect

When a Servicer accesses **BPODirect**, the website may display an automated value if one is available. If Freddie Mac permits the use of an automated value to evaluate the Borrower for a specific relief or workout option, then the Servicer must, unless otherwise noted below, use the available automated value provided in **BPODirect**. If an automated value is not available in **BPODirect** or through another permitted source (e.g., via HVE or the *Automated Valuation Model (AVM)* report), or the MI requires a BPO/property valuation, the Servicer must submit a new property valuation request to Freddie Mac (i.e., order a new BPO from **BPODirect**), if necessary. There is no cost associated with automated values obtained through **BPODirect**. If Freddie Mac requires a BPO for the situation the Servicer is evaluating, then, unless otherwise noted below, the Servicer must take the additional step of ordering a new BPO from **BPODirect**. Once the BPO valuation is complete, the BPO value will be available to the Servicer in **BPODirect**.

Notwithstanding the requirements above, if the Servicer has previously obtained a Freddie Mac-compliant property valuation (i.e., Freddie Mac-provided BPO, Freddie Mac-provided appraisal or an appraisal obtained in compliance with Topic 5600), the Servicer must use the Freddie Mac-compliant property valuation provided it meets the property valuation requirements for the specific relief or workout option. The Servicer may not obtain a new property valuation in this circumstance.

Note: If the Mortgage is covered by mortgage insurance, the Servicer must ensure that the property value it obtains is based on a property valuation type that is consistent with the MI's requirements.

2406.5: Freddie Mac Default Fee Appeal System (12/09/19)

Effective December 9, 2019, this section has been deleted.

Chapter 2407: Third-Party Servicing Tools Made Available Via Servicing Gateway

2407.1: Attorney Data Reporting (12/09/19)

Attorney Data Reporting (ADR) is an application available via **Servicing Gateway**. ADR is managed and hosted by a third-party Freddie Mac vendor called Quandis pursuant to terms and conditions available on its website at **www.quandis.com**. ADR is an Excluded Servicing Tool for purposes of Section 2401.1(b).

Chapter 2408: Servicing Mortgages Through Servicing Gateway and Other Servicing Tools

2408.1: Relation to Chapters 2404, 2405, 2406 and 2407 (04/12/23)

Chapter 2408 addresses rights and obligations associated with the Servicing of Mortgages on behalf of Freddie Mac by means of the Servicing Tools and is in addition to and not in limitation of (a) Chapters 2404, 2405 and 2406, which, along with Chapter 2401, address the licensing of Freddie Mac Servicing Tools, and (b) Chapter 2407, which addresses the third-party licensing of Excluded Servicing Tools.

2408.2: Using Servicing Tools and Excluded Servicing Tools (12/09/19)

This chapter sets forth special requirements associated with the use of Servicing Tools and Excluded Servicing Tools for reporting loan-level information to Freddie Mac and performing other Mortgage Servicing activities.

The Servicer should refer to Chapter 1401 for the definitions of the following terms used in this chapter:

- Electronic
- Electronic Record
- Electronic Signature
- Electronic Transaction
- Record

The Servicer should refer to the following sections and chapters for information on reporting requirements:

- Section 9102.8 for default reporting requirements
- Section 9102.7 for reporting requirements for Mortgages for which a Servicer is pursuing an alternative to foreclosure

- Chapters 8301 and 8303 for monthly loan-level exception and non-exception activity reporting requirements

To service Mortgages using any and all of the Servicing Tools, the Servicer must comply with the terms and conditions of (a) Chapters 2401 through 2408 (including any third-party terms and conditions referenced in Chapter 2407), (b) other applicable Guide provisions, and (c) the Servicer's other Purchase Documents.

2408.3: Freddie Mac Servicing Tools incorporated into the Guide (12/09/19)

The Servicing Tools, including, without limitation, all visual content displayed on screens and pages, system processes, system rules, terms and conditions, privacy policy, user guides and instructions, are, by this reference, incorporated into and made a part of the Guide and other Purchase Documents.

2408.4: Amendments (12/09/19)

The Servicer acknowledges and agrees that Freddie Mac may amend, revise and/or update the Servicing Tools, this chapter and/or any other applicable Purchase Documents, and any such amendment, revision and/or update will be effective as of the date specified by Freddie Mac.

2408.5: Special representations and warranties, covenants and agreements (01/13/22)

The Servicer represents and warrants to, covenants and agrees with Freddie Mac that the Servicer is in compliance with and will continue to comply with all of the requirements of this chapter, any other applicable Purchase Documents, system processes and rules, terms of use, privacy policy, security standards and any user guides and instructions in connection with Servicing Freddie Mac Mortgages using the Servicing Tools.

The Freddie Mac Exclusionary List is made available to Servicers at **https://sf.freddiemac.com/fmel**. Each time the Servicer accesses any Freddie Mac Servicing Tool, the Servicer represents and warrants to Freddie Mac that Servicer has never (i) provided access to or otherwise made the Exclusionary List available to a Related Third Party or any other party except as permitted under and in accordance with Section 1201.8(a)(iii), or (ii) enabled or permitted any person or entity on the Exclusionary List to access or use any Servicing Tool whether directly or indirectly through the Servicer or any Related Third Party. Further, the Servicer covenants and agrees that it will not, under any circumstances, do so in the future.

2408.6: Electronic Transactions (12/09/19)

(a) Consent to conduct Electronic Transactions

The Servicer consents to conduct Electronic Transactions with Freddie Mac using the Freddie Mac Servicing Tools and Excluded Servicing Tools including, but not limited to, using Electronic Records and Electronic Signatures in accordance with Chapter 1401. The Servicer agrees that the Servicer's employees may use Electronic Signatures, which shall be the Servicer's adopted and authorized Electronic Signatures, as defined in Section 1401.4, which also includes the process of using a computer mouse to "click on" terms, words, items, images, numbers or buttons on screens in the Servicing Tools and Excluded Servicing Tools.

(b) Servicing Tools requirements

The Servicer acknowledges that Freddie Mac has provided the Servicer with the minimum hardware, software, browser and other Internet connectivity requirements the Servicer needs to conduct Electronic Transactions using the Servicing Tools.

2408.7: Access to copies of Electronic Transaction Records (12/09/19)

The Servicer acknowledges and agrees that the Servicer's ongoing access to copies of Records and Electronic Records related to any Electronic Transactions conducted by the Servicer in the Servicing Tools will be either:

- Paper copies printed by the Servicer, or
- Electronic copies the Servicer is able to download or save to its computers or copy

The Servicer acknowledges that it is responsible for making or obtaining copies of such Records and Electronic Records. If the Servicer is unable to print, download or copy any of the Records or Electronic Records, the Servicer may contact Freddie Mac for possible assistance.

Chapter 3101: Freddie Mac Exclusionary List and FHFA Suspended Counterparty Program

3101.1: Freddie Mac Exclusionary List (09/11/24)

This section contains requirements related to:

- Purpose of the Exclusionary List
- Use of the Exclusionary List
- Process for placement on the Exclusionary List
- Seller warranties regarding the Exclusionary List
- Waiver of Seller warranties regarding the Exclusionary List
- Servicer warranties regarding the Exclusionary List
- Waiver of Servicer warranties regarding the Exclusionary List
- Reporting obligations of the Seller/Servicer
- Confidentiality and use of the Exclusionary List
- Access to the Exclusionary List
- Remedies

(a) Purpose of the Exclusionary List

Freddie Mac maintains the Freddie Mac Exclusionary List to protect the integrity of its Mortgage purchase and Servicing functions. The names of persons or entities whose conduct presents risks to Freddie Mac, as determined by Freddie Mac in its sole discretion, may be placed on the Exclusionary List, in which case such persons or entities are prohibited from doing business with Freddie Mac in any role described in Section 3101.1(b).

(b) Use of the Exclusionary List

The Seller/Servicer must use the Exclusionary List only for the following purposes:

(i) Screen parties involved in the origination of the Mortgage

Prior to the sale of each Mortgage to Freddie Mac, the Seller must use the Exclusionary List to determine whether, as of the Note Date, a person or entity whose name is on the Exclusionary List performed any of the following roles in the origination of the Mortgage or in the underlying real estate transaction:

- Borrower(s)
- Property seller(s)
- Mortgage loan originator and loan origination company, including but not limited to loan officers, third party originators, retail lenders, mortgage brokers and correspondents
- Real estate agent(s) and real estate company(ies)
- Settlement agent or the individual listed as the settlement agent on the Settlement/Closing Disclosure Statement
- Settlement company
- Appraiser and appraisal company

If a party whose name is on the Exclusionary List performed one of the listed roles in the origination of a Mortgage or the underlying real estate transaction, the Mortgage is not eligible for sale to Freddie Mac.

(ii) Screen parties involved in sales, quality control, loan production, processing, underwriting and Servicing functions for Freddie Mac Mortgages

The Seller/Servicer must use the Exclusionary List to confirm that none of the Seller/Servicer's own employees engaged in the sales, quality control, loan production, processing, underwriting or Servicing of Freddie Mac Mortgages are on the Exclusionary List. This prohibition includes both the Seller/Servicer's own employees and any third parties to whom sales, quality control, loan production, processing, underwriting or Servicing functions regarding Freddie Mac Mortgages are outsourced or assigned. The Seller/Servicer must screen new employees involved in the aforementioned activities against the Exclusionary List at the time of hiring and at least twice a year thereafter.

The Seller/Servicer must also confirm that any buyer of a short sale property is not on the Exclusionary List.

Prohibited roles in sales functions include, without limitation, parties involved in the delivery of Freddie Mac Mortgages. Prohibited roles in quality control functions include, without limitation, those reviewing eligibility of Freddie Mac Mortgages and those involved in reporting adverse findings to Freddie Mac.

(c) Process for placement on the Exclusionary List

Freddie Mac will generally provide an individual or entity with written notice of any proposed placement of their name on the Exclusionary List, along with an opportunity to submit a written response. However, Freddie Mac may determine, in its sole discretion, that circumstances require immediate placement of a person or entity's name on the Exclusionary List, without prior written notice. Examples of grounds for placement on the Exclusionary List include, without limitation:

- Fraud or possible fraud
- Misrepresentations, misstatements or omissions of facts
- Theft or misappropriation of funds
- Willful or reckless violation of statutory or regulatory requirements
- Business practices that Freddie Mac determines present risks to Freddie Mac
- Lack of business controls to ensure the integrity of the Mortgages sold to or serviced for Freddie Mac
- Evidence that demonstrates a lack of integrity or business competence
- Other grounds that in Freddie Mac's judgment may adversely affect Freddie Mac

Freddie Mac, in its sole discretion, will render a final decision regarding placement on the Exclusionary List after reviewing any response submitted by the proposed individual or entity.

(d) Seller warranties regarding the Exclusionary List

The Seller represents and warrants that, as of the Note Date, no person or entity whose name is listed on the Exclusionary List performed a role designated in Section 3101.1(b)(i) in the origination or sale of the Mortgage to Freddie Mac or in the underlying real estate transaction

The Seller represents and warrants that no person or entity whose name is listed on the Exclusionary List performed a role in the sales, quality control, loan production, processing, underwriting or Servicing functions as set forth in Section 3101.1(b)(ii) at any time.

Furthermore, the Seller represents and warrants that it will maintain sufficient controls, and supporting documentation of such, to meet this warranty obligation.

(e) Waiver of Seller warranties regarding the Exclusionary List

Before the Funding Date, a Seller may contact Freddie Mac to request a waiver of the warranty requirements of Sections 3101.1(d) and 1301.8(a)(8) with respect to a particular Mortgage. The Seller should make such request to the Freddie Mac Exclusionary List mailbox at **EList_Confirmation@FreddieMac.com**.

The Seller must inform Freddie Mac of the nature and extent of the role played in connection with the Mortgage by the person or entity whose name is on the Exclusionary List and must provide other relevant information, upon request. If Freddie Mac elects to grant the waiver, Freddie Mac will provide to the Seller written notice of such election, in which case the warranty concerning the involvement of an excluded person or entity will not be applicable to the sale of the Mortgage. All other requirements of the Purchase Documents relating to the sale of the Mortgage will remain in full force and effect. Freddie Mac's decision regarding the waiver of any warranties is within its sole discretion.

(f) Servicer warranties regarding the Exclusionary List

The Servicer represents and warrants that no individual or entity on the Exclusionary List will perform a role in any Servicing or quality control functions relating to a Mortgage. This prohibition includes both the Servicer's own employees and any third parties to whom Servicing or quality control functions regarding Freddie Mac Mortgages are outsourced or assigned. The Servicer further warrants that the buyer of a short sale property is not on the Exclusionary List.

Furthermore, the Servicer warrants that it will maintain sufficient controls, and supporting documentation of such, to meet this warranty obligation.

(g) Waiver of Servicer warranties regarding the Exclusionary List

The Servicer must contact Freddie Mac to request a written waiver prior to performing a function or entering into a transaction that would violate the Servicer's warranties set forth in Section 3101.1(f).

The Servicer should make such request to the Freddie Mac Exclusionary List mailbox at **EList_Confirmation@FreddieMac.com**.

As part of the request, the Servicer must inform Freddie Mac of the nature and extent of the role played in the proposed transaction by the person or entity whose name is on the Exclusionary List, and must provide other relevant information upon request. If Freddie Mac elects to grant the waiver, Freddie Mac will provide to the Servicer written notice of such election, in which case the warranty concerning the involvement of an excluded person or entity will not be applicable to such transaction. All other requirements of the Purchase Documents relating to the Servicing of the Mortgage will remain in full force and effect. Freddie Mac's decision regarding the waiver of any warranties is within its sole discretion.

(h) Reporting obligations of the Seller/Servicer

The Seller/Servicer must immediately report the discovery of any possible breach of warranties regarding the Exclusionary List contained in Section 3101.1 to the Freddie Mac Exclusionary List mailbox at **EList_Confirmation@FreddieMac.com**.

(i) Confidentiality and use of the Exclusionary List

The Exclusionary List and the identities of the persons and entities on the Exclusionary List whose names are not publicly available are considered "Freddie Mac Confidential Information" for the purposes of Section 1201.8. The Seller/Servicer represents and warrants that it will keep the Exclusionary List confidential in accordance with the terms and conditions of Section 1201.8. The Seller/Servicer may use the Exclusionary List only as required in Section 3101.1(b) and may not use or disclose the Exclusionary List for any other purpose without first obtaining Freddie Mac's written permission. The Seller/Servicer agrees to indemnify Freddie Mac for any loss, damage, or expense resulting from its failure to maintain the confidentiality of the Exclusionary List or information contained on the Exclusionary List.

(j) Access to the Exclusionary List

The Exclusionary List is updated at least monthly and is electronically available to Seller/Servicers at **https://sf.freddiemac.com/fmel** and through various Freddie Mac systems, including Freddie Mac Loan Advisor®. The Seller/Servicer must use only the most current version of the Exclusionary List, and must obtain an authorized ID and password to access the Exclusionary List. Additional information on how to access the Exclusionary List may be obtained by calling 800-FREDDIE or contacting their Freddie Mac account representative.

(k) Remedies

Freddie Mac's remedies for a breach of the warranties, obligations or requirements of the Seller/Servicer regarding the Exclusionary List include all remedies available to Freddie Mac under the Purchase Documents including, without limitation, suspension or termination of the Seller or Servicer, and repurchase of the Mortgage.

3101.2: FHFA Suspended Counterparty Program (03/02/16)

FHFA maintains a Suspended Counterparty Program (SCP) and requires Freddie Mac to refrain from and/or cease conducting business with individuals and entities listed on FHFA's SCP list ("Named Parties"), subject to any conditions or exclusions set forth in an applicable Named Party's final suspension order.

Freddie Mac requires Seller/Servicers to establish and maintain procedures to ensure they do not employ or contract with Named Parties for any purpose directly related to the origination,

underwriting, or Servicing of a Freddie Mac Mortgage, subject to any conditions or exclusions set forth in an applicable SCP Named Party's final suspension order.

A Seller may not sell any Mortgage to Freddie Mac and a Servicer may not engage in any Servicing activity in connection with a Freddie Mac Mortgage in which a Named Party is a necessary signatory on the Note, Security Instrument, modification agreement, deed of sale (e.g., short sale, third-party sale, etc.) or other Servicing-related contract related to such Mortgage, subject to any conditions or exclusions set forth in the applicable Named Party's final suspension order.

Seller/Servicers are responsible for reviewing FHFA's SCP list and related final suspension orders, which can be found on FHFA's website at **http://www.fhfa.gov/SupervisionRegulation/LegalDocuments/Pages/SuspendedCounterpartyProgram.aspx**.

Chapter 3201: Fraud Prevention, Detection and Reporting; Reporting Other Suspicious Activity

3201.1: Prevention and detection (03/02/16)

The Seller/Servicer must have comprehensive practices and procedures to prevent and detect fraud throughout each stage of the origination and Servicing of a Mortgage and in related real estate transactions.

This section identifies basic fraud prevention and detection requirements related to:

- Employee hiring and training
- Origination and Servicing
- Seller/Servicer's in-house quality control program

Freddie Mac encourages Seller/Servicers to implement additional practices and procedures, as deemed necessary, in order to ensure that an effective fraud prevention and detection plan is in place.

(a) Hiring and training

The Seller/Servicer must have screening and hiring practices in place to ensure the integrity of its employees. Employees and any entity or individual engaged to handle or perform functions typically handled by employees, and in a position to notice or report fraud and suspected fraud, must receive training in each applicable area of its mortgage business about:

- Common and emerging fraud schemes
- Red flags that may signal fraud and the need for more review

Also, the Seller/Servicer must communicate its procedures (including requirements of this chapter) for prevention, detection and reporting of fraud and suspected fraud to employees as well as entities and individuals referenced above.

Parties engaged to handle or perform functions typically performed by employees and in a position to notice or report fraud or suspected fraud may include parties such as contract underwriters, contract processing services (including loan processors), contract quality control firms, Borrower outreach companies, loss mitigation services and collection companies.

The training must include periodic updates no less frequently than on an annual basis to ensure that employees and parties referenced above are aware of emerging fraud scenarios.

The Seller/Servicer must either provide the training directly, hire a third party to provide the training, or obtain an annual written verification from the engaged entity or individual confirming that training has already been received from another party in accordance with the requirements of this section.

(b) Origination and Servicing

The Seller/Servicer must take the following minimum steps to prevent and detect fraud in the areas of origination and Servicing:

- Ensure that information indicating suspected fraud that is received from any source including, but not limited to, Borrowers and participants in the Mortgage and related real estate transactions, is escalated internally and properly investigated

- Ensure that information indicating suspected fraud that is received from any source in connection with Servicing functions relating to a Mortgage or REO including, but not limited to, any loss mitigation activities or transactions, such as forbearance plans, loan modifications, foreclosures, deeds-in-lieu of foreclosure or short sales of the underlying property, is escalated internally and properly investigated

- Investigate unusual patterns or discrepancies or other red flags, such as first and early-payment defaults

- Comply with Section 3101.1 regarding screening through the Freddie Mac Exclusionary List

- Comply with all other Guide provisions relating to fraud prevention and detection

It is also important for Seller/Servicers to know the parties with whom they do business.

- Sellers must approve, evaluate and monitor Mortgage Brokers, Correspondents, Mortgage Service Providers, and appraisers

- Servicers must approve, evaluate and monitor appraisers and any third party to whom Servicing functions relating to a Mortgage or REO are outsourced or assigned including, but not limited to, any loss mitigation activities or transactions such as foreclosures, deeds-in-lieu of foreclosure or short sales of the underlying property

(c) Seller/Servicer's in-house quality control program

Pre- and post-funding quality control reviews are an integral part of fraud prevention and detection in the mortgage process.

Specifically, the Seller/Servicer must:

- Use discretionary samples to evaluate the work of a particular employee or Mortgage transaction participant when there is a reason to suspect fraud

- Target and sample loans to better identify and highlight potential trends such as early payment defaults or other red flags that could indicate suspected fraud

- Comply with all other Guide provisions relating to quality control reviews

The Seller/Servicer must periodically update its quality control policies and procedures to address emerging fraud scenarios.

3201.2: Fraud and other Suspicious Activity reporting requirements (11/04/24)

This section contains requirements related to:

- Procedures for reporting and what to report
- Reporting within 30 days
- Immediate notification and reporting
- Use of the Tip Referral Tool

(a) Procedures for reporting and what to report

The Seller/Servicer must have in place a written program with written procedures for detecting, identifying and reporting fraud, suspected fraud and other Suspicious Activity in connection with a Mortgage sold to, or serviced for, Freddie Mac and discovered at any time including, but not limited to, during origination, quality control reviews, Servicing activities or loss mitigation efforts.

The Seller/Servicer must report to Freddie Mac when the Seller/Servicer has a reasonable belief that one of the following is occurring or has occurred during the origination, sale or Servicing of a Mortgage (including, but not limited to, any loss mitigation activity):

- Misrepresentation, misstatement or omission related to the Borrower including, but not limited to, identification, employment, income, assets, sources of funds, indebtedness and property occupancy

- Misrepresentation, misstatement or omission related to the Mortgaged Premises including, but not limited to, property valuation, property value and property use

- Misrepresentation, misstatement or omission of any other information related to a Mortgage or the underlying real estate transaction including, but not limited to, undisclosed Seller or other third-party incentives, loan performance, Mortgage purpose, kickbacks, undisclosed relationship between parties to the transaction when Freddie Mac requires that the transaction be an "arm's length" transaction

- A person or entity on the Freddie Mac Exclusionary List is involved or was involved in the origination, sale or Servicing of the Mortgage or in the underlying real estate transaction in violation of Section 3101.1

- A person or entity on the FHFA Suspended Counterparty Program list is involved or was involved in the origination, sale or Servicing of the Mortgage or in the related real estate transactions in violation of Section 3101.2

- Termination or denial of mortgage insurance based on fraud

Before notifying Freddie Mac about any fraud, suspected fraud or other Suspicious Activity, a Seller/Servicer must conduct appropriate due diligence to determine whether a reasonable basis exists to conclude that fraud or Suspicious Activity may have occurred, regardless of whether a breach of the Guide occurred.

The Seller/Servicer must maintain records of fraud types and trends, fraud cases and positive Exclusionary List hits in accordance with its retention policies, which must be shared with Freddie Mac upon request.

(b) Reporting within 30 days

If the Seller/Servicer discovers a misrepresentation, misstatement or omission that affects the eligibility of a Mortgage sold to Freddie Mac:

- During a quality control review, the Seller/Service must notify Freddie Mac within 30 days after the date the quality control results are reported in writing to the Seller/Servicer's Senior Management, in accordance with the reporting requirements in Section 3402.10;

- By any means other than a quality control review, the Seller/Servicer notify Freddie Mac within 30 days after discovery

The Seller/Servicer must report all information identified in Section 3201.2(a) through Freddie Mac's Tip Referral Tool, located in Freddie Mac Loan Advisor® and **Servicing Gateway**.

(c) Immediate notification and reporting

In addition to the above 30-day reporting requirements of Section 3201.2(b), the Seller/Servicer must notify Freddie Mac within one Business Day after:

- Becoming aware of theft of custodial funds, lack of collateral, non-remittance of pay-off funds or multiple deliveries of the same Mortgage

- Determining there is a substantial likelihood that the fraud or suspected fraud or other Suspicious Activity will receive significant public exposure or publicity

- Receiving notification of the entry of a civil judgment, guilty plea or criminal conviction indicating lack of integrity and relating to a participant in a Mortgage or the underlying real estate transaction, or relating to a board member, officer, employee or contractor of the Seller/Servicer

- Receiving notification from law enforcement or another governmental authority that such authority is conducting an investigation or prosecution of fraud relating to Mortgages owned by, or serviced for, Freddie Mac or relating to a board member, officer, employee or contractor of the Seller/Servicer

- Identifying a possible fraud scheme or pattern of Suspicious Activity involving (i) more than five Mortgages sold to, or serviced for, Freddie Mac, or (ii) Mortgages sold to, or serviced for, Freddie Mac with an aggregate UPB of at least $1 million

- Identifying actual or possible terrorist financing or ongoing or possible money laundering schemes or activity

To notify Freddie Mac immediately, the Seller/Servicer must submit a referral through the Tip Referral Tool.

Seller/Servicers are not required and must not disclose to Freddie Mac any Financial Crimes Enforcement Network Suspicious Activity Reports (SARs) or draft SARs, documents or information revealing the existence of a SAR or indicating whether or not a SAR has been filed, or where disclosure of Suspicious Activity would otherwise be prohibited by law.

(d) Use of the Tip Referral Tool

Seller/Servicers must report all Mortgage fraud, suspected Mortgage fraud and other Suspicious Activity using the Tip Referral Tool. Referrals made through the Tip Referral Tool must include at a minimum:

- Freddie Mac loan number

- Property address

- Mortgage fraud/Suspicious Activity type and category

- Parties involved

- Supporting documentation
- A narrative detailed description of the activity, including why it has been deemed suspicious or fraudulent. (Seller/Servicers should not include protected personal information, such as Social Security numbers, in the narrative description.)
- Any other required information as identified in the Tip Referral Tool

3201.3: Cooperation requirements (09/11/24)

The Seller/Servicer must cooperate with Freddie Mac to prevent and investigate fraud and other Suspicious Activity. Cooperation includes making available to Freddie Mac individuals with knowledge of relevant facts. Cooperation also includes providing and assisting Freddie Mac, when permitted by law, in obtaining all information, documentation and records requested by Freddie Mac relating to a Mortgage and related real estate transactions including, but not limited to, closing or settlement agent files, Mortgage files, Borrower payment records and reverifications of employment, income, occupancy and assets and any internal or external communications. The Seller/Servicer must provide all information requested by Freddie Mac within 14 days of receiving the request.

3201.4: Additional requirements (09/11/24)

Seller/Servicers are reminded of their continuing obligation to comply with all applicable federal, State and local laws, including those relating to fraud and anti-money laundering (see Section 1301.2). Also, Seller/Servicers must document their procedures for fraud prevention, detection and reporting, and detection and reporting of Suspicious Activity, including the requirements of this chapter, and must make these procedures available to Freddie Mac upon request.

Seller/Servicers must implement fraud risk management processes and controls, which may include screening software/tools and monitoring. Procedures must be in place to identify and track fraud trends, volume of potential fraud (such as number of fraud incidents and Exclusionary List hits) and Suspicious Activity and fraud alert review and resolution.

3201.5: Additional fraud mitigation resources (06/02/21)

Seller/Servicers can access information on preventing, detecting and investigating potential mortgage fraud and other suspicious activity on Freddie Mac's website at **https://sf.freddiemac.com/working-with-us/fraud-prevention/overview**.

Seller/Servicers may also consult the Freddie Mac fraud hotline at 800-4FRAUD8 (800-437-2838) for additional information or the **Freddie Mac Exclusionary List**.

Chapter 3301: Mortgage File Contents

3301.1: Mortgage file (06/07/23)

The Seller (if it services the Mortgage for Freddie Mac) and any Transferee Servicer must maintain the Mortgage file in accordance with Chapter 3302 for so long as each services the Mortgage for Freddie Mac. The Mortgage file must contain all applicable documents listed in Chapter 3401 and in this chapter. Sellers that sell Mortgages under the Servicing-Released Sales Process must comply with the Mortgage file and related data retention requirements set forth in Exhibit 28A, Loan Servicing Purchase and Sale Agreement for Cash-Released XChange®.

Except with respect to Mortgages sold under the Servicing-Released Sales Process as set forth above, for convenience with Transfers of Servicing, the Transferor Servicer may maintain copies of the Mortgage file content.

Sellers and Transferor Servicers that retain copies of any or all of the Mortgage file must do so until the later of seven years after all associated representation and warranty obligations expire as set forth in Loan Coverage Advisor® or after any Transfer of Servicing. The Mortgage file, its contents and any copies (and all associated data and information, whether stored electronically or otherwise) are and remain at all times the property of Freddie Mac. See Section 1201.9 for additional information regarding Freddie Mac's ownership of the Mortgage file, Mortgage data and related records in the possession of a Servicer.

The Seller may redact or delete the Borrower's Social Security number from all documents in the Mortgage file, provided that the Seller:

- Delivers to Freddie Mac a complete Social Security number for each Borrower as required in Section 6302.9,
- Delivers unredacted documents to Freddie Mac whenever the Mortgage file is submitted to Freddie Mac for quality control review in accordance with Section 3401.1,
- Maintains the Borrower's Social Security number in its electronic files as part of the Mortgage file, and
- Provides the Servicing Transferee with the Borrower's Social Security number in connection with any Transfer of Servicing

3301.2: Security Instrument (02/07/24)

For Security Instruments that were recorded in paper format, the Mortgage file must contain either:

- The original paper Security Instrument with recordation notation, or

- A paper or Electronic (as defined in Section 1401.2) copy of the Security Instrument, with recordation notation on the copy of the Security Instrument or in a separate document maintained with such copy

If the Seller/Servicer maintains an Electronic copy of the Security Instrument (as noted above), it must comply with the requirements set forth in Section 3302.2(b).

If the Security Instrument was electronically recorded, the Seller/Servicer must comply with the requirements set forth in Sections 1401.14 and 1401.15 related to Electronic Recording of paper Closing Documents and Electronic Recording of Electronic Closing Documents, respectively.

If the Mortgage is secured by a Manufactured Home, see Section 5703.4(c).

3301.3: New York Consolidation, Extension and Modification Agreement (05/01/20)

For Mortgages secured by property in New York State that are documented using a New York Consolidation, Modification and Extension Agreement (NY CEMA), the Mortgage file must contain the following:

- A copy of the Consolidated Note showing all endorsements

- Unless Original Notes are required by Section 3401.3, copies of the Original Old Money Note and any Original New Money (Gap) Notes

- Original NY CEMA, with recordation notation. Where recorders keep the original documents, a copy certified by the recorder will suffice.

For Mortgages secured by property in New York State that are documented using an NY CEMA Form 3172, 1/01 or Form 3172, 1/01 (rev. 5/01), the Mortgage file must contain the following additional documents:

- If the most recent prior Mortgage was originated as a consolidated Mortgage using NY CEMA Form 3172, 1/01 or Form 3172, 1/01 (rev. 5/01), the NY CEMA with all exhibits attached from the prior consolidation, the original Consolidated Note from the prior Consolidation, the Original Old Money Note, and the Original New Money (Gap) Note, and, if new funds were advanced to the Borrower at the time of the current consolidation, the Original Old Money Note and Original New Money (Gap) Note, if applicable, must be the original Note signed by the Borrower and endorsed in blank.

- If the most recent prior Mortgage was originated as a consolidated Mortgage using the NY CEMA Form 3172 7/86, the Original Old Money Note, the NY CEMA with all exhibits

attached from the prior Consolidation, the Original New Money (Gap) Note, and if new funds were advanced to the Borrower at the time of the current consolidation, the Original Old Money Note and Original New Money (Gap) Note, if applicable, must be original Notes signed by the Borrower and endorsed in blank.

- If the most recent prior Mortgage was not originated using an NY CEMA Form 3172, 1/01, Form 3172, 1/01 (rev. 5/01), or Form 3172 7/86 (that is, the most recent prior Mortgage was not a consolidated Mortgage), the Original Old Money Note, and the Original New Money (Gap) Note, and, if new funds were advanced to the Borrower at the time of the current consolidation, the Original Old Money Note and Original New Money (Gap) Note, if applicable, must be original Notes signed by the Borrower and endorsed in blank.

3301.4: Assignment instrument (05/01/20)

The Intervening Assignments must be sent to and held by the Document Custodian, unless the Mortgage is registered with (MERS®) and the Seller/Servicer has elected to retain all assignments for MERS-registered Mortgages in the Mortgage files. The Seller/Servicer must supply its Document Custodian with documents indicating that the Seller/Servicer has elected to hold all assignments in the Mortgage files.

See Section 6301.8 for additional information.

3301.5: Power of attorney (03/04/20)

If the Note was executed by a person acting as attorney-in-fact pursuant to authority granted by a Borrower under a power of attorney, except for eMortgages, the copy of the power of attorney must be attached to the copy of the Note kept in the file. Refer to Section 6301.4 for documentation delivery requirements for powers of attorney and to Section 1402.8(a) for eMortgage delivery requirements.

3301.6: Plat of survey (03/02/16)

The file must contain a plat of survey, if required by Section 4702.2(e).

3301.7: Property insurance policies (03/02/16)

The file must contain property insurance policies, properly endorsed, or suitable evidence of insurance as described in Section 8202.8, unless the Seller/Servicer carries Mortgage impairment insurance instead of maintaining possession of property insurance policies.

3301.8: Assurance of water supply (03/02/16)

If the Mortgaged Premises are dependent for assurance of an adequate supply of water on a water or irrigation company that supplies water only to its shareholders, the file must contain a stock certificate, duly endorsed to Freddie Mac, entitling the property owner to an adequate supply of water.

3301.9: Mortgage insurance policy (03/02/16)

If the Mortgage is required to be insured, the file must contain the mortgage insurance policy or proof of insurance.

3301.10: Leasehold estate (07/25/18)

Documents affecting the leasehold estate, if any, securing the indebtedness must be included in the file. This includes an original executed or certified copy of the lease containing the recordation location.

3301.11: Additional documentation to be retained in Mortgage file (11/04/20)

The Seller/Servicer must retain in the Mortgage file all other Mortgage-related documents, including any documents required under the Guide or other Purchase Documents, requested by Freddie Mac or otherwise commonly maintained in files of private institutional mortgage investors or servicers.

For each Mortgage secured by a Condominium Unit or a unit in a Planned Unit Development (PUD), or, for each Cooperative Share Loan, the Seller/Servicer must retain additional documentation required by Freddie Mac (e.g., for a Mortgage secured by a Condominium Unit, the declaration of condominium, bylaws and regulations, etc.). The Seller/Servicer agrees to deliver the documentation at its own expense to Freddie Mac when requested. Unless specifically required by the Seller's Purchase Documents, the documentation pertaining to a project does not need to be maintained in a Mortgage file. For Cooperative Share Loans, also see Section 5705.11(c).

The Taxpayer First Act requires that the taxpayer's consent be obtained prior to any disclosure of the taxpayer's tax return or tax return information to a third party. If consent is required under the Act, the signed consent form must be obtained in a timely manner and placed in the Mortgage file.

In addition, the Servicer must retain a copy of the signed consent form in the Mortgage file for each Mortgage for which a Servicer obtains tax return information on or after December 28, 2019 as part of its Servicing activity for a Mortgage owned or securitized by Freddie Mac.

Chapter 3302: Mortgage File Retention

3302.1: Maintaining Mortgage file (03/02/16)

The Servicer must maintain an individual file for each Mortgage serviced for Freddie Mac. The file must contain all documents required to be held by the Seller, as stated in Chapter 3301 of this Guide, as well as all legal notices, correspondence, forms and reports concerning the Mortgage and the Mortgaged Premises or REO.

The Servicer must also maintain adequate records of collection efforts and make the records available for Freddie Mac's inspection on request. At a minimum, the records must show:

- The dates when letters and notices were mailed
- Dates and results of all collection activities with Borrowers
- Reasons for prior and current defaults
- Terms of any arrangements for curing the Delinquency and/or providing alternatives to foreclosure
- Documentation of property inspections, as required in Section 9202.11

3302.2: Form of Mortgage file documents (02/07/24)

(a) Paper originals

The Servicer must maintain the paper original of each of the following documents:

- The certificate of title, with the lien properly noted, if the Mortgage is secured by a Manufactured Home in a certificate of title State where there is no procedure for canceling the certificate of title. In jurisdictions where applicable law requires the owner of the Manufactured Home to retain the original certificate of title, the Servicer may maintain a copy of the original certificate of title. Refer to Section 5703.4(c)(iii).
- If not electronically recorded in accordance with Sections 1401.14 or 1401.15, the recorded assignment of the Mortgage to MERS®, if applicable, and any Intervening Assignments, if the Servicer has elected to retain the assignments for MERS-registered Mortgages
- For Mortgages documented using a New York Consolidation, Extension and Modification Agreement (NY CEMA), the Original Old Money Notes, Original New

Money Notes (Gap Notes) and, if applicable, Original Consolidated Notes from prior consolidations as required by Sections 4101.5, 3401.3 and 3301.3

The above documents and the Mortgage file must be kept in a fire-resistant storage area. Freddie Mac may, at any time, require that, at the Servicer's expense, the Servicer or the Document Custodian affix the Freddie Mac loan number to the face of each Note.

In addition to maintaining the paper original of the documents above, the Servicer should maintain back-up paper or Electronic (as defined in Section 1401.2) copies of such original paper documents in the Mortgage file.

(b) Security Instruments

The Mortgage file must contain the Security Instrument in accordance with Section 3301.2.

When stored as paper documents, such Security Instruments must be stored and maintained in the same manner as the original paper documents in Section 3302.2(a) above.

When such Security Instruments are stored as Electronic Mortgage file documents, the Servicer:

- Agrees that it will promptly obtain, at the Servicer's expense, certified paper or Electronic copies from the recorder's office of any recorded Security Instrument whenever:
  - Necessary for the Servicing of such Mortgages; or
  - Required by Freddie Mac, in its sole discretion

    Note: Such requests would ordinarily be on a case-by-case basis, unless Freddie Mac requires the Servicer to obtain certified copies of all such recorded Security Instruments to protect Freddie Mac's interests and enforce its rights.
- Agrees that, as a Transferor Servicer, it will inform any prospective Transferee Servicer that certain Mortgages have Electronic copies of the Security Instruments that:
  - Are stored electronically in the Servicer's Electronic storage System (as defined in Section 1401.2) for Mortgage file documents ("eStorage System"); and
  - Would be electronically transferred to the Transferee Servicer's eStorage System, if applicable, as part of any Transfer of Servicing, subject to the requirements in Section 7101.8(a)(i) under which the Transferor Servicer may be required to convert the documents and records to the form of storage utilized by the Transferee Servicer or generate paper copies of all documents and records for the Transferee Servicer
- Represents and warrants to, and covenants with, Freddie Mac that:

- ❑ The Electronic storage of Electronic copies of the Security Instruments will not in any way adversely affect the validity, enforceability or effectiveness of the Security Instruments

- ❑ The Electronic copies of the Security Instruments comply with all applicable laws, including, without limitation, E-SIGN and the UETA; and

- ❑ All Security Instruments that have been recorded have:

  - ■ Created valid First Liens on the related Mortgaged Premises; and

  - ■ Been copied as Electronic Records and the Servicer has securely stored, protected and maintained such Electronic Records, showing recordation information, in the Servicer's eStorage System

- ■ Indemnifies and holds Freddie Mac harmless from any delay in enforcement of the Mortgages and any failure or inability to collect amounts due under any Mortgage, in addition to any costs, loss, damages, expenses, legal fees, or any costs of any kind which arise out of or occur in connection with or as a result of the Servicer's decision to not store the original recorded Security Instruments as paper Mortgage file documents; and

- ■ Agrees to secure and protect all Electronic copies of the Security Instruments with recordation information or Recording Confirmation(s) with recording information in the Servicer's eStorage System and maintain the validity, effectiveness and enforceability of such Electronic Mortgage file documents for the life of each Mortgage plus seven years

If the original Security Instrument was electronically recorded, the Seller/Servicer must comply with the requirements set forth in Sections 1401.14 and 1401.15 related to Electronic Recording of paper Closing Documents and Electronic Recording of Electronic Closing Documents, respectively.

If the copies of the recorded Security Instruments are Electronic Records, the Servicer must also maintain copies (paper or Electronic) of the original recorded Security Instruments in the Mortgage file at a storage area that is geographically remote from and not susceptible to the same disasters as the primary storage facility site.

(c) Reproductions of original paper documents

Except for the documents noted above, which must be maintained as paper originals or in the same manner as paper originals, the Servicer may maintain paper or Electronic copies of Mortgage file documents reproduced from the original paper documents by any photographic, photostatic, microfilm, microfiche, electronic imaging, optical disk or laser disk storage process; provided that:

- ■ The copies are allowed under laws or regulations to which the Servicer is subject and in the jurisdiction where the Mortgaged Premises are located

- The Servicer has a written opinion of its counsel that the copies are admissible evidence in court

- The copies were made in the regular course of business pursuant to a written policy of the Servicer applicable to all its Mortgage files

- The copies were made by a process that accurately reproduces or forms a durable medium for reproducing the originals

- If the Servicer maintains Electronic copies of such paper Mortgage file documents, the Servicer must store such Electronic copies in a manner that preserves (i) the view (visual computer screen image or printed paper image) of such Electronic documents and any data contained in or associated with the Electronic document for the life of each associated Mortgage plus seven years

- The Servicer maintains Systems, as defined in Chapter 1401, on the premises where the copies are kept, that permit the viewing or reading of the copies and the reproduction of such copies into legible paper copies. The Servicer must make such Systems available for use by Freddie Mac's representatives as needed.

- Servicers may not make copies of original paper Mortgage file documents for any Mortgage file documents (excluding the paper original Mortgage file documents noted above, which must always be maintained and stored as paper originals) using microfilm or microfiche for Mortgages with Note Dates after June 30, 2013. Servicers may copy original paper Mortgage file documents using scanning systems and maintain copies of such documents as Portable Document Format (PDF), Tagged Image File (TIF) format, Joint Photographic Experts Group (JPEG) format or other Electronic document formats commonly used in the regular course of business.

(d) Electronic Mortgage file documents

If any of the Servicer's Mortgage files contain: (i) some Electronic Mortgage file documents that were paper and (ii) some Electronic Mortgage file documents that were originally created as Electronic documents, as permitted by Chapter 1401 or elsewhere in the Servicer's Purchase Documents, and the Servicer determines that it is a business necessity to convert such Electronic Mortgage file documents to a different Electronic document format (e.g., due to technological innovation, changes to the Servicer's Systems, merger of the Servicer with a Servicer that has different Systems, or a Transfer of Servicing to a Servicer with different Systems), such Electronic Mortgage file documents may be converted to another Electronic document format; provided that the view (visual computer screen image) of and the content (data contained in or associated with the Electronic documents) in the Electronic Mortgage file documents are not altered, garbled, lost or destroyed.

(e) Additional document retention and Document Custodian requirements

In addition to the requirements set forth above, Servicers must comply with the document retention and Document Custodian requirements set forth in Sections 9206.17, 9205.11(b) and 9205.20.

3302.3: Mortgage file control and identification (05/01/20)

Regardless of the form in which Mortgage files and records are kept, the Servicer must have control and identification features in place to:

- Permit ready identification of the Freddie Mac loan number assigned to each Mortgage serviced for Freddie Mac
- Permit ready identification of which Mortgages are MERS®-registered and of those that are closed with MERS as original mortgagee of record
- Permit prompt retrieval and, if applicable, delivery to Freddie Mac of a file or individual components of a file by Freddie Mac loan number
- Permit prompt preparation and delivery to Freddie Mac of scheduled and unscheduled reports that Freddie Mac may require by Freddie Mac loan number

If, for any reason, Freddie Mac changes a loan number, the Servicer must upon notice promptly make the necessary changes to the applicable Mortgage file and records to reflect the new Freddie Mac loan number and instruct its Document Custodian to take similar action.

The Servicer must maintain the Mortgage file while Freddie Mac retains an interest in the applicable Mortgage and for at least seven years from the date Freddie Mac's interest in the Mortgage is satisfied.

If the Mortgage was paid in full, the Mortgage file must contain a copy of the canceled Note. If the Mortgage was repurchased by the Servicer to effectuate a Transfer of Ownership that is not allowed by or does not meet Freddie Mac's requirements, the Mortgage file must contain a copy of the executed Transfer of Ownership or assumption/release of liability instrument.

3302.4: Damage or loss of Mortgage file (05/01/20)

The Servicer must bear the entire cost of promptly restoring Mortgage files and related documents and records damaged or lost for any reason.

3302.5: Transfer of Mortgage files; security of Mortgage file information (05/01/20)

Freddie Mac may at any time require the Servicer to deliver the following documents to a Document Custodian approved by Freddie Mac or a transferee designated by Freddie Mac:

- Any original Note, Security Instrument, assignment and modifying instrument still in the Servicer's custody

- Any Mortgage file, document within a Mortgage file or other related documents and records in the Servicer's or its Document Custodian's custody, whether maintained as originals or as copies in accordance with Section 3302.2

The Servicer may, without Freddie Mac's prior approval, entrust custody of all or part of the Mortgage file to the Document Custodian holding Notes and assignments under Section 2202.2. When requested, the Servicer must be able to identify to Freddie Mac those file items held by the Document Custodian and document to Freddie Mac the Document Custodian's acknowledgment that such file items:

- Are Freddie Mac's property

- Will be maintained by the Document Custodian according to standards at least equal to those set in this chapter

- Will be maintained in such a way as to ensure the security and confidentiality of the information; protect against anticipated threats or hazards to the security or integrity of the information; and protect against unauthorized access to or use of such information

- Will be surrendered to Freddie Mac at any time Freddie Mac may request them

The Servicer agrees to indemnify Freddie Mac and hold Freddie Mac harmless for any loss, damage or expense (including court costs and reasonable attorney fees) that Freddie Mac may incur as a result of the Document Custodian's holding all or part of the Mortgage file.

The Servicer must maintain a copy (in a form allowable under Section 3302.2) of any original document that has been entrusted to the Document Custodian for safekeeping. If all or part of the Mortgage file is held by the Servicer's Document Custodian, the Servicer agrees to recover from the Document Custodian (at the Servicer's expense) and provide to Freddie Mac (at the place and within the time frame specified by Freddie Mac) any Document Custodian-held original document requested by Freddie Mac for the postfunding quality control detailed in Chapter 3301 or in conjunction with a Freddie Mac desktop or on-site review of the Servicer's Servicing operations.

Chapter 3401: Freddie Mac's Postfunding Quality Control Review

3401.1: Postfunding quality control (07/03/24)

(a) Defined terms

As used in this Section 3401.1, the following terms have the meanings ascribed to them below:

Component Based Review: Freddie Mac's postfunding quality control review of certain components of the Mortgage file. A Component Based Review does not constitute a Full-File Review.

Correction: Action taken by the Seller/Servicer, typically through delivery of documentation or information to Freddie Mac, that demonstrates that the identified Significant Defect (i) did not, in fact, exist at the time of Mortgage purchase, or (ii) has been corrected in the time frame and manner specified in the Purchase Documents such that the Defect is no longer considered by Freddie Mac to be a Significant Defect. Examples of Corrections include, but are not limited to, De Minimis Corrections and the acquisition of required insurance.

Counterparty Status: Freddie Mac's assessment of a Seller/Servicer's financial capacity which could determine which Remedy Freddie Mac will offer to a Seller/Servicer for a Mortgage with a Significant Defect.

Defect: A loan-level deficiency that breaches a term contained in the Purchase Documents in effect at the time of Mortgage purchase.

De Minimis Correction: Minor amount not to exceed $500 (or such higher amount as the Seller/Servicer and Freddie Mac may agree) that, when remitted, refunded, or otherwise provided, corrects or otherwise resolves an identified Significant Defect. A De Minimis Correction cannot be made: (a) in connection with any Mortgage where the correction would result in a specific required minimum Borrower contribution not being met, or (b) to correct a violation of the requirements set forth in the Freddie Mac Charter Act.

Finding: One or more Defects that, when considered with other Mortgage features, does not necessitate a change in the price of the Mortgage or result in the Mortgage being unacceptable even if the true and accurate facts about the Mortgage had been known at the time Freddie Mac purchased the Mortgage.

Full-File Review: Freddie Mac's postfunding quality control review of the full Mortgage file.

Price-Adjusted Loan ("PAL"): One or more Defects that, when considered with other Mortgage features, and based on the facts of the Mortgage as delivered to Freddie Mac, result in a Mortgage that was otherwise eligible for delivery to Freddie Mac had the correct data been delivered and Credit Fees been paid to Freddie Mac by the Seller/Servicer.

Remedy: An action to resolve a Significant Defect elected by Freddie Mac pursuant to the Purchase Documents in effect at the time of Mortgage purchase.

Repurchase Alternative: Remedies other than repurchase of the identified Mortgage. Repurchase Alternatives could include, but are not limited to:

Performing Loans	Non-Performing Loans
Recourse/repurchase agreement	Make-whole payment
Indemnification agreement	Split loss
Mortgage insurance stand-in agreement	Loss reimbursement
Collateralized indemnification agreements (collateral in lieu of repurchase or collateralized recourse)	

Significant Defect: One or more Defects that either necessitate a change to the price for which the Mortgage was purchased or result in the Mortgage being unacceptable for purchase had the true and accurate information about the Mortgage been known at time of purchase. Mortgages with Findings and PALs are not Mortgages with Significant Defects.

In determining whether there is a Significant Defect, Freddie Mac must give due consideration to the severity of the Defect. In addition, in order to be a Significant Defect, the Defect must relate to one of the following:

- The underwriting of the Borrower's creditworthiness and capacity (e.g., Borrower's income, Borrower credit/liabilities and Borrower assets) or Borrower eligibility and qualification (e.g., Area Median Income, First-Time Homebuyer, lawful presence in the United States)

- The underwriting criteria related to property or project eligibility (e.g., residential use and condominium eligibility), the property appraisal, or the physical condition of the Mortgaged Premises

- Mortgage or product terms and criteria (e.g., products that may require special Seller/Servicer approval as a prerequisite for delivery and the criteria described in the Purchase Documents such as loan-to-value (LTV) ratio, occupancy, Credit Score, Mortgage purpose and Mortgage Product, and terms such as ineligible transaction types

and limitations on cash out to the Borrower that determines the type of refinance) or any terms and criteria set forth in any negotiated provision)

- A life-of-loan representation and warranty (as described in Section 1301.11)

- Requirements applicable at time of Mortgage purchase (e.g., no defaults, all taxes and insurances have been paid or escrows established, and no modification, encumbrance, subordination or release of Mortgage)

- The warranties and obligations of Seller/Servicer set forth in Section 3101.1 regarding the Freddie Mac Exclusionary List or in Section 3101.2 regarding the FHFA Suspended Counterparty Program

- The existence, sufficiency or enforceability of any required insurance or guaranty, or

- The form and/or execution of Freddie Mac required Mortgage documents that without which make the Mortgage ineligible for sale or limit the enforceability of the required Mortgage terms (e.g., Uniform Residential Loan Application, power of attorney, Texas 50(a)(6) Mortgage documents or nonstandard and special purpose documents such as Living Trusts)

(b) General quality control policy

Freddie Mac reserves the right to conduct a postfunding quality control review of any Mortgage sold to Freddie Mac. This review may be a Component Based Review or a Full-File Review.

Freddie Mac will underwrite each Mortgage selected for postfunding quality control review to verify that the Mortgage:

- Is of investment quality (as defined in Section 4201.1)

- Is based on a determination that the Borrower has acceptable credit reputation and capacity

- Is secured by collateral that is adequate for the transaction, and

- Otherwise complies with Freddie Mac's underwriting guidelines and other requirements set forth in the Purchase Documents, including compliance with applicable anti-predatory lending laws

Freddie Mac's determination of whether a Mortgage is of investment quality and otherwise complies with all requirements of the Purchase Documents is conclusive, unless the IDR Process described in Section 3602.8 is elected, in which case the decision of the Neutral (as such term is defined in the IDR Document) shall be binding.

(c) FICO® scores

Freddie Mac obtains FICO scores for Mortgages purchased and uses such scores and the accompanying reason codes as one of the sampling criteria for postfunding quality control reviews. If the Seller delivers and documents an Indicator Score in accordance with the provisions of Section 5203.2(f), Freddie Mac will use the Seller-delivered score.

(d) Reviewing Accept Mortgages

For Accept Mortgages, the Borrower will be considered creditworthy and no further assessment of Borrower creditworthiness will be made in the postfunding review if:

- The Seller has submitted to Loan Product Advisor® all required information and has complied with the terms applicable to Accept Mortgages in the Guide
- The information submitted is true, complete, accurate and documented in the loan file

(e) Mortgage file submission requirements

Freddie Mac will notify the Seller/Servicer via e-mail that certain Mortgages have been selected for postfunding quality control review and will provide a checklist of documents that must be submitted to Freddie Mac for each selected Mortgage. Unless otherwise instructed by Freddie Mac, the Seller/Servicer must submit:

- All credit, income, employment, collateral and asset documentation used by the Seller to make the Mortgage underwriting decision
- The documents listed in Sections 3401.3 through 3401.30, as applicable
- The source documentation for any Indicator Score
- Any other documents listed on the checklist, and
- If requested by Freddie Mac, any other Mortgage-related documents that the Seller/Servicer is required to maintain in the Mortgage file including any documents required under the Guide or other Purchase Documents

In addition, for nonperforming Mortgages requested for postfunding quality control review, the checklist includes, among other things, records of all collection efforts, including Borrower contacts, property inspections, attempts to develop a workout plan and bankruptcy and/or foreclosure tracking logs and notes.

The Seller/Servicer must provide all documents indicated on the applicable postfunding quality control checklist in an electronic media format and file size as specified on the Quality Control webpage located at **https://sf.freddiemac.com/general/specifications-for-electronic-file-delivery-for-qc-loan-file-reviews**. Freddie Mac reserves the right, in its sole

discretion, to take any appropriate action if a Seller/Servicer does not deliver the required documents in accordance with the specified media format and file size requirements. Such action may include, but is not limited to, assessing a noncompliance fee to compensate Freddie Mac for costs incurred by having to manually process file deliveries.

All documentation sent to Freddie Mac, including documentation sent but not required, may be considered in the postfunding quality control review, with the exception of trended credit data, as described in Section 5202.3, which will not be considered by Freddie Mac. The Seller/Servicer is responsible for the accuracy and authenticity of all documentation in the Mortgage file.

Within 30 days after Freddie Mac requests a Mortgage file for postfunding quality control review, Freddie Mac must receive the requested Mortgage files containing all the specified documentation. If Freddie Mac does not receive the requested Mortgage file within that time frame, Freddie Mac may issue a repurchase request, and failure to submit a Mortgage file as requested may result in a Seller's or Servicer's suspension or disqualification. Freddie Mac, in its sole discretion, may specify a shorter or longer period for receipt of the requested Mortgage files.

An offer by the Seller/Servicer to repurchase the Mortgage will not exempt the Seller/Servicer from submitting the documents for postfunding quality control.

(f) Process for remedying selling and origination defects

The steps below describe the process that Freddie Mac will follow to categorize Defects, allow Corrections to Defects, and remedy Defects through either a repurchase request or Repurchase Alternative.

(i) Step 1 – Identification of Findings, PALs and Significant Defects

After a postfunding quality control review is completed, Freddie Mac will designate any Defect(s) as resulting in a Finding, PAL or Significant Defect. Freddie Mac's repurchase letters will continue to detail the specific Significant Defects found during the quality control review.

If Freddie Mac designates the Defect as resulting in a Finding, Freddie Mac will not require a Correction or a Remedy from the Seller/Servicer. However, Freddie Mac may request a data update from the Seller/Servicer.

If Freddie Mac designates the Defect as resulting in a PAL, the Seller/Servicer must pay to Freddie Mac the applicable Credit Fees that should have been paid when the Mortgage was purchased by Freddie Mac had the true and accurate facts about the Mortgage been known at the time of purchase, which will be paid in accordance with Section 6303.2. Freddie Mac may not demand repurchase of a PAL. The Seller/Servicer may not voluntarily repurchase a PAL.

If Freddie Mac identifies a Significant Defect, Freddie Mac will require repurchase of the Mortgage or may offer the Seller a Repurchase Alternative.

Freddie Mac also checks for data discrepancies (which could be independent of a Full-File Review) that may result in the assessment of or an adjustment to a Credit Fee.

(ii) Step 2 – Correcting certain significant Defects

During the Appeal Process described in Section 3602.8, a Seller/Servicer has the right to provide a Correction of any Significant Defects. Any additional documentation or information that the Seller/Servicer provides is subject to the same standard of quality control review as the initial Mortgage file documentation.

The documentation submitted to correct a Significant Defect must be based on information or data that either:

- Was available at the time of underwriting (and no later than the Note Date), or
- Covers the time of underwriting so long as such evidence meets the applicable documentation requirements set forth in the Purchase Documents

During the appeals process, Seller/Servicers have the ability to correct Defects related to property, flood or mortgage insurance.

If a Seller/Servicer does not repurchase the Mortgage or perform any Repurchase Alternative in accordance with the Purchase Documents, such Seller/Servicer continues to have the obligation to correct any Significant Defect in accordance with the Purchase Documents.

(iii) Step 3 – Freddie Mac review of Seller response and Mortgage reassessment

During the Appeal Process described in Section 3602.8, Freddie Mac will conduct a Mortgage reassessment by reviewing any Corrections submitted by the Seller/Servicer in accordance with the applicable Purchase Documents in order to determine whether a Significant Defect still exists.

If a Seller/Servicer submits additional documentation and/or information or takes steps which correct all Significant Defects in accordance with the Purchase Documents, Freddie Mac will rescind the Remedy request.

If, following reassessment, all Significant Defects have not been corrected in accordance with the Purchase Documents, the Seller/Servicer must comply with the Remedy request in a timely manner.

If, following reassessment, Freddie Mac determines that the Mortgage is a PAL, the Seller/Servicer must pay Freddie Mac the applicable Credit Fees, in accordance with

Section 6303.2, that should have been paid when the Mortgage was purchased by Freddie Mac had the true and accurate facts about the Mortgage been known at the time of purchase.

Freddie Mac may consider a Mortgage with a Significant Defect for a Repurchase Alternative depending on Freddie Mac's commercially reasonable determination that the Mortgage is retainable. Freddie Mac will determine whether the Mortgage is retainable based on the Seller/Servicer's Counterparty Status and whether the Mortgage was an acceptable investment at the time of purchase.

At any time during the appeals process, a Seller/Servicer has the right to propose a Repurchase Alternative following the identification of a Significant Defect. Freddie Mac will in good faith consider and respond to the Seller/Servicer's proposed Repurchase Alternative.

Freddie Mac may offer or decline to offer the Seller/Servicer certain Repurchase Alternatives based on the Seller/Servicer's Counterparty Status to the extent there are future obligations required as part of the Repurchase Alternative. Other factors to be considered by Freddie Mac may include, but are not limited to, the failure to maintain a quality loan origination process and the Seller/Servicer's ability and willingness to comply with other provisions of the Purchase Documents.

If a Mortgage has multiple Significant Defects, and the Seller/Servicer is successful in correcting some, but not all, of the Significant Defects, Freddie Mac may continue to pursue repurchase as a Remedy if the Mortgage has Significant Defects after the Mortgage reassessment is complete. If a Mortgage has multiple Significant Defects and the Seller/Servicer is successful in correcting all of them, but there remains a Defect that makes the Mortgage a PAL after reassessment, Freddie Mac may subsequently notify the Seller/Servicer of the Credit Fee that remains due. Such Credit Fee will be paid in accordance with Section 6303.2.

(iv) Step 4 – Range of possible outcomes

(A) Finding

If the Mortgage has had a Full-File Review completed with only Findings discovered, the Seller/Servicer will be relieved from Freddie Mac's enforcement of certain selling representations and warranties related to such Mortgage (as described in Section 1301.11(a)) provided all other requirements in Section 1301.11 are met. If a Mortgage has not had a Full-File Review, the Seller/Servicer may still be relieved from Freddie Mac's enforcement of certain selling representations and warranties through other provisions under the selling representation and warranty framework described in Section 1301.11.

(B) PAL

The appeals process for a PAL will result in one of the following outcomes:

- Rescission of the request for the payment of the Credit Fee, or
- Payment of the Credit Fee

If the PAL has had a Full-File Review completed without the identification of any Significant Defects, the Seller/Servicer will be relieved from Freddie Mac's enforcement of certain selling representations and warranties related to such Mortgage (as described in Section 1301.11(a)) when the Seller/Servicer pays the Credit Fee, provided all other requirements in Section 1301.11 are met. A PAL that has not had a Full-File Review will not be relieved from Freddie Mac's enforcement of certain selling representations and warranties (as described in Section 1301.11(a)) when the Seller/Servicer pays the Credit Fee, but the Seller/Servicer may still be relieved from Freddie Mac's enforcement of certain selling representations and warranties through other provisions under the selling representation and warranty framework described in Section 1301.11.

(C) Significant Defects

The appeals process for Mortgages with Significant Defects may result in a range of outcomes, including:

- Rescission of the Remedy request
- Agreement on a Repurchase Alternative, or
- Fulfillment of the Remedy request

If Freddie Mac offers a Repurchase Alternative after a repurchase demand has been issued, the Seller/Servicer has the option to repurchase the Mortgage instead of accepting the Repurchase Alternative.

If a Mortgage with a Significant Defect has had a Full-File Review, the Seller/Servicer will be relieved from Freddie Mac's enforcement of certain selling representations and warranties related to such Mortgage (as described in Section 1301.11(a)) if (i) all Significant Defects have been corrected, or (ii) a Repurchase Alternative has been offered and accepted, and fully executed and completed by the Seller/Servicer in compliance with any related terms, including the expiration of all applicable time frames, provided all other requirements set forth in Section 1301.11 are met.

At its sole discretion, Freddie Mac, in addition to its other contractual and legal remedies, will require repurchase of each Mortgage that does not comply with the

requirement(s) set forth in the Purchase Documents to submit requested Mortgage documentation for postfunding quality control review within the allotted time, unless the IDR Process is elected, in which case the decision of the Neutral (as such term is defined in the IDR Document) shall be binding.

3401.2: Credit enhancer postfunding review (03/02/16)

Freddie Mac may elect to obtain a credit enhancement on some or all of the Mortgages it purchases, either concurrently with or subsequent to the purchase of the Mortgages. In such event, the Seller, as the Servicer of the Mortgages, or any transferee Servicer, may receive an electronic request from Freddie Mac to provide the credit enhancer with Mortgage files or other Mortgage information or documentation ("Mortgage information") related to the credit-enhanced Mortgages for review.

Freddie Mac's request to the Seller or transferee Servicer, as applicable, will identify the credit enhancer requesting the Mortgage information, authorize the release of the specific Mortgage information, and provide the name and contact information for the individual at the credit enhancer to whom the Mortgage information should be directed. The Seller or any transferee Servicer, as applicable, must provide the Mortgage information no later than:

- 30 days after receipt of the request, or
- The agreed-upon written deadline as negotiated between the credit enhancer and the Seller or transferee Servicer, as applicable

With respect to each request for Mortgage information:

- The Seller or transferee Servicer, as applicable, will not be entitled to receive notice of any action taken by the credit enhancer, and
- If the Seller or transferee Servicer, as applicable, fails to cooperate with the credit enhancer and such failure jeopardizes Freddie Mac's ability to maintain the credit enhancement, Freddie Mac may exercise any or all of its rights and remedies under the Seller's Purchase Documents or, as applicable, the transferee Servicer's Purchase Documents.

Requests for Mortgage information by a credit enhancer do not in any way modify, mitigate or nullify any of Freddie Mac's rights under the Purchase Documents including, but not limited to, the right to conduct a quality control review of the Mortgages at any time in the future and to issue remedies for Mortgages Freddie Mac determines are ineligible. As provided in Section 1301.10, the Seller's representations and warranties are not affected by any investigation by the credit enhancer or by any subsequent investigation made by, or on behalf of, Freddie Mac.

3401.3: Note (05/01/20)

A legible copy of the Note, with all required accompanying documents (see the definition of "Note" in the Glossary) and showing all endorsements, must be maintained in the Mortgage file. The endorsement from the Seller, as required in Section 6301.3, does not need to appear on the copy of the Note submitted for postfunding quality control review.

For Mortgages secured by property in New York State that are documented using a New York Consolidation, Extension and Modification Agreement (NY CEMA), the Mortgage files must contain legible copies of the following documents:

- Consolidated Note showing all endorsements
- Original Old Money Note and, if applicable, Original New Money (Gap) Note
- All other documents specified in Section 4101.5(b)

3401.4: Modifying instrument or assumption of indebtedness agreement (03/02/16)

The following documents must be included in the Mortgage file:

- The modification or conversion agreement, or the ownership transfer instrument and assumption of indebtedness agreement, if the Mortgage has been modified or converted from an ARM to a fixed-rate Mortgage or if the ownership of the Mortgaged Premises has been transferred in any way; however, the Seller/Servicer does not need to submit for postfunding quality control review a copy of any modifying instrument that by its terms ceases to be effective upon purchase of the Mortgage by Freddie Mac
- The Construction Conversion Modification Agreement for Construction Conversion Mortgages and Renovation Mortgages; and
- The Mortgage application, credit report, employment and income verifications for the current Borrowers, if the Mortgaged Premises is currently owned by anyone other than the original Borrowers. A certification of the terms of the sale of the Mortgaged Premises (for example, a copy of the purchase agreement signed by the seller and purchaser) must also be included.

3401.5: Underwriting summary (07/25/18)

A completed Form 1077, Uniform Underwriting and Transmittal Summary, or equivalent form (e.g., a Feedback Certificate), must be included in the Mortgage file.

3401.6: Title insurance (10/02/23)

Except as stated below, the Mortgage file must contain a copy of a title commitment for title insurance on an American Land Title Association (ALTA) form (or its equivalent if a certificate of title or attorney opinion of title is being delivered) including all schedules and proposed endorsements. The Mortgage file must also contain a copy of the final title insurance policy, unless it has not been received prior to the delivery of the loan to Freddie Mac. The final policy, once issued, must be maintained in the Mortgage file and must include all required endorsements.

For Cooperative Share Loans recognized as personal property and HeritageOne® Mortgages that are leasehold Mortgages, the Mortgage file is not required to contain a copy of the title commitment or final title insurance policy. See Sections 4702.6 and 4702.7 for title insurance requirements for Cooperative Share Loans and HeritageOne Mortgages, respectively.

3401.7: Residential loan application (03/01/23)

The Mortgage file must include the following:

- A Record (as that term is defined in Section 1401.2) of the initial Form 65, Uniform Residential Loan Application
- The final signed application, and
- A Record of Form 1103, Supplemental Consumer Information Form

The final signed application must match the file documentation. If there are any discrepancies between the information on the application and the information in the credit, income and assets verifications, a written explanation of such discrepancies must also be included in the Mortgage file.

3401.8: Credit documentation (03/02/16)

A credit report must be included in the Mortgage file. If Credit Scores were obtained for underwriting, they must be included in the Mortgage file. For any Mortgage underwritten with Credit Scores, the Credit Score selected for each Borrower and the process used to select the

Credit Score must be noted on Form 1077, Uniform Underwriting and Transmittal Summary, or another similar document in the Mortgage file. Source documentation also must be retained in the Mortgage file.

3401.9: Verification of employment and income (12/04/19)

Documentation of employment and income verification and a written analysis of the income used to qualify the Borrower must be retained in the Mortgage file.

3401.10: Underwriting explanation (10/02/19)

When either the total monthly housing expense-to-income ratio guideline of 28% or the monthly debt payment-to-income ratio guideline of 36% is exceeded on Manually Underwritten Mortgages, a written explanation fully supporting the Seller's underwriting decision must be retained in the Mortgage file.

3401.11: Property valuation documentation (08/02/23)

Except for Loan Product Advisor® Mortgages for which the Seller is offered and accepts an automated collateral evaluation (ACE) appraisal waiver, or ACE+ PDR, in accordance with Section 5602.3 or 5602.4, the Mortgage file must include all documentation used to determine that the Mortgaged Premises is acceptable including, but not limited to, an appraisal report and any completion report for appraisals subject to conditions.

3401.12: Appraisal form rental information (03/01/19)

Rental information on completed appraisal forms (i.e., Form 1000, Single Family Comparable Rent Schedule or Form 72, Small Residential Income Property Appraisal Report, as applicable), in accordance with the requirements of Chapter 5306, must be included in the Mortgage file.

3401.13: Leasehold Mortgage (07/25/18)

If the Mortgaged Premises is on a leasehold estate, a copy of the lease with recordation information must be retained in the Mortgage file.

3401.14: Buydown agreement (03/02/16)

For Mortgages with a temporary subsidy buydown plan, the Mortgage file must contain a copy of the executed buydown agreement.

3401.15: Mortgage insurance certificate (03/03/21)

If mortgage insurance is required, a copy of the mortgage insurance certificate or electronic evidence of mortgage insurance coverage, as well as all documents and information relating to any change in mortgage insurance from that provided at delivery including, but not limited to, notices of cancelation, rescission or termination of mortgage insurance, and denials of claims must be included in the Mortgage file.

3401.16: Mortgage payment history (03/02/16)

The Mortgage file must include a payment history from the first payment Due Date to the Delivery Date. This Mortgage payment history must:

- Demonstrate no Delinquencies of 30 days or more
- Be understandable without code translation

3401.17: Verification of source of funds (12/04/19)

The Mortgage file must include evidence of verification of all eligible sources of funds used to qualify the Borrower for the Mortgage transaction.

3401.18: Verification of previous Mortgage/rental payment history (10/02/19)

Evidence of verification of Mortgage payment history and/or rental payment history for the 12-month period prior to the date of the Mortgage application must be included in the Mortgage file for Manually Underwritten Mortgages.

3401.19: Sales contract (03/02/16)

For purchase Mortgages, a copy of the fully executed sales contract and all addenda must be included in the Mortgage file.

3401.20: Closing statements (10/31/18)

Effective October 31, 2018, this section is deleted.

3401.21: Documentation of flood zone determination (03/02/16)

The flood zone determination must be documented in the Mortgage file.

3401.22: Evidence of flood insurance (03/02/16)

If flood insurance is required, the Mortgage file must include acceptable final evidence of flood insurance.

If final evidence of flood insurance is not available at the time of the quality control review, one of the following documents is acceptable:

- Completed and executed NFIP Flood Insurance Application PLUS a copy of the Borrower's premium check or agent's paid receipt

OR

- Completed and executed NFIP Flood Insurance Application PLUS the final Settlement/Closing Disclosure Statement reflecting the flood insurance premium collected at closing

OR

- Completed and executed NFIP General Change Endorsement Form showing the assignment of the current flood insurance policy by the property seller to the Borrower

If the flood insurer is not the NFIP, the insurer's equivalent of the applicable NFIP form is acceptable.

If the flood zone determination documentation shows the insurable improvements are in a Special Flood Hazard Area (SFHA) but flood insurance was waived, the Mortgage file must include the documentation which served as the basis for the waiver.

3401.23: Other documentation (05/01/19)

The Seller/Servicer agrees to maintain in the Mortgage file and submit to Freddie Mac:

- The most recent Feedback Certificate and responses, including Risk Class results and underwriting requirements
- All documents necessary to evidence compliance with all applicable anti-predatory lending laws and regulations including, for example, any required reasonable tangible net benefit analysis, Borrower disclosures or disclosures relating to affiliated business or service providers
- All other documents required under the Guide or other Purchase Documents, requested by Freddie Mac or otherwise commonly maintained in files of private institutional Mortgage investors or servicers
- Freddie Mac may require that the requested documents be delivered to Freddie Mac, an agent of Freddie Mac, or to a Document Custodian.

3401.24: Mortgage secured by a Manufactured Home (04/06/22)

For a Mortgage secured by a Manufactured Home, the Mortgage file must include documentation evidencing that the Manufactured Home is legally classified as real property, the Manufactured Home is properly titled and the lien on the Manufactured Home is properly created, evidenced and perfected.

For a Mortgage on a new Manufactured Home, the Mortgage file must contain a copy of the manufacturer’s invoice and Manufactured Home Purchase Agreement in the Mortgage file.

If the Manufactured Home is a new installation, the Mortgage file must contain evidence that the Manufactured Home was installed in compliance with applicable HUD Codes for Manufactured Homes (HUD Codes).

3401.25: Settlement/Closing Disclosure Statement (03/06/19)

The Mortgage file must include the final Settlement/Closing Disclosure Statement and any related documentation evidencing all costs to the homebuyer and property seller, if applicable.

3401.26: Secondary financing (10/31/18)

For each Mortgage that is concurrently originated with a subordinate lien (i.e., the Mortgage and subordinate lien are originated on the same day), the Seller must include in the Mortgage file a copy of the following documentation for the subordinate lien:

- Note or other evidence of subordinate lien terms
- The Settlement/Closing Disclosure Statement or an alternative form required by law that evidences the fees and costs paid by the Borrower at closing in connection with the secondary financing
- For Home Equity Lines of Credit (HELOCs), the HELOC agreement indicating all fees and costs paid by the Borrower at closing, and the maximum permitted credit advance

For refinance Mortgages, the Mortgage file must include evidence of subordination of outstanding secondary financing.

3401.27: Freddie Mac Relief Refinance Mortgage^{SM} – Same Servicer (10/02/19)

Effective October 2, 2019, Section 3401.27 is deleted.

3401.28: Electronic Records and Electronic Signatures (03/02/16)

If a Mortgage is originated using any Electronic Records expressly permitted by Freddie Mac in the Guide or in a Seller/Servicer's other Purchase Documents, the Seller/Servicer's Mortgage file may contain a combination of paper documents and Electronic Records and must contain:

- The clear and conspicuous statement of certain information required by E-Sign (see Title I, Section 101(c)(1)(B)(i)-(iv) and (C)(i) of E-Sign) and satisfactory evidence that the Borrower received the information before consenting to Electronic Records

- The "Consent to Electronic Records" required by E-Sign (see Title I, Section 101(c)(1)(A) and (C)(i)-(ii) of E-Sign) and satisfactory evidence that "reasonably demonstrates" that the Borrower was able to access the information required by E-Sign (see preceding bullet) before electronically consenting or confirming consent to Electronic Records

- Federal or State disclosures that were electronically presented to and accessed by the Borrower electronically, with satisfactory evidence of when and how the electronic disclosures were received and, if required, signed by the Borrower using an Electronic Signature

- Any other paper documents and/or Electronic Records required by the Seller/Servicer's Purchase Documents, with satisfactory evidence of when and how the paper documents and/or Electronic Records were received and, if required, signed by the Borrower either in writing or using an Electronic Signature, as applicable

In all cases, the paper documents and/or Electronic Records (including Electronic Signatures) in the Mortgage file must be sufficient to permit Freddie Mac to perform a postfunding quality control review and, among other things, obtain a reverification of the Borrower's employment and income from employers and/or other third parties.

If the Seller/Servicer's Mortgage files contain a combination of paper documents and Electronic Records, the Seller/Servicer must maintain a computerized tracking system that cross-references the locations of both paper documents and Electronic Records for each Mortgage. Such computerized information must be made available to Freddie Mac promptly upon request.

3401.29: Community Land Trust Mortgage (11/05/18)

For Community Land Trust Mortgages, the Mortgage file must include:

- If applicable, written approval signed by the Community Land Trust or its authorized representative permitting the Borrower to enter into a refinance transaction

- An original executed or certified copy of the Community Land Trust ground lease and Form 490, Community Land Trust Ground Lease Rider, containing the recordation information

3401.30: GreenCHOICE Mortgages® (11/06/24)

For GreenCHOICE Mortgages®, the Mortgage file must include:

- Documentation of the eligible improvements as described in Section 4606.1(b) and their costs, such as receipts and/or invoices, as applicable

- Documentation of the costs used to calculate the total acquisition cost for purchase transaction Mortgages as referenced in Section 4606.2(a)

- For Manually Underwritten Mortgages that used one or both of the higher qualifying ratios as referenced in Section 5401.1(e)(ii)(B), documentation that the property has a level of energy efficiency greater than that of a "standard" (i.e., non-energy efficient) property

- For Mortgages used to finance eligible improvements completed after the Note Date, the written escrow agreement as referenced in Section 4606.3(a)(3)

- If applicable, an energy report or alternative documentation in lieu of an energy report

- If applicable, a completion report provided by the appraiser, and

- If proceeds were used to pay an Existing Debt (as defined in Section 4606.1(c)), documentation meeting the requirements in Section 4606.3(b), as applicable

Chapter 3402: Seller's In-House Quality Control Program

3402.1: Seller's quality control program (06/02/21)

The Seller must operate a quality control program for Home Mortgages that is acceptable to Freddie Mac. Organizations with a commitment to quality control recognize that quality begins before an application is taken and continues throughout the entire Mortgage origination process.

The purpose of a quality control program is to monitor and evaluate the integrity of the origination process and to provide feedback to the organization about its originations. This feedback is used to adjust and improve production processes.

Effective quality control programs are designed to monitor and evaluate the specific characteristics of the Seller's organization, and reflect:

- The size and structure of the organization
- The experience and expertise of the staff
- The geographic areas of operation
- The branch structure
- The volume and types of Mortgages originated
- The origination sources used (for example, from Mortgage Brokers or Correspondents or via the internet)
- Any significant changes in the product lines, origination sources or production process
- Controls in place to ensure that internal policies and procedures are followed

Although no single specific quality control program can meet the needs of all Sellers, there are certain characteristics found in all effective quality control programs. The Seller's quality control program must:

- Be in writing
- Provide for standard operating procedures for all employees who will be involved with or affected by the quality control process
- Be capable of evaluating and monitoring the overall quality of Mortgage production on a regular and timely basis

- Include preclosing and post-closing quality control reviews

- Include procedures to ensure that sample selection, Mortgage file reviews and the reporting of findings to Senior Management are conducted in a timely manner

The Seller may use any combination of preclosing or post-closing quality control reviews based on its specific operations and needs. The Seller's post-closing in-house quality control program must operate independently of the Mortgage origination and underwriting departments. However, for Sellers with annual production of less than 5,000 Home Mortgages, the post-closing quality control function may be housed with the origination and underwriting departments.

The Seller must also comply with the requirements of Section 3201.1(c) relating to fraud prevention and detection in its quality control program, as well as other applicable requirements of Chapter 3201 relating to fraud prevention, detection and reporting.

A variety of reference guides, tools and technology resources designed to assist Seller/Servicers with their in-house quality control program can be found on Freddie Mac's website at **https://sf.freddiemac.com/working-with-us/selling-delivery/delivery-options-pricing/quality-control.**

3402.2: Use of third-party quality control services (03/02/16)

The Seller may use third-party quality control services for all or part of its quality control program. The Seller using third-party quality control services must:

- Ensure that the services performed by third-party quality control services comply with Freddie Mac's requirements

- Monitor and evaluate the performance of third-party quality control services on a regular basis

The Seller must review third-party quality control findings and take the same corrective actions as it would with respect to quality control findings made by its own staff.

3402.3: Transfers of Servicing (10/02/19)

The Seller's post-closing quality control program must include policies and procedures addressing Transfers of Servicing.

When Servicing is transferred, the Seller must:

- Retain copies of the file documents to complete the quality control reviews, or
- Make arrangements with the new Servicer to assist in the quality control reviews

Records of completed quality control reviews must be provided to the new Servicer upon request.

3402.4: Post-closing sample selection (11/04/20)

The Seller's post-closing quality control sample must, at a minimum, consist of three sample types:

- Random
- Targeted
- Discretionary

(a) Random sample

Home Mortgages in the random sample are randomly selected from the population so that every Mortgage has an equal chance of selection.

Loan Product Advisor® Mortgages must make up a representative portion of the Seller's quality control sample.

Except as provided under the last paragraph of this section, the Seller must:

- Select for quality control review at least 10% of one of the following production populations:
  - Total annual Home Mortgage production, or
  - Total annual secondary market Home Mortgage production, or
  - Total annual Freddie Mac Home Mortgage production

  However, any Mortgages excluded from the Seller's quality control sample selection process, as set forth in the remaining provisions of this section, are not eligible for sale to Freddie Mac.
- Schedule its sampling procedures so that every Home Mortgage within the selected population has a chance of being selected for review within 90 days of the Note Date

- Assign to quality control personnel the authority to conduct additional reviews at their discretion

- Warrant that over the course of each 12-month period, the selected samples are representative of the full scope of the Seller's product line and production process within the selected population

The full scope of the Seller's product line and origination process includes all of the following:

- Home Mortgages from all product lines

- Home Mortgages from all States of operation

- Home Mortgages from each branch office

- Home Mortgages from each third party involved in the origination process

- Home Mortgages with high-risk characteristics (for example, high loan-to-value ratios, ARMs, 3- to 4-unit properties, Manufactured Homes, cash-out refinance Mortgages, Investment Property Mortgages and Caution Mortgages)

A Seller with a total annual production volume in excess of 5,000 Home Mortgages may substitute a statistically based sampling methodology that is of sufficient size to ensure a confidence level of 95% and a margin of error not to exceed 2% on an annual basis based on the defect rates for Mortgages recently reviewed by the Seller's quality control.

(b) Targeted sample

Each month, the Seller must select an appropriate risk-based sample of Mortgages sold to Freddie Mac that become 60 days or more past due in the first six months following the Note Date. These Mortgages must be carefully evaluated to determine the presence of any fraud or other deficiency.

(c) Discretionary sample

Mortgages in a discretionary sample are selected on a non-random basis from a specific population.

When selecting Mortgages to be reviewed as part of the Seller's discretionary post-closing quality control sample, the Seller may choose to make targeted Mortgage selections that focus on a specific characteristic of the Mortgage, such as product, business source or underwriting component (for example, income and employment, assets, credit or property).

When conducting these discretionary reviews, the Seller must consider the purpose of the targeted selection when determining whether certain reverifications are necessary. For

example, if the purpose of the targeted selection is to focus specifically on income calculations, then reverification of assets or a review of the appraisal is not within the scope of the review and is not required to be completed; however, reverifications of income and employment are required. If the purpose of the targeted selection is to review Mortgages originated through a new source of business, then all aspects of the Mortgage are within the scope of the review and all reverifications noted in Section 3402.5 must be performed.

As required in Section 3201.1(c), discretionary samples must be selected to evaluate the work of a particular employee or Mortgage transaction participant when there is a reason to suspect fraud. Discretionary samples should also be selected as needed in order to:

- Review the work of a new branch office, employee or third-party originator
- Validate that a new product or offering is being originated in accordance with the Seller's policies and procedures
- Comply with a request from Freddie Mac to review loans in a specific population

3402.5: Reverifications made by Seller (10/14/24)

The Seller must make certain reverifications on Loan Product Advisor® and Non-Loan Product Advisor Mortgages selected for post-closing quality control review. The purposes of the reverification process include:

- Evaluating the validity, accuracy and quality of the information used in the original underwriting decision
- Protecting the Seller against fraud and misrepresentation

Sellers should begin reverifying the information listed in this section as soon as possible after the sample selection to facilitate the Mortgage file review.

Reverifications may be in written or verbal form.

All reverification documentation must be retained in the Mortgage file.

(a) Verifications of employment, income and sources of funds

(i) Reverifications

Except as noted below, for post-closing quality control reviews, the Seller must reverify all employment, income and sources of funds used in the original underwriting process and based on the minimum documentation required at the time of origination. Copies of the original verifications should be submitted to the issuers with a request that they

confirm the accuracy of the documentation. The Seller must pay any applicable fees that are charged for the reverification information.

The following chart contains exceptions to the reverification requirements which are permitted provided the Mortgage file contains no evidence of misrepresentation in connection with the Borrower's application, documentation or any part of the underwriting of the Mortgage:

Documentation	Requirement for reverification
Income, employment or sources of funds used in the original underwriting process received from a third-party service provider designated by Freddie Mac (as of the date of the post-closing quality control review), or from a Freddie Mac financial institution verification report, for the income or asset type used to qualify the Borrower[1]	Reverification not required for eligible income types (see Sections 5901.2(b) and 5904.2(b)) or eligible asset types (see Section 5902.2(b)) when the report data is accessed directly from an authorized electronic database of employer provided information or when tax transcripts are obtained from the Internal Revenue Service (IRS) (see Sections 5903.5(a)(ii) and 5903.5(a)(iii)).
10-day pre-closing verification (10-day PCV) confirmed by the Feedback Certificate or verification report	If the Note Date is on or before the close-by date (provided on the Feedback Certificate or verification report) indicating the 10-day PCV requirement is met, reverification of employment is not required. See Chapter 5905 for Automated Employment Assessment with Loan Product Advisor requirements.

[1]The list of third-party service providers currently designated by Freddie Mac can be found at **https://sf.freddiemac.com/tools-learning/loan-advisor/our-solutions/aim-asset-income-modeler**.

The following chart contains requirements for reverifications:

Method of reverification	Requirements
Verbal reverifications of employment, income and source of funds	Must be documented in writing and include the following: ■ Identify the name of the quality control reviewer who made the contact ■ Identify the name of the business (employer, bank, etc.) ■ Identify the name and title of the individual who provided the verification (employer contact, gift donor, etc.) ■ Show the date(s) of the contact ■ Confirm that the information in the original verification was accurate or identify any inaccuracy ■ Identify the phone number for the individual contacted. The phone number must be obtained from an acceptable third-party source. ■ Identify the name of the third-party source used to obtain the phone number (phone directory, reliable internet source, 411 information services, etc.)
E-mail reverifications of employment and income	■ Be an e-mail exchange with the Borrower's employer from the independently obtained employer's work e-mail address that, at a minimum, includes all of the following: ❑ Borrower's name and employer's name ❑ Name and title of the individual contacted at the employer, date of contact and the individual's work e-mail address ❑ Borrower's current employment status ■ In addition, the Mortgage file must include: ❑ Information about the third-party source used to obtain the employer's e-mail (e.g., a reliable internet source), and ❑ Name, title and employer of the representative who contacted the Borrower's employer and obtained the e-mail verification

As part of quality control review, Freddie Mac may require, in its discretion, that the Seller reverify the information contained in any Mortgage file submitted to Freddie Mac. Freddie

Mac reserves the right to independently reverify the information contained in any Mortgage file.

(ii) Tax information

Except as noted below, for post-closing quality reviews, the Seller must obtain the IRS income information using Form 4506-C or an alternate form acceptable to the IRS that authorizes the release of comparable tax information (e.g., IRS Form 8821) for each Mortgage selected for quality control review.

The following chart contains exceptions, which are permitted provided the Mortgage file contains no evidence of misrepresentation in connection with the Borrower's application, documentation or any part of the underwriting of the Mortgage:

Documentation	Requirement for tax information
All of the income used to qualify the Borrower is received from a third-party service provider designated by Freddie Mac (as of the date of the post-closing quality control review) or from a Freddie Mac financial institution verification report for the income type used to qualify the Borrower[1]	Not required for eligible income types (see Sections 5901.2(b) and 5904.2(b)) when the report is accessed directly from the service provider's electronic database
IRS income information was received during the origination process	Not required

[1] The list of third-party service providers currently designated by Freddie Mac can be found at **https://sf.freddiemac.com/tools-learning/loan-advisor/our-solutions/aim-asset-income-modeler**

For Borrowers with income that is derived from sources in Puerto Rico, Guam or the U.S. Virgin Islands that are exempt from federal income taxation under the Internal Revenue Code, the above requirements apply, except as follows:

- For Borrowers with income that is derived from sources in Puerto Rico, the Seller must submit the Commonwealth of Puerto Rico Form 2907 titled "Request For Copy of the Return, Estate or Gift Certificate of Release" (Modelo SC 2907 "Solicitud De Copia De Planilla, Relevo De Herencia Y De Donacion") to the Puerto Rico Department of the Treasury, Internal Revenue Area

- For Borrowers with income that is derived from sources in Guam or the U.S. Virgin Islands, the Seller must submit the Form 4506-C or an alternate form that authorizes the release of comparable tax information to a third party (e.g., IRS Form 8821) to the Guam Department of Taxation and Revenue or Virgin Islands Bureau of Internal Revenue, as applicable

(b) Borrower's Social Security number

For Mortgages included in post-closing quality control samples, the Seller must validate the Social Security number provided by each Borrower.

The Seller is not required to validate the Social Security number during the post-closing quality control review, if:

- The Seller validated the Social Security number during the loan origination process or a preclosing quality control review; and
- The Social Security number was not initially validated by a Mortgage Broker or Correspondent; and
- The Mortgage file indicates there were no misrepresentations in connection with the Borrower's application or the underwriting of the Mortgage

(c) Credit reports

For Loan Product Advisor Mortgages, the Seller is not required to obtain a new credit report. The Seller must verify that the identifying information for any Borrower (name, current and previous address and Social Security number) is true, complete and accurate and that it was properly input into Loan Product Advisor on or before the Note Date. Any credit information obtained from sources other than Loan Product Advisor must be reviewed.

For Loan Product Advisor Accept Mortgages, the Seller is not required to review the Loan Product Advisor provided credit reports to determine that the credit report was properly underwritten, or that it is in compliance with credit underwriting guidelines, except as noted below.

For Accept Mortgages, the Seller must verify that the Loan Product Advisor provided credit reports are for the correct Borrower.

For one out of every 10 Non-Loan Product Advisor Mortgages selected for post-closing quality control review, the Seller must obtain either a new Residential Mortgage Credit Report or a three-repository merged in-file credit report.

For the remaining Non-Loan Product Advisor Mortgages in the Seller's post-closing quality control sample, the Seller must obtain new in-file credit reports containing information from one or more of the national repositories.

For Manually Underwritten Mortgages, the Seller must re-underwrite the credit and continue to review the Mortgage file documents in accordance with Section 3402.7 to determine that the Mortgage was underwritten to Freddie Mac's requirements.

For all Mortgages selected for post-closing quality control review, the Seller must determine whether additional credit was granted and considered in qualifying when the Borrower's credit report reveals inquiries within the previous 90-day period.

(d) Verification of owner-occupancy

For all Mortgages secured by Primary Residences that are selected for post-closing quality control review, the Seller must verify that the Borrower is occupying the Mortgaged Premises as a Primary Residence.

(e) Property valuation

As part of the Seller's quality control program, for Mortgages selected for post-closing quality control reviews, the Seller must ensure the appraisal, or if applicable, other property valuation, meets Freddie Mac requirements. The process is expected to utilize desk reviews, field reviews, automated valuation models, multiple listing service data, public records data, online tools and/or other appropriate methods in order to validate and ensure the quality of origination information. Freddie Mac Enhanced Relief Refinance® Mortgages may be excluded from property valuation reviews.

In the event the Seller's quality control review determines that a quality control finding affects the eligibility of a Mortgage sold to Freddie Mac on the Settlement Date, the Seller must report the finding to Freddie Mac within 90 days or within 60 days of the finding if fraud or possible fraud is involved, consistent with Section 3402.10.

For the Mortgages selected for quality control review, the Seller must comply with the following:

(i) Mortgages originated with appraisals

(A) Review of appraisal reports that did not receive appraised value representation and warranty relief

For Mortgages originated with appraisals except as described in (B) below, the Seller must obtain a desk review of the appraisal report to ensure that it accurately reflects the market value, condition, and marketability of the subject property and that the Mortgaged Premises is adequate collateral for the Mortgage. The desk review is not required to be performed by an appraiser (i.e., a Uniform Standards of Professional Appraisal Practice compliant appraisal review meeting Standards 3 and 4 is not required). However, the reviewer must be familiar with the subject's market area and be qualified to do the following:

- Address the appropriateness of the data presented in the report
- Address the appropriateness of the comparable sales, and

- Conclude that the appraiser's rationale for the final reconciliation of value was supported and the appraisal and property eligibility meet Freddie Mac requirements

If the Seller determines that the characteristics of the property or the scope of the desk review is insufficient to determine the accuracy of the appraisal or the adequacy of the collateral, a field review performed by an appraiser unaffiliated with the origination appraiser or appraisal firm documented on one of the following forms, as applicable, is required:

- If the Mortgage is secured by a one-unit property and a field review is obtained, the results must be reported on Form 1032, One-Unit Residential Appraisal Field Review Report

- If the Mortgage is secured by a 2- to 4-unit property and a field review is obtained, the results must be reported on Form 1072, Two- to Four-Unit Residential Appraisal Field Review Report

Note: The Seller does not need to obtain a field review during the quality control review if one was obtained during the origination process and adequately supported the eligibility of the Mortgage for sale to Freddie Mac.

(B) Review of appraisal reports with appraised value representation and warranty relief (Loan Collateral Advisor® risk score less than or equal to 2.5)

The Seller must ensure that the Mortgage meets the requirement of Section 5602.2, and the Seller is required to comply with (A) above, except that Seller is not required to review the accuracy of the appraiser's opinion of market value. For example, the selection of comparable sales and adjustments may be excluded from the review. The Seller's review of the appraisal should focus on the data quality, condition and marketability of the property and ensuring the Mortgaged Premises is adequate collateral for the Mortgage.

(ii) Mortgages originated with an automated collateral evaluation (ACE) appraisal waiver or ACE+ PDR

For Mortgages originated with an ACE appraisal waiver or ACE+ PDR as described in Section 5602.3 or 5602.4, the Seller is not required to comply with (i)(A) and (B) above. However, for such Mortgages, the Seller must conduct a review to ensure that the data submitted to Loan Product Advisor were accurate and the eligibility requirements of Section 5602.3 or 5602.4 were met.

3402.5: Reverifications made by Seller (Future effective 02/04/25)

The Seller must make certain reverifications on Loan Product Advisor® and Non-Loan Product Advisor Mortgages selected for post-closing quality control review. The purposes of the reverification process include:

- Evaluating the validity, accuracy and quality of the information used in the original underwriting decision
- Protecting the Seller against fraud and misrepresentation

Sellers should begin reverifying the information listed in this section as soon as possible after the sample selection to facilitate the Mortgage file review.

Reverifications may be in written or verbal form.

All reverification documentation must be retained in the Mortgage file.

(a) Verifications of employment, income and sources of funds

(i) Reverifications

Except as noted below, for post-closing quality control reviews, the Seller must reverify all employment, income and sources of funds used in the original underwriting process and based on the minimum documentation required at the time of origination. Copies of the original verifications should be submitted to the issuers with a request that they confirm the accuracy of the documentation. The Seller must pay any applicable fees that are charged for the reverification information.

The following chart contains exceptions to the reverification requirements which are permitted provided the Mortgage file contains no evidence of misrepresentation in connection with the Borrower's application, documentation or any part of the underwriting of the Mortgage:

Documentation	Requirement for reverification
Income, employment or sources of funds used in the original underwriting process received from a third-party service provider designated	Reverification not required for eligible income types (see Sections 5901.2(b) and 5904.2(b)) or eligible asset types (see Section 5902.2(b)) when the report data is accessed directly from an authorized

Documentation	Requirement for reverification
by Freddie Mac (as of the date of the post-closing quality control review), or from a Freddie Mac financial institution verification report, for the income or asset type used to qualify the Borrower[1]	electronic database of employer provided information or when tax transcripts are obtained from the Internal Revenue Service (IRS) (see Sections 5903.5(a)(ii) and 5903.5(a)(iii)).
10-day pre-closing verification (10-day PCV) confirmed by the Feedback Certificate or verification report	If the Note Date is on or before the close-by date (provided on the Feedback Certificate or verification report) indicating the 10-day PCV requirement is met, reverification of employment is not required. See Chapter 5905 for Automated Employment Assessment with Loan Product Advisor requirements.

[1]The list of third-party service providers currently designated by Freddie Mac can be found at **https://sf.freddiemac.com/tools-learning/loan-advisor/our-solutions/aim-asset-income-modeler**.

The following chart contains requirements for reverifications:

Method of reverification	Requirements
Verbal reverifications of employment, income and source of funds	Must be documented in writing and include the following: ■ Identify the name of the quality control reviewer who made the contact ■ Identify the name of the business (employer, bank, etc.) ■ Identify the name and title of the individual who provided the verification (employer contact, gift donor, etc.) ■ Show the date(s) of the contact

Method of reverification	Requirements
	■ Confirm that the information in the original verification was accurate or identify any inaccuracy ■ Identify the phone number for the individual contacted. The phone number must be obtained from an acceptable third-party source. ■ Identify the name of the third-party source used to obtain the phone number (phone directory, reliable internet source, 411 information services, etc.)
E-mail reverifications of employment and income	■ Be an e-mail exchange with the Borrower's employer from the independently obtained employer's work e-mail address that, at a minimum, includes all of the following: ❑ Borrower's name and employer's name ❑ Name and title of the individual contacted at the employer, date of contact and the individual's work e-mail address ❑ Borrower's current employment status ■ In addition, the Mortgage file must include: ❑ Information about the third-party source used to obtain the employer's e-mail (e.g., a reliable internet source), and ❑ Name, title and employer of the representative who contacted the Borrower's employer and obtained the e-mail verification

As part of quality control review, Freddie Mac may require, in its discretion, that the Seller reverify the information contained in any Mortgage file submitted to Freddie Mac. Freddie Mac reserves the right to independently reverify the information contained in any Mortgage file.

(ii) Tax information

Except as noted below, for post-closing quality reviews, the Seller must obtain the IRS income information using Form 4506-C or an alternate form acceptable to the IRS that authorizes the release of comparable tax information (e.g., IRS Form 8821) for each Mortgage selected for quality control review.

The following chart contains exceptions, which are permitted provided the Mortgage file contains no evidence of misrepresentation in connection with the Borrower's application, documentation or any part of the underwriting of the Mortgage:

Documentation	Requirement for tax information
All of the income used to qualify the Borrower is received from a third-party service provider designated by Freddie Mac (as of the date of the post-closing quality control review) or from a Freddie Mac financial institution verification report for the income type used to qualify the Borrower[1]	Not required for eligible income types (see Sections 5901.2(b) and 5904.2(b)) when the report is accessed directly from the service provider's electronic database
IRS income information was received during the origination process	Not required

[1] The list of third-party service providers currently designated by Freddie Mac can be found at **https://sf.freddiemac.com/tools-learning/loan-advisor/our-solutions/aim-asset-income-modeler**

For Borrowers with income that is derived from sources in Puerto Rico, Guam or the U.S. Virgin Islands that are exempt from federal income taxation under the Internal Revenue Code, the above requirements apply, except as follows:

- For Borrowers with income that is derived from sources in Puerto Rico, the Seller must submit the Commonwealth of Puerto Rico Form 2907 titled "Request For Copy of the Return, Estate or Gift Certificate of Release" (Modelo SC 2907 "Solicitud De Copia De Planilla, Relevo De Herencia Y De Donacion") to the Puerto Rico Department of the Treasury, Internal Revenue Area

- For Borrowers with income that is derived from sources in Guam or the U.S. Virgin Islands, the Seller must submit the Form 4506-C or an alternate form that authorizes the release of comparable tax information to a third party (e.g., IRS Form 8821) to the Guam Department of Taxation and Revenue or Virgin Islands Bureau of Internal Revenue, as applicable

(b) Borrower's Social Security number

For Mortgages included in post-closing quality control samples, the Seller must validate the Social Security number provided by each Borrower.

The Seller is not required to validate the Social Security number during the post-closing quality control review, if:

- The Seller validated the Social Security number during the loan origination process or a preclosing quality control review; and

- The Social Security number was not initially validated by a Mortgage Broker or Correspondent; and

- The Mortgage file indicates there were no misrepresentations in connection with the Borrower's application or the underwriting of the Mortgage

(c) Credit reports

For Loan Product Advisor Mortgages, the Seller is not required to obtain a new credit report. The Seller must verify that the identifying information for any Borrower (name, current and previous address and Social Security number) is true, complete and accurate and that it was properly input into Loan Product Advisor on or before the Note Date. Any credit information obtained from sources other than Loan Product Advisor must be reviewed.

For Loan Product Advisor Accept Mortgages, the Seller is not required to review the Loan Product Advisor provided credit reports to determine that the credit report was properly underwritten, or that it is in compliance with credit underwriting guidelines, except as noted below.

For Accept Mortgages, the Seller must verify that the Loan Product Advisor provided credit reports are for the correct Borrower.

For one out of every 10 Non-Loan Product Advisor Mortgages selected for post-closing quality control review, the Seller must obtain either a new Residential Mortgage Credit Report or a three-repository merged in-file credit report.

For the remaining Non-Loan Product Advisor Mortgages in the Seller's post-closing quality control sample, the Seller must obtain new in-file credit reports containing information from one or more of the national repositories.

For Manually Underwritten Mortgages, the Seller must re-underwrite the credit and continue to review the Mortgage file documents in accordance with Section 3402.7 to determine that the Mortgage was underwritten to Freddie Mac's requirements.

For all Mortgages selected for post-closing quality control review, the Seller must determine whether additional credit was granted and considered in qualifying when the Borrower's credit report reveals inquiries within the previous 90-day period.

(d) Verification of owner-occupancy

For all Mortgages secured by Primary Residences that are selected for post-closing quality control review, the Seller must verify that the Borrower is occupying the Mortgaged Premises as a Primary Residence.

(e) Property valuation

As part of the Seller's quality control program, for Mortgages selected for post-closing quality control reviews, the Seller must ensure the appraisal, or if applicable, other property valuation, meets Freddie Mac requirements. The process is expected to utilize desk reviews, field reviews, automated valuation models, multiple listing service data, public records data, online tools and/or other appropriate methods in order to validate and ensure the quality of origination information. Freddie Mac Enhanced Relief Refinance® Mortgages may be excluded from property valuation reviews.

In the event the Seller's quality control review determines that a quality control finding affects the eligibility of a Mortgage sold to Freddie Mac on the Settlement Date, the Seller must report the finding to Freddie Mac within 90 days or within 60 days of the finding if fraud or possible fraud is involved, consistent with Section 3402.10.

For the Mortgages selected for quality control review, the Seller must comply with the following:

(i) Mortgages originated with appraisals

(A) Review of appraisal reports that did not receive appraised value representation and warranty relief

For Mortgages originated with appraisals except as described in (B) below, the Seller must obtain a desk review of the appraisal report to ensure that it accurately reflects the market value, condition, and marketability of the subject property and that the Mortgaged Premises is adequate collateral for the Mortgage. The desk review is not required to be performed by an appraiser (i.e., a Uniform Standards of Professional Appraisal Practice compliant appraisal review meeting Standards 3 and 4 is not required). However, the reviewer must be familiar with the subject's Market Area and be qualified to do the following:

- Address the appropriateness of the data presented in the report
- Address the appropriateness of the comparable sales, and
- Conclude that the appraiser's rationale for the final reconciliation of value was supported and the appraisal and property eligibility meet Freddie Mac requirements

If the Seller determines that the characteristics of the property or the scope of the desk review is insufficient to determine the accuracy of the appraisal or the adequacy of the collateral, a field review performed by an appraiser unaffiliated with the origination appraiser or appraisal firm documented on one of the following forms, as applicable, is required:

- If the Mortgage is secured by a one-unit property and a field review is obtained, the results must be reported on Form 1032, One-Unit Residential Appraisal Field Review Report

- If the Mortgage is secured by a 2- to 4-unit property and a field review is obtained, the results must be reported on Form 1072, Two- to Four-Unit Residential Appraisal Field Review Report

Note: The Seller does not need to obtain a field review during the quality control review if one was obtained during the origination process and adequately supported the eligibility of the Mortgage for sale to Freddie Mac.

(B) Review of appraisal reports with appraised value representation and warranty relief (Loan Collateral Advisor® risk score less than or equal to 2.5)

The Seller must ensure that the Mortgage meets the requirement of Section 5602.2, and the Seller is required to comply with (A) above, except that Seller is not required to review the accuracy of the appraiser's opinion of market value. For example, the selection of comparable sales and adjustments may be excluded from the review. The Seller's review of the appraisal should focus on the data quality, condition and marketability of the property and ensuring the Mortgaged Premises is adequate collateral for the Mortgage.

(ii) Mortgages originated with an automated collateral evaluation (ACE) appraisal waiver or ACE+ PDR

For Mortgages originated with an ACE appraisal waiver or ACE+ PDR as described in Section 5602.3 or 5602.4, the Seller is not required to comply with (i)(A) and (B) above. However, for such Mortgages, the Seller must conduct a review to ensure that the data submitted to Loan Product Advisor were accurate and the eligibility requirements of Section 5602.3 or 5602.4 were met.

3402.6: Data integrity review (02/02/22)

The Seller's post-closing quality control review procedures for all Mortgages must include a review of the completeness and accuracy of the information obtained in the Mortgage origination process.

The data integrity review of the information must include a process for checking data fields entered in Loan Product Advisor® and ensuring that all data submitted is valid.

The Seller must perform a data integrity review on all Mortgages sampled to ensure that the loan data is accurate and consistent. Source documentation to be reviewed includes:

- Form 65, Uniform Residential Loan Application(s)

- Employment and income verifications
- Sales contracts
- Tax returns
- Credit data
- Asset documentation
- Property valuation documentation
- Mortgage delivery data, including the Key Number when applicable. If the business area that conducts the post-closing quality control review does not have access to the delivery data, including the Key Number, this portion of the review may be conducted by another business area if there are documented controls in place to mitigate any delivery data errors.

3402.7: Documentation review (02/07/24)

For Mortgages included in the post-closing quality control sample, the Seller must review and affirm:

- The existence and accuracy of documentation necessary to determine compliance with applicable law, as required in Section 4202.1
- Compliance with the eligibility and underwriting requirements and guidelines of the Seller, the MI and Freddie Mac, as applicable, including:
  - Compliance with the Seller's warranties regarding Freddie Mac's Exclusionary List
  - The Settlement/Closing Disclosure Statement and related documentation to determine that all conditions of closing have been satisfied

Alternatively, a Seller may choose to perform reviews of the existence and accuracy of documentation required by applicable law on a post-closing quality control sample separate from the review of eligibility and underwriting requirements, but the review must be performed on no fewer Mortgages than required by Section 3402.4(a). In the event a Seller chooses to conduct this separate sample, the Seller must have a process to review for compliance with applicable law all Mortgages identified through its review of eligibility and underwriting requirements that may:

- Exceed Home Ownership and Equity Protection Act of 1994 (HOEPA) Mortgage thresholds
- Meet the definition of a Higher-Priced Mortgage Loan (HPML) or Higher-Priced Covered Transaction (HPCT), as defined in the Glossary, or

- Exceed the points and fees limitation indicated in Section 4202.6

The Seller must also include the following documents in its quality control review for comparison with the reverifications received:

- Form 65, Uniform Residential Loan Application
- Credit documentation
- Employment and income documentation*
- Asset documentation*
- Property valuation documentation
- Sales contract
- Form 1077, Uniform Underwriting and Transmittal Summary or equivalent form (e.g., a Feedback Certificate)

*The following chart contains exceptions with respect to evaluating the validity, accuracy and quality of the information used in the original underwriting decision for Loan Product Advisor Automated Income and Asset Assessment:

Document Type	**Representation and Warranty Result**	**Loan Product Advisor Feedback Message**	**Evaluation Exceptions**
Third-party Verification Report using employed income data, or paystub(s) and W-2 form(s)	"Eligible for Income Representation and Warranty Relief" or "Eligible for Partial Income Representation and Warranty Relief"	Indicates no further documentation is required for this income.	Seller is not required to recalculate such income for eligible income types described in Section 5901.2(b) that are on the verification report or paystub(s) and W-2 form(s).
Income Calculation Report	"Eligible for Income Representation and Warranty Relief" or "Eligible for Partial Income	Indicates no further documentation is required for this income.	Seller is not required to: ■ Recalculate income for eligible self-employed income described in Section 5903.2(b) that is

Document Type	Representation and Warranty Result	Loan Product Advisor Feedback Message	Evaluation Exceptions
	Representation and Warranty Relief"		on the Income Calculation Report, and ■ Perform the business and income analysis described in Section 5304.1(d) for eligible self-employed income that is on the Income Calculation Report
	"Eligible" for tax return data representation and warranty relief	N/A	The Seller is not responsible for accuracy and integrity of the tax return data for eligible income described in Section 5903.2(b) that is on the Income Calculation Report.
Asset Verification Report	"Eligible for Asset Representation and Warranty Relief" or "Eligible for Partial Asset Representation and Warranty Relief"	N/A	Seller is not required to recalculate eligible asset types described in Section 5902.2(b) that are indicated on the verification report.
Income Report using Account Data	"Eligible for Income Representation and Warranty Relief" or "Eligible for Partial Income Representation and Warranty Relief"	Indicates no further documentation is required for this income.	Seller is not required to recalculate such income for eligible income types described in Section 5904.2(b) that are on the verification report.

The Seller must include the following applicable closing documents in its post-closing quality control review to ensure that the information is accurate, complete and consistent with other documents in the Mortgage file:

- Notes and riders

- Security Instruments and assignments
- Mortgage insurance certificate or policy or Mortgage guaranty certificate
- Modification or assumption agreement
- Title binder or final title insurance policy (both if available) or other evidence of title
- Plat or survey
- Settlement/Closing Disclosure Statements and related documentation
- Leasehold estate documents
- Hazard insurance policy or certificate
- Flood insurance policy or certificate or flood zone determination documents
- Underwriter's approval and any conditions of closing
- Closing instructions

3402.7: Documentation review (Future effective date 11/08/24)

For Mortgages included in the post-closing quality control sample, the Seller must review and affirm:

- The existence and accuracy of documentation necessary to determine compliance with applicable law, as required in Section 4202.1
- Compliance with the eligibility and underwriting requirements and guidelines of the Seller, the MI and Freddie Mac, as applicable, including:
  - Compliance with the Seller's warranties regarding Freddie Mac's Exclusionary List
  - The Settlement/Closing Disclosure Statement and related documentation to determine that all conditions of closing have been satisfied

Alternatively, a Seller may choose to perform reviews of the existence and accuracy of documentation required by applicable law on a post-closing quality control sample separate from the review of eligibility and underwriting requirements, but the review must be performed on no fewer Mortgages than required by Section 3402.4(a). In the event a Seller chooses to conduct

this separate sample, the Seller must have a process to review for compliance with applicable law all Mortgages identified through its review of eligibility and underwriting requirements that may:

- Exceed Home Ownership and Equity Protection Act of 1994 (HOEPA) Mortgage thresholds
- Meet the definition of a Higher-Priced Mortgage Loan (HPML) or Higher-Priced Covered Transaction (HPCT), as defined in the Glossary, or
- Exceed the points and fees limitation indicated in Section 4202.6

The Seller must also include the following documents in its quality control review for comparison with the reverifications received:

- Form 65, Uniform Residential Loan Application
- Credit documentation
- Employment and income documentation*
- Asset documentation*
- Property valuation documentation
- Sales contract
- Form 1077, Uniform Underwriting and Transmittal Summary or equivalent form (e.g., a Feedback Certificate)

*The following chart contains exceptions with respect to evaluating the validity, accuracy and quality of the information used in the original underwriting decision for Loan Product Advisor Automated Income and Asset Assessment:

Document Type	Representation and Warranty Result	Loan Product Advisor Feedback Message	Evaluation Exceptions
Third-party Verification Report using employed income data, or paystub(s) and W-2 form(s)	"Eligible for Income Representation and Warranty Relief" or "Eligible for Partial Income Representation and Warranty Relief"	Indicates no further documentation is required for this income.	Seller is not required to recalculate such income for eligible income types described in Section 5901.2(b) that are on the verification report or paystub(s) and W-2 form(s).

Document Type	Representation and Warranty Result	Loan Product Advisor Feedback Message	Evaluation Exceptions
Income Calculation Report	"Eligible for Income Representation and Warranty Relief" or "Eligible for Partial Income Representation and Warranty Relief"	Indicates no further documentation is required for this income.	Seller is not required to: ■ Recalculate income for eligible self-employed income described in Section 5903.2(b) that is on the Income Calculation Report, and ■ Perform the business review and analysis described in Section 5304.1(d) for eligible self-employed income that is on the Income Calculation Report
	"Eligible" for tax return data representation and warranty relief	N/A	The Seller is not responsible for accuracy and integrity of the tax return data for eligible income described in Section 5903.2(b) that is on the Income Calculation Report.
Asset Verification Report	"Eligible for Asset Representation and Warranty Relief" or "Eligible for Partial Asset Representation and Warranty Relief"	N/A	Seller is not required to recalculate eligible asset types described in Section 5902.2(b) that are indicated on the verification report.
Income Report using Account Data	"Eligible for Income Representation and Warranty Relief" or "Eligible for Partial Income Representation and Warranty Relief"	Indicates no further documentation is required for this income.	Seller is not required to recalculate such income for eligible income types described in Section 5904.2(b) that are on the verification report.

The Seller must include the following applicable closing documents in its post-closing quality control review to ensure that the information is accurate, complete and consistent with other documents in the Mortgage file:

- Notes and riders
- Security Instruments and assignments
- Mortgage insurance certificate or policy or Mortgage guaranty certificate
- Modification or assumption agreement
- Title binder or final title insurance policy (both if available) or other evidence of title
- Plat or survey
- Settlement/Closing Disclosure Statements and related documentation
- Leasehold estate documents
- Hazard insurance policy or certificate
- Flood insurance policy or certificate or flood zone determination documents
- Underwriter's approval and any conditions of closing
- Closing instructions

3402.8: Preclosing quality control reviews (02/02/22)

The Seller's quality control program must include a process to perform quality control reviews on a sampling of its Mortgages prior to closing. The goal of an effective preclosing review process is to monitor the Seller's origination policies, ensure the accuracy of the Mortgage data and prevent the closing of Mortgages with deficiencies such as fraud, inaccurate data and insufficient documentation.

The Seller's in-house preclosing quality control process should operate independently of the Mortgage origination and underwriting departments when operationally possible.

(a) Procedures

The Seller's preclosing review process should include procedures for:

- Sample selection and timing that permits reviews to be completed prior to closing

- Reporting deficiencies and taking appropriate corrective measures
- Documenting the resolution of defects
- Canceling or postponing settlement when the preclosing review reveals deficiencies or when the review cannot be completed prior to the scheduled settlement

(b) Sample selection

The Seller's sampling process should include Mortgages that are representative of the full scope of the Seller's product line and production process as defined in Section 3402.4(a). The Seller should regularly assess its sampling methodology to ensure that its preclosing quality control process is effective. Additionally, the Seller should target samples, as needed, in order to:

- Review the work originated by a new branch office, employee or third-party originator
- Validate that a new product or offering is being originated in accordance with the Seller's policies and procedures
- Evaluate the work of a particular employee or Mortgage transaction participant when there is a reason to suspect fraud as required in Section 3201.1(c)

(c) Validation and reverification

An effective preclosing quality control review process should include validation or reverification of:

- Data entered into Loan Product Advisor®
- Social Security number provided by each Borrower, unless the Seller validated the number during the loan origination process
- Income documentation and calculation
- Employment
- Assets required to close or meet reserves requirements
- Property valuation documentation or property valuation data
- Mortgage insurance commitment reflecting adequate coverage
- Whether additional credit was granted and considered in qualifying when the Borrower's credit report reveals inquiries within the previous 90-day period

See Sections 3402.5 and 3402.7 for reverification exceptions and requirements.

3402.9: Documenting reviews (03/02/16)

The Seller must:

- Maintain complete records for each Mortgage file selected for a preclosing or a post-closing quality control review
- Document and explain discrepancies or inconsistencies found in the Mortgage file that affect the eligibility of the Mortgage based on the requirements of the Seller, the MI or Freddie Mac

3402.10: Reporting requirements (11/04/24)

This section contains requirements related to:

- Reporting results
- Notification to Freddie Mac

The Seller's quality control program must provide that all preclosing and post-closing quality control activities be fully documented in writing and reviewed by management on a regular basis.

(a) Reporting results

Quality control review results must be reported in writing to the Seller's Senior Management within 90 days of selection of the Mortgage files for review.

The Seller must thoroughly analyze findings affecting the acceptability or eligibility of Mortgages and initiate any necessary corrective actions.

(b) Notification to Freddie Mac

The Seller must notify Freddie Mac within 30 days of the date the quality control results are reported in writing to the Seller's Senior Management when a finding affects the eligibility of a Mortgage sold to Freddie Mac or if the finding is related to fraud or possible fraud.

The Seller must notify Freddie Mac Quality Control via the Tip Referral Tool, located in Freddie Mac Loan Advisor® and **Servicing Gateway** of findings that relate to any of the following:

- Misrepresentations, misstatements or omissions identified in Section 3201.2(a), to the extent they are associated with the origination of a Mortgage, whether discovered through a post-closing quality control review or by any other means. All other findings related to fraud, suspected fraud or other Suspicious Activity must be reported in accordance with Section 3201.2.

- The underwriting of the Borrower's creditworthiness and capacity (e.g., Borrower's income, credit/liabilities, assets) or Borrower eligibility and qualification (e.g., Area Median Income, First-Time Homebuyer, lawful presence in the United States)

- The underwriting criteria related to property or project eligibility (e.g., residential use, condominium eligibility), the appraisal report or the physical condition of the Mortgaged Premises

- Mortgage or program terms and criteria (e.g., program that may require special Seller/Servicer approval as a prerequisite for delivery and the criteria described in the Purchase Documents, such as loan-to-value ratio, occupancy, Credit Score, Mortgage purpose and Mortgage Product, terms such as ineligible transaction types and limitations on cash out to the Borrower that determines the type of refinance) or any terms and criteria set forth in any negotiated provision

- A life-of-loan representation and warranty (as described in Section 1301.11)

  - Charter matters

  - Misstatements, misrepresentations and omissions

  - Data inaccuracies

  - Clear title/First Lien priority

  - Compliance with laws

  - Unacceptable Mortgage products

- Requirements applicable at the time the Mortgage was sold to Freddie Mac (e.g., no defaults, all taxes and insurances have been paid or escrows have been established, no modification, encumbrance, subordination or release of the Mortgage)

- The existence, sufficiency or enforceability of any required insurance or guaranty

- The form and/or execution of Freddie Mac required Mortgage documents, without which the Mortgage would be ineligible for sale to Freddie Mac or the enforceability of the required Mortgage terms would be limited (e.g., Form 65, Uniform Residential Loan Application, power of attorney, Texas Equity Section 50(a)(6) Mortgage documents, nonstandard or special purpose documents such as Living Trusts)

Note: Freddie Mac reserves the right to increase the sampling or to impose other requirements on a case-by-case basis.

3402.11: Retention of Seller's quality control records (07/07/21)

For at least three years from the date of the preclosing or post-closing quality control review, the Seller must retain all records of its quality control findings, along with documentation of any corrective action taken. These records must be made available to Freddie Mac and upon request to the new Servicer if a Transfer of Servicing occurs. Upon request by Freddie Mac, the Seller must provide records that clearly indicate:

- The Freddie Mac loan number
- The Seller's final determination (from its quality control department) of whether the Mortgage is an investment quality Mortgage, and
- Other loan-level information that is requested by Freddie Mac

Chapter 3403: Servicer's Quality Control Program

3403.1: Servicer's quality control program (06/14/23)

The Servicer must implement a quality control program with respect to its Servicing of Mortgages for Freddie Mac, and, in implementing this program, it may leverage its existing processes. Freddie Mac may review and require changes to a Servicer's quality control program. Servicers must have written policies and procedures documenting its quality control program's requirements and must consistently monitor compliance with these policies and procedures as part of a prudent risk management framework. As part of its Servicing quality control program, the Servicer must regularly review and assess the adequacy of its internal controls, procedures and systems used in connection with Servicing of Freddie Mac Mortgages to ensure compliance with the Guide and other Purchase Documents.

The Servicer must take remedial steps, as appropriate, to address any deficiencies identified regardless of whether such deficiencies are discovered by the Servicer, identified and communicated by Freddie Mac, identified by a Borrower and confirmed by the Servicer, or identified by a third party (e.g., external auditor, law firm, or regulatory agency) and confirmed by the Servicer. The Servicer must formally document the results of its reviews and assessments and make the results, including any remediation plan or completed remediation, available to Freddie Mac upon request.

A Servicer must provide evidence of its quality control program upon Freddie Mac's request. At a minimum, a Servicer's quality control program must:

- Comply with the requirements of Section 3201.1(c) relating to fraud prevention and detection in its quality control program, as well as other applicable requirements of Chapter 3201 relating to fraud prevention, detection and reporting

- Evaluate whether the Servicer is maintaining accurate and complete records as required by Chapter 3302 and the document retention and Document Custodian requirements set forth in Sections 9206.17, 9205.11(b) and 9205.20

- Establish control and identification features for all Mortgage files, in accordance with Section 3302.3

- Provide for periodic reviews of the Servicer's cash accounting, investor reporting and remitting, escrow management and notifications to Borrowers, and custodial accounts management processes and controls, using a Mortgage sample size that reflects a meaningful representation of the UPB of the Mortgages the Servicer services for Freddie Mac

- Assess ARM adjustment accuracy and notifications to Borrowers

- Periodically perform quality control reviews or audits on any authorized Outsourced Vendor's use of any Servicing Tool to ensure compliance with the Guide and other Purchase Documents, including Section 2406.1

- Evaluate whether its operations personnel and, if applicable, Outsourced Vendors, are complying with and accurately conducting the pre-foreclosure referral Mortgage File Review requirements of Sections 9101.2(c), 9102.4(b), and 9301.4 and pre-foreclosure sale account review requirements of Section 9301.29

- Periodically review notices of default, notices of acceleration, right to cure notices, and, where applicable, right to appeal a loan modification denial notice, to ensure that they are properly dated, timely sent, and otherwise provides Borrowers with all rights required by applicable law and assess whether all condition precedents to proceeding with foreclosure are met

- Periodically review compliance with Freddie Mac's loss mitigation requirements, which includes compliance with Freddie Mac's modification program requirements and short sales

- Maintain policies and procedures that are reasonably designed to ensure that the Servicer investigates, responds to and makes corrections in response to complaints or errors asserted by Borrowers

Chapter 3501: Freddie Mac Servicer Success File Reviews and Performance Criteria

3501.1: Freddie Mac Servicer Success File Reviews (03/02/16)

As part of the Servicing Success Program, as described at **https://sf.freddiemac.com/content/_assets/resources/pdf/step-by-step-guides/serv_success_prog.pdf**, Freddie Mac will be conducting reviews of delinquent Mortgage files from time to time as discussed below. These file reviews ("Servicer Success File Reviews" or "File Reviews") are in addition to any audit of Mortgage files specified in Section 8101.7.

(a) Types of File Reviews

Freddie Mac will notify a Servicer in writing that certain Mortgages have been selected for a Servicer Success File Review. Freddie Mac may conduct the following types of File Reviews:

- Prudent Servicing Review: An assessment of the Servicer's collection activities, loss mitigation activities, timeline management, and property preservation processes
- Short Sale Compliance Review: An assessment of the Servicer's compliance with the requirements of the Guide, and other Purchase Documents, as applicable, regarding completed short sales
- Loan Modification Compliance Review: An assessment of the Servicer's compliance with the requirements of the Guide and other Purchase Documents, as applicable, regarding completed modifications

Freddie Mac may modify or expand the types of File Reviews from time to time.

(b) File Review requests

Freddie Mac will notify a Servicer in writing that certain Mortgages have been selected for a File Review.

Servicers must comply with the instructions and any requirements set forth in a File Review request from Freddie Mac, which will:

- Include the Freddie Mac loan numbers associated with the Mortgage files being requested
- Specify the documentation that must be included with each type of file (e.g., short sale under Chapter 9204 or modification under Chapter 9204 or Chapter 9205)

- Provide detailed instructions on the manner in which the documents are to be submitted to Freddie Mac, and

- State that Freddie Mac must receive the requested file documentation within 30 calendar days from the date of the letter requesting the documentation or such other time frame Freddie Mac specifies in the request

All documentation sent to Freddie Mac may be used in the File Review, even if the Servicer includes documentation that is not required. Freddie Mac may request additional Mortgage files and/or additional documents during the File Review. The Servicer must submit the requested documentation in the manner specified by Freddie Mac or Freddie Mac may refuse to accept the documentation. A Servicer's failure to submit requested documentation will be considered a violation of the Purchase Documents, and Freddie Mac will pursue all rights and remedies available under the Purchase Documents and applicable law. Additionally, failure to submit the documentation is considered a file defect and may be considered in determining a Servicer's overall performance in accordance with Section 3501.2.

Upon completion of the File Review, Freddie Mac will provide its conclusions, including any defects, in writing to the Servicer. Servicers may provide Freddie Mac with a response or appeal to the findings noted in Freddie Mac's conclusions up to 15 Business Days after the date of Freddie Mac's written conclusions. If an identified defect was the result of a missing or incorrect document, that document may be submitted with the Servicer's appeal to support clearing the defect. If the Servicer failed to submit any documents in response to Freddie Mac's initial File Review request on a Mortgage, and the overall result is "Fail – Missing Docs," the Servicer may not appeal the defect for that Mortgage. Freddie Mac's decision on the File Review shall be deemed conclusive and may be considered as a factor in determining a Servicer's overall performance in accordance with Section 3501.2. Freddie Mac, in its sole and absolute discretion, may choose to rely on such conclusions or upon any other available information in determining whether to pursue any other right or remedy available to Freddie Mac under the Purchase Documents or applicable law.

Note: File Reviews are not a substitute for the Servicer's own internal quality control for default management activities.

3501.2: Servicer performance metrics (03/13/19)

(a) Servicer performance

The Servicer Success Scorecard is a confidential monthly performance review for all Servicers which measures a Servicer's performance based on key metrics in certain categories, such as investor reporting and default management. Each Servicer's performance results are published monthly in a Servicer Success Scorecard at **https://sf.freddiemac.com/content/_assets/resources/pdf/step-by-step-guides/serv_success_prog.pdf**. The Servicer Success Scorecard performance metrics, and changes thereto by Freddie Mac, are incorporated into and made a part of the Guide and other

Purchase Documents by this reference. Certain Servicers may have individual performance goals based on the metrics in the Servicer Success Scorecard that are incorporated into their Purchase Documents.

Freddie Mac reserves the right to amend the performance metrics, modify how the rankings are determined (as described below) and revise the content of the Servicer Success Scorecard or Freddie Mac Servicer Honors and Rewards Program (SHARP)[SM] (as described below) at any time. Each Servicer Success Scorecard is considered to be "confidential information" for purposes of Section 1201.8.

Refer to Section 9201.5 for additional information on Freddie Mac's default management performance category. Refer to Section 8301.3 for additional information on Freddie Mac's investor reporting performance category.

(b) Servicer performance results

Freddie Mac will regularly monitor each Servicer's performance against the metrics in the Servicer Success Scorecard. Servicers will be placed into groups based upon similarities in Servicers' portfolios (each a "rank group"). The rank groups will be determined based upon portfolio composition parameters determined by Freddie Mac.

For certain rank groups, the Servicer Success Scorecard will provide a Servicer with overall rankings, monthly and annual (for that calendar year), as applicable, compared to other Servicers in such Servicer's rank group in the default management category. A Servicer will be presumed to have an unacceptable Servicer Success Scorecard result if the Servicer's overall monthly or annual ranking in the default management category is in the bottom 25% of ranked Servicers in the Servicer's rank group.

Freddie Mac considers factors such as trends in performance, adequacy of staffing, audit results, the Servicer Success Scorecard results, Servicer Success File Reviews, and/or compliance with all requirements of the Purchase Documents in evaluating whether the Servicer's overall performance is unacceptable for purposes of Section 2301.2.

(c) Freddie Mac Servicer Honors and Rewards Program

For details on the Freddie Mac Servicer Honors and Rewards Program (SHARP), Freddie Mac's rewards and recognition program based on Servicer performance results, visit the Freddie Mac SHARP web page at: **https://sf.freddiemac.com/working-with-us/servicing/servicing-solutions/sharp/overview**.

Chapter 3601: Remedies (Including Repurchase and Termination of Servicing)

3601.1: Freddie Mac remedies (04/10/24)

(a) Remedies and related requirements

In addition to any other remedies it may have at law or in equity or elsewhere in any Purchase Document, for any Mortgage it purchased, Freddie Mac may require the Seller or Servicer to (and the Seller or Servicer agrees to):

- Indemnify Freddie Mac and hold it harmless for any loss, damage or expense (including court costs and reasonable attorney fees) that it may sustain, and/or
- Repurchase Freddie Mac's interest in the Mortgage at any time if the Borrower or any other party in the Mortgage transaction has made any misstatement, misrepresentation or omission in conjunction with such transaction, whether or not the Seller or Servicer was a party to or had knowledge of such false representation, and/or
- Repurchase Freddie Mac's interest in the Mortgage or comply with the terms of any repurchase alternatives at any time under any of the other circumstances set forth in Sections 3602.2 and 3602.3, and/or
- Terminate the Servicing Contract and related Servicing Contract Rights pursuant to Chapter 3603, and/or
- Set off any amounts owed by a Seller/Servicer to Freddie Mac against any other funds that Freddie Mac owes to a Seller/Servicer, including but not limited to, workout incentives, expense reimbursements or any other amounts

(b) Additional actions

In addition to the foregoing and any other remedies it may have at law, in equity and pursuant to the Purchase Documents, Freddie Mac has the right to take (and the Seller or Servicer agrees to comply with) additional actions, including, without limitation:

- Engage in more frequent dialogue, quality control or quality assurance reviews or onsite reviews, 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
- Require the Servicer to provide a performance monitoring 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 Mortgages to be acquired by Freddie Mac from the Seller/Servicer
- Limit negotiated terms of business to Mortgages 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 Mortgages acquired by Freddie Mac from the Seller/Servicer
- Revoke Freddie Mac Servicer Honors and Rewards Program (SHARP)^{SM} designation, servicing rewards or other honorary accolades
- Set off or recoup any amounts or obligations that Freddie Mac owes to the Seller/Servicer against any amounts or obligations owed by the Seller/Servicer to Freddie Mac under any Purchase Document or any other agreement by and between Seller/Servicer and Freddie Mac
- Require posting of collateral, in cash or cash equivalent
- Impose business volume limits for Mortgages 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
- Voluntary or involuntary Transfer of Servicing, in whole or in part, including without limitation to Voluntary Partial Cancellations (VPCs), require repurchase on all Mortgages in default
- Suspend Seller/Servicer
- Terminate Seller/Servicer

- Terminate, in whole or in part, the Servicing Contract and related Servicing Contract Rights

(c) Occurrence of a Claims Event; resulting liability immediately due and owing to Freddie Mac

Upon the occurrence of any Claims Event, all FRE Claims related to the Seller/Servicer shall be deemed immediately and automatically due and payable, without the need for further action by Freddie Mac or any other party.

A Seller/Servicer must pay, unconditionally and in full, any and all FRE Claims as a condition to receipt of Freddie Mac's approval of or consent to such Claims Event, if applicable, the calculation of FRE Claims being conclusive absent manifest error; provided, however, that Freddie Mac may at any time expressly waive or defer such payment obligation, in whole or in part, in writing in its sole and absolute discretion.

Chapter 3602: Repurchases

3602.1: Defined terms (05/04/20)

As used in this chapter, the following terms have the meanings ascribed to them below:

- **Appeal Process**: The first appeal process and the second appeal process described in Sections 3602.8 and 3602.9, as applicable

- **IDR Document**: The Independent Dispute Resolution Document set forth at **https://sf.freddiemac.com/content/_assets/resources/pdf/forms/idr_tolling_agreement.pdf** and **https://sf.freddiemac.com/content/_assets/resources/pdf/step-by-step-guides/serv_success_prog.pdf**, which sets forth the details regarding the IDR Process, and which is by this reference incorporated into the Guide and made a part of the Guide as if set forth in the Guide in full

- **IDR Eligible Seller/Servicer**: A Seller/Servicer that has not been suspended, disqualified or terminated by Freddie Mac. The Seller/Servicer's ability to participate in the IDR Process cannot be assigned. For the avoidance of doubt, any dispute concerning the suspension, disqualification or termination of a Seller/Servicer cannot be subject to the IDR Process. In addition, a Seller/Servicer shall not be an IDR Eligible Seller/Servicer if the Seller/Servicer has:

    1. Failed to timely comply with an IDR award related to any Mortgage (or Mortgages) that has/have been resolved through the IDR Process; and/or

    2. Failed to timely comply with any Repurchase Demand or Servicing Remedy letter after the time for challenging the Repurchase Demand or Servicing Remedy letter through the Appeal Process, Impasse Process, Management Escalation Process and IDR Process, as applicable, has expired; and/or

    3. Any outstanding amount that is owed and past due to any IDR Program Administrator

- **IDR Process**: The process described in Sections 3602.8 and 3602.9, as applicable, and in the IDR Document

- **IDR Program Administrator**: The entity so named in the IDR Document

- **Impasse Process**: The process described in Sections 3602.8 and 3602.9, as applicable

- **Management Escalation Process**: The process described in Sections 3602.8 and 3602.9, as applicable

- **Repurchase Demand**: A request issued by Freddie Mac to a Seller/Servicer to provide a specific remedy as provided in Purchase Documents due to an alleged loan-level breach of selling representations and/or warranties

- **Servicing Correction**: Action taken by the Servicer that demonstrates that the identified Servicing Defect either (i) did not, in fact, exist, or (ii) has been corrected in the time frame specified by Freddie Mac, such that the Servicing Defect is no longer considered by Freddie Mac to be a Servicing Defect.

- **Servicer Counterparty Status**: Freddie Mac's assessment of a Seller/Servicer's financial capacity which could determine whether to offer the Seller/Servicer certain Servicing Repurchase Alternatives for a Servicing Violation.

- **Servicing Defect**: A loan-level deficiency based on a Servicing Violation resulting from a breach of a requirement, term or condition contained in the Purchase Documents in effect at the time of the Servicing Violation.

- **Servicing Remedy**: An action to resolve a Servicing Defect elected by Freddie Mac in accordance with the Purchase Documents which may be either a Servicing Repurchase Alternative or a repurchase.

- **Servicing Repurchase Alternative**: Remedies other than repurchase of the identified Mortgage including, after foreclosure, the REO property that compensates Freddie Mac for damages, expenses and losses resulting from the identified Servicing Defect. The Servicing Repurchase Alternative offered by Freddie Mac will be based on the individual Servicing Defect and the costs associated with any Servicing Repurchase Alternative could include, but are not limited to:

  - A daily carrying cost that is not duplicative of any other cost or fee below
  - Property maintenance costs
  - Property taxes
  - Property and mortgage insurance
  - Condominium/homeowners association (HOA) or Cooperative Corporation assessments, Condominium Unit maintenance fees or Cooperative Unit Maintenance Fees, and ground rents
  - Appraisal/BPO costs
  - Legal fees and costs
  - Property inspection costs

- Utility costs
- Any documented property value decline, where appropriate
- Costs to repair
- Outstanding fees/fines/liens

- **Servicing Repurchase Defect**: A Servicing Defect attributable to a Servicing Violation for which a repurchase request could be issued without first issuing a notice of Servicing Defect, or a Servicing Repurchase Alternative demand letter. Servicing Repurchase Defects are limited to Servicing Defects that:
  - Cause Freddie Mac's lien, security interest or other property interest to be subordinated, extinguished or become inadequate for the realization of the benefits of the security against the related Mortgaged Premises
  - Pose a significant reputational risk to Freddie Mac
  - Result from the Servicer modifying a Mortgage that was sold to Freddie Mac with recourse or full indemnification in violation of Freddie Mac's modification eligibility requirements
  - Result in the Mortgage to not be, or no longer be, supported by Freddie Mac's Servicing systems; or
  - Cause irreparable damage to the physical improvements to the Mortgaged Premises or REO property or render the Mortgaged Premises or REO property uninhabitable
- **Servicing Violation**: A breach of any Servicer requirement or obligation contained in the Purchase Documents related to Servicing functions including, but not limited to, processing of payments, delinquency management, communications, loss mitigation, property preservation and ensuring appropriate insurance is on the Mortgage or property.

3602.2: Repurchases required by Freddie Mac due to violations of sale representations and warranties (08/17/16)

Effective August 17, 2016, the contents of former Section 3602.1 have moved to this section.

For Mortgages sold to Freddie Mac, the Seller, the Seller as Servicer, any prior Servicer and/or the current Transferee Servicer of the Mortgages (in this Section 3602.2, the "Seller/Servicer") are jointly and severally liable for all selling and origination representations, covenants and warranties in the Purchase Documents with respect to the Mortgages, unless specifically

otherwise provided in the Purchase Documents. In addition to any other remedies it may have at law or in equity for any Mortgage it purchased, Freddie Mac may require the Seller/Servicer to repurchase Freddie Mac's interest in a Mortgage if Freddie Mac has designated any loan-level deficiency that breaches a term contained in the Purchase Documents in effect at the time of Mortgage purchase as resulting in a Significant Defect (as such term is defined in Section 3401.1).
Freddie Mac will require the Seller/Servicer to repurchase Freddie Mac's interest in a Mortgage if the repurchase is required under the terms of the Purchase Documents.

Freddie Mac's decision to require the Seller/Servicer to repurchase a Mortgage shall be conclusive. Failure to comply with Freddie Mac's repurchase requirement may result in suspension of selling and/or Servicing privileges or disqualification as a Freddie Mac Seller and/or Servicer. Suspension or disqualification shall not limit Freddie Mac's right to take other action to enforce its rights or protect its interests.

The Seller/Servicer must repurchase Freddie Mac's interest in the identified Mortgage within 60 days of the date of Freddie Mac's request or within such other time frame as specified by Freddie Mac. Any appeal of Freddie Mac's repurchase request must be made in accordance with the requirements of Section 3602.8.

Freddie Mac may, at its sole discretion, provide the Seller/Servicer with a Repurchase Alternative (as such term is defined in Section 3401.1(a)) of the identified Mortgage in accordance with Section 3401.1(f). In each such case, Freddie Mac will notify the Seller/Servicer of the type and terms of the Repurchase Alternative.

For purposes of this Section 3602.2, Mortgages that are subject to repurchase include active Mortgages, inactive Mortgages and REO and all other post-foreclosure situations pursuant to the provisions of Section 3602.5.

3602.3: Repurchases and repurchase alternatives required by Freddie Mac due to Servicing violations (12/01/16)

(a) Process for remediating Servicing Violations and related Servicing Defects

The steps below describe the process that Freddie Mac will follow to categorize Servicing Defects, allow Servicing Corrections to Servicing Defects through a notice of Servicing Defect, and remedy Servicing Defects through a Servicing Remedy letter (either a repurchase request or Servicing Repurchase Alternative demand letter).

(i) Step 1 – Determination of whether to send a notice of Servicing Defect or a Servicing Remedy letter

(A) Notices of Servicing Defect and Servicing Remedy letters

If Freddie Mac identifies a Servicing Violation, Freddie Mac may issue either a notice of Servicing Defect or a Servicing Remedy letter.

Notwithstanding the foregoing, Freddie Mac will issue a notice of Servicing Defect or a Servicing Remedy letter for a title-related defect only after liquidation of the Mortgage (i.e., after foreclosure or following completion of a deed-in-lieu of foreclosure), unless a prior foreclosure has extinguished Freddie Mac's Mortgage or Freddie Mac has determined that the title-related defect prevents foreclosure or other enforcement of Freddie Mac's rights under the Note or Mortgage (e.g., the title-related defect prevents completion of a deed-in-lieu of foreclosure).

(I) Notice of Servicing Defect

If Freddie Mac determines that the Servicing Defect resulting from a Servicing Violation can be reasonably corrected by the Servicer, Freddie Mac will issue a notice of Servicing Defect.

(II) Servicing Remedy letter

If Freddie Mac deems the Servicing Defect resulting from a Servicing Violation to be uncorrectable by the Servicer, Freddie Mac will issue a Servicing Remedy letter. A Servicing Remedy letter may also be issued if a Servicing Defect (a) is not corrected by the Servicer during the Servicing Correction period, if applicable, or (b) caused or will cause Freddie Mac losses, expenses or damages, notwithstanding any Servicing Correction.

If a Servicer fails to comply with any Servicing Remedy letter, Freddie Mac may pursue other available rights and remedies under the Guide and the other Purchase Documents, including repurchase.

The following are limited instances in which a Servicing Defect resulting from a Servicing Violation may be deemed to be uncorrectable. Therefore, a Servicing Remedy letter may be issued in lieu of a notice of Servicing Defect when a Servicing Defect:

- Extinguishes the lien, security interest or other property interest, or the lien, security interest or other property interest becomes inadequate for the realization of the benefits of the security against the related Mortgaged Premises

- Causes irreparable damage to the physical improvements to the Mortgaged Premises or REO property or renders the Mortgaged Premises or REO property uninhabitable

- Is a result of a foreclosure sale to a third-party purchaser, completed short sale, or completed deed-in-lieu of foreclosure that was not compliant with the Guide and the other Purchase Documents

- Extinguishes Freddie Mac's ability to either file an insurance claim or seek full recovery of an insurance claim amount, for any insurance or guarantee type; or

- Results in a property that was not preserved and maintained in accordance with the Guide and the other Purchase Documents, and, following acquisition of the property, Freddie Mac needs to make any repairs to the REO property as a result of the Servicer's failure to preserve and maintain the property in accordance with the Guide and the other Purchase Documents.

(III) Servicing Repurchase Alternative demand letter

A Servicing Repurchase Alternative demand letter will be issued for Servicing Defects not constituting Servicing Repurchase Defects, including, if applicable, after a Servicing Correction period. Freddie Mac will issue any such Servicing Repurchase Alternative demand letter within 60 days after the expiration of the Servicing Correction period, including any extensions and resolution of any appeals (see Section 3602.9), unless Freddie Mac provides notice to the Servicer that it is unable to provide the Servicing Repurchase Alternative demand letter within such time frame. Any such notice will describe the anticipated time frame for issuing the related Servicing Repurchase Alternative demand letter.

A repurchase request will be issued for any Servicing Repurchase Defect. For purposes of this Section 3602.3, repurchase requests include active Mortgages, inactive Mortgages and REO and all other post-foreclosure situations pursuant to the provisions of Section 3602.5.

If there are multiple Servicing Defects caused by a Servicing Violation or Violations, Freddie Mac may either issue a (i) repurchase request if any Servicing Violation constitutes a Servicing Repurchase Defect, or (ii) a Servicing Repurchase Alternative demand letter for all Servicing Defects, in each case based on each specific Servicing Violation.

(B) Contents of notices of Servicing Defect and Servicing Remedy letters

The notice of Servicing Defect or Servicing Remedy letter will include the following information:

- The specific Servicing Violation(s) and/or related Servicing Defect(s)

- For a notice of Servicing Defect, the Servicing Correction period

- For a Servicing Repurchase Alternative demand letter, the Servicing Repurchase Alternative amount, including calculation of the Servicing Repurchase Alternative amount. (For a repurchase request, details regarding the calculation of the repurchase price as described in Section 3602.5.)

- For a Servicing Remedy letter, the time frame for completing the repurchase or payment of the Servicing Repurchase Alternative, and information regarding the Servicer's right to appeal and time frame for appeal pursuant to Section 3602.9

(ii) Step 2 – Servicing Corrections

During the Servicing Correction period identified in a notice of Servicing Defect, a Servicer must correct the related Servicing Defect(s) in the specified time frame required in the notice of Servicing Defect. Following the Servicing Correction period, Freddie Mac will assess any Servicing Correction made by the Servicer to determine whether a Servicing Remedy letter will be issued. If the Servicer provides an acceptable Servicing Correction, Freddie Mac will not pursue a repurchase; however, Freddie Mac may still issue a Servicing Repurchase Alternative demand letter for any damages, expenses or losses suffered as a result of the Servicing Violation. If Freddie Mac determines it will not issue a Servicing Remedy letter, Freddie Mac will notify the Servicer that the related notice of Servicing Defect has been closed.

Notwithstanding the foregoing, a Servicer may attempt to correct the Servicing Defect identified in a Servicing Remedy letter following the expiration of the Servicing Correction period and issuance of the Servicing Remedy letter; however, once the Appeal Process has concluded, or if applicable, the impasse period has expired, as described in Section 3602.9, the Servicer can no longer submit a Servicing Correction for consideration by Freddie Mac.

(iii)Step 3 – Appeals of Servicing Remedy letters

All Servicing Remedy letters issued to a Servicer are subject to the Appeal Process, which may be initiated by the Servicer in accordance with Section 3602.9.

(b) Other representations and warranties

In addition to any other remedies it may have at law or in equity for any Mortgage it purchased, Freddie Mac may require the Servicer to repurchase Freddie Mac's interest in a Mortgage if, in Freddie Mac's sole discretion, Freddie Mac determines that the Servicer has failed to comply with any contractual representation and warranty, as prescribed in the Guide and the other Purchase Documents.

Contractual representations and warranties include, but are not limited to, compliance with Chapter 3201 regarding fraud, compliance with the Freddie Mac Charter Act, warranties and obligations of the Servicer regarding the Freddie Mac Exclusionary List or the Federal Housing Finance Agency's Suspended Counterparty Program, and compliance with applicable law, all as related to the Servicing of a Mortgage.

3602.4: Repurchases requested by the Seller/Servicer (08/17/16)

Effective August 17, 2016, the contents of former Section 3602.3 have moved to this section.

Under exceptional circumstances, the Seller/Servicer may be allowed to repurchase Freddie Mac's interest in a Mortgage. Each repurchase must have Freddie Mac's prior written approval and be documented in the applicable Mortgage file. To request a repurchase, the Seller/Servicer must complete a Form 105, Multipurpose Loan Servicing Transmittal, and submit it to Freddie Mac via e-mail at **Repurchase@FreddieMac.com** (**see Directory 1** for additional submission options).

Generally, only a Mortgage that is 90 or more days delinquent or being foreclosed upon may be repurchased under this section. Without Freddie Mac's prior written approval, a Seller/Servicer may not voluntarily repurchase a Price-Adjusted Loan (as such term is defined in Section 3401.1(a).

3602.5: Repurchase price (06/12/19)

The repurchase price is calculated as follows:

- **Active Mortgages (see Section 8303.1):**
  - The amount of the UPB of the Mortgage, including any Negative Amortization on an ARM
  - PLUS accrued interest at the applicable net yield rate from the first day of the month of repurchase through the day before repurchase
- **Inactive Mortgages (see Section 8303.1):**
  - The amount of the UPB of the Mortgage, including any Negative Amortization on an ARM
  - PLUS accrued interest at the applicable net yield rate from the DDLPI through the day before repurchase
  - PLUS any expenses reimbursed by Freddie Mac to the Servicer
  - PLUS any other costs incurred by Freddie Mac and the Servicer in connection with foreclosure or the liquidation of the Mortgage in default
  - MINUS any mortgage insurance proceeds, sale proceeds, other proceeds, rental income or refunds remitted to Freddie Mac by or on behalf of the Servicer

- **REO and all other post-foreclosure situations:**

  - The amount of the UPB of the Mortgage as of the acquisition date or the date of acceptance of a deed-in-lieu of foreclosure, including any Negative Amortization on an ARM
  - PLUS accrued interest at the:

    - Accounting Net Yield (ANY) from the DDLPI through the earlier of the day before the repurchase due date or the 150th day from the DDLPI

    - Average of the prime rate for the month preceding the repurchase request date minus one half of 1% from the 151st day from the DDLPI through the earlier of the day before the repurchase due date or 60 days after the settlement date of the sale of the REO (if applicable)

  - PLUS any expenses reimbursed by Freddie Mac to the Servicer

  - PLUS all costs associated with the acquisition, maintenance, rehabilitation and disposition of the property acquired, including any incentive or below market financing provided by Freddie Mac and the Servicer of the Mortgage in connection with the REO property

  - PLUS an allocation for general and administrative expenses

  - PLUS any other cost incurred by Freddie Mac and the Servicer in connection with the REO property, foreclosure or the liquidation of Mortgages in default

  - PLUS the cost of advancing payment for expenses net of any proceeds received at the:

    - ANY from the DDLPI through the earlier of the day before the repurchase due date on the 150th day from the DDLPI

    - The average of the prime rate for the month preceding the repurchase request date minus one half of 1% from the 151st day from the DDLPI through the earlier of the day before the repurchase due date or 60 days after the settlement date of the sale of the REO

  - MINUS any mortgage insurance proceeds, sale proceeds, other proceeds, rental income or refunds remitted to Freddie Mac by or on behalf of the Servicer

The Seller/Servicer agrees that, in the event of repurchase, it will pay all documentary stamp taxes, recording fees, transfer taxes and all other expenses payable in connection with the transfer of Mortgages.

At Freddie Mac's discretion, the repurchase price may also include any premium paid for Mortgages we purchased, or with respect to Mortgage delivery through the Guarantor program, the premium (expressed as a percentage) that was or would have been applicable to the Pool comprising the particular Mortgages, based on market conditions existing on the Settlement Date as determined by Freddie Mac, multiplied by the outstanding UPB of the particular Mortgage on the repurchase date. In addition, the repurchase price will include an amount equal to any buyup proceeds paid by Freddie Mac to the Seller in connection with the sale of the Mortgage to Freddie Mac and an amount equal to any loss, damage or expense, including court costs and reasonable attorney fees, as incurred by Freddie Mac in connection with its purchase, ownership and resale to the Seller of the Mortgage.

The Seller/Servicer must remit the repurchase funds or comply with the repurchase appeal requirements in Section 3602.8 or Section 3602.9, as applicable, within 60 days of the date of Freddie Mac's repurchase letter. If the Seller/Servicer does not submit a written appeal to Freddie Mac within 60 days or within such other time frame as specified by Freddie Mac, it will be assumed that the Seller/Servicer does not contest the repurchase and that the repurchase funds are due to Freddie Mac. Thereupon the Appeal Process will no longer be available to the Seller/Servicer for that particular repurchase request.

If the Seller/Servicer fails to report an involuntary repurchase in accordance with Section 8303.14 and the late reported payoff-repurchase results in a delayed Payoff Date or if the Seller/Servicer fails to have sufficient funds available for Freddie Mac to draft on the Payoff Draft Date, then the Seller/Servicer may be charged a draft delay fee each month on the total amount owed. The rate of interest on the late remittance amount will equal the highest quoted prime rate printed on the last Business Day following the month in which the repurchase funds are due plus 3% (300 basis points). The prime rate is published in *The Wall Street Journal's* "Money Rates" column or comparable section. If the prime rate is not published, Freddie Mac will determine a comparable rate. The amount of any repurchase late fee will appear on the Seller account activity statement described in Section 6303.1(e) and will be drafted from the Seller's Automated Clearing House (ACH) account in accordance with Section 6303.2(g).

Refer to Section 8303.42 for details on how Freddie Mac calculates the draft delay fee and the fee structure.

3602.6: Documenting and reporting repurchases (08/17/16)

Effective August 17, 2016, the contents of former Section 3602.5 have moved to this section.

All repurchases must be documented in the applicable Mortgage files and are subject to Freddie Mac review. In addition, for any repurchase made to allow a Transfer of Ownership under Section 3602.3, the Seller/Servicer must also retain the documentation required in Section 8406.9 after the transfer has occurred.

Repurchases, other than those for which the Seller/Servicer has received written demand by Freddie Mac, must have Freddie Mac's prior written approval. Refer to Section 3602.4 for information on submitting a request to repurchase a Mortgage.

A repurchase is not completed until the reporting and remitting requirements of Section 8303.14 have been satisfied.

3602.7: Survival of Freddie Mac's remedies; misrepresentations by the Seller or Servicer (04/12/23)

Freddie Mac's decision to require or allow a repurchase in no way diminishes its right to pursue further action such as disqualification, suspension or termination, in whole or in part, of the Servicing Contract and related Servicing Contract Rights under the provisions of Chapter 2301 and/or 3603. Freddie Mac may also exercise these remedies when its inspection of the documentation of a repurchased Mortgage reveals facts materially different from those for which Freddie Mac originally approved this repurchase.

3602.8: Appealing a repurchase request due to violations of selling and origination representations and warranties (08/17/16)

Effective August 17, 2016, the contents of former Section 3602.7 have moved to this section.

Upon receipt of a Repurchase Demand for any violation described in Section 3602.2, if the recipient of the Repurchase Demand (in this Section 3602.8, referred to as the "Seller/Servicer") has additional supporting information and/or documentation that may affect Freddie Mac's decision, the Seller/Servicer may file an appeal. See Section 3401.1(f) for information regarding Freddie Mac's review of Corrections (as defined in Section 3401.1(a)) submitted by the Seller/Servicer.

(a) First appeal

Within 60 days from the date of Freddie Mac's Repurchase Demand or within such other time frame as may be specified by Freddie Mac, the Seller/Servicer may submit the first appeal. If a first appeal is not received within the 60-day period or within such other time frame as may be specified by Freddie Mac, the Seller/Servicer will have no further right to challenge such Repurchase Demand, and will not be able to avail itself of the Impasse Process, the Management Escalation Process or the IDR Process. Below is the process for the first appeal:

1. The first appeal must be sent in writing to the Freddie Mac office requesting the repurchase

2. The Seller/Servicer's appeal package must contain:

   - A statement of all relevant facts concerning 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
   - All available documentation supporting the basis for the first appeal

3. If the Seller/Servicer submits a timely appeal, Freddie Mac will review the appeal and advise the Seller/Servicer in writing of the appeal decision

4. At any time during the first appeal process, the Seller/Servicer has the right to provide a Correction of an alleged Significant Defect (as defined in Section 3401.1)

5. If the first appeal is denied, the Seller/Servicer must:

   - Comply with the terms of the Repurchase Demand within 15 days from the date of Freddie Mac's denial letter or within such other time frame as specified by Freddie Mac; or
   - Submit a second appeal as set forth in Section 3602.8(b) below

6. In order for Freddie Mac to have the right to seek a remedy based on the breach(es) alleged in the Repurchase Demand, Freddie Mac must respond to the Seller/Servicer's first written appeal within 60 days of receipt of the Seller/Servicer's written appeal

(b) Second appeal

If information that was not available at the time of the first appeal (and was therefore not submitted to Freddie Mac for consideration) becomes available after submission of the first appeal, the Seller/Servicer may submit an additional appeal ("second appeal") of the Repurchase Demand in writing within 15 days from the date of Freddie Mac's denial letter of the first appeal. The second appeal must provide new material documentation or information that was not previously available, and must contain the items described in Section 3602.8(a)(2). Below is the process for the second appeal:

1. Freddie Mac will review the second appeal and attempt to resolve the dispute

2. At any time during the second appeal process, the Seller/Servicer may provide a Correction of an alleged Significant Defect as set forth in the Guide

3. If the second appeal is denied, the Seller/Servicer must, within 15 days from the date of Freddie Mac's denial letter, initiate the Impasse Process pursuant to the terms of Section 3602.8(c) or implement the remedy requested by the Repurchase Demand

4. If the Impasse Process is not initiated within the 15-day period, the Seller/Servicer will:

   - Have no further right to challenge the Repurchase Demand
   - Not be able to avail itself of the Impasse Process, the Management Escalation Process, or the IDR Process in connection with the Mortgage in question, and
   - Be obligated to timely comply with the terms of the Repurchase Demand

5. In order for Freddie Mac to have the right to seek a remedy based on the breach(es) alleged in the Repurchase Demand, Freddie Mac must respond to the Seller/Servicer's first written appeal within 60 days of receipt of the Seller/Servicer's written appeal

If new material information is not available after submission of the first appeal, the Seller/Servicer may initiate the Impasse Process (described in Section 3602.8(c) below) within 15 days from the date of Freddie Mac's denial letter of the first appeal.

(c) Impasse Process

Below is the description and requirements for the Impasse Process:

1. If the Seller/Servicer wishes to challenge the Repurchase Demand after conclusion of the Appeal Process, the Seller/Servicer must initiate the Impasse Process through a written request to Freddie Mac requesting such escalation within 15 days of the date of Freddie Mac's denial of the first or second appeal, as applicable. The request for such escalation must be sent in writing to the Freddie Mac office that denied the prior appeal and, if any new information is available, the request must include the items described in Section 3602.8(a)(2) above.

2. Within 30 days (or such longer period of time to which both parties agree) from the date the Impasse Process is initiated (the "impasse period") a representative from each of the Seller/Servicer and Freddie Mac will attempt to resolve the dispute

3. The Seller/Servicer may provide a Correction of an alleged Significant Defect at any time during the impasse period

4. All information, facts, and documents that the Seller/Servicer or Freddie Mac wishes to be considered during the Impasse Process must be submitted no later than the end of the impasse period or such information will not be considered in the Management Escalation Process, any subsequent IDR Process or any other attempts to resolve the dispute

5. If the parties agree during the impasse period that no breach occurred, Freddie Mac will withdraw the Repurchase Demand. If the parties agree during the impasse period that a

breach did occur, the Seller/Servicer will implement the remedy specified in the Repurchase Demand (or such other remedy as agreed to by the parties).

6. If, after the impasse period, Freddie Mac reaffirms its Repurchase Demand, the Seller/Servicer may continue to dispute the Repurchase Demand by initiating the Management Escalation Process within 15 days of receiving Freddie Mac's reaffirmation of its decision

7. If the Management Escalation Process is not initiated within this 15-day period, the Seller/Servicer will:

   - Have no further right to challenge the Repurchase Demand
   - Not be able to avail itself of the Management Escalation Process or the IDR Process, and
   - Be obligated to comply with the terms of the Repurchase Demand within 15 days from the end of the impasse period

8. The Impasse Process is available only for Repurchase Demands concerning Mortgages with Settlement Dates on and after January 1, 2016

(d) Management Escalation Process

Below is the description and requirements for the Management Escalation Process:

1. If the dispute is not resolved by the Appeal Process or the Impasse Process, the Seller/Servicer may initiate the Management Escalation Process by submitting a written request to Freddie Mac no later than 15 days from the end of the impasse period. The Seller/Servicer's request shall identify its officer contact for the Management Escalation Process.

2. No new information, facts, or documents or Corrections may be submitted by the Seller/Servicer, and no new information, facts or documents may be submitted by Freddie Mac as part of the Management Escalation Process

3. Within 30 days (or such longer time period to which both parties may agree) after the Seller/Servicer initiates the Management Escalation Process (the "management escalation period"), an officer outside of Freddie Mac's Quality Control group and an officer of the Seller/Servicer will attempt to resolve the dispute. If Freddie Mac and the Seller/Servicer reach agreement regarding the Repurchase Demand in question during the management escalation period, Freddie Mac will withdraw the Repurchase Demand, or the Seller/Servicer will implement the remedy specified in the Repurchase Demand (or such other remedy as agreed to by Freddie Mac and the Seller/Servicer), no later than 30 days after an agreement is reached.

4. If the dispute is not resolved by the end of the management escalation period, the Seller/Servicer must initiate the IDR Process within 15 days of the expiration of the

management escalation period to continue to attempt to resolve the dispute. If the Seller/Servicer does not initiate the IDR Process within this 15-day period, the Seller/Servicer will:

- Have no further right to challenge the Repurchase Demand
- Not be able to avail itself of the IDR Process in connection with the Mortgage in question, and
- Be obligated to comply with the terms of the Repurchase Demand within 30 days from the end of the management escalation period

5. The Management Escalation Process is available only for Repurchase Demands concerning Mortgages with Settlement Dates on and after January 1, 2016

(e) IDR Process

Below is the description and requirements for the IDR Process:

1. The IDR Process is available to resolve factual disputes regarding Repurchase Demands that involve an alleged breach of a selling and/or origination representation and warranty

2. If the dispute is not resolved by the Management Escalation Process, an IDR Eligible Seller/Servicer may initiate the IDR Process by following the steps set forth in Section 3.2 of the IDR Document

3. As a prerequisite to using the IDR Process, the Seller/Servicer must have timely challenged the Repurchase Demand through the Appeal Process, the Impasse Process and the Management Escalation Process

4. If the Seller/Servicer has not initiated the IDR Process within 15 days of the expiration of the management escalation period, Freddie Mac may initiate the IDR Process within six months of the expiration of the management escalation period by following the steps set forth in Section 3.2 of the **IDR Document**

5. If the IDR Process is selected by the Seller/Servicer or Freddie Mac, the Seller/Servicer and Freddie Mac must both execute the **tolling agreement** tolling any applicable statute of limitations and statute of repose. The tolling agreement shall be executed by the Seller/Servicer and Freddie Mac within seven days of initiation of the IDR Process.

6. Once either party initiates the IDR Process, both the Seller/Servicer and Freddie Mac shall follow the process set forth in the **IDR Document**

7. No new information, facts, or documents or Corrections may be submitted by the Seller/Servicer, and no new information, facts or documents may be submitted by Freddie Mac as part of the IDR Process

3602.9: Appealing a repurchase request or repurchase alternative issued due to Servicing violations (12/01/16)

Upon receipt of a repurchase request or a Servicing Repurchase Alternative demand letter for any Servicing Violation or other violation described in Section 3602.3, the Servicer may initiate the processes set forth herein if the Servicer has additional supporting information and/or documentation that may affect:

- Freddie Mac's decision to exercise a Servicing Remedy
- Freddie Mac's determination that a Servicing Defect is uncorrectable or is a Servicing Repurchase Defect pursuant to Section 3602.3

The processes to resolve a dispute include the following:

- The Appeal Process
- The Impasse Process and Management Escalation Process (the "escalation processes")
- The IDR Process

If the processes set forth herein to resolve a dispute are not initiated timely, the procedures in this section will be unavailable to the Servicer, and the Servicer will be obliged to remit payment for the repurchase or Servicing Repurchase Alternative. Additionally, Freddie Mac's decision in the processes above will be conclusive, unless the IDR Process (described in Section 3602.9(c) below) is initiated, in which case the decision of the Neutral (as such term is defined in the IDR Document) shall be binding.

(a) The Appeal Process

The Appeal Process is as follows:

1. Within 60 days from the date of Freddie Mac's letter requiring repurchase or providing a Servicing Repurchase Alternative, or within such other time frame as may be specified by Freddie Mac, the Servicer may submit the first appeal. If no written appeal is received within the 60-day period or within such other time frame as may be specified by Freddie Mac, the Servicer will have no further right to challenge such repurchase or Servicing Repurchase Alternative, and will not be able to avail itself of the Impasse Process, the Management Escalation Process or the IDR Process. The first appeal must be sent in writing to the Freddie Mac office referenced in the Servicing Remedy letter.

2. The appeal package must contain:

    - A statement of all relevant facts concerning the Servicing of the Mortgage

- A statement of why Freddie Mac's decision should be reversed, in whole or in part
- All available documentation supporting the basis for the appeal

3. If the Servicer submits a timely appeal, Freddie Mac will review the first appeal and advise the Servicer in writing of the appeal decision

4. If the first appeal is denied, then:

   - The Servicer must remit payment for the repurchase or Servicing Repurchase Alternative within 15 days from the date of Freddie Mac's denial letter or within such other time frame as may be specified by Freddie Mac, or
   - If new material information that was not available at the time of the first appeal, and was therefore not submitted to Freddie Mac for consideration, becomes available after submission of the first appeal, the Servicer may submit an additional appeal ("second appeal") of the request within 15 days from the date of Freddie Mac's denial letter. The second appeal must be sent in writing to the Freddie Mac office that denied the prior appeal and must contain the items described in Section 3602.9(a)(2) above.
   - If new material information is not available, the Servicer may initiate the Impasse Process (described in Section 3602.9(b) below) within 15 days from the date of Freddie Mac's denial letter of the first appeal

5. At any time during the Appeal Process, the Servicer has the right to provide a Servicing Correction pursuant to Section 3602.3

6. In order for Freddie Mac to have the right to seek a Servicing Remedy based on the breach(es) alleged in the repurchase request or Servicing Repurchase Alternative demand letter, Freddie Mac must respond to the Servicer's first written appeal (and second written appeal, as applicable) within 60 days of receipt of the Servicer's written appeal

7. If there is a second appeal and the second appeal is denied, then:

   - The Servicer must remit payment for the repurchase or Servicing Repurchase Alternative within 15 days from the date of Freddie Mac's denial letter or within such other time frame as may be specified by Freddie Mac, or
   - The Servicer may initiate the Impasse Process within 15 days from the date of Freddie Mac's denial letter of the second appeal

8. If the Impasse Process is not initiated timely following denial of the first or second appeal, the Servicer will:

- Have no further right to challenge the repurchase request or Servicing Repurchase Alternative demand letter

- Not be able to avail itself of the Impasse Process, the Management Escalation Process or the IDR Process in connection with the Mortgage in question, and

- Be obligated to timely comply with the terms of the Servicing Remedy letter

9. In the event the first or second appeal results in the determination that a Servicing Defect can be corrected, or that the Servicer provided a Servicing Correction during the Appeal Process, the Servicing Remedy letter will be considered withdrawn, and, if applicable, Freddie Mac will issue a notice of Servicing Defect as described in Section 3602.3.

10. If the first or second appeal and denial of such appeal was in response to Freddie Mac's notification to the Servicer regarding a Servicing Repurchase Alternative, Freddie Mac will not consider any further appeal if Freddie Mac subsequently requests repurchase and the repurchase request is due to the same violation identified in the Servicing Repurchase Alternative demand letter

(b) The escalation processes

(i) The Impasse Process

The Impasse Process is as follows:

1. If the Servicer wishes to challenge the Servicing Remedy letter after conclusion of the Appeal Process, the Servicer must initiate the Impasse Process though a written request to Freddie Mac requesting such escalation within 15 days from the date of Freddie Mac's denial letter for the first or second appeal, as applicable. The request for such escalation must be sent in writing to the Freddie Mac office that denied the prior appeal and, if any new information is available, the request must include the items described in Section 3602.9(a)(2) above.

2. Within 30 days (or such longer period of time to which both parties agree) from the date the Impasse Process is initiated (the "impasse period"), a representative from the Servicer and a representative from Freddie Mac will attempt to resolve the dispute

3. The Servicer may provide a Servicing Correction pursuant to Section 3602.3 at any time during the impasse period

4. All information, facts and documents that the Servicer or Freddie Mac wishes to be considered during the Impasse Process must be submitted no later than the end of the impasse period or such information will not be considered in the Management Escalation Process, any subsequent IDR Process or any other attempts to resolve the dispute

5. If the parties agree during the impasse period that no Servicing Violation occurred or that no Servicing Defect exists, the Servicing Remedy letter will be considered withdrawn. If the parties agree that a Servicing Defect can be corrected, or that the Servicer provided a Servicing Correction during the impasse period, the Servicing Remedy letter will be considered withdrawn, and if applicable, Freddie Mac will issue a notice of Servicing Defect described in Section 3602.3. If the parties agree during the impasse period that a Servicing Violation occurred or that a Servicing Defect exists, the Servicer will implement the remedy specified in the repurchase request or Servicing Repurchase Alternative demand letter.

6. If, after the impasse period, Freddie Mac reaffirms its Servicing Remedy letter, the Servicer may continue to dispute the Servicing Remedy letter by initiating the Management Escalation Process within 15 days of receiving Freddie Mac's reaffirmation of its decision

7. If the Management Escalation Process is not initiated within this 15-day period, the Servicer will:

   - Have no further right to challenge the repurchase request or Servicing Repurchase Alternative demand letter

   - Not be able to avail itself of the Management Escalation Process or the IDR Process in connection with the Mortgage in question, and

   - Be obligated to timely comply with the terms of the Servicing Remedy letter

(ii) The Management Escalation Process

The Management Escalation Process is as follows:

1. If the dispute is not resolved by the Appeal Process or the Impasse Process, the Servicer may initiate the Management Escalation Process by submitting a written request to Freddie Mac no later than 15 days of receiving Freddie Mac's reaffirmation of its decision. The request for such escalation must be sent in writing to the Freddie Mac office referenced in the letter reaffirming the Servicing Remedy, and the Servicer must identify its officer contact for the Management Escalation Process.

2. No new information, facts or documents, or Servicing Corrections pursuant to Section 3602.3, may be submitted by the Servicer, and no new information, facts or documents may be submitted by Freddie Mac as part of the Management Escalation Process

3. Within 30 days (or such longer period of time to which both parties may agree) after the Servicer initiates the Management Escalation Process ("management escalation

period"), an officer from the Servicer and Freddie Mac will attempt to resolve the dispute

4. If the parties agree during the management escalation period that no Servicing Violation occurred or that no Servicing Defect exists, the Servicing Remedy letter will be considered withdrawn. If the parties agree during the management escalation period that a Servicing Violation occurred or that a Servicing Defect exists, the Servicer will implement the remedy specified in the Servicing Remedy letter no later than 30 days after an agreement is reached.

5. If the dispute is not resolved by the end of the management escalation period and the dispute is related to Freddie Mac's determination that a Servicing Defect exists, the Servicer must initiate the IDR Process within 15 days of the expiration of the management escalation period to continue to attempt to resolve the dispute. If the Servicer does not initiate the IDR process within this 15-day period, the Servicer will:

   - Have no further right to challenge the repurchase request or Servicing Repurchase Alternative demand letter
   - Not be able to avail itself of the IDR Process in connection with the Mortgage in question, and
   - Be obligated to timely comply with the terms of the Servicing Remedy letter

(c) The IDR Process

The IDR Process is as follows:

1. The IDR Process is available to resolve factual disputes regarding Servicing Remedy letters that involve an alleged Servicing Defect. The IDR Process will only address loan-level Servicing Remedy letters and whether the Servicing Defect exists at the time the IDR Process is commenced. The IDR Process will not address Servicing Remedies or any other issue or dispute.

2. If the Servicer disputes Freddie Mac's determination that a Servicing Defect exists, and the dispute is not resolved by the Management Escalation Process, an IDR Eligible Seller/Servicer may initiate the IDR Process within 15 days from the expiration of the management escalation period. The IDR Process and requirements are set forth in the **IDR Document**.

3. As a prerequisite to using the IDR Process, the Servicer must have timely challenged the repurchase request or the Servicing Repurchase Alternative demand letter through the Appeal Process, the Impasse Process and the Management Escalation Process

4. If the Servicer has not initiated the IDR Process within 15 days of the expiration of the management escalation period, Freddie Mac may initiate the IDR Process within six

months of the expiration of the management escalation period by following the steps in Section 3.2 of the **IDR Document**

5. If the IDR Process is elected by the Servicer or Freddie Mac, the Servicer and Freddie Mac must both execute the **tolling agreement** tolling any applicable statute of limitations and statute of repose. The tolling agreement shall be executed by the Servicer and Freddie Mac within seven days of initiation of the IDR Process.

6. Once either party initiates the IDR Process, both the Servicer and Freddie Mac shall follow the process set forth in the **IDR Document**

7. No new information, facts or documents, or Servicing Corrections pursuant to Section 3602.3, may be submitted by the Servicer, and no new information, facts or documents may be submitted by Freddie Mac as part of the IDR Process

(d) Other considerations

At any time during the Appeal Process or any processes set forth herein, the Servicer may propose a Servicing Repurchase Alternative. Freddie Mac will, in good faith, review and advise the Servicer of its decision.

Freddie Mac may offer or decline to offer the Servicer certain Servicing Repurchase Alternatives based on the Servicer Counterparty Status (described in Section 3602.1) to the extent there are future obligations required as part of the Servicing Repurchase Alternative. Other factors to be considered by Freddie Mac may include, but are not limited to, the failure to maintain a quality Servicing practice and the Servicer's ability and willingness to comply with other provisions of the Guide and the other Purchase Documents.

If the Servicer does not comply with the terms of the Servicing Remedy letter and does not remit payment or initiate the Appeal Process or any processes set forth herein timely, Freddie Mac may then pursue other rights and remedies for failure to comply, including repurchase; however, the repurchase appeal provisions of this Section 3602.9 will not be available to the Servicer.

Chapter 3603: Termination of Servicing

3603.1: Termination of Servicing (10/09/24)

Freddie Mac may terminate all or any portion of the Servicer's Servicing Contract and related Servicing Contract Rights, in whole or in part, at any time with cause or without cause as provided in this chapter. See Section 3603.6 for requirements for termination of the Servicing Contract and related Servicing Contract Rights in connection with the sale of Mortgages by Freddie Mac.

A termination of a given portion of the Servicing Contract and related Servicing Contract Rights shall not waive or impair Freddie Mac's future right, in the exercise of its sole discretion, to terminate all or further portions of the remaining Servicing Contract Rights under the Servicing Contract for any reason listed in Section 2301.2, regardless of whether the reason relates to Mortgages subject to the termination of the given portion of the Servicing Contract and related Servicing Contract Rights. In addition, Freddie Mac may use its sole discretion in selecting which Mortgages shall be subject to a partial termination of the Servicing Contract and related Servicing Contract Rights.

In lieu of termination of all or a portion of the Servicing Contract and related Servicing Contract Rights, Freddie Mac may also require the Servicer to engage a Servicing Agent for all or a portion of the Mortgages, for such period of time as determined by Freddie Mac. The Servicing Agent must be approved by Freddie Mac, in its sole discretion, and the Servicer must comply with all other applicable requirements of the Guide. The retention and use of the Servicing Agent by the Servicer must occur within such time as specified by Freddie Mac. The Servicer is responsible for all expenses and costs incurred with respect to the Servicing Agent.

Regardless of whether all or a portion of the Servicing Contract and related Servicing Contract Rights is terminated or subject to the engagement of a Servicing Agent pursuant to this section, the Servicer remains responsible and liable to Freddie Mac for all Servicing representations and warranties in Section 8102.1.

Freddie Mac's election of a remedy under this section does not waive its right to elect any other remedy or combination of remedies, including termination of all or a portion of the Servicing Contract and related Servicing Contract Rights. The Transferee Servicer's assumption of responsibilities, representations and warranties upon a Transfer of Servicing does not release the Transferor Servicer of its responsibilities, representations and warranties with respect to the transferred Mortgages.

(a) Termination with cause

Freddie Mac may terminate all or any portion of the Servicing Contract and related Servicing Contract Rights by the Servicer at any time with cause for any of the reasons for disqualification and/or suspension cited in Section 2301.2. Sections 2301.3 through 2301.6

govern the notice of termination of the Servicing Contract and related Servicing Contract Rights with cause and the Servicer's opportunity to appeal, if applicable. Termination of the Servicing Contract and related Servicing Contract Rights with cause is a basis for immediate disqualification or suspension as a Seller/Servicer. A Transfer of Servicing with cause does not relieve the Servicer of any of its obligations under the Purchase Documents with respect to the Mortgages related to such Transfer of Servicing.

(i) Servicer compensation/Freddie Mac reimbursement

Upon termination of the Servicing Contract and related Servicing Contract Rights with cause, the Servicer will have no right to service such applicable Mortgages for Freddie Mac or to receive any compensation for the performance of such Servicing. In addition, no Termination Fee as described in Section 3603.1(b)(ii) below will be paid to the Servicer.

If the Servicing Contract and related Servicing Contract Rights are terminated with cause and Freddie Mac obtains a Transferee Servicer, Freddie Mac is entitled to reimbursement from the former Servicer for any loss, damage or expense incident to the Transfer of Servicing. Such expenses include, but are not limited to, court costs, reasonable attorney fees, copying costs, costs of the physical transfer of files and the cost of an audit or examination of the Servicer's records, if Freddie Mac determines that such a procedure is appropriate ("transfer-related expenses").

(ii) Other requirements

The transfer requirements in Section 3603.2, the documents and records requirements in Section 3603.3 and the remittance to Freddie Mac requirements in Section 3603.4 apply to any termination of the Servicing Contract and related Servicing Contract Rights with cause.

(b) Termination without cause

(i) Notice Period and Servicer right to transfer

Freddie Mac may terminate all or any portion of the Servicing Contract and related Servicing Contract Rights at any time without cause with respect to any Mortgage owned or guaranteed by Freddie Mac. Freddie Mac will notify the Servicer in writing 90 days before the scheduled date of the termination of the Servicing Contract and related Servicing Contract Rights without cause. Within that 90-day period (the "Notice Period"), the Servicer may arrange a Transfer of Servicing to a Transferee Servicer that is approved by Freddie Mac to service the particular Servicing portfolio being transferred. Such a Transfer of Servicing is subject to the requirements of Chapter 7101 and, if approved, must be completed 60 days from the date that Freddie Mac approves the transfer.

If the Servicer is unable to arrange a Transfer of Servicing within the Notice Period or if the approved Transfer of Servicing is not completed timely, Freddie Mac will terminate

the Servicing Contract and related Servicing Contract Rights and will engage in a Transfer of Servicing to a Transferee Servicer of Freddie Mac's choice.

(ii) Termination Fee

In the event Freddie Mac terminates the Servicing Contract and related Servicing Contract Rights without cause and engages in a Transfer of Servicing to a Transferee Servicer of Freddie Mac's choice (under clause (b)(i) above), Freddie Mac will pay the terminated Servicer a termination fee ("Termination Fee") calculated based on conditions existing as of the transfer date in an amount equal to the lesser of the following:

- Two times the Net Servicing Rate, as defined below, times the UPB of the transferring Mortgages that are not delinquent as of the transfer date (no Termination Fee will be paid for Mortgages that are delinquent as of the transfer date). For purposes of this calculation, a Mortgage will be deemed to be delinquent if as of a month end of the Effective Date of Transfer any payment is outstanding. In the event of a Transfer of Servicing that takes place other than at month end, a Mortgage will be deemed to be delinquent if there is any payment outstanding as of the month end immediately preceding the Effective Date of Transfer. No Termination Fee will be paid for a delinquent Mortgage as of the Effective Date of Transfer, or

- The market value of the Servicing Contract and related Servicing Contract Rights to service the Mortgages as established by a qualified market leader in servicing valuations using costs reflective of Freddie Mac's costs to engage a Servicing Agent, applying protocols appropriate for the risk of the portfolio as determined by Freddie Mac in its sole discretion (such value, as so established, shall be conclusive)

For calculation of the Termination Fee, the "Net Servicing Rate" means the Note Rate of the Mortgage less all of the following, expressed as an annualized fractional percentage:

- The pass-through rate due Freddie Mac

- Any Credit Fee in Yield due Freddie Mac

- Any excess Servicing not retained by the Servicer

- Any lender-paid mortgage insurance, and

- Any other component of the Note Rate that the Servicer is not entitled or authorized to retain as Freddie Mac's compensation for its Servicing of the Mortgage

Any dispute concerning the Termination Fee shall not delay the Transfer of Servicing. Freddie Mac shall deduct the amount of its transfer-related expenses as described in subsection 3603.1(a)(i) from the Termination Fee. Before Freddie Mac's payment of a Termination Fee, the Servicer must complete all repurchases required under Chapter 3602 and fulfill any other outstanding obligations of the Servicer to Freddie Mac. If the

Servicer fails to do so, Freddie Mac will offset the sum of such repurchases and any other outstanding obligations of the Servicer against the Termination Fee.

Freddie Mac's payment to a Servicer of the Termination Fee will constitute the entire compensation payable in consideration of the termination of the Servicing Contract and related Servicing Contract Rights. A Servicer will not be entitled to any additional compensation from Freddie Mac for any reason or cause relating to any consequential, incidental or indirect damages arising out of, or in connection with, the termination of the Servicing Contract and related Servicing Contract Rights. A Transfer of Servicing without cause does not relieve the Servicer of its obligations under the Purchase Documents with respect to the Mortgages related to such Transfer of Servicing.

(iii) Other requirements

The transfer requirements in Section 3603.2, the documents and records requirements in Section 3603.3 and the remittance to Freddie Mac requirements in Section 3603.4 apply to termination of the Servicing Contract and related Servicing Contract Rights without cause.

Notwithstanding Sections 2301.3 through 2301.6, Freddie Mac's decision to suspend or disqualify a Seller without cause or to terminate the Servicing Contract and related Servicing Contract Rights without cause is conclusive.

(c) Extinguishment of rights in Collateral related to a Conveyance or Financing

Upon a Termination With Cause or a Termination Without Cause, any previously Freddie Mac approved Conveyance related to a Financing whether characterized as a pledge of the Servicing Contract Rights or characterized for tax or accounting purposes as a "sale" of cashflow derived from Servicing Contract Rights, is automatically terminated without the need for further action by any person, and does not survive such termination. Upon a Termination With Cause or a Termination Without Cause, the Financing's lender/cashflow "buyer" has no further right, title or interest whatsoever in the Collateral, with the sole exception of any interest in the Termination Fee or Surplus Proceeds, if any and as applicable, all such rights having been conclusively extinguished. Except as otherwise defined in Exhibit 33A, Acknowledgement Agreement Incorporated Provisions, Exhibit 33B, Acknowledgement Agreement (Syndication) Incorporated Provisions, Exhibit 33C, Acknowledgement Agreement (Cashflow) Incorporated Provisions, or Exhibit 33D, Acknowledgement Agreement (Combination) Incorporated Provisions, as applicable, capitalized terms in this Section 3603.1(c) have the meanings ascribed to them in the **Glossary**. This Section 3603.1(c) applies solely to the extinguishment of rights in Collateral related to a Conveyance or Financing.

3603.2: Transfer (04/12/23)

If Freddie Mac transfers all or a portion of the Servicing Contract and related Servicing Contract Rights to any Mortgages, the Servicing compensation (as stated in Section 8105.1) is paid to the Transferee Servicer, except as otherwise set forth in applicable Purchase Documents with that Transferee Servicer. Freddie Mac reserves the right to negotiate a Servicing fee with the subsequent Servicer. Freddie Mac will have the exclusive right to receive any amount that may be paid by the Transferee Servicer for the right to the Servicing compensation under the Servicing Contract.

3603.3: Documents and records (04/12/23)

Upon termination of the Servicing Contract and related Servicing Contract Rights to any Mortgage, the Servicer is responsible for supplying and (if applicable) causing its Custodian to supply all reports, documents and information (including, but not limited to, all Mortgage records specified in Section 8101.7) requested by Freddie Mac on the date specified by Freddie Mac. The material, including an accounting of the current status of each Mortgage for which the Servicing Contract and related Servicing Contract Rights are being terminated, must be prepared in the form requested by Freddie Mac and delivered to the Transferee Servicer and the new Custodian, if applicable, designated by Freddie Mac.

3603.4: Remittance to Freddie Mac (04/12/23)

The remittance to Freddie Mac of Mortgage collections for each Mortgage for which the Servicing Contract and related Servicing Contract Rights are terminated must be made on the date specified by Freddie Mac (notwithstanding Freddie Mac's regular remittance requirements). Additionally, all Escrow Funds, Escrow accounts and prepaid installments held by the Servicer for each Mortgage for which the Servicing Contract and related Servicing Contract Rights are being terminated must be transferred to the Transferee Servicer on the date specified by Freddie Mac.

The Servicer must use its best efforts to effect the orderly and efficient Transfer of Servicing to the Transferee Servicer.

3603.5: Outstanding purchase commitments (04/12/23)

If the terminated Servicer holds outstanding commitments for the purchase by Freddie Mac of additional Mortgages, Freddie Mac, in its discretion, may:

- Transfer the Servicing of those Mortgages to a Transferee Servicer immediately upon funding the purchases of the Mortgages, or

- Assign the outstanding commitments to another Seller, or
- Pair off the outstanding commitments, or
- Cancel the outstanding commitments

3603.6: Termination of the Servicing Contract and related Servicing Contract Rights related to sale of Mortgages by Freddie Mac (04/12/23)

If Freddie Mac sells Mortgages it has purchased pursuant to the Purchase Documents (see Section 1201.7), Freddie Mac will notify the Servicer upon receipt of an accepted bid and at least 30 days before the scheduled closing of the purchase. If the acquirer of such Mortgages does not require Freddie Mac to engage in a transfer of the Servicing to a Transferee Servicer in connection with the sale of the Mortgages, then the Servicer will continue to service the Mortgages on behalf of the acquirer and Freddie Mac will not pay the Servicer any compensation in connection with the Mortgage sale or any servicing compensation for such Servicing that occurs on or after the date of such sale.

If, however, Servicing is transferred to a Transferee Servicer, then Freddie Mac will pay the Servicer a Termination Fee that will be calculated in accordance with the requirements for calculation of the Termination Fee when the Servicing Contract and related Servicing Contract Rights are terminated without cause as described in Section 3603.1(b).

The requirements of Sections 3603.2, 3603.3 and 3603.4 apply to a Transfer of Servicing related to the sale of Mortgages by Freddie Mac.

Chapter 4101: Uniform Instruments

4101.1: The Mortgage application (02/01/23)

(a) Required use of Form 65, Uniform Residential Loan Application

Form 65, Uniform Residential Loan Application, must be used for all Mortgage applications.

The Seller must use the version of Form 65 that is current as of the date of the loan application. See Exhibit 4A, Single-Family Uniform Instruments, for the date of the current version of Form 65 and the most current version of the Uniform Mortgage Data Program® (UMDP®) Instructions for Completing the Uniform Residential Loan Application.

Seller may make changes to the style and formatting of the Form 65 and its components – Borrower Information, Additional Borrower, Continuation Sheet, Lender Loan Information and the Unmarried Addendum, if applicable, in accordance with the **UMDP *Rendering Options for the Uniform Residential Loan Application, Document revised 1/2020*** (the "Rendering Options") as it may be amended from time to time. As provided in the Rendering Options, the fields names, descriptions, and order of sections may not be altered in anyway. Form fields within a section may be moved within that section if additional field length is needed. Any adjustments made to the format of the form must be made pursuant to all applicable law.

Translation aids for Form 65 and its components are available on Freddie Mac's **Multi-language Resources for Lenders and Other Housing Professionals webpage**. These translation aids complement the applicable English-language documents and may be provided to consumers as supplemental education material when originating single-family residential Mortgages. The translation aids are for reference only and are not to be executed.

(b) Completion instructions

A completed Form 65 is used to begin the process of determining the Borrower's credit reputation and capacity to repay the Mortgage. If a residential mortgage credit report (RMCR) is ordered, the information on the Form 65 must be provided to the consumer reporting agency that is to issue the RMCR. The Seller may elect to complete the liabilities portion of the application directly from the credit reports either manually or through an automated process.

If the credit reports identify fewer than three open Tradelines (except for Accept Mortgages), the Seller should ask the Borrower if any additional Tradeline references exist (see Section 5202.1).

The final Form 65 must reflect accurate and complete information as of the Note Date. All of the Borrower's debts incurred through the Note Date must be included on the final Form 65

and must be considered in the calculation of the Borrower's monthly debt payment-to-income ratio (see Section 5401.2). The final Form 65, if used, must be complete, legible, dated and signed by the Borrowers signing the Note.

Information on the initial application must be entered as originally provided by the Borrower and/or, if applicable, as listed on the credit reports, whether handwritten or typed. The information given by the Borrowers on the application must be consistent with both the identifying information in the credit reports as well as with the verifications in the Mortgage file. For any Mortgage in which there is a material discrepancy, the Seller must prepare a written statement explaining the discrepancy.

(c) Electronic and fax copies of loan applications

Freddie Mac agrees that the Seller may receive an initial Form 65 from a Borrower as an Electronic Record or fax copy. The Freddie Mac Form 65 contains language in the Acknowledgements and Agreements Section in the Borrower Information component that permits the Borrower to:

- Physically sign a paper Form 65 with pen and ink and deliver a fax copy of the signed Form 65 to the Seller via facsimile transmission or

- Electronically sign an electronic Form 65 using an Electronic Signature and deliver the electronic Form 65 to the Seller as an Electronic Record via the internet or other form of electronic transmission

The Seller represents and warrants that any initial Form 65 received from a Borrower as an Electronic Record or fax copy has been duly signed by the Borrower and complies with the federal Electronic Signatures in Global and National Commerce Act ("E-Sign") and all other applicable State and federal laws and regulations including, without limitation, all State and federal consumer disclosure laws and regulations. The Seller agrees that the initial Form 65 received from a Borrower as an Electronic Record or fax copy are subject to the representations, warranties, covenants, agreements and requirements contained in Section 1401.11 or Section 1401.12, as applicable.

The final loan application delivered by the Borrower to the Seller at loan closing must be an original paper Form 65 if necessary, either physically signed by the Borrower using a pen or signed electronically by the Borrower at closing (settlement) using an Electronic Signature that meets the requirements in Chapter 1401.

The Seller may maintain copies of the original signed paper Form 65 in accordance with the requirements of Section 3302.2.

4101.2: Home Mortgage Uniform Instruments (02/07/24)

(a) Use of Uniform Instruments

The Security Instrument and Note must be executed on the Uniform Instruments (1-4 Family) for the jurisdiction where the Mortgaged Premises are located. The Uniform Instruments used for a Mortgage must be the versions current as of the Mortgage Note Date. See Exhibit 4A, Single-Family Uniform Instruments, for the current dates of revisions of all Uniform Instruments.

For any Mortgage secured by one of the following types of property, Freddie Mac requires both:

- The single-family Fannie Mae/Freddie Mac Uniform Security Instrument for the jurisdiction where the Mortgaged Premises are located, and
- One of the following types of riders, as applicable:

Property Type	Form
Condominium Unit	Condominium Rider Form 3140
Planned Unit Development unit	Planned Unit Development Rider Form 3150
1- to 4-unit Investment Property	1- to 4-Family Rider Form 3170
2- to 4-unit Primary Residence	1- to 4-Family Rider Form 3170
Second home	Second Home Rider Form 3890

(b) Additional Mortgage documentation requirements

In addition to the Uniform Instruments required by this Section 4101.2, certain Mortgage products have additional loan documentation requirements stated elsewhere in the Guide as follows:

- Section 4301.7 for Texas Equity Section 50(a)(6) Mortgages
- Section 4402.3 for Seller-Owned Converted Mortgages

- Sections 5703.4(d) and 5703.4(e) for Mortgages secured by Manufactured Homes
- Section 4602.3 for Construction Conversion and Renovation Mortgages
- Chapter 4205 for Government Funded, Guaranteed or Insured Mortgages
- Chapter 4502 for Community Land Trust Mortgages

(c) Mortgage instruments for ARMs

(i) Required ARM Uniform Instruments

ARMs must be closed on the Uniform Instruments for the applicable ARM product described in the charts below.

The Uniform Instruments for an ARM consist of an ARM Note, the Fannie Mae/Freddie Mac Security Instrument and any applicable property type riders, and an ARM rider to the Security Instrument. The Seller must use the most current version of the State-specific Fannie Mae/Freddie Mac Single Family Security Instrument prepared for use in the jurisdiction in which the Mortgaged Premises are located and the most current version of any applicable property type riders. The Seller must also use the most current version of the ARM Note and ARM rider.

The most current version of the Uniform Instruments is the version in effect as of the Note Date of the Mortgage. See Exhibit 4A, Single-Family Uniform Instruments, for the current dates of revisions of all Uniform Instruments. See Exhibit 5A, Authorized Changes to Notes, Riders, Security Instruments and the Uniform Residential Loan Application, for authorized changes to the Uniform Instruments.

The ARM Note and ARM rider must be completed in accordance with the terms of the applicable ARM product. See Section 4101.2(c)(iii) for instructions for completion of Section 4(D) of an ARM Note.

For certain ARM products, State-specific versions of the ARM Note have been prepared for Alaska, Florida, New Hampshire, Puerto Rico, Vermont, Virginia, West Virginia and Wisconsin. If a State-specific version of an ARM Note has been prepared, it must be used for ARMs secured by Mortgaged Premises located in that State. The multistate version of the ARM Note, with the required changes stated in Exhibit 5A, must be used in all other States.

Freddie Mac makes available Uniform Instruments for use with ARM products with various features.

The Uniform Instruments have the following features embedded in the form itself (hard-coded):

- Index
- Lookback Period
- Assumability

The Uniform Instruments have blanks to be completed by the Seller for the following features (soft-coded):

- Maturity Date (determines the term)
- First Interest Change Date (determined by the Initial Period)
- Maximum interest rate at the first Interest Change Date (determined by the Initial Cap)
- Maximum increase or decrease in the interest rate at each adjustment after the first Interest Change Date (Periodic Cap); the Periodic Cap is hard-coded 1% for 30-day Average SOFR Index (SOFR)-indexed Assumable Life of Loan and Assumable after Initial Period with 45 day Lookback Period
- Maximum interest rate for the life of the loan (Lifetime Ceiling, determined by the Life Cap)
- Minimum interest rate for the life of the loan (Lifetime Floor, which must equal the Margin stated in the Note)

In determining which Uniform Instrument to use with each ARM product, the Seller must select the form with the applicable hard-coded information and complete the soft-coded information as appropriate. Because many of the features of an ARM product are soft-coded, the same Uniform Instrument may be used for different ARM products.

The 6-Month SOFR-indexed ARM Note and rider may be used with a 3/6-Month, 5/6-Month, 7/6-Month, and 10/6-Month SOFR-indexed ARM with the same Lookback Period and assumability period.

The Uniform Instruments may be used for ARM products that do not meet the eligibility requirements for sale to Freddie Mac. Freddie Mac encourages the Seller to use Uniform Instruments, if available, for originating ARM loans even if the ARM product is not eligible for sale.

The following charts describe the Uniform Instruments available for different hard-coded features for ARM products:

	ARMs	
	SOFR	
	6-Month	
	Note	Rider
Lookback = 45 Days Preceding the Interest Change Date		
Assumable for life of loan	3441*	3141*
Assumable after Initial Period	3442*	3142*

*Hard-coded with a 1% Periodic Cap

All ARM Uniform Instruments are available on Freddie Mac's website at **https://sf.freddiemac.com/tools-learning/uniform-instruments/overview**.

(ii) Use of Fannie Mae ARM instruments

The Seller may use Fannie Mae's ARM instruments only in accordance with the provisions of this subparagraph. The Seller must consult its own legal counsel when using a Fannie Mae instrument for a particular Freddie Mac ARM product.

The Seller originating ARMs on Fannie Mae instruments represents and warrants that the Fannie Mae instrument, when completed, is appropriate for the applicable Freddie Mac ARM product and can be serviced in accordance with the Guide.

(iii)Instructions for completing Section 4(D) of an ARM Note

The Seller must complete Section 4(D), Limits on Interest Rate Changes, of an ARM Note as follows:

1. Insert in the first blank of the first sentence, referring to the Initial Cap (the maximum interest rate on the first Interest Change Date), the interest rate that is equal to the sum of the initial Note Rate for the Mortgage, plus the applicable Initial Cap for that ARM program

2. Insert in the second blank of the first sentence, referring to the minimum interest rate on the first Interest Change Date, the interest rate that is equal to the initial Note Rate for the Mortgage, minus the applicable Initial Cap. If this difference is less than the Margin stated in the Note, insert the value of the Margin.

3. Insert in the first blank in the last sentence, referring to the Lifetime Ceiling (the maximum interest rate during the life of the Mortgage), the initial Note Rate plus the applicable Life Cap for that ARM product

4. In the second blank in the last sentence, referring to the Lifetime Floor (the minimum interest rate during the life of the Mortgage), insert the Margin stated in the Note

4101.3: Authorized changes to Uniform Instruments (02/01/23)

The Seller must not make any changes or additions to the Uniform Instruments that have any force or effect after purchase of the Mortgage by Freddie Mac, except for changes and modifications that:

- Are accomplished by use of Fannie Mae/Freddie Mac Uniform Instrument Riders
- Pertain to an assumption or an alteration of the principal, Note Rate, payment amount or date, or maturity date of the Mortgage, or
- Are required or permitted by the provisions in Exhibit 5A, Authorized Changes to Notes, Riders, Security Instruments and the Uniform Residential Loan Application

If a change or addition permitted under this section is made to the instrument in the form of an addendum or rider, the addendum or rider must:

- Be referenced in the instrument it is modifying
- Reference the instrument, and
- Be firmly attached to the instrument

The Seller agrees that no changes or additions to the Uniform Instruments otherwise permitted here will be made if such changes or additions would adversely affect the negotiability of the Note.

The Uniform Instruments may require modification for use with Construction Conversion Mortgages and Renovation Mortgages. Sellers that use the Uniform Instruments for construction or renovation loans may make changes or additions necessary for that purpose. These changes and additions should be provided in a Note addendum or Security Instrument rider. The changes or additions do not need to contain a statement that they become void upon purchase by Freddie Mac if the changes or additions are necessary to assure the first priority of the Mortgage lien or if, by their terms, the changes or additions cease to be effective before the Settlement Date.

See Section 4602.3 for information on documenting Construction Conversion Mortgages and Renovation Mortgages.

4101.4: Master Form and Short Form Security Instruments (02/01/23)

(a) Master Form and Short Form Security Instruments

Certain States have statutes that allow originating lenders to record a Master Form Security Instrument in a given county and then to record a Short Form Security Instrument for each subsequent Mortgage originated and recorded in that county. The Short Form Security Instrument contains the loan-specific information (e.g., Borrower name, lender name, loan amount, description of property) and identifies the provisions of the Master Form Security Instrument that are being incorporated into the Short Form Security Instrument.

The State-specific Fannie Mae/Freddie Mac Uniform Master Form Security Instrument and Short Form Security Instrument are available from Freddie Mac's website at **https://sf.freddiemac.com/tools-learning/uniform-instruments/2021-updated-instruments**. See Exhibit 4A, Single-Family Uniform Instruments, for the list of currently available Master Form Security Instruments and Short Form Security Instruments and the current dates of these instruments.

Freddie Mac will purchase Mortgages originated on a Short Form Security Instrument provided the requirements stated in this Section 4101.4 are satisfied.

The Seller must not use or record a Short Form Security Instrument unless it has already recorded a Master Form Security Instrument in the recorder's office serving the recording jurisdiction in which the Mortgaged Premises is located. In North Carolina, a Master Form may not be recorded in certain designated counties stated in the North Carolina statute.

A copy of the recorded Master Form Security Instrument must be provided to the Borrower.

(i) Master Form Security Instrument – The Master Form Security Instrument is the Master Form Mortgage or Deed of Trust that is permitted under certain State statutes to be recorded by originating lenders in a given recording jurisdiction in the State. The Master Form Security Instrument for each State (with the exception of Ohio) consists of (1) a title page (the name of the title page differs in different States), which contains the information required under the State statute to record the Master Form Security Instrument in that State and (2) the current Fannie Mae/Freddie Mac Uniform Security Instrument for that State.

In Ohio, there is no title page; the Master Form Security Instrument is the current Fannie Mae/Freddie Mac Ohio Mortgage with the required Master Form information provided on the first page of the Ohio Mortgage form itself.

(ii) Short Form Security Instrument – The Short Form Security Instrument is the Mortgage or Deed of Trust recorded for each individual Mortgage made and recorded in the recording jurisdiction where the Master Form Security Instrument is recorded; the Short Form Security Instrument contains loan-specific information and incorporates by reference the provisions of the previously recorded Master Form Security Instrument. A Seller must not use or record a Short Form Security Instrument unless the Seller has already recorded a Master Form Security Instrument in the recorder's office serving the recording jurisdiction in which the Mortgaged Premises is located.

(b) Instructions for use of Master Form Security Instrument; Short Form Security Instrument

(i) Master Form Security Instrument – The Seller must:

1. Complete the title page by inserting the names and relevant information in the applicable places and have the title page signed and acknowledged, if required

2. Attach the title page to the front of the current Security Instrument for the State

3. Record the title page and Security Instrument together in the recorder's office serving the recording jurisdiction(s) in which the Seller anticipates subsequently recording Short Form Security Instruments

4. In Ohio, complete the information in the box at the top of the first page of the Master Mortgage Form by inserting the names and relevant information in the applicable places and have the first page signed in the box at the top of the first page. Do not complete information outside of the box other than "Return to" information.

The Security Instrument to which the title page is attached (or in Ohio, on which the Master Form information is provided) should not have any information completed and should not be signed or acknowledged.

In the event Freddie Mac revises the Uniform Security Instrument for the applicable State, the Seller must record the revised Master Form Security Instrument in all applicable local recording offices. The previously recorded Master Form Security Instrument must not be released or superseded.

Mortgages originated after the effective date of a revised Uniform Security Instrument must be originated using a Short Form Security Instrument that references the new recorded Master Form Security Instrument.

(ii) Short Form Security Instrument – The Seller must:

1. Insert the recording information from the Master Form Security Instrument in the first paragraph of the "Definitions" section. (The recording information must be that of the

Master Form Security Instrument that was recorded in the recording jurisdiction in which the Mortgaged Premises is located.)

2. Insert information for all blank spaces in the "Definitions" section

3. Check the applicable Rider boxes

4. Insert the property description information

5. Provide the Borrower with an exact copy of the recorded Master Form Security Instrument (the completed title page with recordation information and the applicable current Fannie Mae/Freddie Mac Uniform Security Instrument for the State)

6. Arrange for the Short Form Security Instrument to be executed by the Borrower(s) and acknowledged

7. Arrange for any applicable Riders to be executed by the Borrower(s). In Pennsylvania, attach a copy of the Fannie Mae/Freddie Mac Pennsylvania Uniform Mortgage under the caption: "General Provisions Incorporated by Reference and Not to be Recorded with this Document" after the Rider(s), if any.

8. Record the Short Form Security Instrument and any applicable Riders in the recorder's office serving the recording jurisdiction in which the Mortgaged Premises is located

4101.5: Origination and delivery of Mortgages using a New York Consolidation, Extension and Modification Agreement (the "NY CEMA") (02/01/23)

Freddie Mac will purchase refinance Mortgages secured by property located in New York State that are documented using an NY CEMA. The NY CEMA combines into one set of rights and obligations all of the promises and agreements stated in existing Notes and Mortgages secured by the Mortgaged Premises including, if new funds are advanced to the Borrower at the time of the consolidation, a new Note and Mortgage. The result is that the Borrower has one consolidated loan obligation, evidenced by a Consolidated Note that is paid in accordance with the terms of the NY CEMA.

In this section:

- The original Note executed by the Borrower that is being consolidated, extended and modified by the newly executed NY CEMA is referred to as the Original Old Money Note

- The original Note executed by the Borrower at the time the current NY CEMA is executed that represents new funds advanced to the Borrower at the time of the current consolidation is referred to as the Original New Money (Gap) Note

In connection with the current financing transaction evidenced by the NY CEMA, the Borrower must execute a new original Note, referred to as the Consolidated Note, that consolidates, extends and modifies the Original Old Money Note and the Original New Money (Gap) Note, if any.

(a) Documentation

When documenting a Mortgage using an NY CEMA, the Seller must use the most current version of the New York Consolidation, Extension and Modification Agreement Single-Family Fannie Mae/Freddie Mac Uniform Instrument (Form 3172). The current version can be found on Freddie Mac's website at **https://sf.freddiemac.com/tools-learning/uniform-instruments/2021-updated-instruments**.

In addition, the Borrower must execute a Consolidated Note.

(b) Delivery package for NY CEMA

For a Mortgage originated using the NY CEMA, the Seller must deliver the complete NY CEMA delivery package listed below to its Document Custodian.

The complete NY CEMA delivery package must include the following documents:

(i) NY CEMA

The original NY CEMA or a copy certified by the recorder's office.

(ii) NY CEMA exhibits

Complete set of NY CEMA exhibits, as follows:

- Exhibit A — A list, or a copy of a list, of the obligations being consolidated, modified and extended. All Notes, security instruments, assignments, consolidation agreements and related agreements that modify, consolidate or extend prior underlying obligations and which predate the current NY CEMA must be listed separately in Exhibit A.

- Exhibit B — The property description of the Mortgaged Premises. A copy of Schedule A (Property Description) to the New York Mortgage may be used but should be marked as Exhibit B to identify it as an NY CEMA exhibit.

- Exhibit C — A copy of the Consolidated Note (including any applicable addenda), with fixed-rate or adjustable-rate Note language inserted at the top of the first page.

(The required language is stated in (iii) below.) Because this is a form document, Borrower signatures are not required.

- Exhibit D — The most current version of the New York Single-Family Fannie Mae/Freddie Mac Uniform Security Instrument (Form 3033) with all blanks completed and any applicable riders attached. Because this is a form document, Borrower signatures are not required.

(iii) The original Consolidated Note

An original Note executed by the Borrower and endorsed in blank. The Consolidated Note must be the most current version of the applicable Single-Family Fannie Mae/Freddie Mac Uniform Note with all blanks completed and any applicable addendum or addenda. The Consolidated Note must have the following language, as applicable, inserted at the top of the document:

- For Fixed-Rate Notes:

  Consolidated Note

  This Note amends and restates in their entirety, and is given in substitution for, the Notes described in Exhibit A of the New York Consolidation, Extension and Modification Agreement dated the same date as this Note.

- For Adjustable-Rate Notes:

  Consolidated Adjustable-Rate Note

  This Note amends and restates in their entirety, and is given in substitution for, the Notes described in Exhibit A of the New York Consolidation, Extension and Modification Agreement dated the same date as this Note.

(c) Mortgage file requirements

With respect to Mortgages documented with the NY CEMA, Seller represents and warrants that the Mortgage file contains the documentation required by Sections 3301.3, 3302.2 and 3401.3.

4101.6: Availability of Uniform Instruments (02/01/23)

Fannie Mae/Freddie Mac Uniform Instruments (including condominium rider and Planned Unit Development (PUD) rider forms) and Freddie Mac-specific Uniform Instruments are available from Freddie Mac's website at **https://sf.freddiemac.com/tools-learning/uniform-instruments/2021-updated-instruments**.

Sellers may reprint the Uniform Instruments on their own letterhead, by computer or in any other way that Sellers may choose. However, the text of the Uniform Instruments must remain unchanged and the tagline that identifies the instrument as a Uniform Instrument must remain part of the document and be included on each page.

4101.7: Seller's duties regarding Uniform Instruments (03/02/16)

The Seller agrees that any action taken when enforcing its rights under the Mortgage documents will not violate the terms of any covenant in the Mortgage documents. The Seller also agrees to enforce its rights under the Uniform Instruments based on instructions or guidance provided by Freddie Mac.

4101.8: Signatures required (02/01/23)

The Security Instrument must be signed by all individuals with an ownership interest in the Mortgaged Premises. (See Exhibit 5A, Authorized Changes to Notes, Riders, Security Instruments and the Uniform Residential Loan Application, for permissible changes to the Fannie Mae/Freddie Mac Uniform Instruments.) The Security Instrument must also be signed by each individual whose signature is necessary under the applicable statutory or decisional law of the State to create a valid lien, pass clear title, waive inchoate rights to property or assign earnings. The Note or applicable assumption agreement must be signed by any individual whose income or financial strength is needed to meet the Freddie Mac credit underwriting guidelines. If the Mortgage is delivered as an owner-occupied Mortgage, the Note must be signed by an Owner-Occupant.

Refer to Section 5103.5(5) for information on signatures required and forms of signature if a Borrower is a Living Trust and Section 5103.7(b) for a Land Trust Mortgage.

4101.9: Execution, acknowledgment and recordation of the Security Instrument (03/02/16)

The Security Instrument must be properly executed, acknowledged, delivered and recorded in all places necessary to perfect a First Lien security interest in the Mortgaged Premises in favor of the mortgagee.

If a Mortgage is registered with MERS® and is originated naming MERS as the original mortgagee of record, solely as nominee for the lender named in the Security Instrument and the Note, and the lender's successors and assigns, the Seller must ensure that the Security Instrument is properly executed, acknowledged, delivered and recorded in all places necessary to perfect a First Lien security interest in the Mortgaged Premises in favor of MERS, solely as nominee for

the lender named in the Security Instrument and the Note, and the lender's successors and assigns.

Refer to Section 1301.7 for specific representations and warranties with respect to MERS registration for Mortgages purchased by Freddie Mac.

4101.10: Due-on-sale provisions (02/01/23)

(a) Description of due-on-sale clauses

The Uniform Instruments include provisions governing whether the loan will be accelerated if the Borrower sells or transfers the Mortgaged Premises or any interest in the Mortgaged Premises, or whether instead the loan may be assumed by a third party who acquires the Mortgaged Premises or any interest in the Mortgaged Premises by sale or transfer. These provisions are sometimes referred to as "due-on-sale" clauses. Uniform Instruments for different Mortgage products may have different due-on-sale clauses. The type of due-on-sale clause set forth in the Uniform Instruments used to originate a particular Mortgage determines whether or not the Mortgage is assumable by the party to whom the Mortgaged Premises is transferred.

The Uniform Instruments used in connection with the origination of ARMs contain due-on-sale provisions governing whether the loan will be accelerated if the Borrower sells or transfers the Mortgaged Premises or any interest in the Mortgaged Premises, or whether instead the loan may be assumed by a third party who acquires the Mortgaged Premises or any interest in the Mortgaged Premises.

(b) Types of due-on-sale clauses

(i) Nonassumable during the life of the loan

Some due-on-sale clauses provide that the lender will require immediate payment in full of all sums secured by the Security Instrument (generally referred to as accelerating the loan) if the Borrower sells or transfers the Mortgaged Premises. The effect of this type of due-on-sale clause is that the Mortgage is nonassumable for the life of the loan. The Uniform Instruments used with fixed-rate Mortgages include this type of due-on-sale clause.

(ii) Assumable during the life of the loan

Some due-on-sale clauses state that the lender will not accelerate the loan if the lender evaluates the proposed sale or transfer as if a new loan were being made to the intended transferee, and if the lender determines the lender's security would not be impaired by the loan assumption. The effect of this type of due-on-sale clause is that the Mortgage is

assumable for the life of the loan. Freddie Mac makes available ARM Uniform Instruments for all ARM indices that include this type of due-on-sale clause.

(iii) Assumable until a specified event, then nonassumable

Some due-on-sale clauses provide that the loan is assumable until the occurrence of a specified event, but after that specified event has occurred, the loan is nonassumable.

(iv) Nonassumable during a specified period of time and assumable thereafter

Some due-on-sale clauses provide that during an initial specified period of time the loan is nonassumable, but after that specified period of time, the loan is assumable provided certain conditions are met. With respect to an ARM, the specified period of time is the end of the Initial Period. ARMs must be assumable during the entire period during which the interest rate is adjustable.

Freddie Mac makes available ARM Uniform Instruments for 6-Month SOFR-indexed ARMs that include this type of due-on-sale clause, and the Mortgages become assumable after the end of the Initial Period when the Note Rate begins to adjust.

(v) Nonassumable during a specified period of time and thereafter assumable until a specified event, and then nonassumable

Some due-on-sale clauses provide (i) an initial specified period during which the Mortgage is nonassumable, (ii) after the initial specified period of time, the loan is assumable provided certain conditions are met, and (iii) upon the occurrence of a specified event, the loan is nonassumable.

(c) Summary of due-on-sale characteristics

Fixed-rate Mortgages must be originated as follows:

- For all fixed-rate Mortgages other than those listed in the bullet below, on Uniform Instruments that provide for the Mortgage to be nonassumable

- For fixed-rate assumable Mortgages sold under the Guarantor program, on Uniform Instruments that provide for the Mortgage to be nonassumable and were executed with a Note Addendum and a Security Instrument Rider that provide for the Mortgage to be assumable subject to certain conditions (an "Assumable Mortgage"). The Note Addendum and Security Instrument Rider are available on Freddie Mac's Uniform Instrument webpage at **https://sf.freddiemac.com/tools-learning/uniform-instruments/2021-updated-instruments**.

  The Seller must obtain Freddie Mac's written approval before selling Assumable Mortgages to Freddie Mac by contacting its Freddie Mac representative or the Customer Support Contact Center at 800-FREDDIE.

All 6-Month SOFR-indexed ARMs may be originated on Uniform Instruments that provide either for the Mortgage to be assumable during the life of the Mortgage or for the Mortgage to be nonassumable during the Initial Period and assumable thereafter.

For eligible Mortgage products that are not originated on Uniform Instruments, such as FHA/VA Mortgages, the due-on-sale characteristics may be different from those specified above.

(d) Exceptions for applicable laws and certain circumstances

Regardless of the type of due-on-sale clause stated in the Uniform Instrument used to originate a Mortgage, Freddie Mac will permit a Mortgage, which under its terms is nonassumable, to be assumed if required by federal or State law or under the circumstances as described in Sections 8406.4 and 8406.5.

4101.11: Advances (03/02/16)

(a) Future advances made before purchase

Freddie Mac will purchase Home Mortgages on which future advances have been made before the Delivery Date, provided that:

- The advances have been consolidated with the outstanding principal amount secured by the Mortgage, and the secured principal amount, as consolidated, bears a single interest rate and repayment term
- The lien securing the consolidated principal amount is expressly insured as having First Lien priority by a title insurance policy, by an endorsement to the policy insuring the consolidated mortgagee's interest or by other title evidence acceptable to Freddie Mac as specified in this Guide
- The consolidated principal amount does not exceed the original loan amount

Sellers originating Mortgages on Uniform Instruments that do not contain a covenant permitting future advances, and who wish to allow future advances, may execute a rider permitting future advances. The rider must contain language providing that the terms shall have no force or effect subsequent to a specified date which must be before the sale of the Mortgage, in whole or in part, to Freddie Mac. In addition, the rider must contain the following provision:

Notwithstanding the foregoing provisions, the ability of the lender, its successors and assigns, to enforce the repayment of future advances made prior to the sale of the Mortgage to Freddie Mac shall remain in full force and effect.

(b) Advances made after purchase

On Home Mortgages that have been sold to Freddie Mac, in whole or in part, the Seller or Servicer may not make additional advances.

Chapter 4201: General Mortgage Eligibility

4201.1: Investment quality Mortgage (07/01/21)

Effective for Mortgages with Application Received Dates on or after July 1, 2021, and all Mortgages with Settlement Dates after August 31, 2021, unless otherwise stated.

An investment quality Mortgage is a Mortgage that is made to a Borrower from whom repayment of the debt can be expected, is adequately secured by real property and is originated in accordance with the requirements of the Purchase Documents. The Seller warrants that all Mortgages sold to Freddie Mac have the characteristics of an investment quality Mortgage and that all ATR Covered Mortgages sold to Freddie Mac satisfy the QM requirements in the Revised General QM Rule.

4201.2: Mortgage valid First Lien; no prior liens; Mortgage not modified (03/02/16)

The Mortgage must be a valid First Lien on the Mortgaged Premises. The Mortgaged Premises must be free and clear of all prior liens and encumbrances and no rights or condition may exist that could give rise to such liens, except for:

- Liens for real estate taxes and special assessments not yet due and payable
- Rights and conditions specified in Section 4702.4

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 Mortgaged Premises may have been released from the Mortgage.

The terms of the Mortgage may not in any material manner have been modified, amended or in any way waived or changed, except as permitted by Freddie Mac for Mortgages eligible for sale as Construction Conversion Mortgages or Renovation Mortgages which use Modification Construction Conversion Documentation, Seller-Owned Converted Mortgages, Seller-Owned Modified Mortgages or refinance Mortgages secured by property in New York State that are documented using a New York Consolidation, Modification and Extension Agreement.

4201.3: Amortization (03/02/16)

The Note must provide for full amortization by maturity through regular monthly payments. Amortization must begin no later than 62 days after final disbursement of the Mortgage proceeds.

4201.4: Term (07/01/21)

The original maturity of all Mortgages delivered to Freddie Mac must not exceed 30 years from the Origination Date. For the 10-year program, the original maturity of the Mortgage must be greater than 84 months and must not exceed 10 years from the Origination Date. For the 15-year program, the original maturity of the Mortgage must be greater than 84 months and must not exceed 15 years from the Origination Date. For the 20-year program, the original maturity must be greater than 15 years and must not exceed 20 years from the Origination Date. For the 30-year program, the original maturity of the Mortgage must be greater than 15 years and must not exceed 30 years from the Origination Date.

For Construction Conversion Mortgages or Renovation Mortgages, the term must start on the Effective Date of Permanent Financing.

4201.5: Closed Mortgages and Settlement Date requirements (12/08/23)

(a) Closed Mortgages

The Mortgage must be closed before delivery to Freddie Mac. Final disbursement of the Mortgage proceeds constitutes closing of the Mortgage. Construction Conversion and Renovation Mortgages must be delivered after the Effective Date of Permanent Financing. The Mortgage must be closed in the Seller's name as lender or validly assigned and endorsed to the Seller as a holder-in-due-course.

(b) Settlement Date requirements

Except as provided in Section 4201.5(c), the Settlement Date must occur no more than six months after the:

- Note Date
- Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages

- Modification Date, if the Mortgage is a Seller-Owned Modified Mortgage, or conversion date, if the Mortgage is a Seller-Owned Converted Mortgage. See Chapter 4402 for special eligibility requirements for the purchase of these Mortgages.

- Date of the New York Consolidation, Extension and Modification Agreement (NY CEMA) for a refinance Mortgage secured by property located in New York State documented using the NY CEMA. See Section 4101.5 for eligibility requirements for the purchase of these Mortgages.

(c) Delivery of CHOICERenovation® Mortgages

The Settlement Date for CHOICERenovation Mortgages with Settlement Dates after completion of renovations must comply with the requirements in Section 4607.4(a).

(d) Additional requirements for Mortgages with Settlement Dates more than 120 days after the Note Date

In addition to the requirements in this section, certain Mortgages with Settlement Dates more than 120 days after the Note Date have additional requirements stated elsewhere in the Guide. Refer to:

- Section 5602.3(g) for automated collateral evaluation (ACE) appraisal waivers and Section 5602.4(g) for ACE+ PDR

- Section 5604.3(a)(iii) for appraisals

- Sections 5701.2(b), 5701.10(i) and 5701.11(d) for Condominium Unit Mortgages

- Section 5705.2(b) for Cooperative Share Loans

4201.6: Principal amount advanced; no mandatory future advances; outstanding balance (03/02/16)

The full principal amount of the Mortgage must have been disbursed or advanced to the Borrower or disbursed or advanced according to the direction of the Borrower. The Borrower may not have an option under the Security Instrument to borrow additional funds secured by the Security Instrument. 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.

4201.7: Mortgage not in default (05/03/23)

As of the Freddie Mac Funding Date,

- No part of the Borrower's monthly installment of principal and interest (and, if applicable, monthly Escrow payment) may have been 30 days or more delinquent (see definition of Delinquency)

- There may not have been any other default under the terms and conditions of the Mortgage that remained uncured for 30 days or more after notice of the default to the Borrower

All costs, fees and expenses incurred in making, closing and recording the Mortgage must have been paid. Before the Delivery Date, there must not have been any advance of funds by the Seller or any prior holder of the Mortgage, nor 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 charge payable under the terms of the Mortgage.

4201.8: Assumption of Mortgage (03/02/16)

A Mortgage not owned by Freddie Mac with respect to which the original Borrower has conveyed the Mortgaged Premises to a new owner is eligible for purchase by Freddie Mac, provided that the new owner is obligated by a written assumption agreement to repay the indebtedness secured by the Mortgaged Premises and has been fully underwritten and qualified according to the requirements of Topics 5100 through 5500 and the provisions of any other Guide sections applicable to the particular Mortgage being assumed. For example, if the Mortgaged Premises is a Manufactured Home, the provisions of Chapter 5703 must be satisfied.

4201.9: Biweekly Mortgages and payment plans (02/05/20)

Effective February 5, 2020, Section 4201.9 is deleted.

4201.10: Wholesale Home Mortgages (06/02/21)

Freddie Mac will purchase Wholesale Home Mortgages under the terms of the Purchase Documents and this section.

For Wholesale Home Mortgages, the Correspondent or Mortgage Broker (or their authorized third parties) may perform all or some of the origination, processing, underwriting, packaging, funding and/or closing functions described in the Purchase Documents as obligations or requirements of the Seller. Although these functions may not be performed directly by the Seller, the Seller is responsible for compliance with all Purchase Documents requirements.

(a) Representations and warranties

The Seller must represent and warrant with respect to each Wholesale Home Mortgage it sells to Freddie Mac that the Seller has management controls in place that:

- Ensure the Mortgage complies with the terms of the Purchase Documents
- Correspond to the scope and types of risks associated with its wholesale business. Factors to be considered include, but are not limited to, the:
  - Number of Correspondents and Mortgage Brokers the Seller uses
  - Length of time the business relationship has been established
  - Types of services provided by the Correspondent or Mortgage Broker

(b) Delivery Instructions

The Seller is required to deliver one of the following ULDD Data Points, as applicable, for each Wholesale Home Mortgage:

- *Loan Originator Type* of "Correspondent," or
- *Loan Originator Type* of "Broker"

4201.11: Location of the Mortgaged Premises (03/31/22)

Effective March 31, 2022, Section 4201.11 is deleted. Refer to Section 5601.1(a) for additional information regarding eligibility requirements.

4201.12: General property insurance requirements (06/10/20)

The requirements of Chapters 8202 and 4703 for property and casualty insurance must be met at the time a Mortgage is sold to Freddie Mac and continually thereafter for as long as Freddie Mac owns an interest in the Mortgage.

4201.13: No circumstances adversely affecting value of Mortgage (03/02/16)

No proceeding may be pending for condemnation of all or any part of the Mortgaged Premises. There may be no circumstances or conditions of which the Seller is aware involving the Mortgage, the Mortgaged Premises or the creditworthiness of the Borrower that would adversely affect the value or marketability of the Mortgage.

4201.14: Mortgages secured by Primary Residences (09/04/24)

Except as stated below for active-duty military Borrowers, a Mortgage will not qualify to be an owner-occupied property Mortgage unless the Borrower is an individual or individuals, and at least one of the Borrowers is, as of the Delivery Date, occupying all or part of the Mortgaged Premises as a Primary Residence. For Manually Underwritten Mortgages, when the loan-to-value ratio is greater than 90%, each Borrower whose income or financial strength was used for qualification purposes must, as of the Delivery Date, occupy all or part of the Mortgaged Premises as a Primary Residence.

A Mortgage to an active-duty military Borrower who is unable to occupy the Primary Residence prior to the Delivery Date due to military service is considered an owner-occupied property Mortgage. The Mortgage file must contain the Borrower's military orders verifying the Borrower is temporarily unable to occupy the Primary Residence due to the military assignment. See Section 6302.8 for delivery requirements for Mortgages to active-duty military Borrowers unable to occupy the property as a Primary Residence due to military service.

Rental income generated from a Mortgage secured by a Primary Residence is not permitted to qualify the Borrower, except as stated in Section 4501.6 and Chapter 5306.

Refer to Section 5103.1 for requirements when the Mortgage includes a non-occupying borrower.

Refer to Section 4408.2 for a special occupancy requirement for Mortgages made pursuant to employee relocation programs.

Refer to Section 4607.3(b) for a special occupancy requirement for CHOICERenovation® Mortgages delivered pursuant to Section 4607.1(b).

4201.15: Second home Mortgages (08/07/24)

Freddie Mac will purchase Mortgages secured by second homes under the terms of the Purchase Documents and this section.

(a) Eligibility requirements

The following eligibility requirements apply to second home Mortgages:

- The Mortgage must be secured by a 1-unit property
- The Borrower must occupy the second home for some portion of the year
- The Borrower must keep the property available primarily (i.e., more than half of the calendar year) for the Borrower's personal use and enjoyment
- The Borrower may rent the property on a short-term basis provided that the property is not subject to any rental pools or agreements that require the Borrower to rent the property, give a management company or entity control over the occupancy of the property or involve revenue sharing between any owners and the developer or another party
- The Mortgaged Premises must be in such a location to function reasonably as a second home
- The second home must be suitable for year-round occupancy with the following exception: a second home with seasonal limitations on year-round occupancy (e.g., lack of winter accessibility) is eligible provided the appraiser includes at least one comparable sale with similar seasonal limitations to demonstrate the marketability of the subject property. See Section 5601.1 for property eligibility requirements.
- The property must not be subject to any timesharing or other shared ownership arrangement

Freddie Mac's determination of whether a property is a second home is conclusive. A 2-unit property used as a second home is considered an Investment Property and must meet all of the requirements of Section 4201.16.

A Mortgage secured by a second home must be an Accept Mortgage to be eligible for delivery.

(b) Special underwriting requirements

Each second home Mortgage must meet the following requirements:

(i) For newly constructed homes that are purchase transactions, the Borrower may not be affiliated with or related to the builder, developer or the property seller

(ii) Each Borrower individually and all Borrowers collectively must not be obligated on (e.g., Notes, land contracts and/or any other debt or obligation) more than 10 1- to 4-unit

financed properties, including the subject property and the Borrower's Primary Residence, provided that, when the number of 1- to 4-unit financed properties (including the subject property and the Borrower's Primary Residence) is greater than six, the Mortgage must have a minimum Indicator Score of 720. Examples of financed properties that do not have to be counted in these limitations include:

- Commercial real estate
- Multifamily (five or more units) real estate
- Timeshares
- Undeveloped land
- Manufactured homes not titled as real property (chattel lien), unless the property is situated on the land that is titled as real property
- Property titled in the name of the Borrower's business provided that the Borrower, in his or her individual capacity, is not obligated on Notes, land contracts and/or any debt or obligation related to such property
- Property titled in the name of a trust where the Borrower is a trustee, provided that the Borrower, in his or her individual capacity, is not obligated on Notes, land contracts and/or any debt or obligation related to such property

(iii) The reserves requirements in Sections 5501.2 and 5501.3 must be met

(iv) Rental income from the Borrower's second home may not be considered as stable monthly income in the credit qualification analysis

(v) The monthly housing expense related to a Borrower's current Primary Residence must be used in computing the Borrower's monthly housing expense-to-income ratio

(vi) The monthly payment amount (as described in Section 5401.2(b)(8)) on the second home must be considered in calculating the Borrower's monthly debt payment-to-income ratio

(c) Other requirements

Form 3890, Multistate Second Home Rider, is required for all Mortgages secured by second homes.

(d) Credit Fees

The Seller must refer to Exhibit 19, Credit Fees, for Credit Fees related to second home Mortgages. Credit Fees are paid in accordance with the Credit Fee provisions stated in Chapter 6303.

4201.16: Investment Property Mortgages (02/01/23)

Freddie Mac will purchase Investment Property Mortgages under the terms of the Purchase Documents and this section.

(a) Eligible Mortgages

(i) Each Investment Property Mortgage must comply with Section 4203.4

(ii) Each Investment Property Mortgage must be an Accept Mortgage

(iii) Mortgages with temporary subsidy buydowns are not eligible for delivery as Investment Property Mortgages

(iv) Freddie Mac will purchase Investment Property Mortgages made to Borrowers who own more than one financed Investment Property, provided that the Investment Property Mortgage being sold to Freddie Mac is:

- An eligible fixed-rate, level-payment Mortgage, or
- A 7/6-Month or 10/6-Month ARM

(b) Special underwriting requirements

An Investment Property Mortgage delivered to Freddie Mac must meet the following special underwriting requirements:

(i) For newly constructed homes that are purchase transactions, the Borrower may not be affiliated with or related to the builder, developer or property seller. For these purposes, "affiliated with" means that the Borrower may not have an ownership interest in or employment with the builder, developer or property seller.

(ii) Each Borrower individually and all Borrowers collectively must not be obligated on (e.g., Notes, land contracts and/or any other debt or obligation) more than 10 1- to 4-unit financed properties, including the subject property and the Borrower's Primary Residence, provided that, when the number of 1- to 4-unit financed properties (including the subject property and the Borrower's Primary Residence) is greater than six, the Mortgage must have a minimum Indicator Score of 720. Examples of financed properties that do not have to be counted in these limitations include:

- Commercial real estate
- Multifamily (five or more units) real estate
- Timeshares

- Undeveloped land
- Manufactured homes not titled as real property (chattel lien), unless the property is situated on the land that is titled as real property
- Property titled in the name of the Borrower's business provided that the Borrower, in his or her individual capacity, is not obligated on Notes, land contracts and/or any debt or obligation related to such property
- Property titled in the name of a trust where the Borrower is a trustee, provided that the Borrower, in his or her individual capacity, is not obligated on Notes, land contracts and/or any debt or obligation related to such property

(iii) The monthly housing expense related to the Borrower's current Primary Residence must be used in calculating the Borrower's monthly housing expense-to-income ratio

(iv) Regardless of whether rental income from the Mortgaged Premises is used in qualifying, the reserves requirements in Sections 5501.2 and 5501.3 must be met

(v) Refer to Chapter 5306 for requirements related to rental income

(vi) Gift funds, gift of equity or grants, as described in Section 5501.3(c) are not permitted

(c) Additional documentation requirement

An Investment Property Mortgage must be originated using the 1-4 Family Rider, Form 3170. See Exhibit 5A, Authorized Changes to Notes, Riders, Security Instruments and the Uniform Residential Loan Application, Section VIII for authorized changes to the 1-4 Family Rider for Investment Property Mortgages.

(d) Credit Fees

The Seller must refer to Exhibit 19, Credit Fees, for Credit Fees related to Investment Property Mortgages. Credit Fees are paid in accordance with the Credit Fee provisions stated in Chapter 6303.

4201.17: Purchase requirements for Mortgages secured by properties with resale restrictions (11/05/18)

Effective November 5, 2018, the content of Section 4201.17 has been moved to Chapter 4406 and Section 4201.17 has been deleted.

Freddie Mac will purchase Mortgages secured by properties subject to resale restrictions including, but not limited to, income-based resale restrictions and age-based resale restrictions (such as senior housing or units restricted to one or more occupants age 55 and over), if the requirements of Chapter 4406 are met.

4201.18: Impact of Contaminated Sites (03/31/22)

If the Seller knows of the existence of a Contaminated Site in the neighborhood where the property is located, it must do all of the following:

- Inform the appraiser of such a site when ordering the appraisal (see Section 5603.3(a))
- Form an opinion on the impact that such a site may have on the investment quality of the Mortgage
- Document the Mortgage file with a description of the site and its location relative to the property and the Seller's opinion on the investment quality of the Mortgage

4201.18: Impact of Contaminated Sites (Future effective date 02/04/25)

If the Seller knows of the existence of a Contaminated Site in the Neighborhood where the property is located, it must do all of the following:

- Inform the appraiser of such a site when ordering the appraisal (see Section 5603.3(a))
- Form an opinion on the impact that such a site may have on the investment quality of the Mortgage
- Document the Mortgage file with a description of the site and its location relative to the property and the Seller's opinion on the investment quality of the Mortgage

4201.19: Legal description requirements (03/31/22)

Effective March 31, 2022, Section 4201.19 is deleted. Refer to Section 5605.3(a) for additional information about legal description requirements.

4201.20: Blanket Mortgages (03/31/22)

Effective June 2, 2021, Section 4201.20 is deleted. Refer to Section 5601.6 for two or more adjoining parcels eligibility requirements.

4201.21: Land Trusts (12/14/17)

Effective December 14, 2017, this section is deleted. Refer to Section 5103.7 for Land Trust Mortgage eligibility requirements.

4201.22: Cooperative Share Loans (05/04/20)

Effective May 4, 2020, Section 4201.22 is deleted.

4201.23: Escrow accounts (11/07/19)

(a) Escrow requirements

Freddie Mac does not require Escrow accounts except with respect to the collection of Borrower-paid mortgage insurance paid monthly as described in Section 4701.2 and when required by applicable law.

(b) Seller policy for not requiring Escrow accounts

Sellers that sell Mortgages without Escrow accounts must establish and maintain a written policy for determining when Escrow accounts are not required. The Seller's determination that Escrow accounts are not required for a Mortgage must be based on the evaluation of the Borrower's ability to make all payments for the expenses to be paid under the Mortgage as they become due. These expenses include, but are not limited to, taxes, special assessments, ground rents and other charges that are or may become First Liens on the Mortgaged Premises, as well as property insurance premiums. Sellers may not waive the requirement for Escrow accounts with respect to collection of Borrower-paid mortgage insurance and when Escrows are required by law.

(c) Best practices

Although not required, Freddie Mac encourages Sellers to require Escrows for the following Mortgages:

- Mortgages to Borrowers that are First-Time Homebuyers
- Home Possible® Mortgages
- HomeOne® Mortgages

- Mortgages secured by 2- to 4-unit properties
- Mortgages secured by Manufactured Homes
- Second home Mortgages
- Investment Property Mortgage
- Mortgages where the Borrower has less than six months of reserves
- Refinance Mortgages where taxes were past due on the Mortgage being refinanced

Chapter 4202: Responsible Lending

4202.1: Compliance with law (07/01/21)

(a) Applicable law

The Mortgage and the Servicing of the Mortgage, Mortgage transaction and the Mortgaged Premises must be in compliance with all requirements of all applicable federal, State and local laws, rules and regulations including, without limitations, truth-in-lending laws, licensing laws, doing-business laws, usury laws and anti-predatory lending and similar laws. Any right of rescission involving the Mortgage under such laws, rules or regulations must have expired.

(b) Compliance with QM requirements

Effective for Mortgages with Application Received Dates on or after July 1, 2021, and all Mortgages with Settlement Dates after August 31, 2021, unless otherwise stated.

In addition to ensuring compliance with applicable laws, Sellers must ensure that all ATR Covered Mortgages satisfy the QM requirements of the Revised General QM Rule, even if the Seller is not required by law or regulation to comply with the Revised General QM Rule.

Refer to Section 4202.6 for additional information about the ATR/QM Rule requirements.

4202.2: State anti-predatory lending laws and regulations (03/02/16)

Mortgages secured by Mortgaged Premises in the following States that are designated as "high-cost," "high-risk" or similar Mortgages are not eligible for purchase by Freddie Mac:

- **Arkansas**: Mortgages with Note Dates on or after July 17, 2003 that are "high-cost home loans" under the Arkansas Home Loan Protection Act, A.C.A. § 23-53-101, et seq.
- **Colorado**: Mortgages with Note Dates on or after January 1, 2003 that are "covered loans" under the Consumer Equity Protection Act, C.R.S. 5-3.5-101, et seq.
- **Georgia**: Mortgages with Note Dates between October 1, 2002 and March 7, 2003 that are governed by the Georgia Fair Lending Act, O.C.G.A. § 7-6A-1, et seq., and Mortgages with Note Dates on and after March 7, 2003 that are "high-cost home loans"
- **Illinois**: Mortgages with Note Dates on or after January 1, 2004 that are "high-risk home loans" under the High-Risk Home Loan Act, 815 ILCS 137/1, et seq.

- **Indiana**: Mortgages with Note Dates on or after January 1, 2005 that are "high cost home loans" under Article 9 (Home Loan Practices) of the Indiana Code concerning trade regulations; consumer sales and credit, Burns Ind. Code Ann. § 24-9-1-1, et seq.

- **Kentucky**: Mortgages with Note Dates on or after June 25, 2003 that are "high-cost home loans" under the Kentucky Revised Statutes Chapter 360, KRS § 360.100

- **Maine**: Mortgages with Note Dates on or after September 13, 2003 that are "high rate, high fee mortgages" under Article 8-A (the Maine Consumer Credit Code – Truth-in-Lending), 9-A MRSA § 8-501, et seq.

- **Massachusetts**: Mortgages with Note Dates on or after November 7, 2004 that are "high cost home mortgage loans" under the Predatory Home Loan Practices Act, ALM GL ch. 183C, § 1, et seq.

- **New Jersey**: Mortgages with Note Dates on or after November 27, 2003 that are "high-cost home loans" under the New Jersey Home Ownership Security Act of 2002, N.J. Stat. § 46:10B-22, et seq.

- **New Mexico**: Mortgages with Note Dates on or after January 1, 2004 that are "high-cost home loans" under the Home Loan Protection Act, N.M. Stat. Ann. § 58-21A-1, et seq.

- **New York**: Mortgages with initial application dates after April 1, 2003 that are "high-cost home loans" under the New York Banking Law, NY CLS Bank § 6-l. In addition, Mortgages with Note Dates on or after September 1, 2008 that are "subprime home loans" under the New York Banking Law, NY CLS Bank § 6-m.

- **Oklahoma**: Mortgages with Note Dates on or after January 1, 2004 that are "subsection 10 mortgages" under Article 1, Part 3 of the Consumer Credit Code, 14A Okl. St. § 1-301

- **Rhode Island**: Mortgages with Note Dates on or after December 31, 2006 that are "high-cost home loans" under the Rhode Island Home Loan Protection Act, R.I. Gen. Laws § 34-25.2-1, et seq.

- **Tennessee**: Mortgages with Note Dates on or after January 1, 2007 that are "high-cost home loans" under the Tennessee Home Loan Protection Act, Tenn. Code Ann. § 45-20-101, et seq.

Such Mortgages are ineligible for purchase by Freddie Mac regardless of whether the lender and/or Seller/Servicer enjoys preemption based on its charter or whether the law provides for an exemption for particular lenders and/or Seller/Servicers based on their charters or for particular Mortgages based on their purchase by Freddie Mac or another entity.

In addition, the Seller/Servicer represents and warrants that:

- It has in place policies and procedures based on the requirements of each law identified above to ensure that it does not inadvertently deliver an ineligible Mortgage to Freddie Mac for purchase

- It has received representations and warranties from any person or entity from which the Seller purchased the Mortgage that they are not "high-cost," "high-risk" or similar Mortgages under the laws identified above, and

- No person, with the intent to avoid the application or evade the provisions of one of the laws identified above, divided a loan transaction into separate parts (by creating a concurrent subordinate lien or otherwise) or performed any other subterfuge

4202.3: Predatory lending practices (09/04/24)

Freddie Mac actively opposes predatory lending and has implemented a number of policies designed to combat it. Freddie Mac-approved Seller/Servicers should have policies designed to identify and avoid predatory lending practices.

To further implement certain Freddie Mac anti-predatory lending policies, when selling a Mortgage to Freddie Mac, a Seller represents and warrants with respect to Mortgages with Application Received Dates on or after January 10, 2014:

- Compliance with the requirements of Sections 1301.2, 4202.1, 4202.2, 4202.4, 4202.5, 4202.6, 4202.7 and 4202.9; and

- No Borrower who qualified for a lower-cost loan product has been "steered" to a higher-cost loan product. A Seller should offer or direct applicants who seek financing through the Seller's higher-priced subprime or non-prime lending channel toward its standard Mortgage line if the applicants qualify for one of the standard products.

For additional information regarding Freddie Mac anti-predatory lending requirements, see the following locations:

Topic	Location
Compliance With Applicable Law	Section 1301.2
Anti-Predatory Lending Laws and Regulations	Section 4202.2
Home Ownership and Equity Protection Act of 1994 (HOEPA) Mortgages	Section 4202.4
Higher-Priced Mortgage Loans and Higher-Priced Covered Transactions	Section 4202.5
Credit Insurance — Single-Premium Credit Insurance	Section 4202.7
Mandatory Arbitration	Section 4202.9
Underwriting the Borrower	Topics 5100 - 5500

Topic	Location
Credit Reporting Requirements	Section 8106.6

4202.4: HOEPA Mortgages (03/02/16)

For Primary Residences, purchase transaction Mortgages and refinance Mortgages that exceed the thresholds under the Home Ownership and Equity Protection Act of 1994 (HOEPA) and its implementing regulations are ineligible for purchase by Freddie Mac.

4202.5: Higher-Priced Mortgage Loans and Higher-Priced Covered Transactions (07/01/21)

For Mortgages with Application Received Dates on or after October 15, 2014, Freddie Mac will purchase Higher-Priced Mortgage Loans (HPMLs) and Higher-Priced Covered Transactions (HPCTs), as defined in the Glossary, under the terms of the Purchase Documents and this section.

HPMLs and HPCTs eligible for sale to Freddie Mac must be one of the following Mortgage Products:

- A fixed-rate Mortgage
- An ARM with an Initial Period of five, seven or ten years

For additional information regarding Freddie Mac HPML and HPCT requirements, see the following locations:

Topic	Location
Compliance with applicable law	Sections 1301.2 and 4202.1
Freddie Mac Relief Refinance Mortgages℠ and Freddie Mac Enhanced Relief Refinance® Mortgages	Chapters 4302, 4303 and 4304
Eligible ARMs; Underwriting Requirements	Sections 4401.1 and 4401.8

4202.6: ATR/QM Rule eligibility and compliance (10/01/21)

This section provides the requirements related to the ATR/QM Rule and specifies which Mortgages Freddie Mac will purchase and under what conditions those Mortgages will be purchased.

Note: For ATR Covered Mortgages originated under the GSE Patch, Construction Conversion Mortgages that are documented using Integrated Documentation or Modification Documentation without a new Note for the permanent financing with Application Received Dates prior to July 1, 2021 and Settlement Dates before March 1, 2022 are eligible for sale to Freddie Mac if originated in accordance with the GSE Patch.

- Definitions related to the ATR/QM Rule (Section 4202.6(a))
- Eligibility requirements for ATR Covered Mortgages and Exempt Mortgages (Section 4202.6(b))
- Points and fees limitations (Section 4202.6(c))
- APR/APOR threshold limitations (Section 4202.6(d))
- Term – Interim Construction Financing (Section 4202.6(e))
- Life of loan representation and warranty (Section 4202.6(f))
- Determination of regulatory compliance with the ATR/QM Rule (Section 4202.6(g))
- Responsible lending (Section 4202.6(h))
- Government funded, guaranteed or insured Mortgages (Section 4202.6(i))
- Assumptions (Section 4202.6(j))
- Other Guide provisions related to the ATR/QM Rule (Section 4202.6(k))
- Related Guide Bulletins (Section 4202.6(l))

(a) Definitions related to the ATR/QM Rule

The following chart contains definitions related to the ATR/QM Rule and are incorporated within this section for ease of use. The definitions are also contained in the Glossary.

Term	Definition
ATR Covered Mortgage	An ATR Covered Mortgage is a consumer credit transaction secured by a dwelling that is covered by the ATR/QM Rule and is not an Exempt Mortgage.
ATR/QM Rule	Regulation Z's Ability to Repay (ATR) rule (12 C.F.R. § 1026.43) that implements the Truth in Lending Act's provisions requiring a creditor to determine a borrower's ability to repay a Mortgage loan. QMs are a subset of loans under the ATR requirements.
Exempt Mortgage	There are two classifications of Exempt Mortgages, as follows: ■ **TILA Exempt Mortgage:** A TILA Exempt Mortgage is a Mortgage exempt from TILA and, as such, is exempt from the ATR requirements in Regulation Z. TILA Exempt Mortgages include business purpose loans as defined in 12 C.F.R. § 1026.3. ■ **ATR Exempt Mortgage:** An ATR Exempt Mortgage is a Mortgage that is exempt from the ATR requirements in Regulation Z as set forth in 12 C.F.R. § 1026.43(a)(3)
GSE Patch	GSE Patch refers to the Consumer Financial Protection Bureau (CFPB) temporary QM rule definition in Regulation Z, 12 C.F.R. § 1026.43(e)(4), that became effective January 10, 2014, under which Mortgages were considered to be QMs if they satisfied certain requirements and were eligible for purchase by Freddie Mac.
PSPA	Amended Senior Preferred Stock Purchase Agreement by and between Freddie Mac and the Treasury.
QM	A qualified mortgage as defined in the ATR/QM Rule.
Revised General QM Rule	Revised General QM Rule refers to the CFPB QM rule in Regulation Z, 12 C.F.R. § 1026.43(e)(2) that became effective on March 1, 2021.

(b) Eligibility requirements for ATR Covered Mortgages and Exempt Mortgages

(i) ATR Covered Mortgages

All ATR Covered Mortgages must meet the requirements of the Revised General QM Rule.

Revised General QM Rule Requirement Reference Summary[1]	
Regulatory Reference[2]	**Requirement**
1026.43(e)(2)(i)	Mortgage must be fully amortizing with regular periodic payments that are substantially equal and that do not result in an increase of the principal balance or allow the Borrower to defer repayment of principal.
1026.43(e)(2)(ii)	Mortgage term cannot exceed 30 years.
1026.43(e)(2)(iii)	Mortgage must not exceed the applicable points and fees limitations specified in the Revised General QM Rule.
1026.43(e)(2)(iv)	The monthly payment for mortgage-related obligations must be taken into account when underwriting the Mortgage using: ■ The maximum interest rate that may apply during the first five years after the date on which the first regular periodic payment will be due ■ Periodic payments of principal and interest that will repay the loan amount over the loan term
1026.43(e)(2)(v)	Mortgage must meet consider and verify requirements specified in the ATR/QM Rule.
1026.43(e)(2)(vi)	Mortgage must not equal or exceed the applicable APR-APOR QM spread thresholds specified in the Revised General QM Rule.

[1] Chart is included for illustrative purposes only. Sellers remain responsible for compliance with all aspects of the ATR/QM Rule, including the Revised General QM Rule requirements.
[2] Regulatory Section References are to the Revised General QM Rule at 12 C.F.R. § 1026.43.

(ii) Exempt Mortgages

Exempt Mortgages are not subject to the Revised General QM Rule; however, they must meet:

- Points and fees limitations set forth below for Exempt Mortgages; and

- APR/APOR threshold limitations set forth below for Exempt Mortgages

Sellers are responsible for determining whether or not the Mortgage is an Exempt Mortgage.

(c) Points and fees limitations

Effective for Mortgages with Application Received Dates on or after January 10, 2014

(i) Points and fees limitations for ATR Covered Mortgages

ATR Covered Mortgages with points and fees exceeding 3% of the total loan amount (or such other applicable limits for lower balance Mortgages) as specified under the Truth in Lending Act and its implementing regulations, 12 C.F.R. 1026.43(e)(3), will not be eligible for sale to Freddie Mac. Sellers must use the points and fees calculation that is required for QMs under the Truth in Lending Act and its implementing regulations that are found at 12 C.F.R. 1026.43(e)(3) and 12 C.F.R. § 1026.32(b) to determine compliance with applicable requirements.

(ii) Points and fees limitations for Exempt Mortgages

Exempt Mortgages will be eligible for sale to Freddie Mac if the following conditions are met:

- Such Mortgages are exempt from Regulation Z, 12 C.F.R. § 1026.43(a) (ATR Exempt Mortgages) or are not subject to the Truth in Lending Act (TILA Exempt Mortgages); and

- The points and fees do not exceed 5% of the total loan amount. Sellers must use the points and fees calculation that is required for high-cost Mortgages under the Home Ownership and Equity Protection Act of 1994 and its implementing regulations, 12 C.F.R. § 1026.32(b).

(d) APR-APOR threshold limitations

(i) The permissible spread between the APR and the APOR on the date the interest rate is set depends on ATR coverage:

- **ATR Covered Mortgages:** The Mortgage's APR may not exceed the APOR by 2.25 percentage points or more or such other applicable threshold as specified in the Revised General QM Rule for ATR Covered Mortgages, calculated in accordance with the provisions of that rule; and

- **Exempt Mortgages:** The Mortgage's APR may not exceed the APOR by 6.5 percentage points or more for TILA Exempt and ATR Exempt Mortgages calculated

in accordance with the provisions of the ATR/QM Rule

(ii) Short-term ARMs QM APR Calculation

For all ARMs with an initial fixed period of five years or less that are ATR Covered Mortgages, Sellers must calculate the APR in accordance with the Revised General QM Rule.

Note: When calculating the APR for APR-APOR threshold purposes for 3/6-Month SOFR and 5/6-Month SOFR ARMs that are ATR Covered Mortgages, Sellers must calculate the APR using the maximum interest rate that may apply during the first five years after the date on which the first regular periodic payment will be due.

(e) Term – Interim Construction Financing

Sellers must structure any Interim Construction Financing to be exempt from the ability to repay provisions of Regulation Z, 12 C.F.R. § 1026.43(a)(3) so that the Mortgage term does not exceed 30 years.

(f) Life of loan representation and warranty

Sellers are responsible for representations and warranties related to requirements set forth in Section 4202.6 for the life of the loan and Freddie Mac's rights to exercise remedies related to violations of these requirements will not be waived.

(g) Determination of regulatory compliance with the ATR/QM Rule

Freddie Mac will not make the determination of whether a Mortgage, including a Mortgage assessed through Loan Product Advisor® or Loan Product Advisor Asset and Income Modeler (AIM), or delivered through Loan Selling Advisor®, complies with or is exempt from the ATR/QM Rule, including the Revised General QM Rule, or whether a Seller's designation of the status of a Mortgage under the Revised General QM Rule is correct.

These determinations of compliance with the Revised General QM Rule and other applicable laws are the Seller's responsibility.

(h) Responsible lending

In addition to ensuring compliance with applicable laws, Sellers must ensure that all ATR Covered Mortgages satisfy the QM requirements of the Revised General QM Rule, even if the Seller is not required by law or regulation to comply with the Revised General QM Rule.

(i) Government funded, guaranteed or insured Mortgages

Refer to Chapter 4205 for government funded, guaranteed or insured Mortgages.

(j) Assumptions

Sellers must comply with the Revised General QM Rule with respect to a Borrower's assumption of a Mortgage when the assumption is being used, in whole or in part, to acquire title to the Mortgaged Premises or is otherwise an ATR Covered Mortgage.

(k) Other Guide provisions related to the ATR/QM Rule

Refer to the following Guide provisions for additional information related to ATR/QM Rule eligibility and compliance:

Guide Provision	Guide Location
Compliance with applicable law	Sections 1301.2 and 4202.1
Representation and warranties	Sections 1301.11(II)(a) and 1301.11(II)(c)
Higher Priced Covered Transactions (HPCTs)	Section 4202.5 and Glossary
Investment quality Mortgage	Section 4201.1
Amortization	Section 4201.3
Term	Section 4201.4
ARM qualifying rates	Section 4401.8
Temporary subsidy buydown plans	Sections 4204.4(b) and 4204.4(c)

(l) Related Guide Bulletins

Related Guide Bulletins	Issue Date
Bulletin 2021-27	August 4, 2021
Bulletin 2021-19	May 26, 2021
Bulletin 2021-13	April 8, 2021
Bulletin 2014-18	October 15, 2014

Related Guide Bulletins	Issue Date
Bulletin 2013-23	November 15, 2013
Bulletin 2013-16	August 20, 2013

4202.7: Credit insurance (03/02/16)

Freddie Mac will not purchase or securitize any Mortgage if the Borrower obtained a prepaid single-premium credit-life, credit disability, credit unemployment or credit property insurance policy in connection with the origination of the Mortgage, regardless of whether the premium was financed in the Mortgage amount or paid from the Borrower's funds. This prohibition does not apply to credit insurance products where premiums are calculated, earned and paid on a monthly or other regular periodic basis or to prepaid hazard, flood or mortgage insurance policies.

4202.8: Mortgages with private transfer fee covenants (06/05/24)

Mortgages on properties encumbered by private transfer fee covenants prohibited by 12 C.F.R. Part 1228 are ineligible for purchase by Freddie Mac if those covenants were created on or after February 8, 2011.

In addition, the Seller/Servicer represents and warrants that:

- It has controls in place to ensure that it does not inadvertently deliver an ineligible Mortgage to Freddie Mac as described above, and

- If applicable, it has received representations and warranties from any person or entity from which the Seller purchased the Mortgage that the property securing the Mortgage is not encumbered by private transfer fee covenants created on or after February 8, 2011

However, private transfer fees are permissible if all of the following conditions are met for the Mortgage secured by a property encumbered by a private transfer fee:

- The Mortgage is a shared equity loan;

- The Mortgage meets the Duty to Serve shared equity loan program criteria identified in 12 CFR 1282.34(d)(4) (other than the Duty to Serve 100 percent of Area Median Income limit); and

- The Mortgage has a Note Date on or after July 1, 2023

4202.9: Mandatory arbitration (03/02/16)

Freddie Mac will not purchase any Mortgage if any of the Mortgage documents – including the Note, any Note addendum, the Security Instrument or any Security Instrument rider – contain a "mandatory arbitration" clause, that is, a clause that obligates the Borrower to submit to arbitration any dispute arising out of or relating in any way to the mortgage transaction.

Freddie Mac's Uniform Instruments do not provide for mandatory arbitration, and the addition of a mandatory arbitration clause is not an authorized change to the Uniform Instruments. No ancillary Mortgage document may contain a mandatory arbitration provision.

Chapter 4203: Maximum Loan Amounts and LTV, TLTV and HTLTV Ratios

4203.1: Value (11/06/24)

(a) Loan Product Advisor® Mortgages and Non-Loan Product Advisor Mortgages

For a purchase transaction, "value" is the lesser of the appraised value of the Mortgaged Premises as of the appraisal report effective date or the purchase price of the Mortgaged Premises.

For a purchase transaction involving a newly constructed home, multiple contracts may be combined to determine the purchase price of the Mortgaged Premises (for example, a new home purchase contract and a new swimming pool contract may be added together to establish the purchase price).

For a refinance, "value" is the appraised value of the Mortgaged Premises as of the appraisal report effective date.

For certain Loan Product Advisor Mortgage transactions, Freddie Mac may accept the "value" to be the Seller-provided estimate of value or the purchase price as the basis for the underwriting of the Mortgage. See Section 5602.3 for more information on automated collateral evaluation.

The value used to determine the loan-to-value (LTV), total LTV (TLTV) and Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios for Freddie Mac Enhanced Relief Refinance® Mortgages must be determined in accordance with the requirements in Section 4304.7.

For the value used to determine the LTV, TLTV and HTLTV ratios for Community Land Trust Mortgages, see Section 4502.8.

For the value used to determine the LTV, TLTV and HTLTV ratios for Mortgages subject to resale restrictions that terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure, see Section 4406.6(b).

(b) New York State mortgage insurance requirements

Solely for the purpose of determining whether mortgage insurance is required or should be canceled, for Loan Product Advisor and Non-Loan Product Advisor Mortgages, the "value" of Mortgaged Premises located in the State of New York, is the appraised value of the Mortgage Premises on the Note Date. For purchase transaction Cooperative Share Loans, solely for the purpose of determining whether mortgage insurance is required, the

sales price of the Cooperative Interest may be used. If mortgage insurance is required, see Section 4701.5.

(This definition of the "value" of Mortgaged Premises located in the State of New York applies only to the above-stated mortgage insurance requirements and is not applicable for any other purposes under the terms of the Purchase Documents.)

(c) Construction Conversion, Renovation and CHOICERenovation® Mortgages

The value used to determine the LTV, TLTV and HTLTV ratios for Construction Conversion and Renovation Mortgages must be determined in accordance with the requirements in Section 4602.10.

The value used to determine the LTV, TLTV and HTLTV ratios for CHOICERenovation Mortgages must be determined in accordance with the requirements in Section 4607.4.

(d) GreenCHOICE Mortgages®

The value used to determine the LTV, TLTV and HTLTV ratios for GreenCHOICE Mortgages must be determined in accordance with the requirements in Section 4606.2(a).

4203.2: Calculating LTV, TLTV and HTLTV ratios (07/11/16)

Loan Product Advisor® calculates the loan-to-value (LTV) ratio, total LTV (TLTV) ratio, and Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratio based on the data submitted by the Seller.

For Non-Loan Product Advisor Mortgages:

- The LTV ratio is obtained by dividing the First Lien Mortgage amount by value, as defined in Section 4203.1

- The TLTV ratio is obtained by dividing the sum of the First Lien Mortgage amount and the disbursed amount of the HELOC and any other secondary financing by value, as defined in Section 4203.1

- The HTLTV ratio is obtained by dividing the sum of the First Lien Mortgage amount and the total HELOC credit line limit and any other secondary financing by value, as defined in Section 4203.1

To determine if a Mortgage meets LTV, TLTV or HTLTV ratio requirements, round each ratio up to the next whole number.

Freddie Mac will calculate the LTV ratio for each Mortgage it purchases based on data delivered by the Seller. Freddie Mac will calculate the LTV ratio to two decimal places and round the result of that calculation up to the next whole number. For example, 94.01% will be rounded up to 95%.

4203.3: Maximum original loan amounts for Home Mortgage purchases (01/01/24)

The following maximum original loan amounts* apply to Home Mortgages with Funding or Settlement Dates on or after January 1, 2024. Except for the Mortgage Products, offerings and characteristics listed below, the loan amount used to determine compliance with the original loan amount limits is the original loan amount:

Number of Units	Maximum Original Loan Amount	Properties in Alaska, Guam, Hawaii or U.S. Virgin Islands
1	$766,550	$1,149,825
2	$981,500	$1,472,250
3	$1,186,350	$1,779,525
4	$1,474,400	$2,211,600

*Mortgages with higher loan amounts may be eligible for sale provided they meet the requirements of Chapter 4603.

For the Mortgage Product, offering or characteristic listed below, the loan amount used to determine compliance with the original loan amount limits is stated in the following chart:

Mortgage Product, offering or characteristic	Loan amount to be used to determine compliance with maximum loan amounts
Seller-Owned Modified Mortgages (as described in Chapter 4402 and Section 6302.27)	The loan amount of the Mortgage as stated in the original Note

Mortgage Product, offering or characteristic	Loan amount to be used to determine compliance with maximum loan amounts
Seller-Owned Converted Mortgages (as described in Chapter 4402 and Section 6302.19)	The loan amount of the Mortgage as stated in the ARM Note
Construction Conversion Mortgages and Renovation Mortgages originated using Integrated Documentation (as described in Chapter 4602 and Section 6302.28)	The loan amount of the Interim Construction Financing as stated in the integrated Note for the Interim Construction Financing and Permanent Financing
Construction Conversion Mortgages and Renovation Mortgages originated using Modification Documentation (as described in Chapter 4602 and Section 6302.28)	The higher of (i) the loan amount of the Interim Construction Financing as stated in the Note for the Interim Construction Financing or (ii) the loan amount of the Permanent Financing as stated in the Construction Conversion Modification Agreement
Construction Conversion Mortgages and Renovation Mortgages originated using Separate Documentation (as described in Chapter 4602 and Section 6302.28)	The loan amount of the Permanent Financing as stated in the Note for the Permanent Financing
Mortgages with future advances made before the Delivery Date consolidated with the outstanding principal amount (as described in Section 4101.11(a))	The loan amount of the Mortgage as stated in the original Note (which must be equal to or greater than the consolidated principal amount)
Mortgages with a principal curtailment made before the Delivery Date (as described in Section 6302.32)	The loan amount of the Mortgage as stated in the Note
Mortgages with financed mortgage insurance premiums (as described in Section 4701.2)	The loan amount of the Mortgage as stated in the Note (which includes the financed mortgage insurance premium)

For the Mortgage Products, offerings and characteristics listed in the chart above, the loan amount for purposes of determining compliance with the maximum loan amount limits provided in this section may be different from the amount delivered in the ULDD Data Point

Note Amount and from the amount used to calculate the LTV ratio. See Chapter 6302 for delivery instructions.

4203.4: Maximum LTV, TLTV and HTLTV ratios (09/04/24)

The maximum loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios for the following may differ from those ratios identified in this section and may be found in the Sections listed below:

- Mortgages secured by a Manufactured Home – Section 5703.9(a)
- Home Possible® Mortgages – Section 4501.7
- HomeOne® Mortgages – Chapter 4605
- Mortgages to Borrowers with a credit history that includes a previous Mortgage foreclosure, a conveyance of a deed-in-lieu of foreclosure, or a short sale – Section 5202.5(a)
- Mortgages that use a Streamlined Project Review – Section 5701.4
- Community Land Trust Mortgages – Section 4502.7
- Freddie Mac Enhanced Relief Refinance® Mortgages – Section 4304.3
- Refi Possible® Mortgages – Section 4302.5
- HeritageOne® Mortgages – Section 4504.6

PURCHASE AND "NO CASH-OUT" REFINANCE MORTGAGES (Fixed-Rate and ARMs)	
Property Type	**Maximum LTV/TLTV/HTLTV ratio**
1-unit Primary Residence	95%
2-unit Primary Residence	85%
3- and 4-unit Primary Residences	80%
Second home	90%
1-unit Investment Property	85%
2- to 4-unit Investment Property	75%

CASH-OUT REFINANCE MORTGAGES (Fixed-Rate and ARMs)	
Property Type	**Maximum LTV/TLTV/HTLTV ratio**
1-unit Primary Residence	80%
2- to 4-unit Primary Residence	75%
Second home	75%
1-unit Investment Property	75%

CASH-OUT REFINANCE MORTGAGES (Fixed-Rate and ARMs)	
Property Type	**Maximum LTV/TLTV/HTLTV ratio**
2- to 4-unit Investment Property	70%

Note: The minimum Indicator Score requirements for Mortgages sold to Freddie Mac can be found in Exhibit 25, Mortgages with Risk Class and/or Minimum Indicator Score Requirements.

Chapter 4205: Government funded, guaranteed or insured Mortgages

4205.1: Section 502 GRH Mortgages (05/03/23)

(a) Overview

Freddie Mac will purchase Section 502 GRH Mortgages in accordance with the provisions of this chapter and the Purchase Documents.

The Seller should be familiar with Freddie Mac's definitions in the Glossary for:

- Section 502 GRH Mortgage
- RHS
- Government Mortgage

The following additional terms apply for purposes of this section:

- **Lender Agreement:** The current RHS Agreement for Participation in Single Family Guaranteed/Insured Loan Programs of the United States Government Lender Agreement — Form RD 1980-16 executed by the Seller
- **Guaranteed Regulations:** The RD Instructions 1980D of Title 7, Part 1980, Subpart D of the Code of Federal Regulations, collectively with the forms, agreements, manuals and other material and documents issued by RHS, as may be modified by RHS from time to time
- **Conditional Commitment:** The current Conditional Commitment for Single Family Housing Loan Guarantee — Form RD 1980-18
- **Lender Record Change:** The current Guaranteed Rural Housing Lender Record Change — Form RD 1980-11
- **Loan Guarantee:** The current RHS guarantee issued on Form RD 1980-17

Each Section 502 GRH Mortgage must be originated in compliance with all of the requirements of the Guaranteed Regulations and the Lender Agreement, unless these requirements are either:

- Modified or waived in writing by RHS, and Freddie Mac has approved those modifications or waivers, or

- Specifically restricted or modified by this chapter

(b) Eligible Mortgages

A Section 502 GRH Mortgage must be:

- An assumable or nonassumable first-lien secured by a Primary Residence
- A purchase transaction or "no cash-out" refinance of existing Section 502 GRH Mortgage
- A 30-year fully amortizing fixed-rate Mortgage
- A Non-Loan Product Advisor Mortgage

Section 502 GRH Mortgages must be sold to Freddie Mac with recourse, within the meaning of Section 6201.7(a).

The Seller must obtain Freddie Mac's written approval, which must be expressly included in the Seller's Purchase Documents, to sell Section 502 GRH Mortgages. The Seller should request this written approval by calling its account manager or 800-FREDDIE.

(c) Loan limits

No Section 502 GRH Mortgage may have an original principal balance in excess of the maximum principal loan amount allowed under the RHS Guaranteed Regulations, or in excess of the maximum loan amounts for conventional Mortgages stated in Section 4203.3, whichever is less. A Section 502 GRH Mortgage may not be a super conforming Mortgage.

(d) Requirements

Each Section 502 GRH Mortgage must comply with the provisions of the Guide, except that if there are Guaranteed Regulations applicable to the following matters, the Guaranteed Regulations will apply:

- Borrower underwriting
- Loan-to-value (LTV) ratios and total LTV (TLTV) ratios
- Sources of funds for Down Payment, Closing Costs and reserves
- Financing concessions and temporary subsidy buydown plans
- Secondary financing
- Property eligibility

- Title insurance
- Property insurance, and
- Mortgage insurance

Each Section 502 GRH Mortgage must comply with the Guaranteed Regulations for LTV/TLTV ratios, and the LTV/TLTV ratios must not exceed 115%, as calculated under the requirements in Section 4203.2.

(e) Special RHS documentation instructions

- Loan Guarantee

  Freddie Mac will purchase Section 502 GRH Mortgages prior to the receipt of the Loan Guarantee if:

  - RHS has issued its Conditional Commitment and the conditions precedent to the issuance of the Loan Guarantee stated in the Guaranteed Regulations and the Conditional Commitment have been satisfied
  - The Seller has delivered the Guaranteed Loan Closing Report, current Form RD 1980-19, to RHS and has paid the RHS Loan Guarantee fee
  - As of the Delivery Date, the Seller represents and warrants that there is no basis for RHS to fail to issue the Loan Guarantee and that it has not been notified by RHS that the Loan Guarantee has been denied

- Lender Record Change

  The Seller must complete and execute the Lender Record Change and submit it to the appropriate RHS Servicing Office within 15 calendar days after the Delivery Date of each Section 502 GRH Mortgage. For purposes of completing the Lender Record Change, the Seller is the "Selling Lender," Freddie Mac is the "Purchasing (Holding) Lender," and the Seller is the "Lender's Servicing Agent." Freddie Mac's lender identification number is 52-0904874. Leave the "Purchasing Lender Agency Assigned Branch No." blank.

(f) Mortgage file contents

In addition to the documents required in Chapters 3401 and 3301, the Mortgage file for each Section 502 GRH Mortgage must contain:

- A Conditional Commitment
- A Loan Guarantee

- A Lender Record Change

(g) Special Seller warranties

The Seller warrants to Freddie Mac, as of the Delivery Date of each Section 502 GRH Mortgage, that:

- The Seller has obtained a determination from RHS that the Seller is eligible to participate as an originating lender for Section 502 GRH Mortgages
- The Seller has executed the Lender Agreement that is and will remain in full force and effect
- The Loan Guarantee by RHS of the Section 502 GRH Mortgage is in full force and in effect as of the Delivery Date
- The Seller has complied and will continue to comply with the RHS Guaranteed Regulations, the RHS Lender Agreement and all other applicable RHS guidelines, regulations and requirements

(h) Mortgage instruments

If the Section 502 GRH Mortgage is assumable, it must be originated on Mortgage instruments approved by the FHA for FHA-insured assumable fixed-rate Mortgages with all applicable riders and addenda required by the FHA.

If a Section 502 GRH Mortgage is not assumable, it must be originated on the then current Fannie Mae/Freddie Mac Uniform Instruments including all applicable riders required in Section 4101.2 for the jurisdiction in which the Mortgaged Premises are located.

For all Section 502 GRH Mortgages, the monthly payment due date stated in the Note must be the first day of the month.

(i) Delivery instructions

See Section 6302.15 for delivery and pooling requirements for Section 502 GRH Mortgages sold to Freddie Mac.

(j) Credit Fees

The Seller must refer to Exhibit 19, Credit Fees, for Credit Fees related to Section 502 GRH Mortgages. Credit Fees are paid in accordance with the Credit Fee provisions stated in Chapter 6303.

4205.2: Home Possible® Mortgages with RHS Leveraged Seconds (09/04/24)

(a) Overview

Freddie Mac will purchase a Home Possible Mortgage with an RHS Leveraged Second in accordance with the provisions of this chapter and the Purchase Documents. Freddie Mac will not purchase the RHS Leveraged Second.

The Seller should be familiar with Freddie Mac's definition in the Glossary for RHS Leveraged Second. The following additional terms apply for the purposes of this section:

- Second Loan Documents are all of the following RHS documents:
  - Promissory Note, Form RD 1940-16 (Rev. 10-96)
  - Real Estate [Deed of Trust] or [Mortgage] for [the State in which the Mortgaged Premises are located], Form RHS 3550-14 (Rev. 10-96)
  - Subsidy Repayment Agreement, Form RD 3550-12 (Rev.10-96)
  - Interest Credit Agreement (Section 502 RHS Loans), Form FmHA 1944-6 (Rev. 12-95), and
  - Agreement with Prior Lienholder, Form FmHA 1927-8 (Rev. 1-92)
- Second Loan Regulations are the provisions applicable to:

  Section 502 direct leveraged Mortgages originated by RHS contained in Part 3550 of Title 7 of the Code of Federal Regulations and the RHS Direct Single Family Housing Loans and Grants Field Service Handbook and Centralized Servicing Center Handbook collectively with the forms, agreements, manuals and other material and documents issued by RHS, as may be modified by RHS from time to time.

(b) Eligible Mortgages

The Home Possible Mortgage purchased by Freddie Mac must be:

- A first-lien, purchase transaction, 30-year fully amortizing fixed-rate Mortgage
- Secured by a 1-unit Primary Residence

(c) Maximum loan-to-value (LTV) and total LTV (TLTV) ratio limits

The maximum LTV ratio of the Home Possible Mortgage is 50% and the maximum TLTV ratio, including the RHS Leveraged Second and all other secondary financing, is the lesser of 95% or the maximum allowed under the second loan regulations.

(d) RHS requirements

The Seller must comply with all Freddie Mac requirements for Home Possible Mortgages. Freddie Mac may allow the Borrower underwriting and qualification flexibilities with Home Possible Mortgages that are not permitted for the first Mortgage under the Second Loan Regulations. In the following areas, the Seller must comply with the provisions of the Second Loan Regulations pertaining to the first Mortgage even in situations where the underwriting and qualification requirements for Home Possible Mortgages are more flexible.

- Temporary subsidy buydown plans
- Maximum allowable qualifying ratios
- Borrower income limits
- Amount and source of funds for the Down Payment and Closing Costs
- Borrower reserves
- Rural designation as defined by RHS
- Property inspection
- Homeownership education

Financing concessions, if used as a source of funds, must be limited to such Closing Costs as are customary in the market where the Mortgaged Premises are located.

(e) Additional documentation

In addition to documentation required for the Home Possible Mortgage, the Mortgage file must contain:

- A Borrower's Certification of Eligibility, Form RD 1944.59 (Rev. 10-96)
- Copies of the executed Second Loan Documents and any other documents executed by the Borrower in connection with the RHS Leveraged Second

(f) Special Seller warranties

The Seller warrants that the RHS Leveraged Second:

- Has been closed and all proceeds advanced to the Borrower or at the Borrower's designation, prior to the Delivery Date of the Home Possible Mortgage
- At all times after the Note Date of the Home Possible Mortgage, the debt obligation and lien or other restriction on the Mortgaged Premises, of the RHS Leveraged Second and any recorded Second Loan Document are subordinate to the Home Possible Mortgage
- Was originated on the Second Loan Documents. Any changes or modifications to the Second Loan Documents must be approved by Freddie Mac.
- Was originated by RHS pursuant to the Second Loan Regulations in effect on the closing date of the RHS Leveraged Second. Any waivers or modifications to the RHS Second Loan Regulations with respect to an individual Borrower must be approved by Freddie Mac.
- Was originated by a Seller approved by RHS

In addition, the Borrower must be underwritten and approved by the RHS Field Office for the RHS Leveraged Second.

(g) Delivery instructions

See Section 6302.14 for delivery and pooling requirements for Home Possible Mortgages with RHS Leveraged Seconds sold to Freddie Mac.

(h) Credit Fees

For Credit Fees and Credit Fee Caps related to Home Possible Mortgage with an RHS Leveraged Second, the Seller must refer to Exhibit 19, Credit Fees, and Exhibit 19A, Credit Fee Cap Eligibility Criteria. Credit Fees are paid in accordance with the Credit Fee provisions stated in Chapter 6303.

4205.3: Section 184 Native American Mortgages (12/06/23)

(a) Overview

Freddie Mac will purchase Section 184 Native American Mortgages in accordance with the provisions of this chapter and the Purchase Documents.

The Seller should be familiar with Freddie Mac's definitions in the Glossary for:

- Section 184 Native American Mortgages
- Government Mortgage

Additionally, the following terms apply for purposes of this section:

- An Indian is any person recognized as being Indian or Alaska Native by an Indian Tribe, the federal government or any State and includes the term "Native American"
- An Indian Tribe is any Indian or Alaska Native tribe, band, rancheria, colony, pueblo, nation or other organized group or community of Indians or Alaska Natives recognized as eligible for services provided to Indians or Alaska Natives by the U.S. Secretary of the Interior because of its status as such an entity, or that is an eligible recipient under Chapter 67 of Title 31, of the U.S. Code
- The Section 184 Regulations are the Indian Housing Loan Guarantee Program Processing Guidelines, dated February 2003, collectively with the forms, agreements, manuals and other material and documents issued by HUD, and as may be modified in writing by HUD from time to time

(b) Eligible Mortgages and ineligible Mortgages

Each Section 184 Native American Mortgage must:

- Be a first-lien, purchase transaction, fully amortizing, assumable, fixed-rate Mortgage
- Have an original UPB within the maximum loan amount allowed under the Section 184 Regulations, or the maximum loan amount for conventional Mortgages stated in Section 4203.3, whichever is less
- Be a Non-Loan Product Advisor Mortgage

Each Section 184 Native American Mortgage must not be:

- Originated in connection with other FHA/VA programs, such as Section 203(k) of the National Housing Act
- A super conforming Mortgage
- A Community Land Trust Mortgage
- A Mortgage secured by property subject to income-based resale restrictions that terminate upon foreclosure (or expiration of any applicable redemption period) or

recordation of a deed-in-lieu of foreclosure, where the property value must be determined in accordance with Section 4406.6(b)

Each Section 184 Native American Mortgage must be sold to Freddie Mac with recourse, within the meaning of Section 6201.7(a).

The Seller must obtain Freddie Mac's approval to sell Section 184 Native American Mortgages. The Seller should request this approval by calling its account manager or 800-FREDDIE.

(c) Compliance with Freddie Mac's requirements

Each Section 184 Native American Mortgage must comply with the provisions of the Guide, except that if there are Section 184 Regulations applicable to the following matters, the Section 184 Regulations apply:

- Eligible Borrowers
- Borrower underwriting
- Loan-to-value (LTV) ratio and total LTV (TLTV) ratio
- Source of funds for the Down Payment and Closing Costs
- Reserves
- Secondary financing
- Temporary subsidy buydown plans
- Interested party contributions
- Appraisals
- Mortgage and property insurance
- Mortgage instruments

(d) Title status report

When the title to the Mortgaged Premises is an unrestricted fee simple, the provisions of Chapter 4702 apply. When title to the Mortgaged Premises is other than unrestricted fee simple, the Seller must obtain a title status report and any other documentation required by the Section 184 Regulations. The Seller must record the Security Instrument, and all other Mortgage documents required to be recorded, in accordance with the terms of the Section 184 Regulations.

(e) Mortgage file documentation

In addition to the documents required by Chapters 3401 and 3301, the Mortgage file must contain the following documents:

- Documentation of the land status and court system that has jurisdiction over the property
- The Indian Loan Guarantee Certificate (HUD Form 53039)

(f) Special Seller warranties

The Seller represents and warrants with respect to each Section 184 Native American Mortgage that:

- The HUD guarantee on each Section 184 Native American Mortgage is in full force and effect as of the Delivery Date and will not be canceled while Freddie Mac has an ownership interest in the Mortgage
- Each Section 184 Native American Mortgage was originated in compliance with all the requirements of the Section 184 Regulations, unless those requirements were modified or waived in writing by HUD and the Bureau of Indian Affairs and Freddie Mac approved the modifications and waivers
- The Borrower's Indian Tribe received authorization from HUD to participate in the Mortgage loan program described in the Section 184 Regulations and adopted, and is enforcing, a legal and administrative framework and procedures for foreclosure, evictions, establishing priority of liens and leasing, that meets the requirements of the Section 184 Regulations
- The HUD guarantee fee was paid
- The Seller received the Indian Loan Guarantee Certificate (HUD Form 53039) endorsed for guarantee by an authorized agent of the Assistant Secretary for Public and Indian Housing

(g) Delivery instructions

See Section 6302.13 for delivery and pooling requirements for Section 184 Native American Mortgages sold to Freddie Mac.

(h) Credit Fees

The Seller must refer to Exhibit 19, Credit Fees, for Credit Fees related to Section 184 Native American Mortgages. Credit Fees are paid in accordance with the Credit Fee provisions stated in Chapter 6303.

4205.4: FHA/VA Mortgages (12/06/23)

(a) General requirements

FHA/VA Mortgages eligible for purchase must have the following characteristics:

- Each Mortgage is a fixed-rate, level payment, fully amortizing, first-lien FHA Mortgage or VA Mortgage
- The following Mortgages may not be delivered:
  - Graduated-payment Mortgages
  - ARMs
  - Super conforming Mortgages
  - Home Improvement Loans
  - Multifamily Mortgages
  - Community Land Trust Mortgages
  - Mortgages secured by property subject to income-based resale restrictions that terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure, where the property value must be determined in accordance with Section 4406.6(b)
  - Second Mortgages
- Each Mortgage meets all requirements applicable to the program under which it is insured or guaranteed

- Each Mortgage meets the requirements set forth in the Guide, except to the extent that (i) the requirements of the Guide are inconsistent with the requirements of the program under which the Mortgage is insured or guaranteed or (ii) the requirements of the Guide are specifically modified by this chapter

- Each Mortgage is sold to Freddie Mac with recourse, within the meaning of Section 6201.7(a)

- See Section 6302.12 for delivery and pooling requirements for FHA/VA Mortgages sold to Freddie Mac

The Seller must file a Mortgage Record Change (Form HUD-92080) with HUD to report the sale of an FHA Mortgage and provide HUD with required information on the Seller or selling mortgagee, on Freddie Mac or purchase or holding mortgagee, and on the Servicer. The HUD Mortgagee number for Freddie Mac is 92304-0999-4.

The Seller must obtain Freddie Mac's approval before selling FHA/VA Mortgages to Freddie Mac by calling either its Freddie Mac representative or 800-FREDDIE.

(b) Additional requirements

Notwithstanding any requirements applicable to the program under which an FHA/VA Mortgage is insured or guaranteed:

- No Mortgage may have an original maturity in excess of 30 years

- No FHA Mortgage may have an original principal balance in excess of the maximum principal amount as determined under the National Housing Act or in excess of the maximum loan amounts for conventional Mortgages in Section 4203.3, whichever is less

- The original principal balance of a VA Mortgage may not exceed the maximum loan amount for a conventional 1-unit Home Mortgage as described in Section 4203.3

- Each Mortgage must be covered by a paid-up Mortgage title insurance policy written by a title insurer and in a form acceptable to the Secretary of HUD or the VA Administrator, as applicable. Such policy may not be subject to any exceptions other than those previously approved by the Secretary of HUD or the VA Administrator. The protection and benefits of such policy in the amounts required by HUD and the VA must run to Freddie Mac and to the Secretary of HUD or the VA Administrator, as applicable. With respect to any FHA Mortgage on a property formerly held by HUD, a title insurance policy is not required if the Secretary of HUD is obligated to:

  - Waive any objection to title by reason of any lien or other adverse interest that was senior to the FHA Mortgage on the date such FHA Mortgage was filed for record, or

- ❑ Accept an assignment of the FHA Mortgage if the mortgagee is unable to complete foreclosure because of a defect in the FHA Mortgage instrument, a defect in the FHA Mortgage transaction or a defect in the title which existed at or before the time the FHA Mortgage was filed for record

Prior encumbrances on the Mortgaged Premises are not acceptable unless such encumbrances were previously approved by the FHA or VA and, as determined by Freddie Mac, do not detract from the value of the Mortgaged Premises or affect the First Lien priority or the marketability of the Mortgage or the Mortgaged Premises.

Notwithstanding any requirements applicable to Mortgages generally under the Guide, the following classes of requirements do not apply to FHA or VA Mortgages offered for sale to Freddie Mac:

- ■ Property appraisal
- ■ Credit underwriting
- ■ Mortgage insurance
- ■ Owner-occupancy

All Mortgages must be originated on Mortgage instruments approved by the FHA or the VA, as applicable.

Notwithstanding the modification made in this section with respect to the document delivery requirements of the Guide, the Seller must submit such other documents as Freddie Mac may request for any FHA or VA Mortgage delivered pursuant to the Purchase Documents.

(c) Mortgage file requirements

In addition to the documentation specified in the Guide, the Mortgage file retained by the Seller for FHA/VA Mortgages must contain the following documents:

- ■ The Mortgage application of the original Borrower and, if available and applicable, that of the current Borrower
- ■ The credit report on the original Borrower and, if available and applicable, on the current Borrower
- ■ The original FHA or VA commitment and, if available and applicable, the FHA Escrow Commitment Certificate and related documents
- ■ With respect to VA Mortgages, the VA Certificate of Reasonable Value
- ■ The FHA Mortgage Insurance Certificate or VA Loan Guaranty Certificate, as applicable

- Any other documents that are required to be retained by federal or State laws, statutes or regulations

(d) Special Seller warranties

For all FHA/VA Mortgages, the Seller further represents and warrants that:

- The FHA insurance or the VA guaranty is in full force and effect as of the Delivery Date

- The Seller has complied and will continue to comply with all applicable FHA and/or VA guidelines, regulations and requirements including, but not limited to, those relating to loan origination and Servicing

(e) Credit Fees

The Seller must refer to Exhibit 19, Credit Fees, for Credit Fees related to FHA/VA Mortgages. Credit Fees are paid in accordance with the Credit Fee provisions stated in Chapter 6303.

4205.5: Mortgage previously sold to the Government National Mortgage Association (GNMA) (03/02/16)

A Mortgage previously sold to the Government National Mortgage Association (GNMA) and repurchased from GNMA, or a Mortgage on which a GNMA price differential has been paid, is eligible for purchase by Freddie Mac, provided it meets all of the requirements of the Purchase Documents at the time it is offered for sale to Freddie Mac.

Chapter 4204: Secondary Financing and Other Financing Arrangements

4204.1: Mortgages with secondary financing (05/04/22)

(a) General requirements

Secondary financing is all financing that is subordinate in lien priority to the First Lien Mortgage. Freddie Mac will purchase First Lien Mortgages with secondary financing under the terms of the Purchase Documents and this section. Terms of any secondary financing must be disclosed to the appraiser and to the MI. The terms of the secondary financing that must be disclosed include, but are not limited to, the Note Rate and the institution or individual providing the financing. The Seller may not indicate a value needed to support the transaction, or provide any information to the appraiser about an expected loan-to-value (LTV) ratio.

Except as specifically stated in Section 4204.2 with respect to Affordable Seconds®, the terms of secondary financing must not permit the provider or another party to share in the appreciation of the Mortgaged Premises (equity sharing).

Secondary financing is not eligible for sale to Freddie Mac.

For special requirements for Affordable Seconds, see Section 4204.2.

(b) Special requirements for new secondary financing

Secondary financing originated concurrently with the First Lien Mortgage (i.e., the First Lien Mortgage and the junior lien are originated on the same day) must meet the following requirements:

- **Maturity date**

  The maturity date or amortization basis of the junior lien must not be less than five years after the Note Date of the First Lien Mortgage delivered to Freddie Mac, unless the junior lien is fully amortizing or a Home Equity Line of Credit (HELOC). In addition, the junior lien must not contain a call provision within the five-year period, unless the junior lien is a HELOC.

  If the secondary financing is an Employer Assisted Homeownership (EAH) Benefit, the terms of the secondary financing may not require repayment in full unless:

  1. The Borrower terminates his or her employment for any reason, or

  2. The employer terminates the Borrower's employment for any reason other than long-term disability, the elimination of the employee's position or reduction-in-force

- **Scheduled payments**

  The terms of the secondary financing must provide for regular monthly payments sufficient to meet the interest due; interest may not accrue.

  If the secondary financing is an EAH Benefit and the monthly payment of principal and interest or interest only begins on or after the 61st monthly payment under the First Lien Mortgage or if repayment of the principal is due only upon sale or default, the amount of the monthly payment may be excluded from the monthly housing expense-to-income ratio and monthly debt payment-to-income ratio. Otherwise, the required monthly payment must be included in both the ratios.

- **Documentation requirements**

  The Seller must include a copy of the following documentation in the Mortgage file:

  - ❑ Note or other evidence of subordinate lien terms
  - ❑ Settlement/Closing Disclosure Statement or an alternative form required by law that evidences the fees and costs paid by the Borrower at closing in connection with the secondary financing
  - ❑ For HELOCs, the HELOC agreement indicating all fees and costs paid by the Borrower at closing, and the maximum permitted credit advance

  See Section 4302.5 for special requirements for Refi Possible® Mortgages with new secondary financing.

(c) Special requirements for existing secondary financing

Freddie Mac will purchase First Lien refinance Mortgages with existing junior liens (including HELOCs) that are not paid off from the proceeds of the refinance Mortgage provided that:

- Evidence of subordination of outstanding secondary financing is retained in the Mortgage file
- The junior lien has scheduled payments sufficient to meet the interest due

(d) Credit Fees and other delivery instructions for Mortgages with secondary financing

The Seller must refer to Exhibit 19, Credit Fees, for Credit Fees related to Mortgages with secondary financing. Credit Fees are paid in accordance with the Credit Fee provisions stated in Chapter 6303.

See Section 6302.34 for delivery instructions for Mortgages with secondary financing.

4204.2: Affordable Seconds® (02/07/24)

(a) Special requirements for Affordable Seconds®

Affordable Seconds must comply with the requirements of Section 4204.1(a) and the requirements of this section regardless of whether the Affordable Second is originated concurrently with the First Lien Mortgage (i.e., the First Lien Mortgage and the Affordable Second are originated on the same day) or the Affordable Second is being subordinated to the First Lien Mortgage in a refinance transaction. A checklist for Affordable Seconds is available as an additional resource at **https://sf.freddiemac.com/docs/pdf/affordable-seconds-checklist.pdf**.

The special requirements in Section 4204.2(b) must be met if:

- The proceeds of an Affordable Second are used to subsidize the sales price of a property and, as a result, the property becomes subject to income-based resale restrictions; or
- An Affordable Second is secured by a property subject to an equity sharing agreement

Affordable Seconds on Manufactured Homes and CHOICEHomes® must meet the additional requirements in Sections 5703.11 and 5703.16.

For special requirements for HeritageOne℠ Mortgages with Affordable Seconds, see Section 4504.5.

(i) Funding source

The Affordable Second must not be funded in any way through the First Lien Mortgage transaction, including differential pricing in rate, discount points or fees for individual loans.

The Seller may not participate in an equity sharing agreement with respect to the Mortgaged Premises unless it meets the requirements of Section 4204.2(b)(ii).

The terms and conditions of the Seller's secondary financing or financial assistance program must be made available by the Seller to Freddie Mac upon request.

(A) Non-Seller-funded Affordable Seconds

An Affordable Second must be provided by an Agency, credit union or community development financial institution (CDFI) under an established, ongoing, documented secondary financing or financial assistance program.

With respect to the subject Mortgage, the Agency or credit union must not:

- Be the Seller or have participated in any aspect of the Mortgage origination process, other than to assess the Borrower's ability to meet the requirements of the program and to fund the Affordable Second

- Be affiliated with, under contract to, or financed (directly or indirectly) by the Seller or any party that participated in the Mortgage origination process such as the property seller, builder, developer or real estate agent

With respect to the subject Mortgage, a CDFI working with an Agency must:

- Be a CDFI that has received CDFI certification from the Treasury's CDFI Fund (a "Certified CDFI")

- Remain a Certified CDFI through the date the Mortgage is sold to Freddie Mac

- Not be the Seller

The Agency with which the CDFI is working may participate in the origination of the subject Mortgage.

The Agency may be affiliated with, under contract to or financed by the Certified CDFI if the Agency is a nonprofit entity and third-party originator that works with the Certified CDFI.

For these purposes, "affiliated with" means that the Agency and the Seller or other party are related to each other as a consequence of one entity directly or indirectly controlling the other party, being controlled by the other party or being under common control with that party.

The Affordable Second must not be funded by the property seller or another interested party to the transaction, except as provided in Section 4204.2(a)(i)(B) below.

(B) Seller-funded Affordable Seconds

A Seller may be the source of an Affordable Second if the following requirements are met:

- If the Seller is not a CDFI, it must:

  - Be a depository institution

  - Have an Affordable Seconds program that supports its affordable lending and/or mission focused program(s), or a program designed to broadly support its Community Reinvestment Act (CRA) requirements, or

- If the Seller is a credit union that is not required by law to participate in CRA, the credit union must have an Affordable Seconds program in accordance with its affordable lending and/or mission-focused program

- If the Seller is a CDFI, it may be a non-depository institution if the established Affordable Seconds program supports affordable lending and the credit needs of prospective homebuyers in their respective market(s)

(ii) Eligible First Lien Mortgages

(A) Non-Seller-funded Affordable Seconds

For non-Seller-funded Affordable Seconds, the First Lien Mortgage must be:

- A fixed-rate Mortgage or an ARM with an initial fixed-rate period of five years or greater

- A purchase transaction or a "no cash-out" refinance, and

- Secured by a 1-4 unit Primary Residence

(B) Seller-funded Affordable Seconds

For Seller-funded Affordable Seconds, including Sellers that are credit unions or CDFIs, the First Lien Mortgage must be:

- A Home Possible® Mortgage

- A fixed-rate Mortgage or an ARM with an initial fixed-rate period of five years or greater

- Submitted to Loan Product Advisor® in accordance with Chapter 5101 and receive a Risk Classification of Accept

- A purchase transaction

- Secured by a 1-unit Primary Residence, and

- A Retail Mortgage

(iii)Maturity date

The terms of the Affordable Second must not require a balloon payment that becomes due before the maturity date or payment in full of the First Lien Mortgage.

If the Affordable Second is an Employer Assisted Homeownership Benefit, the terms of the secondary financing must not require repayment in full, except when:

- The Borrower terminates his or her employment for any reason, or
- The employer terminates the Borrower's employment for any reason other than long-term disability, the elimination of the employee's position or reduction-in-force

(iv) Scheduled payments

The Affordable Second may be forgivable or repayable. The interest rate of the Affordable Second must not be more than 2% higher than the interest rate of the First Lien Mortgage. Interest accruals that are added to principal may not at any time during the term of the First Lien Mortgage increase the total loan-to-value (TLTV) ratio beyond the maximum TLTV ratio allowed for the First Lien Mortgage.

If monthly payments on the Affordable Second are required and begin before the due date of the 61st monthly payment under the First Lien Mortgage, such monthly payments must be included in the Borrower's monthly housing expense-to-income ratio and monthly debt payment-to-income ratio. If monthly payments on the Affordable Second begin on or after the due date of the 61st monthly payment under the First Lien Mortgage or if repayment of the Affordable Second is due only upon sale or default, the amount of the Affordable Second monthly payment may be excluded from both ratios.

(v) Financing structure

The Affordable Second financing must not be a HELOC.

(vi) Documentation requirements

The Seller must maintain in the Mortgage file the following documentation for the Affordable Second:

- A Note or other evidence of the terms of the Affordable Second
- The Settlement/Closing Disclosure Statement or an alternative form required by law that evidences the fees and costs paid by the Borrower at closing in connection with a new Affordable Second
- For refinance transactions, evidence of subordination of an existing Affordable Second

(vii) Affordable Seconds proceeds

Proceeds from the Affordable Second may be used toward the Down Payment or Closing Costs.

(viii) Special delivery requirements

See Section 6302.34(b)(i) for special delivery instructions for Mortgages with Affordable Seconds.

(b) Special requirements for Affordable Seconds secured by properties subject to equity sharing agreements

(i) Affordable Seconds secured by properties subject to equity sharing agreements

For-profit entities may not share in the appreciation of the Mortgaged Premises.

If the terms of an Affordable Second permit the Agency or subsidy provider to share in the appreciation of the Mortgaged Premises, the following requirements must be met:

- At the time of origination of the Affordable Second, the share of appreciation to which the Agency or subsidy provider is entitled, expressed as a percentage, must not exceed the original principal amount of the Affordable Second divided by value, using a value as determined in accordance with Section 4203.1 ("the percentage of the Affordable Second"), except as stated in the next paragraph. For example, if the original principal amount of the Affordable Second is equal to 5% of value, the percentage of the Affordable Second is 5%, and the maximum share of appreciation the Agency or subsidy can receive is 5%.

- The share of appreciation to which the Agency or subsidy provider is entitled may exceed the percentage of the Affordable Second if the following requirements are met:

  - The Agency or subsidy provider must not charge interest on the Affordable Second

  - The share of appreciation must not exceed 75% unless the Affordable Second provider is a subsidy provider or program administrator managing an income-based resale restriction program and the Seller confirms that:

    - The special requirements for Mortgages secured by properties subject to income-based resale restrictions in Sections 4406.12 through 4406.18 are met; and

    - The subsidy provider or program administrator has processes in place to allow the Borrower to receive a share of the proceeds of a subsequent sale of the property in instances where the resale sales price is higher than the subsidized sales price paid by the Borrower to purchase the property

- The terms of the Affordable Second must allow the Borrower to recover all the following before the Agency or subsidy provider is able to share in the appreciation:
  - Any portion of the Down Payment paid from Borrower funds
  - Customary costs incurred by the Borrower in selling the property
  - Payments of principal made under the First Lien Mortgage
- The right of the Agency or subsidy provider to share in the appreciation must be clearly subordinate to the First Lien Mortgage

(ii) Special delivery instructions

See Section 6302.34(b)(i)(A) for special delivery instructions for Mortgages with Affordable Seconds.

4204.3: Interested party contributions (07/06/17)

Effective July 6, 2017, the contents of this section are moved to Section 5501.5.

4204.4: Temporary subsidy buydown plans (09/04/24)

Freddie Mac will purchase Mortgages with temporary subsidy buydown plans (buydown plans) under the terms of the Purchase Documents and this section. Buydown plans allow the Borrower to benefit from temporary subsidies of the monthly payment of principal and interest.

(a) Eligibility

Buydown plans are not permitted for Mortgages with the following characteristics:

- 3/6-Month ARMs
- Cash-out refinance Mortgages
- "No cash-out" refinance Mortgages with a buydown plan funded from lender credit derived from an increase in the interest rate
- Investment Property Mortgages
- Mortgages secured by Manufactured Homes

Home Possible® Mortgages and HeritageOne℠ Mortgages with buydown plans must meet the requirements of this section and Sections 4501.2 and 4504.5, respectively.

For any Mortgage with a buydown plan, the initial interest rate may not be more than three percentage points below the Note Rate. Also, the buydown plan may not extend for more than three years after the first scheduled payment date.

(b) Special underwriting requirements for Limited Buydown Mortgages

For a Limited Buydown Mortgage, the initial interest rate is:

- Temporarily reduced to no more than two percentage points below the Note Rate
- Increased by no more than one percentage point annually for no more than two years

Property Type	Fixed-Rate, 7/6-Month ARMs and 10/6-Month ARMs	5/6-Month ARMs
1-unit Primary Residence and second home	Yes	Yes
2-unit Primary Residence	Yes	Yes
3- to 4-unit Primary Residence	Yes	No

Borrower qualification:

- For fixed-rate Mortgages, the Borrower must be qualified using monthly payments calculated at the Note Rate. The qualifying rate must, at a minimum, equal the maximum interest rate that may apply during the first five years after the date on which the first regular periodic payment will be due, based on the loan amount over the loan term.
- For ARMs, the Borrower must be qualified using monthly payments calculated in accordance with Section 4401.8
- If reserves are required, the reserves must be calculated using the Note Rate

(c) Special underwriting requirements for Extended Buydown Mortgages

Freddie Mac will purchase Extended Buydown Mortgages with initial interest rates that are:

- Temporarily reduced no more than three percentage points below the Note Rate
- Increased by no more than one percentage point annually for more than two but no more than three years

Property Type	Fixed-Rate, 7/6-Month and 10/6-Month ARMs	5/6-Month ARMs
1-unit Primary Residence and second home	Yes	Yes
2-unit Primary Residence	Yes	Yes
3- to 4-unit Primary Residence	Yes	No

Borrower qualification:

- For fixed-rate Mortgages, the Borrower must be qualified using monthly payments calculated at the Note Rate. The qualifying rate must, at a minimum, equal the maximum interest rate that may apply during the first five years after the date on which the first regular periodic payment will be due, based on the loan amount over the loan term.
- For ARMs, the Borrower must be qualified using monthly payments calculated in accordance with Section 4401.8
- If reserves are required, the reserves must be calculated using the Note Rate

(d) Delivery requirements for Mortgages with a buydown plan

See Section 6302.18 for information on the delivery and pooling requirements for Mortgages with a buydown plan.

(e) Special documentation requirements for Mortgages with buydown plans

(i) Application of buydown funds

The Borrower must agree in writing that the buydown funds in the buydown account will be automatically applied each month to reduce the monthly payment of principal and interest to the extent provided under the subsidy buydown agreement. The buydown agreement must provide that the Borrower will not be relieved of the obligation to make

the full monthly Mortgage payments required by the terms of the Mortgage Note if, for any reason, the buydown funds are not available or the buydown funds are not paid.

The Mortgage file must contain a copy of the executed buydown agreement and must clearly show the Seller's calculations of the total cost of the temporary subsidy buydown, any interested party contribution and the annual percentage increase in the Borrower's monthly principal and interest payment.

(ii) Custodial Account requirements for buydowns

Each subsidy buydown must be fully funded at origination. See Sections 8302.1(b) and 8302.4 for Custodial Account requirements for buydown plans.

The buydown agreement must state that the Borrower will not assign, transfer or close the account, or withdraw buydown funds, except as permitted by the terms of the buydown agreement.

(iii)References

No references to the buydown plan are permitted in the Note and Security Instruments.

(iv)Interest rate and monthly payments

The interest rate and monthly payments shown in the Note must be calculated without reference to the temporary buydown subsidy. In no event may the temporary subsidy buydown agreement change the terms of the Note or Mortgage.

(v) Servicing requirements

If the Mortgage is foreclosed, the funds in the buydown account must be used to reduce the Mortgage debt. If the Mortgage is paid in full, the funds must be distributed in accordance with the buydown agreement. If the property is sold and the Mortgage is assumed by the purchaser, the funds may continue to be used to reduce the Mortgage payments under the original terms of the buydown agreement.

4204.5: Shared equity plans (07/06/17)

Freddie Mac does not approve individual shared equity plans. Freddie Mac will, however, consider purchasing Mortgages using such plans if the following requirements are met:

- The Seller must obtain a Mortgage application, financial statements and credit reports for both the Owner-Occupant and owner-investor
- The Freddie Mac credit guidelines are satisfied

- The shared equity plan is a written agreement, a copy of which is retained in the Mortgage file

The Seller warrants the following:

1. A minimum Down Payment of at least 5% was made by the Owner-Occupant from Borrower personal funds as described in Section 5501.3(b)

2. The owner-investor made an additional Down Payment of at least 5%

3. Both the Owner-Occupant and owner-investor signed the Note and Security Instrument

4. Both the Owner-Occupant and owner-investor are individuals, i.e., not corporations, limited partnerships, partnerships or trusts

5. No agreement requiring sale of the property or buyout of either owner's interest may be in effect within seven years of the date of the Note and Security Instrument

6. The seller of the property or other interested party to the transaction (such as a builder or a real estate broker or agent) is not a party to the agreement

7. The Seller or the Servicer is able to service the Mortgage according to all the requirements of the Guide

Chapter 4205: Government funded, guaranteed or insured Mortgages

4205.1: Section 502 GRH Mortgages (05/03/23)

(a) Overview

Freddie Mac will purchase Section 502 GRH Mortgages in accordance with the provisions of this chapter and the Purchase Documents.

The Seller should be familiar with Freddie Mac's definitions in the Glossary for:

- Section 502 GRH Mortgage
- RHS
- Government Mortgage

The following additional terms apply for purposes of this section:

- **Lender Agreement:** The current RHS Agreement for Participation in Single Family Guaranteed/Insured Loan Programs of the United States Government Lender Agreement — Form RD 1980-16 executed by the Seller
- **Guaranteed Regulations:** The RD Instructions 1980D of Title 7, Part 1980, Subpart D of the Code of Federal Regulations, collectively with the forms, agreements, manuals and other material and documents issued by RHS, as may be modified by RHS from time to time
- **Conditional Commitment:** The current Conditional Commitment for Single Family Housing Loan Guarantee — Form RD 1980-18
- **Lender Record Change:** The current Guaranteed Rural Housing Lender Record Change — Form RD 1980-11
- **Loan Guarantee:** The current RHS guarantee issued on Form RD 1980-17

Each Section 502 GRH Mortgage must be originated in compliance with all of the requirements of the Guaranteed Regulations and the Lender Agreement, unless these requirements are either:

- Modified or waived in writing by RHS, and Freddie Mac has approved those modifications or waivers, or

- Specifically restricted or modified by this chapter

(b) Eligible Mortgages

A Section 502 GRH Mortgage must be:

- An assumable or nonassumable first-lien secured by a Primary Residence
- A purchase transaction or "no cash-out" refinance of existing Section 502 GRH Mortgage
- A 30-year fully amortizing fixed-rate Mortgage
- A Non-Loan Product Advisor Mortgage

Section 502 GRH Mortgages must be sold to Freddie Mac with recourse, within the meaning of Section 6201.7(a).

The Seller must obtain Freddie Mac's written approval, which must be expressly included in the Seller's Purchase Documents, to sell Section 502 GRH Mortgages. The Seller should request this written approval by calling its account manager or 800-FREDDIE.

(c) Loan limits

No Section 502 GRH Mortgage may have an original principal balance in excess of the maximum principal loan amount allowed under the RHS Guaranteed Regulations, or in excess of the maximum loan amounts for conventional Mortgages stated in Section 4203.3, whichever is less. A Section 502 GRH Mortgage may not be a super conforming Mortgage.

(d) Requirements

Each Section 502 GRH Mortgage must comply with the provisions of the Guide, except that if there are Guaranteed Regulations applicable to the following matters, the Guaranteed Regulations will apply:

- Borrower underwriting
- Loan-to-value (LTV) ratios and total LTV (TLTV) ratios
- Sources of funds for Down Payment, Closing Costs and reserves
- Financing concessions and temporary subsidy buydown plans
- Secondary financing
- Property eligibility

- Title insurance
- Property insurance, and
- Mortgage insurance

Each Section 502 GRH Mortgage must comply with the Guaranteed Regulations for LTV/TLTV ratios, and the LTV/TLTV ratios must not exceed 115%, as calculated under the requirements in Section 4203.2.

(e) Special RHS documentation instructions

- Loan Guarantee

  Freddie Mac will purchase Section 502 GRH Mortgages prior to the receipt of the Loan Guarantee if:

  - RHS has issued its Conditional Commitment and the conditions precedent to the issuance of the Loan Guarantee stated in the Guaranteed Regulations and the Conditional Commitment have been satisfied
  - The Seller has delivered the Guaranteed Loan Closing Report, current Form RD 1980-19, to RHS and has paid the RHS Loan Guarantee fee
  - As of the Delivery Date, the Seller represents and warrants that there is no basis for RHS to fail to issue the Loan Guarantee and that it has not been notified by RHS that the Loan Guarantee has been denied

- Lender Record Change

  The Seller must complete and execute the Lender Record Change and submit it to the appropriate RHS Servicing Office within 15 calendar days after the Delivery Date of each Section 502 GRH Mortgage. For purposes of completing the Lender Record Change, the Seller is the "Selling Lender," Freddie Mac is the "Purchasing (Holding) Lender," and the Seller is the "Lender's Servicing Agent." Freddie Mac's lender identification number is 52-0904874. Leave the "Purchasing Lender Agency Assigned Branch No." blank.

(f) Mortgage file contents

In addition to the documents required in Chapters 3401 and 3301, the Mortgage file for each Section 502 GRH Mortgage must contain:

- A Conditional Commitment
- A Loan Guarantee

- A Lender Record Change

(g) Special Seller warranties

The Seller warrants to Freddie Mac, as of the Delivery Date of each Section 502 GRH Mortgage, that:

- The Seller has obtained a determination from RHS that the Seller is eligible to participate as an originating lender for Section 502 GRH Mortgages
- The Seller has executed the Lender Agreement that is and will remain in full force and effect
- The Loan Guarantee by RHS of the Section 502 GRH Mortgage is in full force and in effect as of the Delivery Date
- The Seller has complied and will continue to comply with the RHS Guaranteed Regulations, the RHS Lender Agreement and all other applicable RHS guidelines, regulations and requirements

(h) Mortgage instruments

If the Section 502 GRH Mortgage is assumable, it must be originated on Mortgage instruments approved by the FHA for FHA-insured assumable fixed-rate Mortgages with all applicable riders and addenda required by the FHA.

If a Section 502 GRH Mortgage is not assumable, it must be originated on the then current Fannie Mae/Freddie Mac Uniform Instruments including all applicable riders required in Section 4101.2 for the jurisdiction in which the Mortgaged Premises are located.

For all Section 502 GRH Mortgages, the monthly payment due date stated in the Note must be the first day of the month.

(i) Delivery instructions

See Section 6302.15 for delivery and pooling requirements for Section 502 GRH Mortgages sold to Freddie Mac.

(j) Credit Fees

The Seller must refer to Exhibit 19, Credit Fees, for Credit Fees related to Section 502 GRH Mortgages. Credit Fees are paid in accordance with the Credit Fee provisions stated in Chapter 6303.

4205.2: Home Possible® Mortgages with RHS Leveraged Seconds (09/04/24)

(a) Overview

Freddie Mac will purchase a Home Possible Mortgage with an RHS Leveraged Second in accordance with the provisions of this chapter and the Purchase Documents. Freddie Mac will not purchase the RHS Leveraged Second.

The Seller should be familiar with Freddie Mac's definition in the Glossary for RHS Leveraged Second. The following additional terms apply for the purposes of this section:

- Second Loan Documents are all of the following RHS documents:
  - Promissory Note, Form RD 1940-16 (Rev. 10-96)
  - Real Estate [Deed of Trust] or [Mortgage] for [the State in which the Mortgaged Premises are located], Form RHS 3550-14 (Rev. 10-96)
  - Subsidy Repayment Agreement, Form RD 3550-12 (Rev.10-96)
  - Interest Credit Agreement (Section 502 RHS Loans), Form FmHA 1944-6 (Rev. 12-95), and
  - Agreement with Prior Lienholder, Form FmHA 1927-8 (Rev. 1-92)
- Second Loan Regulations are the provisions applicable to:

  Section 502 direct leveraged Mortgages originated by RHS contained in Part 3550 of Title 7 of the Code of Federal Regulations and the RHS Direct Single Family Housing Loans and Grants Field Service Handbook and Centralized Servicing Center Handbook collectively with the forms, agreements, manuals and other material and documents issued by RHS, as may be modified by RHS from time to time.

(b) Eligible Mortgages

The Home Possible Mortgage purchased by Freddie Mac must be:

- A first-lien, purchase transaction, 30-year fully amortizing fixed-rate Mortgage
- Secured by a 1-unit Primary Residence

(c) Maximum loan-to-value (LTV) and total LTV (TLTV) ratio limits

The maximum LTV ratio of the Home Possible Mortgage is 50% and the maximum TLTV ratio, including the RHS Leveraged Second and all other secondary financing, is the lesser of 95% or the maximum allowed under the second loan regulations.

(d) RHS requirements

The Seller must comply with all Freddie Mac requirements for Home Possible Mortgages. Freddie Mac may allow the Borrower underwriting and qualification flexibilities with Home Possible Mortgages that are not permitted for the first Mortgage under the Second Loan Regulations. In the following areas, the Seller must comply with the provisions of the Second Loan Regulations pertaining to the first Mortgage even in situations where the underwriting and qualification requirements for Home Possible Mortgages are more flexible.

- Temporary subsidy buydown plans
- Maximum allowable qualifying ratios
- Borrower income limits
- Amount and source of funds for the Down Payment and Closing Costs
- Borrower reserves
- Rural designation as defined by RHS
- Property inspection
- Homeownership education

Financing concessions, if used as a source of funds, must be limited to such Closing Costs as are customary in the market where the Mortgaged Premises are located.

(e) Additional documentation

In addition to documentation required for the Home Possible Mortgage, the Mortgage file must contain:

- A Borrower's Certification of Eligibility, Form RD 1944.59 (Rev. 10-96)
- Copies of the executed Second Loan Documents and any other documents executed by the Borrower in connection with the RHS Leveraged Second

(f) Special Seller warranties

The Seller warrants that the RHS Leveraged Second:

- Has been closed and all proceeds advanced to the Borrower or at the Borrower's designation, prior to the Delivery Date of the Home Possible Mortgage
- At all times after the Note Date of the Home Possible Mortgage, the debt obligation and lien or other restriction on the Mortgaged Premises, of the RHS Leveraged Second and any recorded Second Loan Document are subordinate to the Home Possible Mortgage
- Was originated on the Second Loan Documents. Any changes or modifications to the Second Loan Documents must be approved by Freddie Mac.
- Was originated by RHS pursuant to the Second Loan Regulations in effect on the closing date of the RHS Leveraged Second. Any waivers or modifications to the RHS Second Loan Regulations with respect to an individual Borrower must be approved by Freddie Mac.
- Was originated by a Seller approved by RHS

In addition, the Borrower must be underwritten and approved by the RHS Field Office for the RHS Leveraged Second.

(g) Delivery instructions

See Section 6302.14 for delivery and pooling requirements for Home Possible Mortgages with RHS Leveraged Seconds sold to Freddie Mac.

(h) Credit Fees

For Credit Fees and Credit Fee Caps related to Home Possible Mortgage with an RHS Leveraged Second, the Seller must refer to Exhibit 19, Credit Fees, and Exhibit 19A, Credit Fee Cap Eligibility Criteria. Credit Fees are paid in accordance with the Credit Fee provisions stated in Chapter 6303.

4205.3: Section 184 Native American Mortgages (12/06/23)

(a) Overview

Freddie Mac will purchase Section 184 Native American Mortgages in accordance with the provisions of this chapter and the Purchase Documents.

The Seller should be familiar with Freddie Mac's definitions in the Glossary for:

- Section 184 Native American Mortgages
- Government Mortgage

Additionally, the following terms apply for purposes of this section:

- An Indian is any person recognized as being Indian or Alaska Native by an Indian Tribe, the federal government or any State and includes the term "Native American"
- An Indian Tribe is any Indian or Alaska Native tribe, band, rancheria, colony, pueblo, nation or other organized group or community of Indians or Alaska Natives recognized as eligible for services provided to Indians or Alaska Natives by the U.S. Secretary of the Interior because of its status as such an entity, or that is an eligible recipient under Chapter 67 of Title 31, of the U.S. Code
- The Section 184 Regulations are the Indian Housing Loan Guarantee Program Processing Guidelines, dated February 2003, collectively with the forms, agreements, manuals and other material and documents issued by HUD, and as may be modified in writing by HUD from time to time

(b) Eligible Mortgages and ineligible Mortgages

Each Section 184 Native American Mortgage must:

- Be a first-lien, purchase transaction, fully amortizing, assumable, fixed-rate Mortgage
- Have an original UPB within the maximum loan amount allowed under the Section 184 Regulations, or the maximum loan amount for conventional Mortgages stated in Section 4203.3, whichever is less
- Be a Non-Loan Product Advisor Mortgage

Each Section 184 Native American Mortgage must not be:

- Originated in connection with other FHA/VA programs, such as Section 203(k) of the National Housing Act
- A super conforming Mortgage
- A Community Land Trust Mortgage
- A Mortgage secured by property subject to income-based resale restrictions that terminate upon foreclosure (or expiration of any applicable redemption period) or

recordation of a deed-in-lieu of foreclosure, where the property value must be determined in accordance with Section 4406.6(b)

Each Section 184 Native American Mortgage must be sold to Freddie Mac with recourse, within the meaning of Section 6201.7(a).

The Seller must obtain Freddie Mac's approval to sell Section 184 Native American Mortgages. The Seller should request this approval by calling its account manager or 800-FREDDIE.

(c) Compliance with Freddie Mac's requirements

Each Section 184 Native American Mortgage must comply with the provisions of the Guide, except that if there are Section 184 Regulations applicable to the following matters, the Section 184 Regulations apply:

- Eligible Borrowers
- Borrower underwriting
- Loan-to-value (LTV) ratio and total LTV (TLTV) ratio
- Source of funds for the Down Payment and Closing Costs
- Reserves
- Secondary financing
- Temporary subsidy buydown plans
- Interested party contributions
- Appraisals
- Mortgage and property insurance
- Mortgage instruments

(d) Title status report

When the title to the Mortgaged Premises is an unrestricted fee simple, the provisions of Chapter 4702 apply. When title to the Mortgaged Premises is other than unrestricted fee simple, the Seller must obtain a title status report and any other documentation required by the Section 184 Regulations. The Seller must record the Security Instrument, and all other Mortgage documents required to be recorded, in accordance with the terms of the Section 184 Regulations.

(e) Mortgage file documentation

In addition to the documents required by Chapters 3401 and 3301, the Mortgage file must contain the following documents:

- Documentation of the land status and court system that has jurisdiction over the property
- The Indian Loan Guarantee Certificate (HUD Form 53039)

(f) Special Seller warranties

The Seller represents and warrants with respect to each Section 184 Native American Mortgage that:

- The HUD guarantee on each Section 184 Native American Mortgage is in full force and effect as of the Delivery Date and will not be canceled while Freddie Mac has an ownership interest in the Mortgage
- Each Section 184 Native American Mortgage was originated in compliance with all the requirements of the Section 184 Regulations, unless those requirements were modified or waived in writing by HUD and the Bureau of Indian Affairs and Freddie Mac approved the modifications and waivers
- The Borrower's Indian Tribe received authorization from HUD to participate in the Mortgage loan program described in the Section 184 Regulations and adopted, and is enforcing, a legal and administrative framework and procedures for foreclosure, evictions, establishing priority of liens and leasing, that meets the requirements of the Section 184 Regulations
- The HUD guarantee fee was paid
- The Seller received the Indian Loan Guarantee Certificate (HUD Form 53039) endorsed for guarantee by an authorized agent of the Assistant Secretary for Public and Indian Housing

(g) Delivery instructions

See Section 6302.13 for delivery and pooling requirements for Section 184 Native American Mortgages sold to Freddie Mac.

(h) Credit Fees

The Seller must refer to Exhibit 19, Credit Fees, for Credit Fees related to Section 184 Native American Mortgages. Credit Fees are paid in accordance with the Credit Fee provisions stated in Chapter 6303.

4205.4: FHA/VA Mortgages (12/06/23)

(a) General requirements

FHA/VA Mortgages eligible for purchase must have the following characteristics:

- Each Mortgage is a fixed-rate, level payment, fully amortizing, first-lien FHA Mortgage or VA Mortgage
- The following Mortgages may not be delivered:
  - Graduated-payment Mortgages
  - ARMs
  - Super conforming Mortgages
  - Home Improvement Loans
  - Multifamily Mortgages
  - Community Land Trust Mortgages
  - Mortgages secured by property subject to income-based resale restrictions that terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure, where the property value must be determined in accordance with Section 4406.6(b)
  - Second Mortgages
- Each Mortgage meets all requirements applicable to the program under which it is insured or guaranteed

- Each Mortgage meets the requirements set forth in the Guide, except to the extent that (i) the requirements of the Guide are inconsistent with the requirements of the program under which the Mortgage is insured or guaranteed or (ii) the requirements of the Guide are specifically modified by this chapter

- Each Mortgage is sold to Freddie Mac with recourse, within the meaning of Section 6201.7(a)

- See Section 6302.12 for delivery and pooling requirements for FHA/VA Mortgages sold to Freddie Mac

The Seller must file a Mortgage Record Change (Form HUD-92080) with HUD to report the sale of an FHA Mortgage and provide HUD with required information on the Seller or selling mortgagee, on Freddie Mac or purchase or holding mortgagee, and on the Servicer. The HUD Mortgagee number for Freddie Mac is 92304-0999-4.

The Seller must obtain Freddie Mac's approval before selling FHA/VA Mortgages to Freddie Mac by calling either its Freddie Mac representative or 800-FREDDIE.

(b) Additional requirements

Notwithstanding any requirements applicable to the program under which an FHA/VA Mortgage is insured or guaranteed:

- No Mortgage may have an original maturity in excess of 30 years

- No FHA Mortgage may have an original principal balance in excess of the maximum principal amount as determined under the National Housing Act or in excess of the maximum loan amounts for conventional Mortgages in Section 4203.3, whichever is less

- The original principal balance of a VA Mortgage may not exceed the maximum loan amount for a conventional 1-unit Home Mortgage as described in Section 4203.3

- Each Mortgage must be covered by a paid-up Mortgage title insurance policy written by a title insurer and in a form acceptable to the Secretary of HUD or the VA Administrator, as applicable. Such policy may not be subject to any exceptions other than those previously approved by the Secretary of HUD or the VA Administrator. The protection and benefits of such policy in the amounts required by HUD and the VA must run to Freddie Mac and to the Secretary of HUD or the VA Administrator, as applicable. With respect to any FHA Mortgage on a property formerly held by HUD, a title insurance policy is not required if the Secretary of HUD is obligated to:

  - Waive any objection to title by reason of any lien or other adverse interest that was senior to the FHA Mortgage on the date such FHA Mortgage was filed for record, or

- ❑ Accept an assignment of the FHA Mortgage if the mortgagee is unable to complete foreclosure because of a defect in the FHA Mortgage instrument, a defect in the FHA Mortgage transaction or a defect in the title which existed at or before the time the FHA Mortgage was filed for record

Prior encumbrances on the Mortgaged Premises are not acceptable unless such encumbrances were previously approved by the FHA or VA and, as determined by Freddie Mac, do not detract from the value of the Mortgaged Premises or affect the First Lien priority or the marketability of the Mortgage or the Mortgaged Premises.

Notwithstanding any requirements applicable to Mortgages generally under the Guide, the following classes of requirements do not apply to FHA or VA Mortgages offered for sale to Freddie Mac:

- ■ Property appraisal
- ■ Credit underwriting
- ■ Mortgage insurance
- ■ Owner-occupancy

All Mortgages must be originated on Mortgage instruments approved by the FHA or the VA, as applicable.

Notwithstanding the modification made in this section with respect to the document delivery requirements of the Guide, the Seller must submit such other documents as Freddie Mac may request for any FHA or VA Mortgage delivered pursuant to the Purchase Documents.

(c) Mortgage file requirements

In addition to the documentation specified in the Guide, the Mortgage file retained by the Seller for FHA/VA Mortgages must contain the following documents:

- ■ The Mortgage application of the original Borrower and, if available and applicable, that of the current Borrower
- ■ The credit report on the original Borrower and, if available and applicable, on the current Borrower
- ■ The original FHA or VA commitment and, if available and applicable, the FHA Escrow Commitment Certificate and related documents
- ■ With respect to VA Mortgages, the VA Certificate of Reasonable Value
- ■ The FHA Mortgage Insurance Certificate or VA Loan Guaranty Certificate, as applicable

- Any other documents that are required to be retained by federal or State laws, statutes or regulations

(d) Special Seller warranties

For all FHA/VA Mortgages, the Seller further represents and warrants that:

- The FHA insurance or the VA guaranty is in full force and effect as of the Delivery Date

- The Seller has complied and will continue to comply with all applicable FHA and/or VA guidelines, regulations and requirements including, but not limited to, those relating to loan origination and Servicing

(e) Credit Fees

The Seller must refer to Exhibit 19, Credit Fees, for Credit Fees related to FHA/VA Mortgages. Credit Fees are paid in accordance with the Credit Fee provisions stated in Chapter 6303.

4205.5: Mortgage previously sold to the Government National Mortgage Association (GNMA) (03/02/16)

A Mortgage previously sold to the Government National Mortgage Association (GNMA) and repurchased from GNMA, or a Mortgage on which a GNMA price differential has been paid, is eligible for purchase by Freddie Mac, provided it meets all of the requirements of the Purchase Documents at the time it is offered for sale to Freddie Mac.

Chapter 4301: Refinance Mortgages

4301.1: Refinance Mortgages (09/04/24)

Freddie Mac will purchase refinance Mortgages under the terms of the Purchase Documents including this chapter.

A refinance Mortgage is either:

- A Mortgage, the proceeds of which are used to pay off an existing Mortgage or Mortgages secured by the Mortgaged Premises with the cancelation of the existing promissory note(s) and the execution of a new promissory note and Security Instrument, or
- A Mortgage secured by Mortgaged Premises previously owned free and clear by the Borrower

Freddie Mac purchases the following types of refinance Mortgages:

- A "no cash-out" refinance, including:
  - Freddie Mac Enhanced Relief Refinance® Mortgages
  - Refi Possible® Mortgages
- A cash-out refinance
- A special purpose cash-out refinance

Note: A Mortgage the proceeds of which are used to pay off an Interim Construction Financing must meet requirements of Chapter 4602 for Construction Conversion and Renovation Mortgages, including, but not limited to, how the transaction type (purchase or refinance) is determined.

4301.2: Borrower requirements for refinance Mortgages (09/04/24)

When an existing Mortgage will be satisfied through a refinance transaction, one of the following requirements must be met:

- At least one Borrower on the refinance Mortgage was a Borrower on the Mortgage being refinanced; or

- At least one Borrower on the refinance Mortgage held title to and resided in the Mortgaged Premises as a Primary Residence for the most recent 12-month period and the Mortgage file contains documentation evidencing that the Borrower has been making timely Mortgage payments, including the payments for any secondary financing, for the most recent 12-month period; or

- At least one Borrower on the refinance Mortgage inherited or was legally awarded the Mortgaged Premises (for example, in the case of divorce, separation or dissolution of a domestic partnership)

Note: A Living Trust may be made irrevocable by a Settlor's death. To be an eligible Borrower at the time of the refinance transaction, the Borrower must continue to be a Living Trust that meets Freddie Mac's revocability and, as applicable, other eligibility requirements.

4301.3: Refinance practices (09/04/24)

This section contains requirements related to:

- Allowable refinance practices
- Unacceptable refinance practices and remedies
- Prepayment speed monitoring and reporting

(a) Allowable refinance practices

A Seller/Servicer may:

- Present refinance or payoff information to any Borrower who requests such information

- Conduct broad-based refinance advertising, telephone or other campaigns directed at broad categories of Borrowers, such as those with Mortgages in their Servicing portfolio, Borrowers with Mortgage coupons above a certain level, certain Mortgage products (e.g., conventional fixed-rate Mortgages or ARMs) or Mortgages secured by Mortgaged Premises in particular geographic areas

(b) Unacceptable refinance practices and remedies

A Seller/Servicer may not:

- Deliver any Mortgage to Freddie Mac obtained from a Mortgage Broker or Correspondent if the Seller has knowledge or reason to believe that the Mortgage Broker or Correspondent has received an application to refinance or has agreed to refinance the Mortgage (even if the agreement is not in writing)

- Sell or deliver a Mortgage to Freddie Mac if the Seller has knowledge or reason to believe that the Borrower has entered into, or has agreed to enter into, a refinancing arrangement (even if the agreement is not in writing)

- Sell or deliver a Mortgage to Freddie Mac without full and accurate disclosure of all material information about the Mortgage (see Sections 4201.1, 4201.13, 6201.16 and 8101.8). Any information related to refinancing or proclivity for refinancing is considered material information to Freddie Mac.

- Originate a cash-out refinance Mortgage or a purchase transaction Mortgage with the intention of refinancing that Mortgage as a "no cash-out" refinance Mortgage prior to sale to Freddie Mac. The "no cash-out" refinance Mortgage is ineligible for sale to Freddie Mac. See Section 4301.4 for requirements related to the required age of the Mortgage being refinanced when the subject transaction is a "no cash-out" refinance Mortgage.

Except as stated in Section 4302.2 for Refi Possible® Mortgages, in advertising or implementing refinance terms, a Seller/Servicer may not:

- Intentionally target Freddie Mac-owned Mortgages

- Segregate Mortgages in its own portfolio from those sold to Freddie Mac for different treatment in terms of refinance advertising, offers or practices

A Seller/Servicer must incorporate adequate controls in its origination and refinancing procedures to prevent unacceptable refinance practices by the Seller/Servicer or any of its Mortgage Brokers and Correspondents.

A Seller/Servicer that (i) engages in unacceptable refinance practices, (ii) knowingly sells or delivers Mortgages to Freddie Mac from Mortgage Brokers or Correspondents it knew, or should have known, were engaging in unacceptable refinance practices, or (iii) fails to maintain proper controls for such Mortgages being sold or delivered to Freddie Mac will be subject to any or all of the remedies available to Freddie Mac at law or in equity and pursuant to this Guide and relevant Purchase Documents.

Those remedies include, but are not limited to:

- Disqualification,

- Suspension, and/or

- Requiring the Seller/Servicer to make Freddie Mac whole for losses, including losses associated with repurchases at par for Mortgages purchased at premium prices and/or

losses associated with claims made by security investors. With respect to claims by such investors, the disposition of such claims is solely within the discretion of Freddie Mac.

A Seller/Servicer that has any questions about compliance with Freddie Mac requirements should contact its Freddie Mac account manager (or other designated Freddie Mac personnel) to ensure compliance with Freddie Mac's requirements and to facilitate full and accurate disclosure of all pertinent information.

(c) Prepayment speed monitoring and reporting

Freddie Mac expects the Seller/Servicer to monitor the prepayment levels of its Mortgages, particularly refinance Mortgages. If the Seller/Servicer becomes aware of circumstances likely to result in unusually high prepayment rates on Mortgages purchased from it by Freddie Mac, it must notify its Freddie Mac account manager immediately.

If requested to do so by Freddie Mac, the Seller/Servicer is obligated to cooperate fully and promptly with Freddie Mac personnel and to provide adequate information in trying to determine the reason and a solution for any such high prepayment rates. Freddie Mac reserves the right to initiate on its own an investigation of high prepayment rates of a particular Seller/Servicer.

4301.4: "No cash-out" refinance Mortgages (11/06/24)

A "no cash-out" refinance Mortgage is a Mortgage for which the proceeds may be used only as described in this section.

A "no cash-out" refinance Mortgage must meet the Borrower requirements in Section 4301.2.

This section contains requirements related to:

- Allowable uses of proceeds from a "no cash-out" refinance Mortgage
- Allowable uses of proceeds for Refi Possible®, CHOICERenovation® and GreenCHOICE Mortgages®
- Treatment of excess proceeds

(a) Allowable uses of proceeds from a "no cash-out" refinance Mortgage

Proceeds from a "no cash-out" refinance Mortgage may be used only to:

- **Pay off the principal and interest due**, which may include the payoff of a balance deferred under a loss mitigation plan, for the following:

- ❑ First Mortgage, regardless of its age, provided the first Mortgage was used to acquire the property, regardless of the age of the first Mortgage, or

- ❑ First Mortgage, originated as a refinance transaction, with a Note Date no less than 30 days prior to the Note Date of the "no cash-out" refinance Mortgage, as documented in the Mortgage file (e.g., on the credit report or the title commitment).

  Note: The amount of the Interim Construction Financing secured by the Mortgaged Premises is considered an amount used to pay off the first Mortgage for Construction Conversion Mortgages and Renovation Mortgages.

- ■ **Pay off any costs or fees associated** with the satisfaction and release of the first Mortgage (e.g., late fees, prepayment penalties, etc.)

- ■ **Pay off or pay down any junior liens** secured by the Mortgaged Premises that were used in their entirety to acquire the subject property. Any remaining balance must be subordinated to the refinance Mortgage.

  - ❑ The Borrower is not required to satisfy outstanding junior liens secured by the Mortgaged Premises, provided that the junior lien meets the requirements for secondary financing in Section 4204.1 and/or Affordable Seconds® in Section 4204.2, as applicable

  - ❑ If a junior lien was paid off as part of the "no cash-out" refinance transaction, the Seller must maintain documentation in the Mortgage file demonstrating that the full amount of the lien was used for the purchase of the subject property

- ■ **Pay any required share of appreciation** due to the subsidy provider per the resale restricted covenants, subject to the requirements as described in Section 4406.14

- ■ **Pay related Closing Costs.**

  Note: Real estate taxes that are past due and/or delinquent, as defined by the taxing authority, may not be paid with the proceeds of the "no cash-out" refinance Mortgage, except that if the transaction results in cash out as permitted in the following bullet, these funds may be used to pay the delinquent taxes.

- ■ **Disburse cash out to the Borrower (or any other payee)** up to the greater of 1% of the new refinance Mortgage or $2,000

- ■ **Pay off the outstanding balance of a land contract or contract for** deed if the following requirements from Section 4404.1 are met:

  - ❑ A copy of the executed land contract or contract for deed must be included in the Mortgage file

- ❑ The land contract or contract for deed must have been executed at least 12 months prior to the Application Received Date

- ❑ The Mortgage file must include third-party documentation evidencing payments in accordance with the land contract or contract for deed for the most recent 12-month period

- ❑ The loan-to-value ratio must be calculated using the current appraised value of the Mortgaged Premises

- ■ **Pay off a Property Assessed Clean Energy (PACE) or PACE-like obligation**, subject to the additional requirements in Section 4301.8

(b) Allowable uses of proceeds for Refi Possible, CHOICERenovation and GreenCHOICE Mortgages

- ■ For **Refi Possible Mortgages**, see the limitations on the uses of proceeds in Section 4302.5

- ■ For **CHOICERenovation Mortgages**, proceeds may be used to pay off the existing Mortgage debt and/or finance the eligible renovations as described in Section 4607.6, subject to the additional requirements in Sections 4607.7(c) and 4607.7(d), as applicable

- ■ For **GreenCHOICE Mortgages**, proceeds may be used to pay an Existing Debt, as defined in Section 4606.1(c), subject to the additional requirements in Section 4606.3(b), and to finance eligible improvements as described in Section 4606.1(b), subject to the additional requirements in Section 4606.3(a)

(c) Treatment of excess proceeds

If there are remaining proceeds from the "no cash-out" refinance Mortgage after the proceeds are applied as described above:

- ■ The Mortgage amount must be reduced, or

- ■ The excess amount must be applied as a principal curtailment to the new refinance Mortgage at closing and must be clearly reflected on the Settlement/Closing Disclosure Statement. See Section 6302.32 for special delivery requirements for Mortgages with principal curtailments.

Under no circumstances may cash disbursed to the Borrower (or any other payee) exceed the maximum permitted for "no cash-out" refinance Mortgages.

4301.5: Cash-out refinance Mortgages (11/06/24)

A cash-out refinance Mortgage is a Mortgage for which there are no specific restrictions on the use of the proceeds.

This section contains requirements related to:

- Occupancy requirement for Primary Residences
- Six-month ownership requirement for the Mortgaged Premises
- Cash-out refinance Mortgage paying off a First Lien Mortgage
- Cash-out refinance Mortgage on a property owned free and clear
- Credit Fees

(a) Occupancy requirement for Primary Residences

For a cash-out refinance Mortgage secured by a Primary Residence, all Borrowers must occupy the Mortgaged Premises.

(b) Six-month ownership requirement for the Mortgaged Premises

For all cash-out refinance Mortgages, at least one Borrower must have been on title to the Mortgaged Premises for at least six months prior to the Note Date or as follows:

- **Leasehold estates:** When the property is a leasehold estate, at least one Borrower must have been lessee on the ground lease or lease agreement of the subject leasehold estate for at least six months
- **Cooperative Unit:** When the property is a Cooperative Unit, at least one Borrower must have held Cooperative Shares corresponding to the Cooperative Unit that is the subject of the Cooperative Share Loan for at least six months
- **Title held by limited liability company (LLC) or limited partnership (LP)**: When title to the property is held by an LLC or LP, the time the property was titled in the name of the LLC or LP may be included in the six-month requirement provided:
  - At least one Borrower must have been the majority owner or had control of the LLC or LP since the date the property was acquired by the LLC or LP, and
  - Title must be transferred from the LLC or LP into the Borrower's name on or before the Note Date

Note: Special purpose cash-out refinance Mortgages must comply with the ownership requirement for the Mortgaged Premises in Section 4301.6.

Exception: If none of the Borrowers have been on title to the Mortgaged Premises for at least six months prior to the Note Date of the cash-out refinance Mortgage, the requirement(s) in the following table must be met:

Exceptions to six-month title requirement	
Scenario	**Requirements**
Inheritance or legal award	At least one Borrower on the refinance Mortgage inherited or was legally awarded the subject property (for example, in the case of divorce, separation or dissolution of a domestic partnership)
Delayed financing	For delayed financing, all of the following requirements must be met: ■ The Settlement/Closing Disclosure Statement or an alternative form required by law from the purchase transaction must reflect that no financing secured by the subject property was used to purchase the subject property. A recorded trustee's deed or equivalent documentation may be used when a Settlement/Closing Disclosure Statement or an alternative form required by law was not used for the purchase transaction. ■ The preliminary title report for the refinance transaction must reflect the Borrower as the owner of the subject property and must reflect that there are no liens on the property ■ The source of funds used to purchase the subject property must be fully documented ■ If funds were borrowed to purchase the subject property: ❑ Cash-out proceeds must be used to pay off or pay down the borrowed funds, as reflected on the Settlement/Closing Disclosure Statement for the refinance transaction

	❑ Additional cash-out is permitted only when all borrowed funds are paid in full ❑ The payment on any remaining outstanding balance of the borrowed funds must be included in the debt payment-to-income ratio as described in Section 5401.2 ■ The amount of the refinance Mortgage must not exceed the sum of the original purchase price and related Closing Costs as documented by the Settlement/Closing Disclosure Statement or an alternative form required by law for the purchase transaction, less any gift funds used to purchase the subject property. A recorded trustee's deed or equivalent documentation may be used when a Settlement/Closing Disclosure Statement or an alternative form required by law was not used for the purchase transaction. ■ There must have been no affiliation or relationship between the buyer and seller of the purchase transaction

(c) Cash-out refinance Mortgage paying off a First Lien Mortgage

When a cash-out refinance Mortgage is used to pay off an existing First Lien Mortgage, the following requirements apply:

- A cash-out refinance Mortgage must meet the Borrower requirements in Section 4301.2
- When proceeds of a cash-out refinance Mortgage are used to pay off a First Lien Mortgage, the First Lien Mortgage being refinanced must be seasoned for at least 12 months (i.e., at least 12 months must have passed between the Note Date of the Mortgage being refinanced and the Note Date of the cash-out refinance Mortgage), as documented in the Mortgage file (e.g., on the credit report or title commitment)

Exceptions: The 12-month seasoning requirement for the Mortgage being refinanced does not apply when:

- The cash-out refinance Mortgage is a special purpose cash-out refinance Mortgage that meets the requirements in Section 4301.6,
- The First Lien Mortgage being refinanced is a Home Equity Line of Credit (HELOC),

- The cash-out refinance Mortgage is a Construction Conversion or Renovation Mortgage, or

- The purpose of the cash-out refinance Mortgage is to convert the Manufactured Home to legally classified real property under applicable State law

(d) Cash-out refinance Mortgage on a property owned free and clear

A Mortgage placed on a property previously owned free and clear by the Borrower is considered a cash-out refinance Mortgage.

Exceptions:

- **CHOICERenovation® Mortgages** when proceeds are used only to finance the eligible renovations. as described in Section 4607.6, are considered "no cash-out" refinance Mortgages. See Section 4607.4(b) for additional information regarding the use of proceeds

- **GreenCHOICE Mortgages®** are considered "no cash-out" refinance Mortgages when proceeds are used only to finance eligible improvements. as described in Section 4606.1(b) and must comply with all other requirements

(e) Credit Fees

The Seller must refer to Exhibit 19, Credit Fees, for Credit Fees related to certain cash-out refinance Mortgages. Credit Fees are paid in accordance with the Credit Fee provisions stated in Chapter 6303.

4301.6: Special purpose cash-out refinance Mortgages (09/04/24)

A special purpose cash-out refinance Mortgage is a cash-out refinance Mortgage where the owner of a property uses the proceeds to buy out the equity of a co-owner.

A special purpose cash-out refinance Mortgage must meet the loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratio requirements for cash-out refinance Mortgages in:

- Section 5703.9(a) for Mortgages secured by a Manufactured Home
- Section 4603.3 for super conforming Mortgages
- Section 4203.4 for all other Mortgages

A special purpose cash-out refinance Mortgage must meet all requirements of the Guide that apply to cash-out refinance Mortgages, except as specifically modified below.

This section contains requirements related to:

- Allowable uses of proceeds from a special purpose cash-out refinance Mortgage
- Special Borrower requirements
- Documentation requirements
- Credit Fees

(a) Allowable uses of proceeds from a special purpose cash-out refinance Mortgage

The loan amount of a special purpose cash-out refinance Mortgage is limited to amounts used to buy out the equity of the co-owner, which may include:

- Paying off the first Mortgage, regardless of age
- Paying off junior liens secured by the Mortgaged Premises.

  Note: The Borrower is not required to satisfy outstanding junior liens secured by the Mortgaged Premises if the requirements of Section 4204.1 for Mortgages with secondary financing and/or Section 4204.2 for Affordable Seconds®, are met.

- Paying related Closing Costs

(b) Special Borrower requirements

The following requirements must be met:

- The Borrower and the co-owner receiving the buy-out proceeds must have jointly owned the property for a minimum of 12 months prior to the initial loan application. (Parties who inherited an interest in the property are exempt from this requirement.)

- The Borrower and the co-owner receiving the buy-out proceeds must provide evidence that they occupied the subject property as their Primary Residence. (Parties who inherited an interest in the property are exempt from this requirement.)

- The Borrower and the co-owner receiving the buy-out proceeds must provide a written agreement, signed by all parties, stating the property transfer terms of the property transfer and disposition of the refinance proceeds

- The Borrower who retains sole ownership of the property may not receive any of the proceeds from the refinance transaction

(c) Documentation requirements

The Seller must retain the following in the Mortgage file:

- Documentation evidencing that the Borrower and the co-owner jointly occupied the Mortgaged Premises as their Primary Residence, if applicable

- A copy of the written agreement stating the terms of property transfer and the disposition of the refinance proceeds

(d) Credit Fees

The Seller must refer to Exhibit 19, Credit Fees, for Credit Fees related to special purpose cash-out refinance Mortgages. Credit Fees are paid in accordance with the Credit Fee provisions stated in Chapter 6303.

4301.7: Texas Equity Section 50(a)(6) Mortgages (09/04/24)

This section contains requirements related to:

- General requirements for Texas Equity Section 50(a)(6)
- Eligible Mortgages
- Refinances of Texas Equity Section 50(a)(6) Mortgages
- Mortgaged Premises; appraisal; fair market value
- Loan-to-value (LTV) and total LTV (TLTV) ratios
- Eligibility to sell and service Texas Equity Section 50(a)(6) Mortgages
- Texas Equity Uniform Instruments and other documents
- Special representations and warranties
- Specific remedies
- Related provisions

(a) General requirements for Texas Equity Section 50(a)(6)

The generally accepted commercial terms used to describe Mortgages originated under Article XVI of the Texas Constitution ("cash-out refinance", "rate-term refinance") may not correspond to the meaning given the same or comparable terms when used in Chapter 4301.

Sellers must understand the distinctions between Freddie Mac's refinance definitions in Chapter 4301 and the provisions of Section 50(a)(6) and are responsible for determining:

- When Section 50(a)(6) applies, regardless of the definitions of cash-out and "no cash out" refinance transactions used in Chapter 4301
- Whether the proposed refinance of a Mortgage secured by the Borrower's homestead in the State of Texas is a Mortgage that must be originated pursuant to Section 50(a)(6) of Article XVI of the Texas Constitution

(b) Eligible Mortgages

A Texas Equity Section 50(a)(6) Mortgage must be:

- A conventional First Lien Mortgage that is a:
  - Fixed-rate Mortgage, or
  - 3/6-Month, 5/6-Month, 7/6-Month or 10/6-Month ARM
- A cash-out refinance Mortgage as described in Section 4301.5 or a "no cash-out" refinance Mortgage as described in Section 4301.4, depending on the applicable facts

A Texas Equity Section 50(a)(6) Mortgage may not be a special purpose cash-out refinance Mortgage.

(c) Refinances of Texas Equity Section 50(a)(6) Mortgages

Sellers may refinance a Texas Equity Section 50(a)(6) Mortgage into:

- Another Texas Equity Section 50(a)(6) Mortgage, or
- A refinance Mortgage permitted by Section 50(a)(4) of Article XVI of the Texas Constitution (a "Section 50(a)(4) Mortgage")

Note: Section 50(a)(4) Mortgages used to pay off a Texas Equity Section 50(a)(6) Mortgage and meeting all applicable Texas Constitutional requirements are not subject to the requirements of this section and are eligible for sale to Freddie Mac as "no cash-out" refinance Mortgages, provided all requirements of Section 4301.4 are met.

(d) Mortgaged Premises; appraisal; fair market value

Each Mortgage must be secured by a Mortgaged Premises that is:

- A 1-unit Primary Residence,
- Located in the State of Texas, and
- The Borrower's homestead

A Living Trust that meets the eligibility requirements of Section 5103.5 may be a Borrower for a Texas Equity Section 50(a)(6) Mortgage if the Living Trust also meets the requirements for a "qualifying trust" under Texas law for purposes of owning residential property that qualifies for the homestead exemption.

The Seller must provide an appraisal that:

- Meets Freddie Mac requirements, and

- Complies with Section 50(a)(6)(Q)(ix) and Section 50(h) of Article XVI of the Texas Constitution

To meet the requirements for acknowledgment of fair market value, the Seller must:

- Along with the owner of the homestead, execute a written acknowledgment of the "fair market value" of the homestead property as of the date the extension of credit is made
- Attach the appraisal report to the acknowledgment

(e) LTV and TLTV ratios

The maximum LTV and TLTV ratios for Texas Equity Section 50(a)(6) Mortgages must not exceed 80% and must be lower if necessary to comply with the LTV/TLTV ratio requirements of Sections 4203.4 and 4301.4 for "no cash out" and cash out refinances, as applicable.

(f) Eligibility to sell and service Texas Equity Section 50(a)(6) Mortgages

Unless otherwise notified in writing, Sellers are eligible to deliver Texas Equity Section 50(a)(6) Mortgages.

The Servicer must be eligible to service Texas Equity Section 50(a)(6) Mortgages in accordance with Section 8104.1 and related Servicing provisions.

(g) Texas Equity Uniform Instruments and other documents

Texas Equity Section 50(a)(6) Mortgages must be originated using the most recent version of the following special Fannie Mae/Freddie Mac Texas Home Equity Uniform Instruments:

Texas Equity Uniform Instruments and other required forms	
Instrument type	**Required forms**
Note	■ Texas Home Equity Note (Fixed Rate - First Lien) - Fannie Mae/Freddie Mac UNIFORM INSTRUMENT Form 3244.1 ■ Texas Home Equity Fixed/Adjustable Rate Note – 30-day Average SOFR (First Lien) Form 3442.44
Security Instrument	Texas Home Equity Security Instrument (First Lien) - Fannie Mae/Freddie Mac UNIFORM INSTRUMENT Form 3044.1
Rider	Texas Home Equity Fixed/Adjustable Rate Rider – 30-day Average SOFR (First Lien) Form 3142.44

Borrower Affidavit	Texas Home Equity Affidavit and Agreement (First Lien) - Fannie Mae/Freddie Mac UNIFORM INSTRUMENT Form 3185. The affidavit must be recorded together with the Security Instrument and any applicable riders.
Condominium Rider	Texas Home Equity Condominium Rider - Fannie Mae/Freddie Mac UNIFORM INSTRUMENT Form 3140.44, if the property is a Condominium Unit
Planned Unit Development (PUD) Rider	Texas Home Equity Planned Unit Development Rider - Fannie Mae/Freddie Mac UNIFORM INSTRUMENT Form 3150.44, if the property is in a PUD

Seller may access the Fannie Mae/Freddie Mac Texas Home Equity Uniform Instruments at **https://sf.freddiemac.com/tools-learning/uniform-instruments/overview**.

The Seller must prepare, obtain and/or provide any and all other documentation that the Seller determines is necessary to originate Texas Equity Section 50(a)(6) Mortgages in compliance with all applicable laws.

(h) Special representations and warranties

Seller represents and warrants that:

1. Neither the Seller nor its Correspondents or Mortgage Brokers have been found by any federal regulatory agency to have engaged in the practice of refusing to make loans because the applicants for the loans reside in a certain area or the property proposed to secure the loans is located in a certain area

2. All refinance Mortgages that fall within the provisions of Section 50(a)(6) of the Article XVI of the Texas Constitution have been originated as Texas Equity Section 50(a)(6) Mortgages and comply with Section 50(a)(6) of Article XVI and related provisions of the Texas Constitution, as amended, and all other applicable laws.

   Note: Freddie Mac recommends that the Seller obtain advice from Texas legal counsel that confirms that the Seller's lending and servicing policies, procedures and practices are in compliance with Section 50(a)(6) of Article XVI of the Texas Constitution, all other applicable Texas Constitutional provisions, statutes, court decisions, regulations and rules and applicable State and federal law.

3. The estate or interest in the Mortgaged Premises is vested in the Borrower. There is no defect in the Borrower's title to the Mortgaged Premises.

4. The Mortgage is a valid and enforceable First Lien on the Mortgaged Premises

(i) Specific remedies

Any action taken, or not taken, in connection with the origination of a Texas Equity Section 50(a)(6) Mortgage that results in any of the following (even if such action is a result of lender's effort to cure a failure to comply with the provision of the Section 50(a)(6)) is a breach of the representations and warranties in this Section 4301.7, and Freddie Mac shall be entitled to any of the remedies stated in Section 3601.1, including the right to require the Seller to repurchase the Mortgage immediately upon Freddie Mac's request, at a price determined in accordance with Section 3602.4:

- A forfeiture of any principal or interest due under the Mortgage
- The invalidation of the Mortgage as a First Lien
- The abatement of accrual of interest and the Borrower's obligations under the Mortgage
- A reduction in the principal amount of the Mortgage
- Any modification of the amount, interest rate, term or other provision of the Mortgage

(j) Related provisions

In addition to the requirements in this section, other requirements related to Texas Equity Section 50(a)(6) Mortgages are described in the following Guide provisions:

Additional requirements related to Texas Equity Section 50(a)(6) Mortgages	
Topic	**Guide provisions**
Refinance Mortgages	Chapter 4301
Title insurance	Sections 4702.1, 4702.3 and 4702.5
Delivery requirements	Section 6302.16
Special Servicing	Sections 8104.1, 8201.1 and 9206.13

4301.8: Refinance of Mortgages secured by properties subject to an energy retrofit loan (09/04/24)

For the purposes of the Guide, a Property Assessed Clean Energy (PACE) or PACE-like obligation (either referred to as a "PACE obligation") refers to any energy retrofit loan that is:

- Used to finance energy efficiency improvements, and
- Repaid through a property tax assessment

For the "no cash-out" refinance of Mortgages secured by properties subject to PACE obligations that result in or provide for First Lien priority and where the PACE obligations are paid off with the Mortgage proceeds, the following requirements apply:

- The new refinance Mortgage must be originated in accordance with the requirements of Section 4301.4 for "no cash-out" refinance Mortgages
- The Mortgage being refinanced must be owned in whole or in part or securitized by Freddie Mac
- The PACE obligation must be paid in full
- The Mortgage file must include evidence that the obligation being paid off is a PACE obligation that results in or provides for First Lien priority
- The Seller must deliver ULDD Data Point *Investor Feature Identifier* valid value "H61" when delivering a Freddie Mac-owned "no cash-out" refinance Mortgage used to pay a PACE obligation. See Section 6302.16(b)(ii) for more information.

For the cash-out refinance of Mortgages secured by properties subject to PACE obligations and where the PACE obligations are paid off with the Mortgage proceeds, the following requirements apply:

- The new refinance Mortgage must be originated in accordance with the requirements of Section 4301.5 for cash-out refinance Mortgages
- If the PACE obligation results in or provides First Lien priority, the PACE obligation must be paid in full with the Mortgage proceeds

Mortgages secured by properties that are energy efficient and are also subject to PACE obligations may be eligible for purchase under the provisions of Chapter 4606 for GreenCHOICE Mortgages®.

Chapter 4302: Refi Possible® Mortgages

4302.1: Purchase of Refi Possible® Mortgages (08/30/21)

Refi Possible® is a "no cash-out" refinance offering for low-income Borrowers originated in accordance with the Guide and this chapter.

4302.2: Acceptable refinance practices (08/30/21)

(a) Advertising and solicitation

The Seller may target Mortgages owned or securitized by Freddie Mac for the Refi Possible® offering, provided that the Borrower's income is less than or equal to 100% of the Area Median Income and the Seller simultaneously applies the same advertising and solicitation activities with respect to Borrowers with Mortgages owned or securitized by Fannie Mae.

(b) Advertising and other communications with Borrowers

If a Seller chooses to reach out to Borrowers and the Seller's communication includes a reference to Freddie Mac, then the communication must also include the following (or substantively similar) verbiage:

(i) Freddie Mac and Fannie Mae have adopted a new refinance option for Mortgages to Borrowers with incomes at or below 100% of the Area Median Income. If your Mortgage is owned or guaranteed by either Freddie Mac or Fannie Mae, you may be eligible to refinance your Mortgage under one of these refinance options.

You can determine whether your Mortgage is owned by Freddie Mac by checking Freddie Mac's website at **https://loanlookup.freddiemac.com/**.

4302.3: Eligibility requirements for the Mortgage being refinanced (01/31/22)

The following eligibility requirements apply to the Mortgage being refinanced under the Freddie Mac Refi Possible® offering:

Topic	Eligibility requirements for Mortgage being refinanced
General eligibility requirements	The Mortgage being refinanced must: ■ Be a First Lien, conventional Mortgage currently owned by Freddie Mac, in whole or in part, or securitized by Freddie Mac ■ Be seasoned for at least 12 months (i.e., the Note Date of the Mortgage being refinanced must be at least 12 months prior to the Note Date of the Refi Possible Mortgage)
Ineligible Mortgages	The Mortgage being refinanced must not be: ■ A Freddie Mac Relief Refinance Mortgage℠ ■ A Freddie Mac Enhanced Relief Refinance® Mortgage ■ A Refi Possible Mortgage ■ A Mortgage subject to an outstanding repurchase request ■ A Mortgage subject to recourse, indemnification, or another credit enhancement other than mortgage insurance unless requirements in Section 4302.6 are met
Payment history	The Mortgage being refinanced must have a payment history that indicates the following: ■ The Mortgage has not been 30 days delinquent in the most recent six months, and ■ The Mortgage has not been 30 days delinquent more than once in the most recent 12 months, and ■ The Mortgage has not been 60 or more days delinquent in the most recent 12 months The credit report can be relied on for determination of payment history through the date the Mortgage tradeline was last reported. The Seller is responsible for the payment history between the date the Mortgage tradeline was last reported and the Note Date. If the Borrower has missed payments due to COVID-19 forbearance and those payments have been resolved according to the temporary eligibility requirements in Bulletin 2020-17, those missed payments are not considered delinquencies for the purpose of meeting the payment history requirements.
Loan Product Advisor® assessment	Loan Product Advisor will assess whether the Mortgage being refinanced complies with the above eligibility requirements with the following exceptions: ■ The Seller is responsible for ensuring the Mortgage is seasoned at least 12 months and no more than 120 months as of the Note Date of the Refi Possible Mortgage, and ■ The Seller must consider the payment history after the date the Mortgage

Topic	Eligibility requirements for Mortgage being refinanced
	tradeline is last reported on the credit report and through the Note Date when determining whether the payment history requirements have been met

4302.4: Borrower eligibility (01/31/22)

The following Borrower eligibility requirements apply to Freddie Mac Refi Possible® Mortgages:

Topic	Borrower eligibility requirements
Borrower income	■ The Borrower's qualifying income converted to an annual basis must not exceed 100% of the Area Median Income for the location of the Mortgaged Premises ■ To determine if the Borrower's income exceeds the income limits, the Seller must rely on the income used to qualify the Borrower ■ For Loan Product Advisor Mortgages, Loan Product Advisor will use the income used to qualify the Borrower that was submitted to determine the income eligibility of the Mortgage ■ For non-Loan Product Advisor Mortgages, the Seller must use the Home Possible® Income & Property Eligibility tool. The Seller may not use other published Area Median Income versions (such as Area Median Incomes posted on **https://www.huduser.gov/portal/home.html**) to determine Mortgage or product eligibility.
Change in Borrowers	■ The Borrower(s) obligated on the Note for the Refi Possible Mortgage must be the same as the Borrower(s) obligated on the Note for the Mortgage being refinanced, except that a Borrower obligated on the Note for the Mortgage being refinanced may be omitted from the Note for the Refi Possible Mortgage provided that: ❑ The Mortgage file contains evidence that the remaining Borrower has been making the Mortgage payments, including the payments for any secondary financing, for the most recent 12-month period from their own funds; or ❑ In the case of death, the Seller obtains and retains in the Mortgage file documentation of the Borrower's death ■ In all cases, at least one Borrower from the Mortgage being refinanced must be retained

4302.5: Special eligibility and underwriting requirements for Refi Possible® (10/02/24)

The following table describes the special requirements for Refi Possible® Mortgages:

Topic	Special eligibility and underwriting requirements for Refi Possible Mortgages (Applicable to Loan Product Advisor® Mortgages and Manually Underwritten Mortgages, except as specifically stated otherwise)
Underwriting path	The Refi Possible Mortgage must be: ■ Submitted to Loan Product Advisor in accordance with the requirements of Chapter 5101, or ■ Manually underwritten in accordance with the requirements of the Guide except as specifically stated otherwise in this chapter. The Mortgage must be otherwise eligible for manual underwriting in accordance with the Guide.
General eligibility requirements	■ The Refi Possible Mortgage must be a fixed-rate Mortgage ■ The Refi Possible Mortgage must not be: ❑ A Mortgage with a temporary interest rate buydown ❑ A super conforming Mortgage ❑ Originated pursuant to Section 50(a)(6) of Article XVI of the Texas Constitution. Refer to Section 4301.7 for additional information regarding Texas Equity Section 50(a)(6) Mortgages.
Secondary financing	An existing junior lien: ■ Must be subordinated to the Refi Possible Mortgage and must meet requirements for secondary financing in Chapter 4204 ■ May be refinanced simultaneously with the existing First Lien provided that: ❑ The unpaid principal balance (UPB) of the new junior lien is not more than the UPB, at the time of payoff, of the junior lien being refinanced, ❑ There is no increase in the monthly Principal and Interest payment of the junior lien No new subordinate financing is permitted, except to replace existing subordinate financing as stated above.
Occupancy and property eligibility	■ The Refi Possible Mortgage must be secured by a one-unit Primary Residence ■ The Mortgaged Premises must be an attached or detached dwelling, a Manufactured Home, a unit in a Condominium Project or Planned Unit Development, or, if the Seller is permitted to deliver Cooperative Share Loans

<table>
<tr><th>Topic</th><th>Special eligibility and underwriting requirements for Refi Possible Mortgages
(Applicable to Loan Product Advisor® Mortgages and Manually Underwritten Mortgages, except as specifically stated otherwise)</th></tr>
<tr><td></td><td>under its Purchase Documents, a Cooperative Unit
■ For Mortgages secured by Condominium Units or Cooperative Share Loans, the Seller is not required to evaluate if the Condominium or Cooperative Project meets the project eligibility requirements, provided that:
❑ The Seller represents and warrants that the project is not located in a Condominium Hotel or a cooperative hotel, houseboat project, timeshare project or project with segmented ownership; and
❑ The project has insurance that meets the applicable insurance requirements of Chapter 4703</td></tr>
<tr><td>Maximum loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios</td><td><table><tr><th>Property/transaction type</th><th>Max LTV/TLTV/ HTLTV ratios</th></tr><tr><td>1-unit other than Manufactured Homes</td><td>97%*</td></tr><tr><td>Manufactured Homes</td><td>95%</td></tr><tr><td>Mortgage with a non-occupying Borrower, whether or not secured by a Manufactured Home</td><td>95%*</td></tr></table>*A TLTV ratio up to 105% is permitted when the Mortgage is not secured by a Manufactured Home and secondary financing is an Affordable Second®.</td></tr>
<tr><td>Borrower benefit</td><td>The refinance transaction must result in both of the following:
■ A First Lien Mortgage interest rate reduction of at least 50 basis points
AND
■ A reduction in the Borrower’s First Lien monthly principal, interest and mortgage insurance (if applicable) payment amount</td></tr>
<tr><td>Use of Mortgage proceeds</td><td>The proceeds of the Refi Possible Mortgage must be used only to:
■ Pay off the first Mortgage
■ Pay related Closing Costs
■ Disburse cash to the Borrower not to exceed $250
In the event there are remaining proceeds from the Refi Possible Mortgage after the proceeds are applied as described above, the excess proceeds must be applied as a principal curtailment to the Refi Possible Mortgage and must be clearly reflected on the Settlement/Closing Disclosure Statement.</td></tr>
</table>

<table>
<tr><th>Topic</th><th>Special eligibility and underwriting requirements for Refi Possible Mortgages
(Applicable to Loan Product Advisor® Mortgages and Manually Underwritten Mortgages, except as specifically stated otherwise)</th></tr>
<tr><td>Minimum Indicator Score</td><td>There is no minimum Indicator Score required for eligibility of Refi Possible Mortgages; however, the Seller must identify and deliver an Indicator Score for all Refi Possible Mortgages in accordance with the requirements of Section 5203.2(e).

If the Seller determines that there is no usable Credit Score due to insufficient information or inaccurate information, the Mortgage is not eligible for sale to Freddie Mac.</td></tr>
<tr><td>Credit assessment for manually underwritten Refi Possible Mortgages</td><td>For Manually Underwritten Mortgages, the Seller does not need to perform a credit assessment of the Borrower in accordance with Chapter 5202 provided that:

■ In addition to meeting the payment history requirements for the Mortgage being refinanced, the Mortgage complies with the recovery time periods for reestablishment of credit following a significant derogatory event, as stated in Section 5202.5

■ If the significant derogatory event was caused by extenuating circumstances, the Mortgage file must contain documentation attributing the cause of the financial difficulties to outside factors beyond the Borrower’s control</td></tr>
<tr><td>Maximum debt payment-to-income (DTI) ratio</td><td>■ There is no maximum housing expense-to-income ratio

■ The total monthly DTI ratio must be less than or equal to 65%, including when a non-occupying Borrower is present</td></tr>
<tr><td>Income and employment documentation requirements</td><td>■ The minimum documentation requirements in the table below apply to the referenced income types in lieu of the Streamlined Accept and Standard Documentation Level requirements stated for these income types in Topic 5300
<table>
<tr><th>Income type</th><th>Minimum documentation requirements</th></tr>
<tr><td>Base non-fluctuating employment (primary only)</td><td>■ Year-to-date (YTD) paystub documenting the YTD earnings, or

■ Written verification of employment (VOE) documenting the YTD earnings,

and

■ 10-day pre-closing verification of employment</td></tr>
<tr><td>Fluctuating hourly employment (primary only)

Tip, bonus, overtime and</td><td>■ YTD paystub documenting the YTD earnings and W-2 for the most recent calendar year, or

■ Written VOE documenting the YTD earnings</td></tr>
</table></td></tr>
</table>

Topic	Special eligibility and underwriting requirements for Refi Possible Mortgages (Applicable to Loan Product Advisor® Mortgages and Manually Underwritten Mortgages, except as specifically stated otherwise)	
	commission income	and the earnings for the most recent calendar year **and** ■ 10-day pre-closing verification of employment
	Military income (basic pay, entitlements, Reserve and National Guard income)	YTD Military Leave and Earnings Statement
	Self-employment	■ Complete federal individual and business income tax returns for the most recent one-year period, and ■ Verification of the current existence of the business through a third-party source obtained either no more than 120 calendar days prior to Note Date or after the Note Date but prior to the Delivery Date
	Alimony, child support or separate maintenance	■ Copy of legally binding documentation verifying the payor's obligation (i.e., signed court order, final divorce decree, legally binding separation agreement, legally binding child support agreement or other legally binding documentation) for the previous one month, including the amount and the duration of the obligation ■ Documentation to evidence receipt of the alimony, child support and/or separate maintenance payment for the most recent one month: ❑ Evidence that the payment was cashed or deposited into the Borrower's depository account at a financial institution, or ❑ Evidence that the payment was transferred into a third-party money transfer application account owned by the Borrower, or ❑ Statement from a government agency (i.e., child support agency) reflecting the

Topic	Special eligibility and underwriting requirements for Refi Possible Mortgages (Applicable to Loan Product Advisor® Mortgages and Manually Underwritten Mortgages, except as specifically stated otherwise)
	<table><tr><td></td><td>Borrower's name and the amounts paid</td></tr></table> ■ All other income types must be documented in accordance with the Streamlined Accept and Standard Documentation Level requirements in Topic 5300 ■ All other documentation requirements, including Chapter 5302 and additional requirements for certain employment characteristics in Section 5303.1, apply
Asset documentation requirements	■ When funds required for closing are more than $500, sufficient Borrower funds must be documented in accordance with Topic 5500, except that funds in a depository, securities or retirement account used for closing must be documented with one-month account statement or a direct account verification ■ When funds required for closing are $500 or less, verification of funds is not required
Property valuation requirements	■ The Seller must obtain an appraisal with an interior and exterior inspection that meets the requirements of Topic 5600 unless the Last Feedback Certificate includes an automated collateral evaluation (ACE) offer stating that the Mortgage is eligible for collateral representation and warranty relief with an ACE appraisal waiver, or ACE+ PDR, and the Seller has accepted the offer. See Section 5602.3 for more information on ACE appraisal waivers or Section 5602.4 for information on ACE+ PDR. ■ Refi Possible Mortgages secured by Manufactured Homes must meet the appraisal and valuation requirements of Chapter 5703 and are not eligible for an ACE or appraisal waiver or ACE+ PDR ■ An appraisal cost offset credit will be provided if an appraisal was obtained for the transaction and the loan is delivered without an ACE appraisal waiver or ACE+ PDR ■ The appraisal cost offset credit as described in Exhibit 19 must be passed to the Borrower
Negotiated provisions	Unless specifically made applicable to Refi Possible Mortgages, negotiated underwriting provisions that impact the underwriting or eligibility requirements of Refi Possible Mortgages must not be used with these Mortgages.

4302.6: Credit enhancements (08/30/21)

(a) Mortgages with recourse and indemnification

A Refi Possible® Mortgage that is a refinance of a Mortgage with recourse or indemnification is eligible to be delivered to Freddie Mac if:

(i) The Seller of the Refi Possible Mortgage is also the Servicer on the Mortgage being refinanced

(ii) The Mortgage is delivered with recourse or indemnification; and

(iii)The Mortgage meets the requirements in the table below:

If...	Then...
■ The Mortgage being refinanced was sold to Freddie Mac with recourse or indemnification for the life of the Mortgage, or ■ The Mortgage was credit enhanced with recourse or indemnification for the life of the Mortgage after it was sold to Freddie Mac	The Refi Possible Mortgage must be sold to Freddie Mac with recourse or indemnification, as applicable, for the life of the Mortgage.
■ The Mortgage being refinanced was sold to Freddie Mac with recourse or indemnification for a term that is less than the life of the Mortgage, or ■ The Mortgage was credit enhanced with recourse or indemnification for a term that is less than the life of the Mortgage after it was sold to Freddie Mac	The Refi Possible Mortgage must be sold to Freddie Mac with recourse or indemnification, as applicable, with the same remaining term as the credit enhancement on the Mortgage being refinanced.

(b) Mortgages with pool insurance or another negotiated credit enhancement

If the Mortgage being refinanced has Mortgage pool insurance or another negotiated credit enhancement, it is eligible for refinancing provided the LTV ratio of the Refi Possible Mortgage is less than or equal to 80%. Refi Possible Mortgages with LTV ratios greater than 80% that are refinances of Mortgages with pool insurance or another negotiated credit enhancement are eligible to be delivered to Freddie Mac only if they are delivered with the same credit enhancement and the Seller of the Refi Possible Mortgage is the Servicer of the Mortgage being refinanced.

4302.7: Delivery and pooling (08/30/21)

See Section 6302.46 for delivery requirements for Refi Possible® Mortgages.

4302.8: Credit Fees (05/04/22)

The Seller must refer to Exhibit 19, Credit Fees, for Credit Fees related to Refi Possible® Mortgages. Credit Fees are paid in accordance with the Credit Fee provisions stated in Chapter 6303.

Chapter 4303: Freddie Mac Relief Refinance Mortgages℠ – Open Access

Effective October 2, 2019, Chapter 4303 is deleted.

4303.1: Freddie Mac Relief Refinance Mortgages℠ – Open Access (10/02/19)

Effective October 2, 2019, Section 4303.1 is deleted.

4303.2: Freddie Mac Relief Refinance Mortgages℠ – Open Access: Eligibility requirements, eligible Mortgages and ineligible Mortgages (10/02/19)

Effective October 2, 2019, Section 4303.2 is deleted.

4303.3: Requirements for Freddie Mac Relief Refinance Mortgages℠ – Open Access (10/02/19)

Effective October 2, 2019, Section 4303.3 is deleted.

4303.4: Delivery and pooling requirements for Freddie Mac Relief Refinance Mortgages℠ – Open Access (10/02/19)

Effective October 2, 2019, Section 4303.4 is deleted.

4303.5: Credit Fees in Price and other assessments and credits for Freddie Mac Relief Refinance Mortgages℠ – Open Access (10/02/19)

Effective October 2, 2019, Section 4303.5 is deleted.

4303.6: Other Guide provisions related to Freddie Mac Relief Refinance Mortgages[SM] – Open Access (10/02/19)

Effective October 2, 2019, Section 4303.6 is deleted.

Chapter 4304: Freddie Mac Enhanced Relief Refinance® Mortgages

4304.1: General eligibility requirements for Enhanced Relief Refinance® Mortgages (09/01/21)

Enhanced Relief Refinance® Mortgages with Application Received Dates on or after July 1, 2021 and all Enhanced Relief Refinance Mortgages with Settlement Dates after August 31, 2021 are not eligible for delivery until further notice.

4304.2: Underwriting Enhanced Relief Refinance® Mortgages (09/01/21)

Enhanced Relief Refinance® Mortgages with Application Received Dates on or after July 1, 2021 and all Enhanced Relief Refinance Mortgages with Settlement Dates after August 31, 2021 are not eligible for delivery until further notice.

4304.3: Minimum and maximum LTV, TLTV and HTLTV ratios for Enhanced Relief Refinance® Mortgages (09/01/21)

Enhanced Relief Refinance® Mortgages with Application Received Dates on or after July 1, 2021 and all Enhanced Relief Refinance Mortgages with Settlement Dates after August 31, 2021 are not eligible for delivery until further notice.

4304.4: Borrower eligibility for Enhanced Relief Refinance® Mortgages (09/01/21)

Enhanced Relief Refinance® Mortgages with Application Received Dates on or after July 1, 2021 and all Enhanced Relief Refinance Mortgages with Settlement Dates after August 31, 2021 are not eligible for delivery until further notice.

4304.5: Additional underwriting requirements for certain Enhanced Relief Refinance® Mortgages (09/01/21)

Enhanced Relief Refinance® Mortgages with Application Received Dates on or after July 1, 2021 and all Enhanced Relief Refinance Mortgages with Settlement Dates after August 31, 2021 are not eligible for delivery until further notice.

4304.6: Incentives and contributions for Enhanced Relief Refinance® Mortgages (09/01/21)

Enhanced Relief Refinance® Mortgages with Application Received Dates on or after July 1, 2021 and all Enhanced Relief Refinance Mortgages with Settlement Dates after August 31, 2021 are not eligible for delivery until further notice.

4304.7: Property eligibility and valuation for Enhanced Relief Refinance® Mortgages (09/01/21)

Enhanced Relief Refinance® Mortgages with Application Received Dates on or after July 1, 2021 and all Enhanced Relief Refinance Mortgages with Settlement Dates after August 31, 2021 are not eligible for delivery until further notice.

4304.8: Mortgage insurance and credit enhancements for Enhanced Relief Refinance® Mortgages (09/01/21)

Enhanced Relief Refinance® Mortgages with Application Received Dates on or after July 1, 2021 and all Enhanced Relief Refinance Mortgages with Settlement Dates after August 31, 2021 are not eligible for delivery until further notice.

4304.9: Cash adjustor under fixed-rate Cash for Freddie Mac Enhanced Relief Refinance® Mortgages (09/01/21)

Enhanced Relief Refinance® Mortgages with Application Received Dates on or after July 1, 2021 and all Enhanced Relief Refinance Mortgages with Settlement Dates after August 31, 2021 are not eligible for delivery until further notice.

Chapter 4305: Purchase Transaction Mortgages

4305.1: General requirements for all purchase transaction Mortgages (09/04/24)

(a) Purchase transaction Mortgages

A purchase transaction Mortgage is a Mortgage the proceeds of which are used to:

- Acquire the Mortgaged Premises, or
- Acquire the Mortgaged Premises and finance improvements to the property as permitted under the Seller's Purchase Documents, or
- Pay off an Interim Construction Financing in accordance with requirements of Chapter 4602 for Construction Conversion and Renovation Mortgages, or
- Pay off the outstanding balance under a land contract or contract for deed in accordance with requirements of Chapter 4404

(b) Cash back on purchase transaction Mortgages

The Borrower may receive cash back, or a principal curtailment may be made, only as a result of the following:

- Reimbursement for the overpayment of costs, fees and charges paid by the Borrower in connection with the purchase transaction Mortgage. Examples of such overpayments include, but are not limited to, an earnest money deposit exceeding the required Down Payment amount, a fee paid at loan application that is covered by a financing concession (as described in Section 5501.5(b)) at loan closing, a Closing Cost that is reduced after closing, or gift funds given at loan closing and exceeding the amount needed for closing
- In jurisdictions where real estate taxes are paid in arrears, receipt of funds from the property seller for real estate taxes that cover a period prior to the Note Date
- Refunds mandated by federal laws or regulations

The minimum Borrower contribution, if applicable, must be met at closing (see Sections 5501.3(b)(i), 4501.7 and 4504.7(a)). If the projected cash back, as described above, results in the Borrower not meeting the minimum Borrower contribution at closing, the excess amount of the cash back must be applied as a principal curtailment.

Any cash back or principal curtailment, as described above, must be reflected on the Settlement/Closing Disclosure Statement. In instances of reimbursement for the overpayment of costs, fees and charges, and/or refunds mandated by federal law or regulation, the Mortgage file must include documentation supporting the amount and the reason for the reimbursement and/or refund.

Chapter 4401: ARMs

4401.1: Eligible ARMs (03/02/16)

Freddie Mac will purchase rate-capped ARMs that are fully amortizing First Lien Mortgages with an original maturity not exceeding 30 years. For Higher-Priced Mortgage Loan and Higher-Priced Covered Transaction requirements, see the Glossary and Section 4202.5.

Many of the sections of this chapter have charts that set forth specific requirements for eligible ARM products, such as the Index and Lookback Period applicable to each ARM product, the Initial Cap and Periodic Cap of each ARM product and the Uniform Instruments to be used in connection with the origination of each ARM product. Exhibit 17S, Available Mortgage Products, provides a consolidated summary of certain information contained in the charts of this chapter regarding eligible ARM products.

4401.2: Eligible ARM products (10/01/21)

ARMs eligible for purchase by Freddie Mac have an Initial Period followed by subsequent Note Rate adjustments that occur as specified in the Note. The following chart shows, for each eligible ARM product, the applicable Initial Period.

Eligible ARM Product	Initial Period	Periodic Adjustments (Subsequent to the Initial Period)
3/6-Month ARM	36 months	6 months
5/6-Month ARM	60 months	6 months

Eligible ARM Product	Initial Period	Periodic Adjustments (Subsequent to the Initial Period)
7/6-Month ARM	84 months	6 months
10/6-Month ARM	120 months	6 months

4401.3: Eligible ARM Index and Lookback Period (10/01/21)

ARMs eligible for purchase by Freddie Mac are subject to periodic Note Rate adjustments based on the value of an Index at a specified time, as set forth in the Note. The time interval for establishing the Index value is referred to as the Lookback Period. The 3/6-, 5/6-, 7/6-, and 10/6-Month ARMs each use the 30-day Average Secured Overnight Financing Rate and a 45-day Lookback Period.

4401.4: General ARM requirements (10/01/21)

(a) Due Date

The Due Date must occur on the first day of the month.

(b) Payment Change Date

The Payment Change Date must occur on the first day of the month following each Interest Change Date.

(c) Calculation of monthly payment amount

The monthly payment amount that is calculated following each Interest Change Date must be sufficient to amortize the UPB fully over the remaining term of the ARM.

(d) Margin

For all SOFR-indexed ARMs, the Margin must be equal to or greater than 100 basis points and less than or equal to 300 basis points.

(e) Lifetime Ceiling

The Lifetime Ceiling must equal the sum of the Note Rate at origination plus the Life Cap stated in the Note, as described in Section 4401.5(c).

(f) Lifetime Floor

For ARMs with Lifetime Floors, the Lifetime Floor must equal the Margin stated in the Note, as specified in Section 4401.5(c).

4401.5: ARM Note Rate change requirements (08/14/24)

ARMs eligible for purchase by Freddie Mac must comply with the requirements of this Section 4401.5 regarding the timing of, and Periodic Caps for, Interest Change Dates and how adjustments to the Note Rate are made and disclosed. In all cases, Note Rate adjustments must comply with the terms of the Note and with applicable law.

(a) Interest Change Date

Each Interest Change Date, stated in the Note, must occur on the first day of the month. After the first interest change date, subsequent interest changes occur every six months.

The following chart shows the time frame within which the first Interest Change Date must occur:

Eligible ARM Product	1st Interest Change Date Period Between 1st Payment Due Date and 1st Interest Change Date
3/6-Month ARM	36 months
5/6-Month ARM	60 months
7/6-Month ARM	84 months
10/6-Month ARM	120 months

(b) Calculation of adjustments

Refer to Section 8502.2 for requirements related to determining Note Rate changes on ARMs.

(c) Limits on Note Rate adjustments

Each ARM Note must specify limits on the periodic adjustments (the Lifetime Ceiling, the Lifetime Floor and the Periodic Cap) to the Note Rate.

1. The Note Rate may not exceed the Lifetime Ceiling or be less than the Lifetime Floor, which must equal the Margin as required by Section 4401.4(f)

2. The Note Rate at the first Interest Change Date may not exceed the value of the Note Rate at origination plus the Initial Cap or be less than the value of the Note Rate at origination minus the Initial Cap

3. Adjustments on subsequent Interest Change Dates are subject to the Periodic Cap

For information on underwriting requirements for ARMs and permissible "teaser rates," see Section 4401.8.

(d) Applicable caps for eligible ARM products

All eligible ARM products have (in percentage points) a Periodic Cap of 1% and a Life Cap of 5%.

The following chart shows (in percentage points) the applicable Initial Cap for ARM products eligible under ARM Cash and WAC ARM Guarantor program:

Eligible ARM Product	Index	Initial Cap
3/6-Month ARM	30-day Average SOFR*	2%
5/6-Month ARM	30-day Average SOFR	2%
7/6-Month ARM	30-day Average SOFR	5%
10/6-Month ARM	30-day Average SOFR	5%

*SOFR = Secured Overnight Financing Rate

4401.6: Mortgage insurance requirements for ARMs (03/02/16)

The Seller must provide mortgage insurance on all ARMs in accordance with Section 4701.1.

4401.7: Title insurance requirements for ARMs (03/02/16)

The Seller must provide title insurance in accordance with Chapter 4702.

4401.8: Underwriting requirements for ARMs (10/01/21)

(a) Special ARM qualifications

For 3/6-Month ARMs and 5/6-Month ARMs that are less than one year old at the time of delivery, the initial Note Rate cannot be more than three percentage points below the fully-indexed rate. For purposes of this Section 4401.8, the fully-indexed rate is the sum of the Margin plus a value of the applicable Index at any time within 90 days preceding the Note Date, rounded to the nearest one-eighth of 1% (0.125%).

(b) ARM qualifying rates

For all SOFR ARMs, the Borrower must be qualified as follows:

SOFR ARM Type	Borrower Qualified at no less than the:
3/6-Month ARM[1]	Note Rate + Life Cap (5%)
5/6-Month ARM[1]	Greater of the Note Rate plus two percentage points or the fully-indexed rate
7/6-Month ARM 10/6-Month ARM	■ Note Rate for Mortgages that are not Higher-Priced Covered Transactions (HPCTs) or Higher-Priced Mortgage Loans (HPMLs) ■ Greater of the Note Rate or the fully-indexed rate for Mortgages that are HPCTs or HPMLs

[1]The qualifying rate must, at a minimum, equal the maximum interest rate that may apply during the first five years after the date on which the first regular periodic payment will be due, based on the loan amount over the loan term. If the ARM qualifying rate requirements above are more restrictive, those requirements must be satisfied.

(c) Buydowns

For ARMs that are Financed Permanent Buydown Mortgages and ARMs with temporary subsidy buydown plans, the Borrower must be qualified in accordance with the requirements of this section.

For additional buydown provisions related to ARMs, refer to Section 4204.4 for ARMs with temporary subsidy buydown plans and Chapter 4601 for Financed Permanent Buydown Mortgages.

4401.9: Credit Fees for ARMs (05/04/22)

The Seller must refer to Exhibit 19, Credit Fees, for Credit Fees related to certain ARMs. Credit Fees are paid in accordance with the Credit Fee provisions stated in Chapter 6303.

Chapter 4402: Seller-Owned Converted and Seller-Owned Modified Mortgages

4402.1: Common requirements for Seller-Owned Converted and Seller-Owned Modified Mortgages (09/04/24)

(a) Eligible Mortgages

(i) Requirements related to the Mortgage prior to conversion or modification

Prior to conversion or modification, the Mortgage must have had the following characteristics:

- The Mortgage must have been secured by a First Lien on a 1- to 4-unit Primary Residence; if the Mortgage is a Home Possible® Mortgage it must have been secured by a 1-unit Primary Residence
- The occupancy type of the Mortgage Premises must not have changed since the Note Date or since the Effective Date of Permanent Financing if the Mortgage was originated as a Construction Conversion or Renovation Mortgage
- The Mortgage met all Freddie Mac's eligibility and underwriting requirements on the Note Date or on the Effective Date of Permanent Financing if the Mortgage was originated as a Construction Conversion or Renovation Mortgage
- The loan-to-value (LTV), total LTV (TLTV) and Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios did not exceed the limits in Section 4203.4 or, for Home Possible Mortgages, Section 4501.7 as of the Note Date or as of the Effective Date of Permanent Financing if the Mortgage was originated as a Construction Conversion or Renovation Mortgage
- The principal balance of the Mortgage has not increased since the Note Date, or since the Effective Date of Permanent Financing if the Mortgage was originated as a Construction Conversion or Renovation Mortgage, and the loan amount of the Mortgage prior to modification did not exceed the maximum loan amount in Section 4203.3 in effect on the Note Date (The Mortgage may not be a super conforming Mortgage)
- The Mortgage was not in default and otherwise meets the requirements in Section 4201.7

- The Mortgage was a conventional, fully amortizing Mortgage and the Mortgage had an original amortization term no greater than 30 years from the Note Date or from the Effective Date of Permanent Financing if the Mortgage was originated as a Construction Conversion or Renovation Mortgage

- The Mortgage was not an interest-only Mortgage prior to conversion or modification

(ii) Eligibility of the Seller-Owned Converted or Seller-Owned Modified Mortgage

A Seller-Owned Converted or Seller-Owned Modified Mortgage must have the following characteristics:

- The Mortgage meets all Freddie Mac's eligibility and underwriting requirements in effect on the Delivery Date

- The current LTV, TLTV and HTLTV ratios do not exceed the limits in Section 4203.4 or, for Home Possible Mortgages, Section 4501.7 as of the Delivery Date. The current ratios are calculated by dividing the UPB of the Mortgage as of the Delivery Date by the value as defined in Section 4203.1.

- The Mortgage must comply with the maximum original loan amounts stated in Section 4203.3 in effect on the Settlement Date. (The Mortgage may not be a super conforming Mortgage.)

- The Seller may not have assessed a prepayment penalty in connection with the conversion or modification of the Mortgage

- The Borrowers are the same as the Borrowers on the Mortgage prior to conversion or modification, except that a Borrower who contributed no qualifying income, assets or reserves to the Mortgage may have been removed

- The Mortgage is a conventional, fully amortizing Mortgage and the Mortgage term may not extend beyond 30 years from the Note Date or from the Effective Date of Permanent Financing if the Mortgage was originated as a Construction Conversion or Renovation Mortgage

A Mortgage originated as a Construction Conversion or Renovation Mortgage is a Seller-Owned Modified Mortgage if:

- The terms of the Permanent Financing have been modified or if an ARM, converted to a fixed-rate Mortgage, after the Effective Date of Permanent Financing; and

- It meets the requirements of this Chapter 4402, and

- It is not a Mortgage secured by a Manufactured Home

(b) Special underwriting requirements

The following special underwriting requirements apply to Seller-Owned Modified Mortgages that are not Home Possible Accept Mortgages and to Seller-Owned Converted Mortgages:

- Except as modified by this chapter, the Seller is required to manually underwrite and requalify each Borrower using Freddie Mac's eligibility and underwriting requirements in accordance with Topics 5100 through 5500 as in effect as of the Delivery Date.

- A Seller-Owned Converted or Seller-Owned Modified Mortgage is not eligible to be submitted to Loan Product Advisor® for assessment

- The Seller-Owned Converted or Seller-Owned Modified Mortgage will not receive any representation and warranty relief relating to the assessment of the Mortgage through Loan Product Advisor and any previous relief provided is of no force and effect in connection with the Mortgage

The following special underwriting requirements apply to all Seller-Owned Converted and Seller-Owned Modified Mortgages:

- The Seller-Owned Converted or Seller-Owned Modified Mortgage eligibility and underwriting requirements must be based on the loan purpose as of the Note Date

- The Mortgage must comply with the minimum Indicator Score requirements set forth in Exhibit 25 for an applicable Mortgage product, and must meet the requirements of Topics 5100 through 5500. If no Borrower has a usable Credit Score and as a result, the Mortgage does not have an Indicator Score, the Mortgage is not eligible for purchase.

Home Possible Mortgages must be either Manually Underwritten Mortgages or Loan Product Advisor Accept Mortgages.

(c) Special documentation requirements

The Seller must maintain in the Mortgage file:

- All documentation required by the Purchase Documents as of the Note Date or as of the Effective Date of Permanent Financing if the Mortgage was originated as a Construction Conversion or Renovation Mortgage

- All documentation associated with the conversion or modification of the Mortgage

- The Mortgage payment history of the Mortgage for the 12-month period prior to the Delivery Date (or the full length of Mortgage payment history, if less than 12 months) documented by a new credit report or a Servicer generated payment history

- Credit, employment and income documentation required to requalify each Borrower in accordance with the Standard Documentation requirements in Topic 5300 for the Seller-Owned Converted or Seller-Owned Modified Mortgage including, but not limited to:

  - New Uniform Residential Loan Application

  - New credit report meeting the requirements of Section 5203.1

  - Verification of income and employment

  This requirement does not apply to Seller-Owned Modified Mortgages that are Home Possible Mortgages.

- Any other documentation required as of the Delivery Date (e.g., the Indicator Score). If Freddie Mac required a minimum Indicator Score for the Mortgage at time of origination, the Seller must note this Indicator Score in addition to the Indicator Score required for delivery under this chapter on the Form 1077, Uniform Underwriting and Transmittal Summary.

Underwriting documentation must be obtained within 120 days prior to the modification or Conversion Date.

(d) Property value warranty requirements

The Seller must provide a new appraisal with an effective date no more than 120 days prior to the modification or Conversion Date. The appraisal must meet Freddie Mac requirements. The Seller warrants that the property value has not declined since the effective date of the most recent appraisal if the Mortgage was originated as a Construction Conversion or Renovation Mortgage. The new appraisal must not be used to determine the original LTV, TLTV and HTLTV ratios for the Mortgage or the current LTV, TLTV and HTLTV ratios as of the Delivery Date.

(e) Planned Unit Development, leasehold estate and condominium warranty requirements

For Mortgages secured by Condominium Units, the Seller must underwrite the Condominium Project, and based on such evaluation, must represent and warrant that the Condominium complies with the requirements set forth in Chapter 5701.

Mortgages secured by leasehold estates must meet the special warranties set forth in Chapter 5704 as applicable.

Mortgages secured by Planned Unit Developments must meet the special warranties set forth in Chapter 5702 as applicable.

(f) Mortgage insurance requirements

- For a Mortgage that had an LTV ratio greater than 80% on the Note Date or on the Effective Date of Permanent Financing if the Mortgage was originated as a Construction Conversion or Renovation Mortgage, and has a current LTV ratio greater than 80%, the required level of mortgage insurance coverage will be determined by the requirements in this Guide as of the Note Date or as of the Effective Date of Permanent Financing if the Mortgage was originated as a Construction Conversion or Renovation Mortgage

- The Seller is not required to increase existing mortgage insurance coverage to comply with Section 4701.1 if Freddie Mac's minimum coverage amounts have increased between the (i) Note Date or the Effective Date of Permanent Financing if the Mortgage was originated as a Construction Conversion or Renovation Mortgage, and (ii) the Delivery Date

- The Seller/Servicer must warrant that conversion or modification has not altered or impaired the coverage under the mortgage insurance policy. If the Seller/Servicer cannot warrant that the insurance policy has not been impaired, the Seller/Servicer must obtain an endorsement which brings the policy into compliance with the requirements of Section 4701.1.

- Lender-paid mortgage insurance is permitted

- The custom mortgage insurance option described in Section 4701.1 and financed mortgage insurance premiums described in Section 4701.2(a) are not permitted

(g) Form 1077, Uniform Underwriting and Transmittal Summary

On Form 1077, or on another document in the Mortgage file, the Seller must state that the loan is a Seller-Owned Converted Mortgage or a Seller-Owned Modified Mortgage. If applicable, Seller must state that the Mortgage was originated as a Construction Conversion or Renovation Mortgage.

(h) Title insurance

The Mortgage must meet the title insurance requirements of Chapter 4702. The Seller/Servicer must warrant that conversion or modification has not altered or impaired coverage under the title insurance policy or attorney's opinion of title.

(i) Quality control

If the Mortgage is selected for Freddie Mac's post funding quality control, the Seller/Servicer must provide the original underwriting file and the underwriting file required to requalify the Borrower at the time of conversion or modification.

4402.2: Special requirements for Seller-Owned Converted Mortgages (12/06/23)

(a) Overview

Credit related waivers to Guide requirements negotiated elsewhere in the Purchase Documents may apply to Seller-Owned Converted Mortgages unless the credit related waivers, provisions, products or offerings conflict with the requirements of this Chapter, in which case, the requirements of this Chapter will apply unless expressly stated otherwise in the Purchase Documents.

(b) Eligible Mortgages

- A Community Land Trust Mortgage is not eligible for sale as a Seller-Owned Converted Mortgage
- A HeritageOne^{SM} Mortgage is not eligible for sale as a Seller-Owned Converted Mortgage
- A Mortgage secured by property subject to income-based resale restrictions that terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure, where the property value must be determined in accordance with Section 4406.6(b) is not eligible for sale as a Seller-Owned Converted Mortgage
- A Mortgage with a temporary subsidy buydown plan is not eligible for sale as a Seller-Owned Converted Mortgage. If the original Mortgage included a temporary subsidy buydown, any remaining funds in the buydown account at time of conversion must be distributed in accordance with the buydown agreement
- The Seller must warrant that all the original Note and Security Instrument terms for converting the Mortgage to a fixed rate of interest have been met
- The Seller-Owned Converted Mortgage Note must be negotiable, and the entire indebtedness must be fully enforceable against the Borrower and secured by a First Lien on the Mortgaged Premises
- The Seller-Owned Converted Mortgage Note must have a fixed rate of interest with level monthly principal and interest payments
- A fully enforceable due-on-sale clause, such as contained in Freddie Mac's current fixed-rate Uniform Instruments, must be in effect after conversion to fixed-rate

(c) Delivery requirements

See Section 6302.19 for delivery and pooling requirements for Seller-Owned Converted Mortgages.

4402.3: Uniform Instruments and nonstandard documents for Seller-Owned Converted Mortgages (03/02/16)

The original convertible ARM may have been originated using Uniform Instruments in accordance with Section 4101.2 or nonstandard documents. Documentation for the Seller-Owned Converted Mortgage should consist of the following:

- The original Security Instrument and Convertible Adjustable Rate Rider; and
- A document evidencing the conversion of the ARM to a fixed-rate Mortgage; the conversion document must be recorded if necessary to establish that the Seller-Owned Converted Mortgage is a First Lien. The Seller may use the Freddie Mac Multistate Agreement to Convert, Freddie Mac Uniform Instrument Form 3180, to evidence the ARM conversion. If the Seller uses a loan instrument other than the Agreement to Convert, the Seller represents and warrants that the instrument, when completed, contains substantially identical provisions to the Freddie Mac Agreement to Convert and is appropriate for use to evidence the conversion of the Convertible ARM; and
- Either:
  - ❑ The original Convertible Adjustable Rate Note with the document evidencing the conversion attached, or
  - ❑ A new fixed-rate Note

If a new Note is executed, the Seller must use the Fannie Mae/Freddie Mac Fixed-Rate Note as required by Section 4101.2.

If the Seller-Owned Converted Mortgage is documented with the original documents and a document evidencing the ARM conversion, the following requirements apply:

(a) Original Security Instrument and Convertible Adjustable Rate Rider

The original Security Instrument and Convertible Adjustable Rate Rider must be either:

- The version of the Fannie Mae/Freddie Mac Uniform Security Instrument for the State in which the Mortgaged Premises are located in effect on the Note Date, with either the Fannie Mae or Freddie Mac Uniform Convertible Adjustable Rate Rider, or

- A nonstandard document that contains provisions comparable to the provisions of the version of the Fannie Mae/Freddie Mac Uniform Security Instrument in effect on the Note Date for the State in which the Mortgaged Premises are located, including the provisions relating to:

  - Default and foreclosure rights
  - The use of hazard insurance proceeds, condemnation, and hazardous waste
  - No waivers of homestead rights, dower or similar marital rights
  - Matters that affect the security for the Mortgage, including charges and liens and property preservation
  - Borrower Mortgage payment and escrow obligations
  - Rights of the lender in the event of Borrower bankruptcy

(b) Original Convertible Adjustable Rate Note

The original Convertible Adjustable Rate Note must be either:

- The applicable version of the Fannie Mae or Freddie Mac Uniform Convertible Adjustable Rate Note in effect on the Note Date, or
- A nonstandard Convertible Adjustable Rate Note, provided the Convertible Adjustable Rate Note contains provisions that are consistent with the provisions in the Fannie Mae or Freddie Mac Convertible Adjustable Rate Note for ARMs originated on the Note Date. The Seller must review the Convertible Adjustable Rate Note for consistency, including the provisions relating to the following, and determine that:

  - The late payment fee does not exceed the maximum fee allowed by State law and this Guide
  - There are no provisions allowing skipped payments, a grace period following a partial payment or a grace period for other hardship or other reasons
  - There are no waivers of homestead rights, dower or similar marital rights

(c) Seller-Owned Converted Mortgages originated as a Construction Conversion or Renovation Mortgage

For a Seller-Owned Converted Mortgage that was originated as a Construction Conversion or Renovation Mortgage, the conversion of Interim Construction Financing to Permanent Financing must have occurred prior to the conversion from a Convertible ARM to a fixed-

rate Mortgage and must have been documented in accordance with Section 4602.3. The conversion from a Convertible ARM to a fixed-rate Mortgage must be documented in accordance with this Section 4402.3.

4402.4: Special requirements for Seller-Owned Modified Mortgages (12/06/23)

(a) Overview

Credit-related waivers to the Guide requirements negotiated elsewhere in the Purchase Documents shall not apply to Seller-Owned Modified Mortgages.

(b) Ineligible Mortgages

A Seller-Owned Modified Mortgage may not have been originated as:

- A Mortgage using an Automated Valuation Model (AVM)
- A HomeOne® Mortgage
- A Community Land Trust Mortgage
- A HeritageOne℠ Mortgage
- A Mortgage secured by property subject to income-based resale restrictions that terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure, where the property value must be determined in accordance with Section 4406.6(b)

(c) Special requirements

The Mortgage must only be modified for the purpose of a reduction in interest rate of the First Lien Mortgage.

(d) Delivery requirements

See Section 6302.27 for delivery and pooling requirements for Seller-Owned Modified Mortgages.

4402.5: Uniform Instruments for Seller-Owned Modified Mortgages (03/02/16)

Documentation for a Seller-Owned Modified Mortgage should consist of all of the following:

(a) Security Instrument

The Security Instrument with all applicable riders. The Security Instrument must be either:

- The version of the Fannie Mae/Freddie Mac Uniform Security Instrument for the State in which the Mortgaged Premises are located in effect on the Note Date, or
- A nonstandard document that has been modified to conform to the current Fannie Mae/Freddie Mac Uniform Security Instrument for the State in which the Mortgaged Premises are located

(b) Note

The promissory note must be either:

- The original Fannie Mae/Freddie Mac Uniform Fixed-Rate Note with the loan modification agreement attached, or
- A new Note; a new Note must be used if the Seller-Owned Modified Mortgage is not a fixed-rate Mortgage. If a new Note is executed, Seller must use the applicable Uniform Instrument Note as required by Section 4101.2 for the modified Mortgage Product.

(c) Loan Modification Agreement

A document evidencing the loan modification. The loan modification agreement must be recorded if necessary to establish that the Seller-Owned Modified Mortgage is a First Lien.

The loan modification agreement must contain the following information with respect to the modifications on the Seller-Owned Modified Mortgage:

- The effective date of the loan modification
- The current outstanding principal balance on the Seller-Owned Modified Mortgage
- Whether the interest rate on the Seller-Owned Modified Mortgage is a fixed or adjustable interest rate
- The yearly interest rate on the Seller-Owned Modified Mortgage
- Amount of monthly payments on the Seller-Owned Modified Mortgage

- Date the monthly payments on the Seller-Owned Modified Mortgage begin
- The maturity date of the Seller-Owned Modified Mortgage

If the original Mortgage is either (i) a fixed-rate Mortgage originated on the Fannie Mae/Freddie Mac Uniform Fixed-Rate Note and after modification will remain a fixed-rate Mortgage, or (ii) a Mortgage that is being modified to a fixed-rate Mortgage using the Fannie Mae/Freddie Mac Uniform Fixed-Rate Note, the Seller may use the Freddie Mac Multistate Loan Modification to a Fixed Interest Rate, Freddie Mac Uniform Instrument Form 5161 as the loan modification agreement. If Seller uses a different instrument to evidence the loan modification for a fixed-rate Seller-Owned Modified Mortgage, the Seller represents and warrants that the instrument, when completed, contains substantially identical provisions to the Freddie Mac Loan Modification to a Fixed Interest Rate and is appropriate for use to evidence the modification of the Mortgage.

(d) Seller-Owned Modified Mortgages originated as a Construction Conversion or Renovation Mortgage

For a Seller-Owned Modified Mortgage that was originated as a Construction Conversion or Renovation Mortgage, the conversion of Interim Construction Financing to Permanent Financing must have occurred prior to the modification and must have been documented in accordance with Section 4602.3. The modification of the Permanent Financing that occurs after the Effective Date of Permanent Financing must be documented in accordance with this Section 4402.5.

Chapter 4403: Mortgages with Capitalized Balances

4403.1: Mortgages with capitalized balances (12/06/23)

(a) Overview

Mortgages having principal balances that include capitalization of interest, taxes, hazard insurance premiums and/or late charges are eligible for purchase under certain conditions.

The following Mortgages are not eligible for sale as Mortgages with capitalized balances:

- Community Land Trust Mortgages
- Mortgages secured by properties subject to income-based resale restrictions that terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure, where the property value must be determined in accordance with Section 4406.6(b)

(b) General requirements

By delivery of Mortgages with capitalized balances, the Seller represents and warrants the following requirements have been met as of the Delivery Date:

1. Capitalization is permitted under the Mortgage documents and applicable State law
2. The Note is negotiable, and the entire indebtedness, including all amounts capitalized, is fully enforceable against the Borrower and secured by a First Lien
3. The UPB of the Mortgage, including all amounts capitalized, does not exceed the original loan amount as reflected in the Note
4. No capitalization will occur after the Purchase Contract Date of Acceptance
5. The Mortgage is fully amortizing in substantially equal monthly installments of principal and interest over a period of up to 10, 15, 20 or 30 years, respectively (depending on whether the Mortgage is to be included in a 10-, 15-, 20- or 30-year Pool) following the Delivery Date. If, as a result of the capitalization, the Note maturity date could have exceeded the maximum term to maturity for the related Pool after delivery to Freddie Mac or could have resulted in a balloon payment at maturity, the Seller must have reamortized the Mortgage before delivery to Freddie Mac. For each Mortgage that has been reamortized or for which the stated maturity date has been extended, the Seller makes the following additional representations and warranties:

- Each affected Borrower has been informed of the capitalization, and
- If such Borrower's Mortgage contains a stated maturity date, that capitalization will result in installments becoming due after such stated maturity date or an increase in the monthly payment

6. All computations of maturity dates are correct

(c) Delivery requirements

Refer to Section 6302.22 for delivery requirements for Mortgages with capitalized balances.

Chapter 4404: Land Contract; Contract for Deed

4404.1: Land contract; contract for deed (06/05/19)

When the proceeds of a Mortgage are used to pay the outstanding balance under a land contract or contract for deed, the Mortgage may be considered either a purchase or a "no cash-out" refinance Mortgage if the requirements in this section are met.

A copy of the executed land contract or contract for deed must be included in the Mortgage file.

(a) Purchase

For the transaction to be considered a purchase transaction:

- The land contract or contract for deed must have been executed less than 12 months prior to the Application Received Date
- All of the loan proceeds must be used to pay the outstanding balance under the land contract or contract for deed and no loan proceeds may be disbursed to the Borrower
- The loan-to-value (LTV) ratio must be calculated using the lesser of the following:
  - The current appraised value of the Mortgaged Premises, or
  - The total acquisition cost (the purchase price indicated in the original land contract or contract for deed, plus any cost the Borrower has expended for rehabilitation, renovation, refurbishment or energy improvements). The Mortgage file must contain sufficient documentation on which to calculate the total acquisition cost.

(b) "No cash-out" refinance

For the transaction to be considered a "no cash-out" refinance transaction:

- The land contract or contract for deed must have been executed at least 12 months prior to the Application Received Date
- The LTV ratio must be calculated using the current appraised value of the Mortgaged Premises
- The Mortgage file must include third-party documentation evidencing payments in accordance with the land contract or contract for deed for the most recent 12-month period

- The Mortgage must meet the requirements for "no cash-out" refinance Mortgages in Section 4301.4

Chapter 4405: Energy Conservation Improvements

4405.1: Energy conservation improvements (05/01/19)

Effective May 1, 2019, this section is deleted. See Chapter 4606 for requirements for GreenCHOICE Mortgages®.

Chapter 4406: Mortgages Secured by Properties Subject to Resale Restrictions

4406.1: Purchase of Mortgages secured by properties subject to resale restrictions (12/06/23)

Mortgages secured by properties subject to resale restrictions including, but not limited to, income-based restrictions and age-based restrictions (such as senior housing or units restricted to one or more occupants age 55 and over) are eligible for sale to Freddie Mac if the requirements of this chapter and the Seller's other Purchase Documents are met. The resale restrictions must be in compliance with all federal, State and local laws, rules and regulations.

Note: The requirements of this chapter do not apply to resale restrictions related to Community Land Trust Mortgages. See Chapter 4502 for requirements applicable to Community Land Trust Mortgages.

4406.2: Eligible and ineligible Mortgages secured by properties subject to resale restrictions (12/06/23)

(a) Eligible Mortgages

Each Mortgage must be a First Lien, conventional Mortgage.

(b) Ineligible Mortgages

The following Mortgages are ineligible for sale to Freddie Mac if the property securing the Mortgage is subject to income-based restrictions

- Construction Conversion and Renovation Mortgages
- CHOICERenovation® Mortgages
- GreenCHOICE Mortgages®

Additionally, the following Mortgages are not eligible for sale to Freddie Mac if the property securing the Mortgage is subject to income-based resale restrictions that terminate upon foreclosure (or expiration of any applicable right of first refusal period) or recordation of a deed-in-lieu of foreclosure:

- Financed Permanent Buydown Mortgages

- Seller-Owned Modified Mortgages and Seller-Owned Converted Mortgages
- Mortgages with capitalized balances as described in Chapter 4403
- FHA and VA Mortgages
- Section 502 GRH Mortgages
- Section 184 Native American Mortgages
- Freddie Mac Enhanced Relief Refinance® Mortgages

4406.3: General eligibility requirements for Mortgages secured by properties subject to resale restrictions (12/06/23)

There are no limits on the time period in which the resale restrictions may remain in place on the property.

The resale restrictions must be binding on current and subsequent property owners, and remain in effect (i.e., survive) until they are formally removed or modified, or terminate automatically in accordance with their terms such as:

- Upon completion of foreclosure or recordation of a deed-in-lieu of foreclosure, and
- If necessary, upon recordation of the associated deed transferring the property to Freddie Mac or a third-party purchaser

4406.4: Underwriting Mortgages secured by properties that are subject to resale restrictions (12/06/23)

The Mortgage may be a Manually Underwritten Mortgage or submitted to Loan Product Advisor®.

4406.5: Payment of financial obligation requirements for properties subject to resale restrictions (12/06/23)

Recurring monthly payments associated with the financial subsidy provided when the property was purchased must be included in the monthly housing expense-to-income ratio.

Any requirement included in a mortgage, deed covenant or any other agreement executed by or on behalf of the owner of the property requiring the owner of the property to make payments under certain circumstances or requiring repayment of financial subsidies must state that the payment obligation is subordinate to the lien of the First Lien Mortgage.

4406.6: Appraisal requirements for properties subject to resale restrictions (12/06/23)

The appraisal report must note the existence of any resale restrictions. Additionally, the appraisal must include an analysis that addresses any impact the resale restrictions have on the property's value or marketability. Mortgages for properties with age-based resale restrictions may qualify for an automated collateral evaluation (ACE) appraisal waiver or ACE+ PDR. See Section 5602.3 for details regarding ACE appraisal waiver or Section 5602.4 for ACE+ PDR.

(a) Resale restrictions survive foreclosure or recordation of a deed-in-lieu of foreclosure

When the resale restrictions survive foreclosure or recordation of a deed-in-lieu of foreclosure, the appraisal must reflect the impact the restrictions have on the subject property's value and when available, be supported by comparable sales with similar restrictions.

If recent comparable sales with similar resale restrictions are not available in the subject neighborhood, the appraiser should then use similarly restricted older comparable sales from the subject neighborhood or consider recent and older similarly restricted sales from competing neighborhoods as comparable sales or as supporting market data. When comparable sales with similar resale restrictions are not available, the appraiser may use comparable sales with different resale restrictions or comparable sales without resale restrictions as long as the appraiser can justify and support their use in the appraisal report.

(b) Resale restrictions terminate upon foreclosure (or expiration of any applicable legally required foreclosure redemption period) or recordation of a deed-in-lieu of foreclosure

When the resale restrictions terminate upon foreclosure (or expiration of any applicable legally required foreclosure redemption period **in which the Borrower may redeem the Mortgaged Premises in accordance with applicable law**) or recordation of a deed-in-lieu of foreclosure, the appraisal must reflect the market value of the property without resale restrictions by using comparable sales that are not resale restricted. **For more information on requirements around foreclosure redemption periods see Guide Chapter 9301.**

The Seller, or any third party authorized by the Seller, must ensure that the Borrower and appraiser are aware of the resale restrictions and must advise the appraiser that he or she must include the following statement in the appraisal report:

"This appraisal is made on the basis of a hypothetical condition that the property rights being appraised are without resale and other restrictions that are terminated automatically upon the latter of foreclosure or the expiration of any applicable redemption period, or upon recordation of a deed-in-lieu of foreclosure."

4406.6: Appraisal requirements for properties subject to resale restrictions (Future effective date 02/04/25)

The appraisal report must note the existence of any resale restrictions. Additionally, the appraisal must include an analysis that addresses any impact the resale restrictions have on the property's value or marketability. Mortgages for properties with age-based resale restrictions may qualify for an automated collateral evaluation (ACE) appraisal waiver or ACE+ PDR. See Section 5602.3 for details regarding ACE appraisal waiver or Section 5602.4 for ACE+ PDR.

(a) Resale restrictions survive foreclosure or recordation of a deed-in-lieu of foreclosure

When the resale restrictions survive foreclosure or recordation of a deed-in-lieu of foreclosure, the appraisal must reflect the impact the restrictions have on the subject property's value and when available, be supported by comparable sales with similar restrictions.

If recent comparable sales with similar resale restrictions are not available in the Market Area, the appraiser should then use similarly restricted older comparable sales from the Market Area or consider recent and older similarly restricted sales from competing Market Areas as comparable sales or as supporting market data. When comparable sales with similar resale restrictions are not available, the appraiser may use comparable sales with different resale restrictions or comparable sales without resale restrictions as long as the appraiser can justify and support their use in the appraisal report.

(b) Resale restrictions terminate upon foreclosure (or expiration of any applicable legally required foreclosure redemption period) or recordation of a deed-in-lieu of foreclosure

When the resale restrictions terminate upon foreclosure (or expiration of any applicable legally required foreclosure redemption period **in which the Borrower may redeem the Mortgaged Premises in accordance with applicable law**) or recordation of a deed-in-lieu of foreclosure, the appraisal must reflect the market value of the property without resale restrictions by using comparable sales that are not resale restricted. **For more information on requirements around foreclosure redemption periods see Guide Chapter 9301.**

The Seller, or any third party authorized by the Seller, must ensure that the Borrower and appraiser are aware of the resale restrictions and must advise the appraiser that he or she must include the following statement in the appraisal report:

"This appraisal is made on the basis of a hypothetical condition that the property rights being appraised are without resale and other restrictions that are terminated automatically upon the latter of foreclosure or the expiration of any applicable redemption period, or upon recordation of a deed-in-lieu of foreclosure."

4406.7: Determining value to calculate loan-to-value (LTV), total LTV (TLTV) and Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios on properties that are subject to resale restrictions (12/06/23)

(a) Resale restrictions survive foreclosure or recordation of a deed-in-lieu of foreclosure

For a purchase transaction when an appraisal is obtained, value is the lesser of the appraised value or the purchase price of the Mortgaged Premises. When an appraisal waiver is offered and accepted, value is the purchase price of the Mortgaged Premises.

For a refinance transaction when an appraisal is obtained, value is the appraised value of the Mortgaged Premises. When an appraisal waiver is offered and accepted, value is the estimated value of the Mortgaged Premises submitted by the Seller.

(b) Resale restrictions terminate upon foreclosure (or expiration of any applicable legally required foreclosure redemption period) or recordation of a deed-in-lieu of foreclosure

For purchase and refinance transactions, value is the appraised value of the Mortgaged Premises without resale restrictions as determined in accordance with the appraisal requirements of Section 4406.6(b).

The LTV ratio is obtained by dividing the First Lien Mortgage amount by the appraised value as illustrated below:

Example of calculating LTV ratio	
Appraised value	$300,000
Purchase price	$225,000
Subsidy amount	$75,000
First Lien Mortgage amount	$225,000
LTV ratio	75%
Minimum required Borrower contribution for Down Payment*	$0

*Minimum required Borrower contribution for Down Payment is determined by the product selected for Mortgages with an LTV of greater than 80%. See Section 5501.3(b)(i).

4406.8: Documentation for Mortgages secured by properties subject to resale restrictions (12/06/23)

Freddie Mac allows use of the Grounded Solutions Network (GSN) 2021 Model Declaration of Affordability Covenants with Refinance and Resale Restriction and Purchase Option and 2021 Model Subordinate Program Mortgage. Collectively, these documents are referred to as the "Model Declaration." GSN also provides Commentary on the 2021 Model Declaration of Affordability Covenants with Refinance and Resale Restriction and Purchase Option, which may be found **here**. The Model Declaration was developed to promote best practices and standardization for deed restricted affordable housing programs while also providing flexibility in program design. The Model Declaration documents may be found **here**.

4406.9: Public land records requirements for properties subject to resale restrictions (12/06/23)

The terms of the resale restrictions must appear in the public land records for the Mortgaged Premises in a manner discoverable by a routine title search.

4406.10: Right of first refusal requirements for properties subject to resale restrictions (12/06/23)

For properties subject to resale restrictions, any right of first refusal must run to:

- The enabling authority or jurisdiction that imposed the resale restrictions, or
- The subsidy provider or program administrator

For a Mortgage in foreclosure and/or subject to an approved short sale, the right of first refusal must have a time period not exceeding 120 days from the date of written notice to the parties to which the notice runs that the resale restricted property is being offered for sale.

4406.11: Special delivery requirements for Mortgages secured by properties subject to resale restrictions (12/06/23)

See Section 6302.37 for additional special delivery instructions for Mortgages secured by properties subject to resale restrictions.

4406.12: Mortgages secured by properties subject to income-based resale restrictions overview (12/06/23)

Affordable housing programs use income-based resale restrictions to create affordable housing opportunities. These affordable housing programs are often based on State or local inclusionary housing policies, which typically require a specified number or percentage of properties in a designated area to be dedicated as housing individuals and households with very low-, low- or moderate-incomes. These resale restrictions are typically administered by a subsidy provider or program administrator.

The income-based resale restrictions restrict the initial sales price and subsequent resale price of properties subject to such restrictions. The resale restricted price provides a form of subsidy to the homebuyer in an amount equal to the difference between the sales price and the market value of the property without resale restrictions. The restrictions must be stated in a separate covenant, restriction, easement, or condition in a deed or other instrument executed by or on behalf of the owner of the land or property and must be recorded against that land or property. These restrictions may be in effect for a certain number of years or continue in perpetuity.

Mortgages secured by properties subject to income-based resale restrictions must meet the requirements of Chapter 4406.

See Section 4406.2(b) for a list of Mortgages that are ineligible for sale to Freddie Mac when the property securing the Mortgage is subject to income-based restrictions.

4406.13: Eligible Borrowers for Mortgages secured by properties subject to income-based resale restrictions (12/06/23)

Borrowers must meet the program eligibility requirements established by the subsidy provider or program administrator. When the First Lien Mortgage is a Home Possible® Mortgage, the Seller must use the Home Possible income limits to determine Borrower eligibility even if the subsidy provider or program administrator limits are different.

4406.14: Loan purpose for Mortgages secured by properties subject to income-based resale restrictions (12/06/23)

A Mortgage secured by a property subject to an income-based resale restricted property may be a purchase, "no cash-out" or cash-out refinance transaction.

"No cash-out" and cash-out refinance transactions are permitted with prior written approval of the transaction from the subsidy provider or program administrator. The Mortgage file must contain evidence of the required approval and the approved amount of the proceeds that the Borrower may receive.

Proceeds from a "no cash-out" refinance transaction may be used to pay the unpaid principal amount used to subsidize the purchase price of the property at the time the Borrower purchased the Mortgaged Premises and any required share of the appreciation due to the subsidy provider per the resale restricted covenants. See Section 4301.4.

4406.15: Eligible property type and occupancy types for Mortgages secured by properties subject to income-based resale restrictions (12/06/23)

The Mortgage must be secured by a 1- or 2-unit Primary Residence that is not a Manufactured Home unless the Manufactured Home is a CHOICEHome®.

4406.16: Minimum Down Payment requirements for Mortgages secured by properties subject to income-based resale restrictions (12/06/23)

For Mortgages secured by properties subject to income-based resale restrictions, minimum Down Payment requirements are based on the resale-restricted price.

4406.17: Excess proceeds for Mortgages secured by properties subject to income-based resale restrictions (12/06/23)

When there is a transfer of title on a property subject to income-based resale restrictions that occurs as a result of the subject property being sold: (1) by the Borrower for an amount exceeding the resale restricted price; or (2) by Freddie Mac after acquiring the property through a foreclosure sale or delivery of a deed-in-lieu of foreclosure, the subsidy provider may be entitled to any applicable excess proceeds.

Excess proceeds on properties subject to income-based resale restrictions are those proceeds that are above the amount required to satisfy the total indebtedness, including any additional liens, claims or encumbrances, in addition to any amount(s) incurred during an REO holding period if the property was transferred to Freddie Mac via foreclosure sale or delivery of a deed-in-lieu of foreclosure. Upon satisfaction of the total indebtedness as outlined above, any excess proceeds should be distributed as outlined below:

- For properties that are sold above the resale restricted price agreed upon in the resale restriction covenants:
  - First to the Borrower and subsidy provider for equity due as agreed upon in the resale restriction covenants; and
  - All remaining proceeds to the subsidy provider
- For properties that are sold by Freddie Mac after acquiring title through foreclosure sale or delivery of a deed-in-lieu of foreclosure and when the resale restriction covenants include provisions for excess proceeds to be distributed to the subsidy provider:
  - First, as applicable, to Freddie Mac for any amount(s) incurred during an REO holding period; and
  - All remaining proceeds to the subsidy provider

Note: Servicers will not be responsible for these REO activities. For more information on Servicer responsibilities on REO properties see Chapter 9601.

4406.18: Requirements for subsidy providers and program administrators for Mortgages secured by properties subject to income-based resale restrictions (12/06/23)

(a) Affordable Seconds

Mortgages secured by income-based resale restricted properties with Affordable Seconds used to subsidize the sales price of such properties must comply with the requirements of Section 4204.2. If the proceeds of an Affordable Second are used to subsidize the property's sales price and, as a result, the secondary financing or financial assistance program imposes income-based resale restrictions on the property, the difference between the market sales price and the resale-restricted sales price represents the subsidy amount provided by the Affordable Second. The terms of the Affordable Second must not restrict Freddie Mac's ability to sell or transfer the Mortgaged Premises if Freddie Mac acquires title to the Mortgaged Premises.

(b) Subsidy provider as seller of property

A subsidy provider and/or program administrators for the subsidy provider may also be the property seller or act as the property seller on behalf of a government agency. They are not considered interested parties and the requirements of Section 5501.5 do not apply.

(c) Non-profit entities

When a subsidy provider is a non-profit entity, the Mortgage file must contain the Internal Revenue Code 501(c) determination letter that allows for federal tax exemption of the non-profit entity.

(d) Subsidy provider requirements

By delivery of a Mortgage originated under the provisions of Chapter 4406, the Seller/Servicer represents and warrants that the following requirements are met:

- The subsidy provider is, or is managed by, or is housed within, a State or local government, a government sponsored program or a non-profit corporation that is legally chartered in the State in which it is located and has a 501(c)3 tax exemption from the IRS. The subsidy provider may employ a third-party non-profit or, as allowed by the applicable jurisdiction, a for-profit corporation, as a program administrator to manage the affordable housing program, its resale restrictions and controls.

- The resale restrictions are imposed by State or local governments, municipalities or nonprofit entities, to create and preserve affordable housing (including entities administering governmental sponsored subsidy programs)

- The subsidy provider or program administrator provides home counseling services or has established partnerships with at least one organization that does

Chapter 4407: Properties Affected by Disasters

4407.1: Eligibility of properties impacted by a disaster (08/02/23)

The Seller represents and warrants that properties securing Mortgages sold to Freddie Mac meet the property eligibility requirements stated in the Purchase Documents including, but not limited to, the collateral representation and warranties requirements identified in Section 5602.1 regarding the value, condition and marketability of the Mortgaged Premises. The Seller must have policies and procedures in place to assess whether there has been any adverse effect on the Mortgaged Premises that needs to be considered before the Mortgage is eligible for delivery to Freddie Mac. If the Mortgage is a Condominium Unit Mortgage, the Seller's assessment should include damage to Condominium Project Common Elements, separate from any specific Condominium Unit damage.

With respect to the condition of the Mortgaged Premises, Mortgages for which the Seller has obtained appraisal reports and Mortgages with automated collateral evaluation (ACE) appraisal waivers or ACE+ PDR, the following requirements must be met for a Mortgage secured by a property impacted by a disaster to be eligible for sale to Freddie Mac:

- The property damage does not impact the safety, soundness, or structural integrity of the Mortgaged Premises. In this instance, the Seller must ensure all damage is documented and is covered by insurance as required in Chapter 4703; or

- If the property securing the Mortgage has been damaged such that the damage impacts the safety, soundness, or structural integrity of the Mortgaged Premises, the property is not acceptable as security for the Mortgage and the Mortgage is not eligible for sale to Freddie Mac until all repairs to the property are documented and completed

4407.2: Representation and warranty relief for automated collateral evaluation (ACE) appraisal waiver or ACE+ PDR offers and Loan Collateral Advisor® (08/02/23)

For Mortgaged Premises secured by properties located in an Eligible Disaster Area, depending on the extent of the disaster's impact, Freddie Mac may decide to systematically suspend automated collateral evaluation (ACE) appraisal waiver and ACE+ PDR eligibility and appraised value representation and warranty relief eligibility on new Loan Product Advisor® or Loan Collateral Advisor® submissions, respectively. Freddie Mac will notify Sellers in a Guide Bulletin when a disaster requiring a systematic suspension occurs. Freddie Mac will monitor market developments within the impacted areas and reinstate eligibility at its discretion.

See Chapter 5602 for automated collateral evaluation (ACE) appraisal waiver, ACE+ PDR and Loan Collateral Advisor appraised value representation and warranty relief eligibility requirements.

4407.3: Age of documentation and Loan Product Advisor® submission requirements in Eligible Disaster areas (08/02/23)

The following age of documentation flexibilities and Loan Product Advisor® submission requirements apply to all Mortgages secured by properties located in Eligible Disaster Areas and will remain in effect for six months from the disaster declaration date announced by the Federal Emergency Management Agency (FEMA).

The following age of documentation flexibilities and requirements apply to property valuation:

- The effective date of the appraisal report must be no more than 180 days before, as applicable, the Note Date, the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages, the modification date for Seller-Owned Modified Mortgages, the Conversion Date for Seller-Owned Converted Mortgages or any applicable assumption agreement date

- The Feedback Certificate message that offers the Seller an automated collateral evaluation (ACE) appraisal waiver, or ACE+ PDR, is valid for 180 days as long as the Seller does not make any loan data changes that invalidate the ACE appraisal waiver or ACE+ PDR. (See Section 5602.3 for additional information on maintaining ACE appraisal waiver, or Section 5602.4 for maintaining ACE+ PDR, eligibility.) If the ACE appraisal waiver or ACE+ PDR offered on the Feedback Certificate is more than 180 days old on the Note Date, the Seller must resubmit the Mortgage to Loan Product Advisor to determine if the Mortgage is still eligible for an ACE appraisal waiver or ACE+ PDR, or if an appraisal report is required.

The following age of documentation flexibilities and requirements apply to underwriting the Borrower:

- Any required credit and capacity underwriting documentation including, but not limited to, credit reports, verifications of income, employment and sources of funds, must be dated no more than 180 days before, as applicable, the Note Date, the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages, the modification date for Seller-Owned Modified Mortgages, the Conversion Date for Seller-Owned Converted Mortgages or any applicable assumption agreement date

- For Loan Product Advisor Mortgages, the Mortgage must be submitted to Loan Product Advisor no more than 180 days before and no later than the Note Date, or for Construction Conversion and Renovation Mortgages, the Effective Date of Permanent Financing

Note: Loan Product Advisor will automatically pull a new credit report for Mortgages that are submitted or resubmitted more than 120 days after the date of the credit report used in the Loan Product Advisor assessment.

The requirements for the 10-day pre-closing verification of employment in accordance with Section 5302.2 and a verification of the current existence of the self-employed Borrower's business in Section 5304.1(g) continue to apply.

Sellers may apply the special flexibilities provided for Freddie Mac Enhanced Relief Refinance® Mortgages secured by properties in areas impacted by disasters. In the event an HVE® value estimate has been systematically suspended for the Mortgaged Premises on a subsequent submission to Loan Product Advisor, Sellers may use the HVE value obtained on the original submission.

Delivery requirements

See Section 6302.44 for special delivery requirements for Mortgages utilizing the age of documentation flexibility.

4407.3: Age of documentation and Loan Product Advisor® submission requirements in Eligible Disaster areas (Future effective date 11/08/24)

The following age of documentation flexibilities and Loan Product Advisor® submission requirements apply to all Mortgages secured by properties located in Eligible Disaster Areas and will remain in effect for six months from the disaster declaration date announced by the Federal Emergency Management Agency (FEMA).

The following age of documentation flexibilities and requirements apply to property valuation:

- The effective date of the appraisal report must be no more than 180 days before, as applicable, the Note Date, the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages, the modification date for Seller-Owned Modified Mortgages, the Conversion Date for Seller-Owned Converted Mortgages or any applicable assumption agreement date

- The Feedback Certificate message that offers the Seller an automated collateral evaluation (ACE) appraisal waiver, or ACE+ PDR, is valid for 180 days as long as the Seller does not make any loan data changes that invalidate the ACE appraisal waiver or ACE+ PDR. (See Section 5602.3 for additional information on maintaining ACE appraisal waiver, or Section 5602.4 for maintaining ACE+ PDR, eligibility.) If the ACE appraisal waiver or ACE+ PDR offered on the Feedback Certificate is more than 180 days old on the Note Date, the Seller must resubmit the Mortgage to Loan Product Advisor to determine if the Mortgage is still eligible for an ACE appraisal waiver or ACE+ PDR, or if an appraisal report is required.

The following age of documentation flexibilities and requirements apply to underwriting the Borrower:

- Any required credit and capacity underwriting documentation including, but not limited to, credit reports, verifications of income, employment and sources of funds, must be dated no more than 180 days before, as applicable, the Note Date, the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages, the modification date for Seller-Owned Modified Mortgages, the Conversion Date for Seller-Owned Converted Mortgages or any applicable assumption agreement date

- For Loan Product Advisor Mortgages, the Mortgage must be submitted to Loan Product Advisor no more than 180 days before and no later than the Note Date, or for Construction Conversion and Renovation Mortgages, the Effective Date of Permanent Financing

  Note: Loan Product Advisor will automatically pull a new credit report for Mortgages that are submitted or resubmitted more than 120 days after the date of the credit report used in the Loan Product Advisor assessment.

  The requirements for the 10-day pre-closing verification of employment in accordance with Section 5302.2 and a verification of the current existence of the self-employed Borrower's business in Section 5304.1(m) continue to apply.

  Sellers may apply the special flexibilities provided for Freddie Mac Enhanced Relief Refinance® Mortgages secured by properties in areas impacted by disasters. In the event an HVE® value estimate has been systematically suspended for the Mortgaged Premises on a subsequent submission to Loan Product Advisor, Sellers may use the HVE value obtained on the original submission.

  Delivery requirements

  See Section 6302.44 for special delivery requirements for Mortgages utilizing the age of documentation flexibility.

Chapter 4408: Mortgages Made Pursuant to Employee Relocation Programs

4408.1: Eligibility of Mortgages made pursuant to employee relocation programs (05/03/23)

The provisions of this chapter apply to Mortgages made pursuant to an employee relocation program. These Mortgages must be made to a newly hired or transferred employee to finance the purchase of a 1- to 4-unit Primary Residence at a new job location pursuant to an employee relocation program that:

- Establishes the terms and conditions under which the employer relocates employees, and
- Is administered by the employer or its agent

The following Mortgages are not eligible for purchase as Mortgages made pursuant to an employee relocation program:

- Community Land Trust Mortgages
- Seller-Owned Modified Mortgages and Seller-Owned Converted Mortgages
- Mortgages with capitalized balances as described in Chapter 4403
- FHA and VA Mortgages
- Section 502 GRH Mortgages
- Section 184 Native American Mortgages

4408.2: Special occupancy requirement for Mortgages made pursuant to employee relocation programs (08/07/19)

The Mortgaged Premises will be deemed owner-occupied as of the Delivery Date if the Borrower occupies the Mortgaged Premises as a Primary Residence by no later than 90 days after the Note Date, or the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages.

4408.3: Special underwriting requirements for Mortgages made pursuant to employee relocation programs (08/07/19)

(a) Loan Product Advisor® or Manually Underwritten Mortgages

A Mortgage made pursuant to an employee relocation program may be submitted to Loan Product Advisor® or may be a Manually Underwritten Mortgage, except as otherwise stated below.

(i) Loan Product Advisor

The Borrower's credit reputation is acceptable if the Mortgage is submitted to Loan Product Advisor in accordance with Chapter 5101 and receives a Risk Class of Accept. Loan Product Advisor Mortgages that receive a Risk Class of Caution are not permitted.

(ii) Manually Underwritten Mortgages

Manually Underwritten Mortgages must meet the requirements of this chapter and Topics 5100 through 5500 including, but not limited to, the requirement that each Borrower individually, and all Borrowers collectively, have an acceptable credit reputation as described in Topics 5100 and 5200. If the Borrower does not have an established credit history in the United States, the Seller may use documentation of the alternative sources described below in Section 4408.3(d) to establish Borrower creditworthiness for a Manually Underwritten Mortgage.

(b) Pending sale of current Primary Residence

If the Borrower's current Primary Residence is pending sale and the sale will not close before the Note Date of the Mortgage (or for Construction Conversion and Renovation Mortgages, the Effective Date of Permanent Financing), the monthly payment amount for the property pending sale may be excluded from the monthly debt payment-to-income ratio if the employee relocation program terms include a buyout agreement for the purchase of the Borrower's current Primary Residence and either:

- The buyout agreement is executed by the Borrower; or
- The buyout agreement is not executed, and:
  - The Borrower has sufficient reserves, in addition to any other reserves required in the Guide, to pay the monthly payment amount for the property pending sale until the expiration date of the buyout offer as indicated in the buyout agreement; and

- ❑ The Seller obtains and retains in the Mortgage file a signed statement from the Borrower indicating his or her intention to accept the buyout agreement if the current Primary Residence is not sold prior to the expiration date of the buyout agreement

(c) Special income and asset requirements

(i) Housing allowance

A housing allowance provided as part of an employee relocation program may be considered stable monthly income and may be included in the Borrower's gross monthly income without documented evidence of the most recent 12 months' receipt, provided that all other requirements of Chapters 5301 and 5303 are met.

(ii) 10-day pre-closing verification (10-day PCV)

For Borrowers transferring to a new location with the same employer, a 10-day PCV is not required.

(iii) Borrower's revolving credit card (charges/cash advances) or unsecured line of credit

The amounts charged by a Borrower on credit cards to pay fees associated with the Mortgage application process (e.g., origination fees, commitment fees, lock-in fees, appraisal, credit report and flood certifications) or a cash advance taken by the Borrower on a revolving credit card account or an unsecured line of credit to pay such fees may be considered Borrower personal funds as described in Section 5501.3(b). If the employee relocation program provides that the employer will reimburse the Borrower for the fees that were charged or paid by the Borrower:

- ■ There is no maximum limit on the amount of fees associated with the Mortgage application process that may be charged or advanced by the Borrower, if the employee relocation agreement specifically identifies such fees as subject to reimbursement by the employer;

- ■ The Borrower is not required to have sufficient verified funds to pay these fees; and

- ■ No estimated payment based on the amount charged or advanced must be included when determining the Borrower's monthly debt payment-to-income ratio as described in Section 5401.2

(iv) Employer Assisted Homeownership (EAH) Benefit

An Employer Assisted Homeownership (EAH) Benefit may be used as a source of funds to qualify the Borrower for the Mortgage transaction if the terms of the EAH Benefit meet the requirements of Section 5501.4, except as modified below:

(A) Unsecured loan

If the monthly loan payment of principal and interest or interest only begins on or after the 24th monthly payment under the First Lien Mortgage, the amount of the monthly payment may be excluded from the monthly debt payment-to-income ratio; otherwise, the required monthly payments must be included in the monthly debt payment-to-income ratio.

(B) Secondary financing

If the monthly payment of principal and interest or interest only begins on or after the 24th monthly payment under the First Lien Mortgage, the amount of the monthly payment may be excluded from the monthly housing expense-to-income ratio; otherwise the required monthly payments must be included in the monthly housing expense-to-income ratio.

(d) Establishing Borrower credit reputation with foreign credit references

For Manually Underwritten Mortgages (see Section 4408.3(a)(ii)), when the Borrower does not have the minimum required number of payment references established in the United States as required in Section 5202.1, or when the Borrower does not have a usable Credit Score, the Seller may determine that the Borrower has established an acceptable credit reputation in a foreign country, if:

- Except as provided herein, all other requirements of Topics 5100 through 5500, including requirements applicable to Seller documentation and evaluation of credit history, are met;
- The determination is based on a minimum of three Tradelines. Noncredit Payment References established outside of the United States are not eligible; and
- The Mortgage file must contain a credit report meeting the requirements of Section 5203.1 to confirm that the Borrower does not have a sufficient number of payment references established in the United States

4408.4: Special documentation requirements for Mortgages made pursuant to employee relocation programs (08/07/19)

(a) Mortgage file documentation requirements

When a Mortgage made pursuant to an employee relocation program is originated in accordance with any provisions of this chapter, the Seller must obtain and retain the following documentation in addition to any other documentation required in the Guide and the Seller's Purchase Documents:

- Complete documentation of the employee relocation program detailing the relocation benefits, including the employer's contribution to Mortgage financing, such as Closing Costs, buydowns or other Mortgage financing costs, and payment of expenses incurred in selling the employee's former residence, if applicable, as well as documentation evidencing that the Borrower is eligible for the employee relocation program; or

- The employer's agreement with the Borrower detailing the terms of the employee relocation program and any related benefits, including the employer's contribution to Mortgage financing, such as closing costs, buydowns or other Mortgage financing costs, and payment of expenses incurred in selling the employee's former residence, if applicable

4408.5: Special pooling and delivery requirements for Mortgages made pursuant to employee relocation programs that meet the definition of a relocation Mortgage (08/07/19)

Fixed-rate Mortgages made pursuant to an employee relocation program that meet the definition of a relocation Mortgage in Section 6202.3(f)(iv) must comply with the pooling and delivery requirements in Sections 6202.3(f)(iv) and 6302.17, respectively.

There are no special delivery or pooling requirements for relocation ARMs.

Chapter 4501: Home Possible® Mortgages

4501.1: Eligible and ineligible Home Possible® Mortgages (09/04/24)

This section contains requirements related to:

- Loan purpose for Home Possible® Mortgages
- Eligible Mortgages
- Ineligible Mortgages

(a) Loan purpose for Home Possible Mortgages

A Home Possible Mortgage must be either a purchase transaction or "no cash-out" refinance.

(b) Eligible Mortgages

Home Possible Mortgages eligible for sale to Freddie Mac must be First Lien Mortgages that are fully amortizing and must be one of the following conventional Mortgage Products:

- Fixed-rate Mortgages
- 7/6-Month or 10/6-Month ARMs
- 5/6-Month ARMs if secured by a property other than a Manufactured Home

Home Possible Mortgages, other than Mortgages secured by Manufactured Homes, must have an original maturity date not greater than 30 years.

Home Possible Mortgages secured by Manufactured Homes must have a maximum original maturity not greater than that specified in Section 5703.9(a).

(c) Ineligible Mortgages

Mortgages with the following characteristics are not eligible for sale to Freddie Mac as Home Possible Mortgages:

- Financed Permanent Buydown Mortgages
- Seller-Owned Converted Mortgages
- Mortgages with capitalized balances as described in Chapter 4403

- FHA and VA Mortgages
- Section 502 GRH Mortgages
- Section 184 Native American Mortgages
- Freddie Mac Enhanced Relief Refinance® Mortgages
- HomeOne® Mortgages
- Refi Possible® Mortgages
- HeritageOne℠ Mortgages

4501.2: Temporary subsidy buydown plans for Home Possible® Mortgages (09/04/24)

Temporary subsidy buydown plans allow the Borrower to benefit from temporary subsidies of the monthly payment of principal and interest.

Temporary subsidy buydown plans as described in Section 4204.4 are permitted for Home Possible® Mortgages secured by 1- to 2-unit properties, other than Manufactured Homes.

If a Home Possible Mortgage with a temporary subsidy buydown plan is subject to secondary financing, the secondary financing must have a fixed-interest rate. This includes an Affordable Second® that requires repayment to begin before the Due Date of the 61st monthly payment under the Home Possible Mortgage.

4501.3: Eligible property and appraisal requirements for Home Possible® Mortgages (09/04/24)

This section contains requirements related to:

- Eligible property
- Appraisal requirements

(a) Eligible property

A Home Possible® Mortgage must be secured by a 1- to 4-unit Primary Residence.

Home Possible Mortgages secured by Manufactured Homes must comply with all requirements of Chapter 5703 and this chapter.

Mortgages secured by a CHOICEHome® Manufactured Home must comply with the requirements of Section 5703.16 and this chapter.

Home Possible Mortgages may be secured by a Cooperative Unit if permitted under the Seller's Purchase Documents and must comply with the requirements of Chapter 5705.

(b) Appraisal requirements

The Seller must obtain an appraisal that meets the property eligibility and appraisal requirements of Topic 5600 unless the Last Feedback Certificate includes an automated collateral evaluation (ACE) offer stating that the Mortgage is eligible for collateral representation and warranty relief with an ACE appraisal waiver or ACE+ PDR and the Seller has accepted the offer.

Note: See Section 5602.3 for more information on ACE appraisal waivers or Section 5602.4 for ACE+ PDR.

4501.4: Eligible Borrowers for Home Possible® Mortgages (09/04/24)

This section contains requirements related to:

- Income limits
- Occupancy
- Ownership of other property

(a) Income limits

The Borrower's qualifying income, converted to an annual basis, must not exceed 80% of the Area Median Income for the location of the Mortgaged Premises.

To determine whether the Borrower's income exceeds the income limits, the Seller must rely on the income used to qualify the Borrower.

- For **Loan Product Advisor® Mortgages**, Loan Product Advisor will determine the income eligibility of the Mortgage

- For Non-Loan Product Advisor Mortgages, the Seller must use the **Home Possible® Income & Property Eligibility tool**. The Seller may not use other published Area Median Income versions (such as those posted on **https://www.huduser.gov/portal/home.html**) to determine Mortgage or product eligibility.

(b) Occupancy

(i) Occupancy requirement

At least one Borrower must occupy the property secured by a Home Possible Mortgage as their Primary Residence.

(ii) Requirements for Mortgages with non-occupying Borrowers

Non-occupying Borrowers are permitted, provided that:

- The Mortgage is secured by a 1-unit property
- The loan-to-value (LTV), total LTV (TLTV), and Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios must not exceed:
  - 95% for Loan Product Advisor Accept Mortgages, except that for fixed-rate Mortgages with Affordable Seconds®, the TLTV ratio must not exceed 105%
  - 90% for Manually Underwritten Mortgages, except that for fixed-rate Mortgages with Affordable Seconds, the TLTV ratio must not exceed 105%
- For Manually Underwritten Mortgages, the occupant Borrower's:
  - Monthly housing expense-to-income ratio should not exceed 35% of the occupant Borrower's stable monthly income; and
  - Monthly debt payment-to-income (DTI) ratio must not exceed 43% of the occupant Borrower's stable monthly income

Note: Funds used to qualify for the Mortgage may come from the occupying and/or the non-occupying Borrower.

(c) Ownership of other property

The occupying Borrower(s) must not have an ownership interest in more than two financed residential properties, including the subject property, as of the Note Date, or the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages.

4501.5: Underwriting requirements for Home Possible® Mortgages (09/04/24)

This section contains requirements related to:

- Loan Product Advisor®
- Manually Underwritten Mortgages

A Home Possible® Mortgage may be submitted to Loan Product Advisor or may be a Manually Underwritten Mortgage, except as otherwise stated below.

(a) Loan Product Advisor

The Borrower's credit reputation is acceptable if the Mortgage is submitted to Loan Product Advisor in accordance with Chapter 5101 and receives a Risk Class of Accept.

A Home Possible Mortgage that is a **super conforming Mortgage** must be submitted to Loan Product Advisor and receive a Risk Class of Accept.

(b) Manually Underwritten Mortgages

Manually Underwritten Mortgages must meet the requirements of this chapter and Topics 5100 through 5500

Each Borrower individually, and all Borrowers collectively, must have an acceptable credit reputation as described in Topics 5100 and 5200.

An individual Borrower with **insufficient credit history** for whom the Seller cannot document a credit reputation because the Borrower does not have sufficient credit history, is considered to have an acceptable credit reputation provided that:

- The Borrower has no evidence of any derogatory credit, such as a lien, judgment or collection, paid or unpaid, reflected on the credit report or elsewhere in the Mortgage file, and
- At least one other Borrower whose income and assets are used for qualification has an acceptable credit reputation as described in Topics 5100 and 5200

For Manually Underwritten Mortgages, the **minimum Indicator Scores** are:

Property/Mortgage type	Minimum Indicator Score
1-unit fixed-rate Mortgages that are purchase transactions	660
■ 1-unit ARMs ■ 1-unit Mortgages that are "no cash-out" refinance transactions	680
2- to 4-unit properties	700
Manufactured Homes	680

Exception: When **none of the Borrowers has a usable Credit Score,** a minimum Indicator Score is not required if:

- The requirements of Chapter 5202 are met;
- The LTV, TLTV and HTLTV ratios are less than or equal to 95%;
- The Mortgage is not secured by a Manufactured Home; and
- Each Borrower's credit history for the most recent 24 months shows:
  - No unpaid judgments, tax liens or collections
  - No payments 60 days or more past due
  - No more than two payments 30 days past due
  - No housing payments past due

4501.6: Borrower income and qualifying ratios for Home Possible® Mortgages (09/04/24)

This section contains requirements related to:

- Rental income from 1-unit Primary Residence
- Contribution to total qualifying income from Borrowers with insufficient credit history

- Qualifying ratios

Home Possible® Mortgages must comply with the requirements of Topics 5300 and 5400 and the requirements of this section. In the event of a conflict, the Seller must comply with the requirements of this section.

(a) Rental income from 1-unit Primary Residence

Rental income from a 1-unit Primary Residence may be considered stable monthly income (as defined in Section 5301.1) provided it meets the rental income overview requirements in Section 5306.1 AND:

- Section 5306.2 for rental income from a live-in aide, OR
- Section 5306.3 for rental income generated from an ADU OR
- The following requirements:
  - The person providing the rental income:
    - Must not be obligated on the Mortgage and must not have an ownership interest in the Mortgaged Premises
    - Must have resided with the Borrower for at least one year
    - Will continue residing with the Borrower in the new residence
    - Must provide appropriate documentation to evidence residency with the Borrower (e.g., driver's license, bill, bank statement, etc., showing their address matches the Borrower's address)
    - Cannot be the Borrower's spouse or domestic partner
  - Rental income from the person residing in the Mortgaged Premises:
    - Must have been paid to the Borrower for the past 12 months
    - Can be verified through evidence showing receipt of regular payments of rental income to the Borrower for at least nine of the past 12 months (e.g., copies of canceled checks)
    - Must be averaged over 12 months for qualifying purposes if fewer than 12 months of payments are documented
    - Cannot exceed 30% of total income used to qualify for the Mortgage

- The Mortgage file must contain a written statement in the form of a signed letter or e-mail directly from the Borrower affirming:
  - The source of the rental income
  - The fact that the person providing the rental income has resided with the Borrower for the past year and intends to continue residing with the Borrower in the new residence for the foreseeable future

(b) Contribution to total qualifying income from Borrowers with insufficient credit history

For Manually Underwritten Mortgages, the Seller may consider as qualifying income, the income contributed by a Borrower with insufficient credit history, as described in Section 4501.5(b), provided the amount contributed by the Borrower with insufficient credit history is not more than 30% of the total qualifying income.

(c) Qualifying ratios

There is no maximum monthly housing expense-to-income ratio.

Debt payment-to-income ratios must not exceed the following limits:

Underwriting path	Home Possible Mortgages
Loan Product Advisor Mortgages	Determined by Loan Product Advisor
Manually Underwritten Mortgages	45%

4501.7: Loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios, Borrower contribution, reserves, sources of funds for Home Possible® Mortgages (09/04/24)

This section contains requirements related to:

- Loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios, Borrower contribution
- Reserves
- Sources of funds

(a) LTV/ TLTV/HTLTV ratios, Borrower contribution

(i) LTV/TLTV/HTLTV ratios

The following requirements apply to purchase and "no cash-out" refinance transactions:

Property type	Maximum LTV/TLTV/HTLTV ratios for Mortgages other than super conforming Mortgages	Maximum LTV/TLTV/HTLTV ratios for super conforming Mortgages
Fixed-Rate Mortgages		
1-unit	97%*	95%*
2-unit	95%*	85%
3- and 4-unit	95%*	80%
ARMs		
1-unit	95%*	95%
2-unit	95%*	85%
3- and 4-unit	75%*	75%
Manufactured Home	See Chapter 5703	N/A

*A TLTV ratio up to 105% is permitted when secondary financing is an Affordable Second.

Note: See Section 4501.1(b) for additional information for Home Possible Mortgages that are ARMs, and for Affordable Seconds, see Section 4204.2.

(ii) Other Guide provisions related to LTV/TLTV/HTLTV ratios for Home Possible Mortgages

Topic	Guide section
Maximum LTV/TLTV/HTLTV ratio requirements for Mortgages secured by a unit in a Condominium Project with a streamlined project review	Section 5701.4

Home Possible Mortgages with RHS Leveraged Seconds	Section 4205.2
Value requirements applicable to Community Land Trust Mortgages	Section 4502.7(b)
Home Possible Mortgages with non-occupying Borrowers	Section 4501.4
Texas Equity Section 50(a)(6) Mortgages	Section 4301.7
Value determination requirements applicable to CHOICERenovation® Mortgages	Section 4607.4(d)
Maximum LTV/TLTV/HTLTV ratio requirements for and value calculation requirements for CHOICEHome® Mortgages	Section 5703.16

(iii)Borrower contribution requirements

For purchase transactions, the following requirements apply to the minimum contribution from Borrowers personal funds, as described in Section 4501.7(c)(i):

Minimum contribution			
Property Type	**Home Possible Mortgages with LTV, TLTV and HTLTV ratios ≤ 80%**	**Home Possible Mortgages with LTV, TLTV or HTLTV ratios > 80% and ≤ 95%**	**Home Possible Mortgages with LTV, TLTV or HTLTV ratios > 95%**
1-unit	None	None	None
Manufactured Home	None	None	N/A
2- to 4-unit	None	3% of value	3% of value

(b) Reserves

For Loan Product Advisor® Mortgages, the Seller must verify all reserves required by Loan Product Advisor, as stated on the Feedback Certificate.

For **Manually Underwritten Mortgages**, the Borrower must have the following minimum reserves, using the monthly payment amount as described in Section 5501.2 and must meet the asset eligibility and documentation requirements in Section 5501.3:

- 1-unit: None required
- 2- to 4-unit: Two months

(c) Sources of funds

The following sources of funds are permitted and must meet the requirements in Sections 4501.7(c)(i) and (ii) below:

Use	Permitted sources of funds
Minimum Borrower contribution	Borrower personal funds
Down Payment	■ Borrower personal funds ■ Other eligible sources of funds
Paying down the principal balance of the Mortgage being refinanced for a "no cash-out" refinance transaction	■ Borrower personal funds ■ Other eligible sources of funds
Closing Costs	■ Borrower personal funds ■ Other eligible sources of funds ■ Flexible sources of funds
Reserves	■ Borrower personal funds ■ Other eligible sources of funds

(i) Borrower personal funds

For Home Possible Mortgages, Borrower personal funds include:

1. **Borrower personal funds** as described in Section 5501.3(b)
2. **Cash on hand**

   The following requirements must be met:

- The Seller reasonably concludes and supports that the Borrower is a cash-basis individual

- The cash on hand is not borrowed and could be saved by the Borrower

The Mortgage file must contain the following documentation supporting the Seller's conclusion:

Documentation required to support the Seller's conclusion	
Topic	**Documentation**
Positive residual income	■ Documentation confirming positive monthly residual income available for savings ■ Use of Exhibit 23, Monthly Budget and Residual Analysis Form, is optional; however, it reflects information that may be necessary to confirm positive residual income
Recurring obligations customarily paid in cash	Copies of six months' cash receipts (e.g., rent or utility receipts) or other alternative documentation (e.g., direct verifications or wire transfers) meeting the requirements of Section 5202.2(b), to verify that recurring obligations, including revolving and installment debt, are customarily paid in cash
Credit report	■ A credit report obtained at loan application meeting the requirements of Section 5203.1, showing no more than three Tradelines, and ■ An updated credit report obtained approximately one week before closing, showing no new accounts or no substantial increase in existing accounts that approximates, or exceeds, the amount of cash on hand provided by the Borrower
Revolving accounts	Copies of three months' statements for any open revolving account showing cash advances are not the source of Borrower funds. Any cash advances must be explained and documented (i.e., a cash advance used in an emergency situation).
Funds used to qualify the Borrower	Evidence that all funds used to qualify the Borrower for the Mortgage transaction are deposited in a financial institution or are held in an institutional escrow account before closing

The Mortgage file must have no indication that the Borrower typically uses checking, savings or similar accounts.

(ii) Other eligible sources of funds

For Home Possible Mortgages, other eligible sources of funds used to qualify the Borrower include:

1. **Other eligible sources of funds** as described in Section 5501.3(c)

2. **Gift or grant from the Seller** as the originating lender, provided that a contribution of at least 3% of value (as described in Section 4203.1) must come from Borrower personal funds and/or other eligible sources of funds.

   The gift or grant must not be funded through the Mortgage transaction, including differential pricing in rate, discount points, or fees for individual loans or across the Home Possible Mortgage offering.

3. For a purchase transaction, **unsecured loan proceeds**

   Unsecured loan proceeds must be from one of the following sources:

   - A Related Person
   - A Community Savings System (funds exceeding the Borrower's contribution to the Community Savings System)
   - Except as stated in item 6 below, an Agency that is not:
     - The Seller or participated in any aspect of the Mortgage origination process
     - Affiliated with, under contract to, or financed (directly or indirectly) by the Seller or any party that participated in the Mortgage origination process.

       For these purposes, "affiliated with" means that the Agency and the Seller or other party are related to each other as a consequence of one entity directly or indirectly controlling the other party, being controlled by the other party or being under common control with that party.

   An unsecured loan must meet the following requirements:

   - Must not contain provisions that allow or could result in negative amortization
   - Must have a maturity date that:
     - Does not exceed the maturity date of the Mortgage

- ❑ Is at least five years after the Note Date of the Mortgage, unless the unsecured loan is fully amortizing

- ■ Must have an interest rate that is no greater than the Note Rate on the Mortgage

- ■ Must not be a cash advance from a credit card or unsecured line of credit

- ■ Must have its source, terms and conditions documented on the Form 65, Uniform Residential Loan Application

If the monthly payment begins on or after the 61st monthly payment under the First Lien Mortgage or if repayment of the loan is due only upon sale or default, the monthly payment amount may be excluded from the monthly debt payment-to-income ratio; otherwise, the required monthly payments must be included in calculating the monthly debt payment-to-income ratio.

4. **Sweat equity for Home Possible Mortgages**

Sweat equity is credit for labor performed on the Mortgaged Premises and/or materials furnished for the Mortgaged Premises by the Borrower. This credit must be fully explained and documented.

Any labor performed must be completed in a skillful and workmanlike manner to support the appraised value. A certification of completion (Form 442) must be obtained verifying the work has been completed.

(A) Eligible repairs and improvements

Sweat equity is an eligible source of funds in connection with the following repairs and improvements:

- ■ Repairs and improvements to be completed by the Borrower listed in the sales contract and included in the appraisal report

- ■ Repairs or improvements reflected on the appraisal report that are outstanding at the time of the appraisal (no credit for work completed prior to the original property inspection by the appraiser)

(B) Determining the value of the sweat equity

The value of the sweat equity that may be used as an eligible source of funds equals the value of the labor performed plus the value of the materials furnished, documented as follows:

- Labor: Value must be estimated by the appraiser or a cost estimating service, and documented in the appraisal report or separately in the Mortgage file; and

- Materials: Value must be estimated by the appraiser or a cost estimating service, or calculated using receipts from the purchase of materials. Estimates or costs as evidenced by receipts must be documented in the Mortgage file.

(C) Maximum LTV and TLTV ratios

For Home Possible Mortgages that use sweat equity as an eligible source of funds, the maximum LTV/TLTV ratios in Section 4501.7(a)(i) apply.

(D) No cash out at closing

If sweat equity is used as an eligible source of funds, the Borrower must not receive cash back at closing. Excess funds must result in a reduction of the principal balance on the Mortgage.

(E) Sweat equity as a Down Payment

When sweat equity is used as a source of funds for Down Payment, the full amount of the Borrower's Down Payment can be in the form of sweat equity or a combination of sweat equity and Borrower personal funds as described in Sections 4501.7(c)(i) and 4501.7(c)(ii).

(F) Affordable Seconds

Sweat equity can be combined with an Affordable Second.

(G) Special delivery requirements

See Section 6302.14 for special delivery requirements for Home Possible Mortgages originated with sweat equity as a credit towards the Down Payment and/or Closing Costs.

5. **Proceeds from an Affordable Second or other secondary financing**

When the TLTV ratio exceeds 97%, the secondary financing must be an Affordable Second.

6. **Funds provided by an Agency** that is affiliated with, under contract to or financed (directly or indirectly) by the Seller as the originating lender, when:

- The source of funds is an eligible source meeting all applicable Guide requirements (for example, a gift or grant from an Agency must meet the requirements in Section 5501.3(c));

- A contribution of at least 3% of value (as described in Section 4203.1) is made from Borrower personal funds and/or other eligible sources of funds as described in this section; and

- The source of funds is not funded through the Mortgage transaction (including differential pricing in rate, discount points, or fees for individual loans or across the Home Possible Mortgage offering)

(iii)Flexible sources of funds

For Home Possible Mortgages, flexible sources of funds include:

1. **Financing concessions**: As described in Section 5501.5(b) meeting the applicable interested party contribution requirements of Section 5501.5

2. **Lender credit**: As described in Section 5501.6 and as documented on the Settlement/Disclosure Statement

3. **Unsecured loan proceeds from the Seller as the originating lender** meeting the following requirements:

   - Must not contain provisions that allow or could result in negative amortization

   - Must have a maturity date that:

     - Does not exceed the maturity date of the Mortgage

     - Is at least five years after the Note Date of the Mortgage, unless the unsecured loan is fully amortizing

   - Must have an interest rate that is no greater than the Note Rate on the Mortgage

   - Must not be a cash advance from a credit card or unsecured line of credit

   - Must have its source, terms and conditions documented on Form 65

   If the monthly payments begin on or after the 61st monthly payment under the First Lien Mortgage or if repayment of the loan is due only upon sale or default, the monthly payment amount may be excluded from the monthly debt payment-to-income ratio. Otherwise, the required monthly payments must be included in calculating the monthly debt payment-to-income ratio.

4501.8: Mortgage insurance for Home Possible® Mortgages (09/04/24)

The required coverage levels for mortgage insurance for Home Possible® Mortgages are stated in Section 4701.1.

Lender-paid and financed mortgage insurance premiums described in Section 4701.2 are permitted. See Section 4701.1 for mortgage insurance options available for Mortgages secured by Manufactured Homes.

4501.9: Homeownership education and landlord education for Home Possible® Mortgages (09/04/24)

This section contains requirements related to:

- Homeownership education
- Landlord education (2- to 4-unit Primary Residences)
- Post-purchase and Early Delinquency Counseling

(a) Homeownership education

At least one occupying Borrower must participate in a homeownership education program before the Note Date, or the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages, in each of the following instances:

- For purchase transactions when all occupying Borrowers are First-Time Homebuyers, or
- For any transaction when the credit reputation for all Borrowers is established using only Noncredit Payment References

Note: The following are acceptable homeownership education programs:

- Programs provided by HUD-approved counseling agencies, housing finance agencies, community development financial institutions or mortgage insurance companies
- Freddie Mac's free homeownership education course, **CreditSmart® Homebuyer U**
- Programs that meet the National Industry Standards for Homeownership Education and Counseling

Refer to Section 5103.6 for other requirements related to homeownership education.

(b) Landlord education (2- to 4-unit Primary Residences)

- For **purchase transactions**, at least one qualifying Borrower must participate in a landlord education program before the Note Date, or the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages. Landlord education must not be provided by an interested party to the transaction, the originating lender or the Seller.

  A copy of a certificate evidencing successful completion of the landlord education program must be retained in the Mortgage file.

Note: For refinance transactions, landlord education is not required but is recommended for Borrowers who have not previously attended a program.

(c) Post-purchase and Early Delinquency Counseling

The Seller, as Servicer, must provide (at no cost to the Borrower) Early Delinquency Counseling to all Borrowers who experience problems meeting their Mortgage obligations, in accordance with Sections 9101.2(c) and 9102.4(c).

Chapter 4502: Affordable Housing Preservation: Shared Equity Programs – Community Land Trusts

4502.1: Overview (04/07/21)

Under the Community Land Trust model, the Community Land Trust owns land and leases it under a long-term ground lease to a homebuyer who purchases the structure on the land.

Freddie Mac will purchase Community Land Trust Mortgages that meet the requirements of this chapter and the Guide. The requirements include use of a specified form of ground lease ("Community Land Trust Ground Lease") and Form 490, Community Land Trust Ground Lease Rider, each as further specified in Section 4502.10.

Unless specifically made applicable to Community Land Trust Mortgages, negotiated underwriting provisions stated in the Purchase Documents do not apply to these Mortgages. In addition, unless specifically permitted, the special negotiated Mortgage products or offerings described in the Purchase Documents may not be used with Community Land Trust Mortgages.

4502.2: Eligible Borrowers for Community Land Trust Mortgages (11/05/18)

Based on its focus on affordability, the Community Land Trust typically has Borrower eligibility requirements in addition to restrictions on the resale of the property improvements. Eligible Borrowers must meet the program requirements established by the Community Land Trust.

Completion, execution and recordation of the Community Land Trust Ground Lease serves as confirmation that the Borrower has met the eligibility requirements set forth by the Community Land Trust.

4502.3: Eligible and ineligible Community Land Trust Mortgages (10/02/23)

(a) Eligible Mortgages

Community Land Trust Mortgages eligible for purchase include:

- First Lien conventional fixed-rate Mortgages
- Condominium Unit Mortgages secured by a Detached Condominium Unit
- Condominium Unit Mortgages not secured by a Detached Condominium Unit, with prior written approval

(b) Ineligible Mortgages

Mortgages with the following characteristics are not eligible for purchase as Community Land Trust Mortgages:

- Financed Permanent Buydown Mortgages
- Seller-Owned Modified Mortgages and Seller-Owned Converted Mortgages
- Mortgages with capitalized balances as described in Chapter 4403
- Construction Conversion and Renovation Mortgage
- FHA and VA Mortgages
- Section 502 GRH Mortgages
- Section 184 Native American Mortgages
- Freddie Mac Enhanced Relief Refinance® Mortgages
- Cooperative Share Loans
- HeritageOne® Mortgages

4502.4: Loan purpose for Community Land Trust Mortgages (11/05/18)

A Community Land Trust Mortgage may be a purchase, “no cash-out” or cash-out refinance Mortgage.

In addition to the requirements of Chapter 4301 relating to refinance Mortgages, any refinance transaction must comply with the applicable requirements of the Community Land Trust including, but not limited to, the amount of the refinance Mortgage, and in the case of a cash-out refinance Mortgage, the amount of proceeds disbursed to the Borrower. The Seller must obtain and retain in the Mortgage file documentation signed by the Community Land Trust or its authorized representative permitting the Borrower to enter into a refinance transaction.

4502.5: Eligible property and occupancy types for Community Land Trust Mortgages (02/07/24)

A Community Land Trust Mortgage must be secured by a 1- or 2-unit Primary Residence that is not a Manufactured Home except that a Community Land Trust Mortgage secured by a 1-unit Primary Residence may be a CHOICEHome®. (For requirements for CHOICEHome Mortgages, see Section 5703.16.)

4502.6: Underwriting requirements for Community Land Trust Mortgages (03/28/22)

A Community Land Trust Mortgage may be submitted to Loan Product Advisor® or may be a Manually Underwritten Mortgage.

Note: For Community Land Trust Mortgages, minimum Down Payment requirements are based on the purchase price.

4502.7: Maximum LTV/TLTV/HTLTV ratios and value for Community Land Trust Mortgages (04/07/21)

(a) Maximum LTV/TLTV/HTLTV ratios

The loan-to-value (LTV), total LTV (TLTV) and Home Equity Line of Credit (HELOC) LTV (HTLTV) ratios are based upon the appraised value of the leasehold interest, without the resale and other restrictions included in the Community Land Trust Ground Lease. See Section 4203.4 for maximum LTV/ TLTV/ HTLTV ratios for purchase and "no cash-out" refinance Mortgages.

The maximum LTV/TLTV/HTLTV ratio for cash-out refinance Mortgages is 65%.

(b) Value

For both purchase and refinance transactions, "value" is the appraised value of the Mortgaged Premises on the Note Date. The appraised value must be determined in accordance with Section 4502.8.

The LTV ratio is obtained by dividing the First Lien Mortgage amount by the appraised value as illustrated below:

Example of calculating LTV ratio	
Appraised value	$300,000
Purchase price	$225,000
Subsidy amount	$75,000
First Lien Mortgage amount	$225,000
LTV ratio	75%
Minimum required Borrower contribution for Down Payment*	$0

*Minimum required Borrower contribution for Down Payment is determined by the product selected for Mortgages with an LTV of greater than 80%. See Section 5501.3(b)(i).

The purchase price excludes the subsidy amount that was provided to acquire the property. For this reason, the purchase price may not be a reliable indicator of appraised value since it reflects the subsidy amount.

The LTV ratio is obtained by dividing the First Lien Mortgage amount by the "value" as described above.

4502.8: Appraisal requirements for Community Land Trust Mortgages (09/02/20)

In addition to the other Guide requirements related to appraisals, an appraisal for each Community Land Trust Mortgage must meet the requirements in this section.

Freddie Mac requires the appraiser to develop the opinion of value for the leasehold interest based on the hypothetical condition that the property rights being appraised are the leasehold interest without the resale and other restrictions included in the Community Land Trust Ground Lease, which are removed by Form 490, Community Land Trust Ground Lease Rider, upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure.

Appraisal requirements include:

- The Seller must ensure that the appraiser is knowledgeable and experienced in appraising a property subject to a leasehold estate held by a Community Land Trust

- The appraiser must analyze the property subject to the Community Land Trust Ground Lease

- The appraiser must describe the terms and restrictions of the Community Land Trust Ground Lease and Form 490

- The appraised value of the property must be well supported and correctly developed by the appraiser

- The appraiser must develop the opinion of value for the leasehold interest based on the hypothetical condition that the property rights being appraised are the leasehold interest without the resale and other restrictions included in the Community Land Trust Ground Lease, which are removed by Form 490 upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure

- On the appraisal report form, the appraiser must:

  - Indicate "leasehold" as the property rights appraised

  - Report the applicable ground rent paid to the Community Land Trust

- For a property subject to a leasehold interest created by a Community Land Trust, the appraiser should use sales of similar properties that are subject to other types of leasehold interests as comparable sales. If this is not possible, the appraiser may use sales of properties that are owned in fee simple. The appraiser should make appropriate adjustments to reflect the differences in market value for the properties subject to the other types of leasehold interests based on the terms of leases and the properties that are owned in fee simple.

- When the community or neighborhood has sales activity for other leasehold interests created by a Community Land Trust, the appraiser should analyze and report them in the appraisal report, but not use them as comparable sales if their sales prices were impacted or limited by restrictions in the ground lease

- Because Freddie Mac's appraisal report forms do not include space to provide all the details required for appraising a property subject to a leasehold interest held by a Community Land Trust, the appraiser must attach an addendum to the appraisal report to provide any information that cannot otherwise be presented on the appraisal report form. The appraiser must check the box "as is" and include in the addendum an expanded discussion of the comparable sales used and considered. The addendum must also include the following statement:

  > "This appraisal is made based on the hypothetical condition that the property rights being appraised are the leasehold interest without resale and other restrictions that are removed by Form 490 upon foreclosure."

4502.8: Appraisal requirements for Community Land Trust Mortgages (Future effective date 02/04/25)

In addition to the other Guide requirements related to appraisals, an appraisal for each Community Land Trust Mortgage must meet the requirements in this section.

Freddie Mac requires the appraiser to develop the opinion of value for the leasehold interest based on the hypothetical condition that the property rights being appraised are the leasehold interest without the resale and other restrictions included in the Community Land Trust Ground Lease, which are removed by Form 490, Community Land Trust Ground Lease Rider, upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure.

Appraisal requirements include:

- The Seller must ensure that the appraiser is knowledgeable and experienced in appraising a property subject to a leasehold estate held by a Community Land Trust
- The appraiser must analyze the property subject to the Community Land Trust Ground Lease
- The appraiser must describe the terms and restrictions of the Community Land Trust Ground Lease and Form 490
- The appraised value of the property must be well supported and correctly developed by the appraiser
- The appraiser must develop the opinion of value for the leasehold interest based on the hypothetical condition that the property rights being appraised are the leasehold interest without the resale and other restrictions included in the Community Land Trust Ground Lease, which are removed by Form 490 upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure
- On the appraisal report form, the appraiser must:
  - Indicate “leasehold” as the property rights appraised
  - Report the applicable ground rent paid to the Community Land Trust
- For a property subject to a leasehold interest created by a Community Land Trust, the appraiser should use sales of similar properties that are subject to other types of leasehold interests as comparable sales. If this is not possible, the appraiser may use sales of properties that are owned in fee simple. The appraiser should make appropriate adjustments to reflect the differences in market value for the properties subject to the other types of leasehold interests based on the terms of leases and the properties that are owned in fee simple.
- When the Market Area has sales activity for other leasehold interests created by a Community Land Trust, the appraiser should analyze and report them in the appraisal report,

but not use them as comparable sales if their sales prices were impacted or limited by restrictions in the ground lease

- Because Freddie Mac's appraisal report forms do not include space to provide all the details required for appraising a property subject to a leasehold interest held by a Community Land Trust, the appraiser must attach an addendum to the appraisal report to provide any information that cannot otherwise be presented on the appraisal report form. The appraiser must check the box "as is" and include in the addendum an expanded discussion of the comparable sales used and considered. The addendum must also include the following statement:

  "This appraisal is made based on the hypothetical condition that the property rights being appraised are the leasehold interest without resale and other restrictions that are removed by Form 490 upon foreclosure."

4502.9: Community Land Trust eligibility requirements (04/07/21)

Effective April 7, 2021, Section 4502.9 is deleted.

4502.10: Requirements for Community Land Trust Ground Lease and Ground Lease Rider (06/05/24)

(a) Community Land Trust Ground Lease

(i) Ground lease requirements

The Seller must review the Community Land Trust's ground lease and determine whether it is based on the National Community Land Trust Network (NCLTN) 2011 Community Land Trust Network Model Ground Lease or the Institute for Community Economics (ICE) Model Ground Lease.

If the Community Land Trust is included in Fannie Mae's Certified Shared Equity Program list, which is available at **https://singlefamily.fanniemae.com/originating-underwriting/mortgage-products/shared-equity-programs**, and on the "Shared Eq – Model Forms" tab, the Seller may sell such Community Land Trust Mortgages to Freddie Mac without review of the additional ground lease requirement in Section 4502.10(a)(ii).

For each Community Land Trust Mortgage sold to Freddie Mac, the Seller represents and warrants that the Community Land Trust Ground Lease is valid, enforceable and in full force and effect.

(ii) Additional ground lease requirements

In addition, the Community Land Trust Ground Lease must:

- Have a term of at least 30 years
- Include a resale formula that limits the homeowner's proceeds at resale. The restrictions must be binding on current and subsequent property owners, and remain in effect (i.e., survive) until they are formally removed or modified, or terminate automatically in accordance with their terms, such as at a foreclosure sale or upon recordation of a deed-in-lieu of foreclosure
- Provide the Community Land Trust or its assignee the right to a preemptive option to purchase the home from the homeowner at resale ("the right of first refusal")
- State that the Community Land Trust must review and approve any refinances and home equity lines of credit

(iii)Freddie Mac prior written approval

If the Community Land Trust's ground lease is not based on either of the two model ground leases or is not included in Fannie Mae's Certified Shared Equity Program list, Freddie Mac's prior written approval is required. The resale restrictions in the Community Land Trust Ground Lease can be imposed by State or local governments, municipalities, instrumentalities or nonprofit entities to create and preserve affordable housing (including entities administering governmental sponsored subsidy programs).

With prior written approval from Freddie Mac, Community Land Trusts certified under a Freddie Mac-approved certification program may be exempt from Seller review of the Community Land Trust's ground lease, and Sellers will be relieved from enforcement of representations and warranties that the Community Land Trust Ground Lease is valid, enforceable and in full force and effect. The Seller must obtain Freddie Mac's written approval before selling Mortgages without review of the Community Land Trust's ground lease by contacting its Freddie Mac representative or the Customer Support Contact Center at 800-FREDDIE.

(b) Leasehold estate eligibility requirements

The leasehold estate created by the Community Land Trust Ground Lease must constitute real property under applicable law.

(c) Community Land Trust Ground Lease Rider

Freddie Mac has developed Form 490, Community Land Trust Ground Lease Rider, that must be completed, executed and recorded in the land records, together with the Community Land Trust Ground Lease.

(d) Mortgage file requirements

The Mortgage file must contain an original executed or certified copy of the Community Land Trust Ground Lease and the Form 490 containing the recordation information.

If the Community Land Trust is included in Fannie Mae's Certified Shared Equity Program list, the Seller must include in the Mortgage file evidence that the Community Land Trust is included in Fannie Mae's List as of the Note Date.

4502.11: Security Instruments for Community Land Trust Mortgages (02/01/23)

The Uniform Security Instrument must describe the Mortgaged Premises as a leasehold interest created by a recorded ground lease in the property described in the legal description. In addition, the Seller must comply with Exhibit 5A, Authorized Changes to Notes, Riders, Security Instruments and the Uniform Residential Loan Application, Section IV, for Leasehold Estates.

4502.12: Title insurance requirements for Community Land Trust Mortgages (12/06/23)

Community Land Trust Mortgages must be insured by a title insurance policy or a policy and endorsements that meet the requirements of Chapter 4702. The title insurance policy or an endorsement to the policy must insure the following:

- The Community Land Trust Ground Lease or ground lease memorandum was recorded
- Form 490, Community Land Trust Ground Lease Rider, was recorded
- The Community Land Trust Mortgage is a First Lien on the leasehold estate and the improvements
- There are no existing mortgages, loans or other liens on the fee estate, except as may be permitted under Form 490
- The Community Land Trust Ground Lease reversionary interest is subordinate to the Community Land Trust Mortgage; and
- There are no related Community Land Trust Ground Lease occupancy and resale restrictions, covenants, or agreements that are valid, existing, or effective as of the date of the policy except as may be permitted under Form 490

4502.13: Other requirements for Community Land Trust Mortgages (02/10/21)

(a) Special Servicing requirements

See Chapter 8701 for special Servicing requirements for Community Land Trust Mortgages.

(b) Delivery requirements

See Section 6302.42 for special delivery requirements for Community Land Trust Mortgages.

(c) Mortgage file requirements

See Section 3401.29 for special Mortgage file requirements for Community Land Trust Mortgages.

4502.14: Landlord education (11/02/22)

For Mortgages secured by a 2-unit property, at least one qualifying Borrower must meet one of the following requirements:

- Participate in a landlord education program before the Note Date, or
- Have at least one year of previous landlord experience

Landlord education cannot be provided by the originating lender, the Seller or any other interested party to the transaction.

The Seller must retain in the Mortgage file a copy of the certificate evidencing successful completion of the landlord education program.

Chapter 4503: Affordable Housing Preservation: Shared Equity Programs – Resale Restrictions

4503.1: Shared Equity Programs – Resale Restrictions (11/05/18)

Freddie Mac will purchase Mortgages secured by properties subject to resale restrictions including, but not limited to, income-based restrictions and age-based restrictions (such as senior housing or units restricted to one or more occupants age 55 and over). The resale restrictions may be imposed to create and preserve affordable housing by limiting the occupancy and resale of the property to individuals or households of very-low, low- or moderate-incomes. See Chapter 4406 for purchase requirements for Mortgages secured by properties subject to resale restrictions.

Chapter 4504: HeritageOne® Mortgages

4504.1: Purchase of HeritageOne® Mortgages (10/02/23)

Mortgages secured by properties located in Tribal Areas and made to Borrowers who are enrolled members of Native American Tribes that meet the requirements of this chapter and the Seller's other Purchase Documents will be eligible for sale to Freddie Mac as HeritageOne® Mortgages.

4504.2: Overview of HeritageOne® Mortgages (10/02/23)

(a) Seller requirements

The Seller must obtain Freddie Mac's written approval to sell HeritageOne® Mortgages to Freddie Mac by contacting its Freddie Mac representative or the Customer Support Contact Center at 800-FREDDIE.

(b) Negotiated underwriting provisions

Unless specifically made applicable to HeritageOne Mortgages, negotiated underwriting provisions in the Seller's Purchase Documents may not apply to HeritageOne Mortgages and cannot be used with HeritageOne Mortgages.

(c) Defined terms

As used in this chapter, the following terms have the meanings ascribed to them below:

- **BIA**: U.S. Department of the Interior Bureau of Indian Affairs
- **Eligible Native American Tribe**: A Native American Tribe that either:
  - Is listed as a participating tribe in HUD's most recent Section 184 Participating Tribes List; or
  - Has entered into a memorandum of understanding with Freddie Mac that, to the Seller's knowledge, is and will remain in full force and effect

A list of Eligible Native American Tribes is available on Freddie Mac's website at **https://sf.freddiemac.com/working-with-us/origination-underwriting/mortgage-products/heritageonesm-mortgage**.

- **Native American Tribe**: A federally recognized Indian tribe of the United States that is included in the BIA's most recent publication of the notice titled "Indian Entities Recognized by and Eligible To Receive Services From the United States Bureau of Indian Affairs". As used in this chapter, "Native American Tribe" includes any housing authority, utility, corporation, partnership or other entity that is partially or wholly owned by the Native American Tribe.

- **Tribal Area**: A census tract, or any portion thereof, that is designated as both a HUD Indian Housing Block Grant (IHBG) Area and a rural area under FHFA's Duty to Serve Regulation and is identified as an "Indian area" in the current version of the FHFA's Indian Areas File

(d) Eligible property

The Mortgaged Premises must be located in the Tribal Area of an Eligible Native American Tribe.

Mortgages must be secured by 1- to 4-unit Primary Residences, which may include:

- Manufactured Homes, including Manufactured Homes that are CHOICEHomes®
- Condominium Units
- Units located in Planned Unit Developments (PUD)
- Properties with ADUs

(e) First Lien priority

The Seller must comply with all statutory and regulatory requirements and obtain all approvals and signatures necessary to establish and maintain a valid First Lien on the Mortgaged Premises.

The Security Instrument must be signed by all individuals or entities with an ownership interest in the Mortgaged Premises. See Section 4101.8 for additional information on signatures required for the Security Instrument.

If necessary to establish or maintain the First Lien, the Seller must:

- Obtain any necessary approvals from the U.S. Secretary of the Interior or the BIA, as applicable; and
- Record the Security Instrument and all other Mortgage documents required to be recorded in the appropriate jurisdiction

Even if not necessary to establish or maintain the First Lien, it is recommended that the Security Instrument and all other Mortgage documents required to be recorded also be recorded in the locality in which the Mortgaged Premises are located.

(f) Assumable Mortgages

Mortgages sold under the Guarantor program that meet the requirements of Section 4101.10(c) and this chapter may be assumable Mortgages, if permitted under the Seller's Purchase Documents.

(g) Delivery requirements

See Section 6302.50 for delivery requirements for HeritageOne Mortgages.

(h) Special Servicing requirements

See Chapter 8901 for special Servicing requirements for HeritageOne Mortgages, including requirements for post-closing Borrower counseling, Transfers of Servicing and Transfers of Ownership.

4504.3: Eligible Borrowers for HeritageOne® Mortgages (10/02/23)

The following Borrower eligibility requirements apply to HeritageOne® Mortgages:

Topic	Borrower eligibility requirements
Eligible Borrowers	At least one Borrower must: ■ Be an enrolled member of a Native American Tribe; and ■ Occupy the Mortgaged Premises as their Primary Residence The Borrower may be an enrolled member of a Native American Tribe other than the Eligible Native American Tribe within whose Tribal Area the Mortgaged Premises are located. The Borrower cannot be a Native American Tribe.
Borrower income	Borrowers are not subject to maximum income limits.
Occupancy	For 1-unit properties and Manufactured Homes, non-occupying Borrowers are permitted.

Topic	Borrower eligibility requirements
	Funds used to qualify for the Mortgage transaction may come from occupying and/or non-occupying Borrowers. For 2- to 4-unit properties, all Borrowers must occupy the Mortgaged Premises as their Primary Residence.
Ownership of other property	As of the Note Date or, for Construction Conversion and Renovation Mortgages, the Effective Date of Permanent Financing, occupying Borrowers must not have an ownership interest in more than two financed residential properties, including the subject property.

4504.4: Ineligible Mortgages (10/02/23)

Mortgages with the following characteristics are not eligible for sale to Freddie Mac as HeritageOne®SM Mortgages:

- Mortgages secured by properties on Hawaiian Home Lands
- Cash-out refinance Mortgages
- Super conforming Mortgages (as described in Chapter 4603)
- Government Mortgages
- ARMs
- Mortgages secured by second homes
- Mortgages secured by Investment Properties
- Cooperative Share Loans
- Community Land Trust Mortgages
- Manually Underwritten Mortgages for which none of the Borrowers has a usable Credit Score
- Mortgages with RHS Leveraged Seconds
- Mortgages with associated Home Equity Lines of Credit (HELOCs)
- Financed Permanent Buydown Mortgages

- Seller-Owned Modified Mortgages
- Seller-Owned Converted Mortgages
- Mortgages with capitalized balances (as described in Chapter 4403)
- Freddie Mac Enhanced Relief Refinance® Mortgages
- HomeOne® Mortgages
- Refi Possible® Mortgages
- Home Possible® Mortgages
- Texas Equity Section 50(a)(6) Mortgages

4504.5: General eligibility requirements for HeritageOne® Mortgages (09/04/24)

The following general eligibility requirements apply to HeritageOne® Mortgages:

Topic	General eligibility requirements
Loan limits	The loan amount may not exceed the applicable maximum original loan amount specified in Section 4203.3.
Mortgage purpose	The Mortgage must be either a purchase transaction Mortgage or a "no cash-out" refinance Mortgage.
Temporary subsidy buydown plans	Temporary subsidy buydown plans described in Section 4204.4 are permitted if the Mortgage is: ■ Secured by a 1-unit property; or ■ An Accept Mortgage secured by a 2-unit property
Secondary financing	The following are permitted secondary financing arrangements: ■ Secondary financing that meets the requirements of Section 4204.1 ■ Affordable Seconds® that meet the requirements of Section 4204.2, except that:

Topic	General eligibility requirements
	❑ For Affordable Seconds provided by an Agency, although Section 4204.2(a)(i)(A) provides otherwise, the Agency may be affiliated with, under contract to, or financed (directly or indirectly) by the Seller as the originating lender ❑ For Seller-funded Affordable Seconds, although Section 4204.2(a)(i)(B) provides otherwise, the Mortgage cannot be a Home Possible® Mortgage and may be a HeritageOne Mortgage ❑ For Manufactured Homes with Affordable Seconds, although Section 5703.11 provides otherwise, the Mortgage cannot be a Home Possible Mortgage and may be a HeritageOne Mortgage For a Mortgage with a temporary subsidy buydown plan, if the secondary financing requires repayment to begin before the Due Date of the 61st monthly payment under the Mortgage, the secondary financing must have a fixed interest rate.
Rental income	When determining the stable monthly income (as described in Section 5301.1), rental income may be considered if generated from: ■ A subject 1-unit property, with or without an ADU, if the requirements in Section 4501.6 or Section 5306.2 are met ■ An ADU on a subject 1-unit property, if the requirements in Section 5306.3 are met ■ A subject 2- to 4-unit property, if the requirements in Section 5306.4 are met, and excluding any rental income generated from an ADU ■ A non-subject Investment Property, if the requirements in Section 5306.4 are met
Homebuyer education	For purchase transaction Mortgages where all occupying Borrowers are First-Time Homebuyers: ■ At least one occupying Borrower must complete a homeownership education program before the Note Date or, for Construction Conversion and Renovation Mortgages, the Effective Date of Permanent Financing; and ■ Although Section 5103.6(b) provides otherwise, homeownership education may be provided by a Native

Topic	General eligibility requirements
	community development financial institution (CDFI), even if the Native CDFI is the originating lender and/or the Seller See Section 5103.6 for other requirements related to homeownership education.
Landlord education for 2- to 4-unit properties	For purchase transaction Mortgages, at least one qualifying Borrower must: ■ Complete a landlord education program before the Note Date or, for Construction Conversion and Renovation Mortgages, the Effective Date of Permanent Financing; or ■ Have a minimum of one year of previous landlord experience For "no cash-out" refinance Mortgages, landlord education is not required but is recommended for Borrowers who have not previously completed a landlord education program. Landlord education may not be provided by an interested party to the Mortgage transaction, except for a Native CDFI, even if the Native CDFI is the originating lender and/or the Seller.
Resale restrictions	The Mortgaged Premises may be subject to resale restrictions if the requirements of Chapter 4406 are met. Mortgages with income-based resale restrictions may not be secured by Manufactured Homes unless the Manufactured Home is a CHOICEHome®.
Right of first refusal	Any right of first refusal must run to: ■ The Eligible Native American Tribe; and ■ Any lessor other than the Eligible Native American Tribe (if applicable) When the Mortgage is subject to foreclosure proceedings and/or an approved short sale, the right of first refusal may not continue beyond 120 days after the date of written notice that the Mortgaged Premises are being offered for sale. Any right of first refusal may not adversely impact the rights of Freddie Mac or the Seller/Servicer to foreclose or acquire title to the Mortgaged Premises, accept a deed or assignment

Topic	General eligibility requirements
	in lieu of foreclosure, or transfer title to or lease the Mortgaged Premises, if acquired.

4504.6: Underwriting requirements, qualifying ratios and maximum LTV/TLTV ratios for HeritageOne® Mortgages (10/02/23)

(a) Underwriting requirements

A HeritageOne® Mortgage may be a Loan Product Advisor® Mortgage or a Manually Underwritten Mortgage.

Mortgages secured by 2- to 4-unit properties must be submitted to Loan Product Advisor and receive a Risk Class of Accept.

For Manually Underwritten Mortgages:

- Each Borrower individually, and all Borrowers collectively, must have an acceptable credit reputation (as described in Topics 5100 and 5200 for Manually Underwritten Mortgages)

- An individual Borrower with insufficient credit history for whom the Seller cannot document a credit reputation is considered to have an acceptable credit reputation if:

  - No evidence of derogatory credit, such as a lien, judgment or collection, paid or unpaid, is reflected on the credit report or elsewhere in the Mortgage file with respect to such Borrower; and

  - At least one other Borrower whose income and assets are used for qualification has an acceptable credit reputation.

    Any income contributed by the Borrower with insufficient credit history may be considered as qualifying income if the amount contributed by such Borrower is not more than 30% of the total qualifying income.

The minimum Indicator Scores for Manually Underwritten Mortgages are:

Property/Mortgage Type	Minimum Indicator Score
Purchase transaction Mortgages secured by 1-unit properties	660
"No cash-out" refinance Mortgages secured by 1-unit properties	680
Manufactured Homes	680

The minimum Indicator Scores are also in Exhibit 25.

(b) Qualifying ratios

There is no maximum monthly housing expense-to-income ratio, except for Manually Underwritten Mortgages with non-occupying Borrowers. See Section 5103.1 for additional requirements for Mortgages with non-occupying Borrowers.

For Loan Product Advisor Mortgages, the maximum monthly debt payment-to-income (DTI) ratio is determined by Loan Product Advisor.

For Manually Underwritten Mortgages, the maximum monthly DTI ratios are:

Property/Mortgage Type	Maximum Monthly DTI Ratio
1-unit properties[1]	45%
Manufactured Homes that are Caution Mortgages	36%

[1] See Section 5103.1 for additional requirements for Mortgages with non-occupying Borrowers.

Note: The Borrower's monthly DTI ratio must be underwritten pursuant to Section 5401.2.

(c) Maximum loan-to-value (LTV)/total LTV (TLTV) ratios

The value used to calculate the LTV/TLTV ratios must be established pursuant to Section 4203.1.

The following maximum LTV/TLTV ratios apply to both purchase transaction and "no cash-out" refinance Mortgages:

Property/Mortgage Type	Maximum LTV/TLTV Ratios
1-unit properties[1]	97%[2]

Property/Mortgage Type	Maximum LTV/TLTV Ratios
2- to 4-unit properties	95%[2]
CHOICEHomes®	97%[2]
Manufactured Homes[1, 3]	See Chapter 5703

[1] See Section 5103.1 for additional requirements for Mortgages with non-occupying Borrowers.
[2] A TLTV ratio not exceeding 105% is permitted when secondary financing is an Affordable Second®.
[3] If permitted under the Seller's Purchase Documents, see Section 5706.5 for additional requirements for Manufactured Homes on leasehold estates.

Note: The LTV/TLTV ratios may be lower for Condominium Unit Mortgages depending on the project review type or whether the Mortgage is exempt from project review (see Chapter 5701).

4504.7: Borrower contributions and reserves, and source of funds for HeritageOne® Mortgages (09/04/24)

(a) Borrower contribution requirements

The following minimum Borrower contributions from Borrower personal funds apply to purchase transaction Mortgages (based on the maximum loan-to-value (LTV)/total LTV (TLTV) ratios):

Property/Mortgage type	LTV/TLTV ratios ≤ 80%	LTV/TLTV ratios > 80% and ≤ 95%	LTV/TLTV ratios > 95%
1-unit properties	None	None	None
2- to 4-unit properties	None	3% of value	3% of value
Manufactured Homes	None	None	None

(b) Reserves

Reserves are not required for:

- Accept Mortgages secured by 1-unit properties, unless Loan Product Advisor® determines reserves are necessary to offset other underwriting factors
- Manually Underwritten Mortgages secured by 1-unit properties

For Mortgages secured by 2- to 4-unit properties, the Seller must verify all reserves required by Loan Product Advisor.

(c) Source of funds

The following sources of funds are permitted:

Use	Permitted sources of funds
Minimum Borrower contribution	Borrower personal funds
Down Payment	■ Borrower personal funds ■ Other eligible sources of funds
Paying down the principal balance of the Mortgage being refinanced for a "no cash-out" refinance Mortgage	■ Borrower personal funds ■ Other eligible sources of funds
Closing Costs	■ Borrower personal funds ■ Other eligible sources of funds ■ Flexible sources of funds
Reserves	■ Borrower personal funds ■ Other eligible sources of funds

(i) Borrower personal funds

Borrower personal funds include:

1. Borrower personal funds described in Section 5501.3(b)

2. Cash on hand, if the requirements in Section 4501.7(c)(i)(2) are met

(ii) Other eligible sources of funds

Other eligible sources of funds include:

1. Other eligible sources of funds described in Section 5501.3(c)

2. Gift or grant funds provided by the Seller as the originating lender, if a contribution of at least 3% of value is made from Borrower personal funds and/or other eligible sources of funds. The gift or grant may not be funded through the Mortgage transaction (i.e., through premium pricing).

3. Although Section 5501.3(c) provides otherwise, funds may be provided by an Agency affiliated with, under contract to, or financed (directly or indirectly) by the Seller as the originating lender, if:

   - ❑ The source of funds (i.e., a gift or grant, an unsecured loan or an Affordable Second®) is an eligible source of funds that meets all other Guide requirements; and

   - ❑ The source of funds is not funded through the Mortgage transaction

4. For purchase transaction Mortgages, funds from an unsecured loan, if the requirements in Section 4501.7(c)(ii)(3) are met, except that the funds may be provided by an Agency pursuant to Section 4504.7(c)(ii)(3) or Section 4504.7(d)

5. Sweat equity as a credit towards the Down Payment and/or Closing Costs, if the sweat equity requirements in Section 4501.7(c)(ii)(4) are met, except that the maximum LTV/TLTV ratios in this chapter and the special delivery requirements in Section 6302.50 apply

6. Funds from an Affordable Second or other secondary financing arrangement

(iii) Flexible sources of funds

Flexible sources of funds include:

1. Financing concessions described in Section 5501.5(b), if the applicable requirements in Section 5501.5 are met

2. Lender credits described in Section 5501.6(a) that are documented on the Settlement/Closing Disclosure Statement

3. An unsecured loan provided by the Seller as the originating lender, if the requirements in Section 4501.7(c)(iii)(3) are met

(d) Agency-provided funds

For a gift or grant, an unsecured loan or an Affordable Second provided by an Agency that is a Native American Tribe:

- ■ The Native American Tribe providing the funds must be the Eligible Native American Tribe; or

- ■ The Borrower must be an enrolled member of the Native American Tribe providing the funds

4504.8: HeritageOne® Mortgages that are leasehold Mortgages (10/02/23)

(a) General requirements

For leasehold Mortgages, the Mortgaged Premises must be located on either tribal trust land or allotted trust land and cannot be located on land that is owned in fee simple.

Leasehold Mortgages must meet the requirements of Chapter 5704 and all other provisions in the Seller's Purchase Documents applicable to leasehold estates.

Leasehold Mortgages secured by Manufactured Homes must meet the requirements of Chapter 5706 and all other provisions in the Seller's Purchase Documents applicable to Manufactured Homes, except that the Manufactured Home is not required to be located in a ground lease community (although Section 5706.2 provides otherwise).

(b) Lease agreement requirements

The term of the lease agreement must be a minimum of 25 years with an automatic 25-year renewal.

The term of the lease agreement (before renewal) must expire at least five years after the term of the Mortgage expires. If necessary, approval must be obtained from the U.S. Secretary of the Interior or the BIA, as applicable, to extend the term of the lease agreement to a period longer than 25 years.

The Seller must maintain in the Mortgage file a copy of the recorded lease agreement, including any amendments or riders thereto.

(c) Form of lease agreement

It is recommended (but not required) that the most recent version of the standard lease form in HUD's Section 184 Program be used for leasehold Mortgages.

The lease agreement may not adversely impact the rights of Freddie Mac or the Seller/Servicer to foreclose or acquire title to the Mortgaged Premises, accept a deed or assignment in lieu of foreclosure, or transfer title to or lease the Mortgaged Premises, if acquired.

4504.9: Appraisal requirements for HeritageOne® Mortgages (10/02/23)

The following appraisal requirements apply to HeritageOne® Mortgages:

Topic	Appraisal requirements
Appraiser qualifications	In addition to the appraiser qualifications in Section 5603.1, the Seller must ensure the appraiser has the knowledge and experience required to perform appraisals for properties located in Tribal Areas. By way of example and not of limitation, the appraiser must be knowledgeable about and have experience with the various types of land ownership interests (e.g., tribal trust land, allotted trust land, unrestricted or restricted fee simple land, etc.) and have access to all appropriate data sources. Although traditional appraisal data sources (e.g., multiple listing service, public land records, etc.) remain important sources of data, the appraiser may need access to other sources of data and information, such as those maintained by the BIA and the Eligible Native American Tribe, to develop a fully supported and sufficiently documented opinion of market value.
Appraisal type and automated collateral evaluation (ACE) eligibility	The appraisal must meet the requirements of Topic 5600. Unless an ACE appraisal waiver or ACE+ PDR is offered and accepted in accordance with Section 5602.3 or 5602.4: ■ An appraisal with an interior and exterior inspection is required; and ■ The Seller must maintain in the Mortgage file all property valuation documentation
Appraised value representation and warranty relief	If an appraisal is obtained and the sales comparison approach was used, the Mortgage may be eligible for appraised value representation and warranty relief, if the requirements in Section 5602.2 are met.
Appraisal cost offset credit	If an appraisal is obtained for the Mortgage transaction, Freddie Mac will issue an appraisal cost offset credit, which must be passed to the Borrower. The appraisal cost offset credit will be detailed in the Seller's Purchase Documents.
Sales comparison approach and cost approach	When a sufficient number of comparable sales (i.e., a minimum of three closed comparable sales) are available, the sales comparison approach (with any support provided from the cost approach or income approach, as applicable) must be used by the appraiser. It is acceptable to use comparable

Topic	Appraisal requirements
	sales that are older than, distant from or dissimilar to the subject property, if the applicable requirements in Section 5605.6 are met. For market areas without a sufficient number of comparable sales to develop a fully supported and sufficiently documented opinion of market value using the sales comparison approach, although Sections 5605.6 and 5605.7(a) provide otherwise, an appraisal that relies solely on the cost approach for the opinion of market value is acceptable, if the appraiser: ■ Provides: ❑ A well-developed cost approach and fully completes the cost approach section of the report ❑ Sufficient detail to allow the Seller to replicate the cost approach; and ❑ In the reconciliation section of the report, an explanation of how the value was derived ■ Uses the revised scope of work, statements of assumptions and limiting conditions, and appraiser's certifications (which will be provided in the Seller's Purchase Documents), and the additional form instructions set forth below; and ■ Completes all fields in the report, other than the comparable sales data in the sales comparison approach grid An appraisal may not rely solely on the cost approach for the opinion of market value if the Mortgage is secured by a: ■ Property subject to resale restrictions that terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure ■ Condominium Unit ■ 2- to 4-unit property; or ■ Property with an ADU
Additional form instructions	For an appraisal that relies solely on the cost approach for the opinion of market value, the report must include the text identifier "Heritage1" in the "File #" field in the appraisal report form.

Topic	Appraisal requirements
	The appraiser must complete all applicable fields for the subject property in the sales comparison approach grid, including, but not limited to: ■ Location ■ View ■ Quality of Construction ■ Condition ■ Gross Living Area
Site value	For properties on land that is owned in fee simple, for appraisals that rely solely on the cost approach for the opinion of market value, a site value must be developed and reported. For leasehold Mortgages, if there is no ground rent due under the lease agreement and no upfront payment was made, the leased fee value is zero and no value is attributable to the underlying land.
UCDP	The appraisal must be submitted to the Uniform Collateral Data Portal® (UCDP®) and receive a "Successful" status prior to delivery of the Mortgage.
Additional resources	Sellers are encouraged to review the Appraisal Institute's appraisal training curriculum for performing property valuations in tribal areas.

4504.9: Appraisal requirements for HeritageOne® Mortgages (Future effective date 02/04/25)

The following appraisal requirements apply to HeritageOne® Mortgages:

Topic	Appraisal requirements
Appraiser qualifications	In addition to the appraiser qualifications in Section 5603.1, the Seller must ensure the appraiser has the knowledge and experience required to perform appraisals for properties located in Tribal Areas. By way of example and not of limitation, the appraiser must be knowledgeable about and have experience with the various types of land ownership

Topic	Appraisal requirements
	interests (e.g., tribal trust land, allotted trust land, unrestricted or restricted fee simple land, etc.) and have access to all appropriate data sources. Although traditional appraisal data sources (e.g., multiple listing service, public land records, etc.) remain important sources of data, the appraiser may need access to other sources of data and information, such as those maintained by the BIA and the Eligible Native American Tribe, to develop a fully supported and sufficiently documented opinion of market value.
Appraisal type and automated collateral evaluation (ACE) eligibility	The appraisal must meet the requirements of Topic 5600. Unless an ACE appraisal waiver or ACE+ PDR is offered and accepted in accordance with Section 5602.3 or 5602.4: ■ An appraisal with an interior and exterior inspection is required; and ■ The Seller must maintain in the Mortgage file all property valuation documentation
Appraised value representation and warranty relief	If an appraisal is obtained and the sales comparison approach was used, the Mortgage may be eligible for appraised value representation and warranty relief, if the requirements in Section 5602.2 are met.
Appraisal cost offset credit	If an appraisal is obtained for the Mortgage transaction, Freddie Mac will issue an appraisal cost offset credit, which must be passed to the Borrower. The appraisal cost offset credit will be detailed in the Seller's Purchase Documents.
Sales comparison approach and cost approach	When a sufficient number of comparable sales (i.e., a minimum of three closed comparable sales) are available, the sales comparison approach (with any support provided from the cost approach or income approach, as applicable) must be used by the appraiser. It is acceptable to use comparable sales that are older than, distant from or dissimilar to the subject property, if the applicable requirements in Section 5605.6 are met. For Market Areas without a sufficient number of comparable sales to develop a fully supported and sufficiently documented opinion of market value using the sales comparison approach, although Sections 5605.6 and

Topic	Appraisal requirements
	5605.7(a) provide otherwise, an appraisal that relies solely on the cost approach for the opinion of market value is acceptable, if the appraiser: ■ Provides: ❑ A well-developed cost approach and fully completes the cost approach section of the report ❑ Sufficient detail to allow the Seller to replicate the cost approach; and ❑ In the reconciliation section of the report, an explanation of how the value was derived ■ Uses the revised scope of work, statements of assumptions and limiting conditions, and appraiser's certifications (which will be provided in the Seller's Purchase Documents), and the additional form instructions set forth below; and ■ Completes all fields in the report, other than the comparable sales data in the sales comparison approach grid An appraisal may not rely solely on the cost approach for the opinion of market value if the Mortgage is secured by a: ■ Property subject to resale restrictions that terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure ■ Condominium Unit ■ 2- to 4-unit property; or ■ Property with an ADU
Additional form instructions	For an appraisal that relies solely on the cost approach for the opinion of market value, the report must include the text identifier "Heritage1" in the "File #" field in the appraisal report form. The appraiser must complete all applicable fields for the subject property in the sales comparison approach grid, including, but not limited to: ■ Location ■ View ■ Quality of Construction

Topic	Appraisal requirements
	■ Condition ■ Gross Living Area
Site value	For properties on land that is owned in fee simple, for appraisals that rely solely on the cost approach for the opinion of market value, a site value must be developed and reported. For leasehold Mortgages, if there is no ground rent due under the lease agreement and no upfront payment was made, the leased fee value is zero and no value is attributable to the underlying land.
UCDP	The appraisal must be submitted to the Uniform Collateral Data Portal® (UCDP®) and receive a "Successful" status prior to delivery of the Mortgage.
Additional resources	Sellers are encouraged to review the Appraisal Institute's appraisal training curriculum for performing property valuations in tribal areas.

4504.10: Mortgage insurance for HeritageOne® Mortgages (10/02/23)

Information related to mortgage insurance for HeritageOne® Mortgages will be detailed in the Seller's Purchase Documents.

4504.11: Credit Fees for HeritageOne® Mortgages (10/02/23)

Credit Fees related to HeritageOne® Mortgages will be detailed in the Seller's Purchase Documents.

4504.12: Title insurance requirements for HeritageOne® Mortgages (10/02/23)

See Section 4702.7 for title insurance requirements for HeritageOne® Mortgages.

4504.13: Mortgage file requirements for HeritageOne® Mortgages (10/02/23)

For HeritageOne® Mortgages, the Seller must maintain in the Mortgage file:

- Evidence that the Eligible Native American Tribe is included in the BIA's most recent publication of the notice titled "Indian Entities Recognized by and Eligible To Receive Services From the United States Bureau of Indian Affairs" and:
  - ❑ A copy of the fully executed memorandum of understanding between the Eligible Native American Tribe and Freddie Mac, if applicable
  - ❑ A printout showing the Eligible Native American Tribe in the list of Eligible Native American Tribes on **Freddie Mac's website**
  - ❑ A printout showing the Eligible Native American Tribe in HUD's Section 184 Participating Tribes List; or
  - ❑ Documentation issued by HUD indicating unconditional approval of the Eligible Native American Tribe as a participating tribe
- Documentation verifying the Borrower is an enrolled member of a Native American Tribe:
  - ❑ A copy of the Borrower's tribe-issued enrollment card; or
  - ❑ A copy of a tribe-issued letter indicating the Borrower's enrollment as a member of the Native American Tribe
- Evidence of the land ownership interest (e.g., tribal trust land, allotted trust land, unrestricted or restricted fee simple land, etc.) of the Mortgaged Premises and the court system that has jurisdiction over the Mortgaged Premises
- A copy of the certified title status report(s) obtained from the BIA, if applicable
- To the extent possible, the Eligible Native American Tribe's contact information:
  - ❑ If different from the contact information listed in the Tribal Leaders Directory maintained by the BIA, documentation listing the Eligible Native American Tribe's contact information in a substantially similar format
  - ❑ Contact information for the Eligible Native American Tribe's office of real estate services, if applicable; and

- ❑ For leasehold Mortgages, the contact information for the party that manages lease agreements on behalf of the Eligible Native American Tribe or the lessor (e.g., management company), if applicable

- ■ For purchase transaction Mortgages secured by 2- to 4-unit properties, evidence of completion of the landlord education program, if required

Chapter 4601: Financed Permanent Buydown Mortgages

4601.1: Eligible Financed Permanent Buydown Mortgages (12/06/23)

Financed Permanent Buydown Mortgages must have the following characteristics:

- The Mortgage must be an eligible fixed-rate, level payment Mortgage or a 5/6-Month, 7/6-Month or 10/6-Month ARM
- The Mortgage must not be a Home Possible® Mortgage
- The Mortgage must not be an FHA Mortgage, a VA Mortgage, a Section 502 GRH Mortgage, or a Section 184 Native American Mortgage
- The Mortgage must not be a HomeOne® Mortgage
- The Mortgage must not be a Community Land Trust Mortgage
- The Mortgage must not be a HeritageOne℠ Mortgage
- The Mortgage must not be secured by property subject to income-based resale restrictions that terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure, where the property value must be determined in accordance with Section 4406.6(b)
- Temporary subsidy buydowns are not permitted

4601.2: Underwriting Financed Permanent Buydown Mortgages (03/02/16)

For purposes of this chapter, the following definitions apply:

- **Base Mortgage Amount:** The Mortgage amount without the financed discount points
- **Gross loan-to-value (LTV), total LTV (TLTV) and Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios:** The LTV, TLTV or HTLTV ratio calculated using the Mortgage amount, which includes the financed discount points

Eligibility of Financed Permanent Buydown Mortgages is determined using the Gross LTV, TLTV, and HTLTV ratios.

Financed Permanent Buydown Mortgages must comply with the following requirements:

1. The Gross LTV, TLTV and HTLTV ratios must not exceed the LTV, TLTV, or HTLTV ratios specified in Section 4203.4

2. The amount of the mortgage insurance coverage must meet the coverage level requirements in Section 4701.1, using the Gross LTV ratio

3. The maximum amount a Borrower can finance for a permanent buydown is three discount points, calculated based upon the Base Mortgage Amount

4. For fixed-rate Mortgages, Borrower qualification is based on the monthly housing expense-to-income ratio calculated using the monthly payment at the permanent bought down Note Rate. For ARMs, Borrower qualification is based on monthly payments calculated in accordance with Section 4401.8.

5. For ARMs, the permanent buydown is in effect for the initial Note Rate and each Note Rate adjustment for the entire term of the Mortgage. The Lifetime Ceiling will be calculated using the permanent bought down initial Note Rate. The permanent buydown does not affect the Margin, Initial Cap or Periodic Cap.

4601.3: Other requirements for Financed Permanent Buydown Mortgages (05/04/22)

(a) Delivery requirements

See Section 6302.24 for pooling and delivery requirements for Financed Permanent Buydown Mortgages.

(b) Calculation of applicable Credit Fees

Applicable Credit Fees will be assessed and billed based on the UPB of the Mortgage (including the financed permanent buydown points) and the Gross loan-to-value (LTV) ratio.

The Seller must refer to Exhibit 19, Credit Fees. Credit Fees are paid in accordance with the Credit Fee provisions stated in Chapter 6303.

Chapter 4602: Construction Conversion and Renovation Mortgages

4602.1: Replacement of Interim Construction Financing overview (03/02/16)

A transaction where Mortgage proceeds are used to replace Interim Construction Financing must meet requirements of this chapter to be eligible for sale to Freddie Mac.

4602.2: Eligible and ineligible Construction Conversion and Renovation Mortgages (11/05/18)

Construction Conversion and Renovation Mortgages that are eligible for purchase must be First Lien Mortgages and may be any Mortgage Product or offering eligible under this Guide unless specifically described as ineligible in this chapter.

The following Mortgages are ineligible for delivery as Construction Conversion or Renovation Mortgages:

- FHA and VA Mortgages
- Section 502 GRH Mortgages
- Section 184 Native American Mortgages
- Community Land Trust Mortgages
- Mortgages secured by property subject to income-based resale restrictions

Certain types of refinance Mortgages and certain property types may also be ineligible for delivery as Construction Conversion or Renovation Mortgages. See Sections 4602.5(b) and 4602.7 for additional restrictions on the eligible Mortgage purpose and property types.

4602.3: Documentation of Permanent Financing (02/01/23)

With a Construction Conversion Mortgage or a Renovation Mortgage, conversion of the Interim Construction Financing to Permanent Financing may be accomplished using one of the following structures:

- Integrated Construction Conversion Documentation
- Separate Construction Conversion Documentation
- Modification Construction Conversion Documentation

(a) Required Uniform Instruments; Uniform Security Instrument

The Permanent Financing must be closed on the Uniform Instruments permitted under this Guide to be used with the applicable Mortgage Product being used for the Permanent Financing.

The Seller must use the most current version of the State-specific Fannie Mae/Freddie Mac Single-Family Security Instrument prepared for use in the jurisdiction in which the Mortgaged Premises are located and the most current version of any applicable property type riders. The most current version of the Uniform Instruments is the version in effect as of the date the Security Instrument for the Permanent Financing is executed. See Exhibit 4A, Single-Family Uniform Instruments, for the current dates of revisions of all Uniform Instruments. See Exhibit 5A, Authorized Changes to Notes, Riders, Security Instruments and the Uniform Residential Loan Application, for authorized changes to the Uniform Instruments.

(b) Types of documentation of Permanent Financing

The Interim Construction Financing and Permanent Financing of Construction Conversion and Renovation Mortgages must be documented as follows:

Type Mortgage	Documentation Structure	Closings	Required Documentation
Integrated Documentation	Single set of Mortgage loan instruments with construction financing terms incorporated into the Note for the Permanent Financing No change to the Note at conversion of Interim Construction Financing except to reduce the principal balance No modification agreement	Single closing at time of Interim Construction Financing to execute the Mortgage loan instruments	• Uniform Security Instrument • Uniform Note applicable to the Permanent Financing Mortgage Product with changes needed for terms of the Interim Construction Financing. Interim Construction Financing terms should be in an addendum to the Note
Separate Documentation	Two sets of Mortgage loan instruments: one set for the Interim Construction Financing and a second set for the Permanent Financing No modification agreement	Two closings: (i) to execute the Interim Construction Financing loan instruments, and (ii) to execute the Permanent Financing loan instruments	• Interim Construction Financing may be documented using non-Uniform Instruments • Uniform Security Instrument for Permanent Financing • Uniform Note applicable to the Mortgage Product for Permanent Financing

Type Mortgage	Documentation Structure	Closings	Required Documentation
Modification Documentation	(i) One Security Instrument for both Interim Construction and Permanent Financing, (ii) the Note for Interim Construction Financing, and (iii) a modification agreement, which may include a new Note for Permanent Financing if different from the Interim Construction Financing, the Note used for the Interim Construction Financing was a non-Uniform Instrument or was for a different Mortgage Product Construction Conversion Modification Agreement used at time of conversion of Interim Construction Financing to Permanent Financing	Two closings: (i) at the time of the Interim Construction Financing, to execute the Mortgage loan instruments, and (ii) at the time of Permanent Financing, to execute the Construction Conversion Modification Agreement and if necessary, a new Note	• Uniform Security Instrument • Uniform Note applicable to Mortgage Product for Interim Construction Financing; non-Uniform Note may be used but must execute new Uniform Note with modification agreement • Construction Conversion Modification Agreement (see subsection (c) below for version of Construction Conversion Modification Agreement to be used) • New Uniform Note applicable to Mortgage Product for Permanent Financing if the Note used for the Interim Construction Financing was a non-Uniform Note or was for a different Mortgage Product • Additional riders to the Security Instrument if needed for the Permanent Financing Mortgage Product (for example, an ARM Rider may be needed)

(c) Construction Conversion Modification Agreements to be used under special circumstances

The following requirements apply in these circumstances when using Modification Documentation:

Interim Construction Financing is on Uniform Note for same Mortgage Product as the Permanent Financing	Borrower must execute Construction Conversion Modification Agreement applicable to the Mortgage Product; new Uniform Note not required. ■ As examples, see Freddie Mac Multistate Construction Conversion Modification Agreement - Fixed-Interest Rate (Modification of Note) (Form 5162), or Freddie Mac Construction Conversion Modification Agreement - Adjustable Interest Rate (Modification of Note) (Form 5163)
Interim Construction Financing is on Uniform Note for different Mortgage Product from that used for Permanent Financing	Borrower must execute Construction Conversion Modification Agreement and new Uniform Note and any necessary Riders appropriate for the Mortgage Product being used for the Permanent Financing ■ As an example, see Freddie Mac Multistate Construction Conversion Modification Agreement (New Note) (Form 5164) As an alternative, if the Interim Construction Financing was on a Uniform Note for a Mortgage Product other than a fixed-rate Mortgage and the Permanent Financing is fixed-rate financing, the Borrower may execute a Construction Conversion Modification Agreement with fixed-rate terms incorporated into the modification. ■ As an example, see Freddie Mac Multistate Construction Conversion Modification Agreement - Fixed Interest Rate (Embedded Fixed-rate Financing Terms for use with modification into a Fixed Interest Rate) (Form 5165)

Interim Construction Financing is not on a Uniform Note	Borrower must execute Construction Conversion Modification Agreement and new Uniform Note and any necessary Riders appropriate for the Mortgage Product being used for the Permanent Financing. ■ As an example, see Freddie Mac Multistate Construction Conversion Modification Agreement (New Note) (Form 5164)

The Seller may use the applicable Freddie Mac Construction Conversion Modification Agreement(s) described in the chart above or develop its own modification agreement using Freddie Mac's examples. However, the Seller's modification agreement must not incorporate the terms of the Note for the Permanent Financing in those situations where Freddie Mac requires that a new Uniform Note be used.

If the Seller uses a different Construction Conversion Modification Agreement than those described above to evidence the terms of the Permanent Mortgage, Seller represents and warrants that the instrument, when completed:

- Contains substantially identical provisions to the comparable Freddie Mac Construction Conversion Modification Agreement form, and
- Is appropriate for use to evidence the conversion of Interim Construction Financing to Permanent Financing

4602.4: Mortgage term for Construction Conversion and Renovation Mortgages (02/07/24)

For Construction Conversion Mortgages and Renovation Mortgages, the term of the Permanent Financing begins on the Effective Date of Permanent Financing.

Construction Conversion Mortgages secured by Manufactured Homes must have a maximum original maturity not greater than that specified in Section 5703.9(a).

4602.5: Mortgage purpose for Construction Conversion and Renovation Mortgages (07/06/22)

(a) Mortgage purpose

Construction Conversion Mortgages and Renovation Mortgages may be for purchase transactions, "no cash-out" or cash-out refinance transactions as shown in the chart below. A

Construction Conversion Mortgage or a Renovation Mortgage may not be used for the purpose of making a single disbursement of funds to a builder or contractor or for the assumption of an existing Mortgage.

If, prior to the closing of the Interim Construction Financing, the Borrower is . . .	**Then the transaction is a . . .**	**And proceeds from the Interim Construction Financing may be used to. . .**
Not the owner of record of the land, or If the home is on a leasehold estate, not the lessee of the leasehold estate	Purchase transaction	■ Purchase the land or acquire a leasehold interest in the land ■ For Renovation Mortgages, purchase the site-built home ■ Pay construction or renovation costs of the site-built home ■ For a Manufactured Home, acquire the Manufactured Home and pay construction costs, including costs to install and anchor the Manufactured Home on a permanent foundation system
The owner of record of the land, or If the home is on a leasehold estate, the lessee of the leasehold estate	Refinance transaction	■ Pay off any existing liens on the land and on the improvements, if the Mortgage is a Renovation Mortgage ■ Pay off any existing liens on the land, if the Mortgage is a Construction Conversion Mortgage ■ Pay all Closing Costs ■ Pay construction or renovation costs of the site-built home ■ For a Manufactured Home, acquire the Manufactured Home and pay construction costs, including costs to install and anchor the Manufactured Home on a permanent foundation system on land owned by the Borrower

(b) Requirements for refinance transactions

(i) "No cash-out" refinance transactions

"No cash-out" refinance transactions must meet the requirements in Section 4301.4, except as stated below.

For purposes of Section 4301.4, the amount of the Interim Construction Financing secured by the Mortgaged Premises is considered an amount used to pay off the first Mortgage as described in Section 4301.4. The proceeds of the Permanent Financing may be used to pay off a junior lien(s) secured by the Mortgaged Premises provided the lien(s) were used in their entirety for the construction and/or renovation of the subject property, as applicable, as documented in the Mortgage file.

Paying off unsecured liens or construction costs paid by the Borrower outside of the secured Interim Construction Financing is considered cash out to the Borrower, if above $2,000 or 1% of the loan amount, whichever is greater.

(ii) Cash-out refinance transactions

Cash-out refinance transactions must meet the requirements in Section 4301.5. Cash-out refinance Mortgages that are Construction Conversion Mortgages and Renovation Mortgages may not be secured by Manufactured Homes.

At least one Borrower must have been on the title to the land for six months or more prior to the Effective Date of Permanent Financing.

Special purpose cash-out refinance Mortgages are ineligible as Construction Conversion Mortgages and Renovation Mortgages.

4602.6: Eligible Borrowers for Construction Conversion and Renovation Mortgages (03/02/16)

The Borrower on a Construction Conversion Mortgage or a Renovation Mortgage must satisfy the following requirements:

- The Borrower on the Permanent Financing must be the Borrower on, and obligated to repay, the Interim Construction Financing, and any other outstanding prior financing, including installation financing or outstanding prior Mortgages except as follows:
  - A Borrower may be omitted in the event of death or divorce, or

- A Borrower who is a Related Person may be added, provided that all Borrowers on the Permanent Financing are owner-occupants of the Mortgaged Premises and considered in the underwriting of the Permanent Financing

- The builder/developer must not be obligated to repay the Interim Construction Financing or any Mortgage on the land or the improvements except when the builder/developer is the Borrower on the Permanent Financing and will occupy the Mortgaged Premises as his or her Primary Residence

4602.7: Eligible property for Construction Conversion and Renovation Mortgages (07/06/22)

Construction Conversion Mortgages and Renovation Mortgages must be secured by Mortgaged Premises that satisfy the following requirements.

- The Mortgaged Premises must be:

Construction Conversion Mortgage	A newly built or constructed 1- to 4-unit site-built home, or A newly purchased Manufactured Home that has never been attached to a foundation.
Renovation Mortgage	An existing 1- to 4-unit site-built home

- Prior to the start of construction or renovation work, the Borrower must own the land in fee simple or have a leasehold estate meeting the requirements of Chapter 5704. The Borrower may have acquired the land through a purchase, inheritance, gift or divorce settlement.

Completion status as of sale of the Mortgage to Freddie Mac

All improvements must be fully completed before the sale of the Mortgage to Freddie Mac except for Mortgages secured by site-built homes meeting the requirements in Section 5601.3 and for which completion escrows are established in accordance with the requirements of Section 5601.3.

For a Manufactured Home, the installation must be fully complete, including permanent utility connections and construction of any site-built improvements such as garages, decks, or porches, before the Mortgage can be sold to Freddie Mac as evidenced by a satisfactory completion report.

For both site-built homes and Manufactured Homes, Sellers must provide evidence that the property is complete. See the requirements in Section 5605.8.

4602.8: Underwriting the Permanent Financing (07/06/17)

(a) Original and subsequent underwriting

The Seller is required to underwrite the Mortgage for the Permanent Financing that will be sold to Freddie Mac prior to the Effective Date of the Permanent Financing. For Construction Conversion Mortgages and Renovation Mortgages, underwriting may occur prior to or after closing of the Interim Construction Financing.

Changes in the terms of the financing or in the Mortgage Product are permitted prior to the Effective Date of the Permanent Financing. A change in Borrowers is permitted provided that requirements of Section 4602.6 are met. If there are changes in the terms of the Permanent Financing or if the property value has declined after the Mortgage has been underwritten, then:

If a Non-Loan Product Advisor Mortgage, it must be re underwritten, or

If a Loan Product Advisor® Mortgage, it may require resubmission of the Mortgage to Loan Product Advisor as described in Section 4602.8(b).

Resubmission of Loan Product Advisor Mortgages

Loan Product Advisor Mortgages must meet the requirements in Chapter 5101 including the resubmission requirements in Section 5101.6 except that resubmission of a Mortgage to Loan Product Advisor is not required if there is:

- A change from the previous submission if the change involves one of the exceptions in Section 5101.6
- A decrease in the loan amount, provided the Permanent Financing complies with the following conditions:
  - When there is an increase in the Down Payment, all funds used to reduce the loan amount must meet the requirements of Chapter 5501
  - When there is a decrease in the reserves amount, the amount of verified reserves is no less than the reserves required to be verified on the Feedback Certificate
  - The decrease in the loan amount does not change the level of mortgage insurance coverage. For example, if the property value is $120,000 and the loan amount is

$114,000 (which equals a 95% loan-to-value (LTV) ratio), the loan amount may decrease to $109,200 (91% LTV ratio). However, if the loan amount decreases to $108,000 (90% LTV ratio) the loan must be resubmitted.

- A change from an ARM to a fixed-rate Mortgage, provided the Permanent Financing complies with the following conditions:
  - The Permanent Financing is not subject to a temporary subsidy buydown plan
  - In the prior submission, the Borrower was qualified with an ARM monthly housing expense payment equal to or greater than the fixed-rate monthly housing expense
  - The Mortgage term of the fixed-rate Mortgage is the same as the Mortgage term for the ARM
- A decrease in the reserves amount, provided that the amount of verified reserves is no less than the reserves required to be verified on the Feedback Certificate

4602.9: Appraisal requirements for Construction Conversion and Renovation Mortgages (03/31/22)

The Seller must obtain an appraisal with an interior and exterior inspection that meets Freddie Mac requirements.

The Seller represents and warrants that the originating lender provided the appraiser with all the appraisal information required in Topic 5600, including plans and specifications.

The appraiser's opinion of value must provide the "as completed" value.

The effective date of the appraisal must be prior to the Effective Date of Permanent Financing and the appraisal must meet the requirements of Topic 5600, including Section 5604.3.

4602.10: Calculation of value for Construction Conversion and Renovation Mortgages (09/01/21)

Value used to determine the loan-to-value (LTV), total LTV (TLTV) and Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios must be established as follows:

Purchase Transaction		
Property Type	**Value**	
	Construction Conversion Mortgages	**Renovation Mortgages**
1- to 4-unit site-built home	Value is the lesser of: • The purchase price of the Mortgaged Premises (the purchase price of the land* and total construction costs), or • Appraised value of the Mortgaged Premises, as completed.	Value is the lesser of: • The purchase price of the Mortgaged Premises prior to the renovation plus the renovation costs (costs of demolition and reconstruction), or • Appraised value of the Mortgaged Premises, as completed.
1-unit Manufactured Home	Value is the lesser of: • The purchase price of the Manufactured Home, plus the lowest purchase price at which the land was sold during the most recent 12-month period*, or • Appraised value of the Mortgaged Premises, as completed.	Not eligible

* If the Borrower acquired the land as a gift or by inheritance, the value of the land as reported on the appraisal may be used in lieu of the purchase price of the land.

Any item that is included in the calculation of cost to construct or renovate the home must be commonly and customarily included in the cost to construct other homes in the area where the Mortgaged Premises is located. The cost to construct must not include items such as furniture, electronic and home entertainment equipment or other personal items.

"No Cash-out" Refinance Transactions		
Property Type	**Value**	
	Construction Conversion Mortgages	**Renovation Mortgages**
1- to 4-unit site-built home	Appraised value of the Mortgaged Premises, as completed	
1-unit Manufactured Home	Appraised value of the Mortgaged Premises, as completed	Not eligible

Cash-out Refinance Transactions	
Construction Conversion and Renovation Mortgages	
Property Type	**Value**
1- to 4-unit site-built home	Appraised value of the Mortgaged Premises, as completed
1-unit Manufactured Home	Not eligible

4602.11: Seller-Owned Modified and Seller-Owned Converted Mortgages (07/29/18)

The Seller-Owned Modified and Seller-Owned Converted Mortgage offering described in Chapter 4402 may not be used to convert or modify the Interim Construction Financing to Permanent Financing.

After the Effective Date of Permanent Financing, if the terms of the Permanent Financing have been modified or if an ARM converted to a fixed-rate Mortgage, the resulting Mortgage is a Seller-Owned Modified or Seller-Owned Converted Mortgage that must meet the requirements of Chapter 4402 and other provisions related to these Mortgages, including requirements excluding the Home Possible® Mortgages, HomeOne® Mortgages and Mortgages secured by

Manufactured Homes from eligibility as Seller-Owned Modified or Seller-Owned Converted Mortgages.

4602.12: Mortgage file documentation for Construction Conversion and Renovation Mortgages (07/07/21)

The Mortgage file for each Construction Conversion or Renovation Mortgage must contain:

- Documentation that supports classification of the Mortgage as a Construction Conversion or a Renovation Mortgage
- Sufficient documentation (for example: purchase contracts, plans and specifications, receipts, invoices, lien waivers etc.) on which to validate the actual cost to construct or renovate the home
- A document that clearly shows the Seller's calculation of the purchase price and/or cost to construct
- The Settlement/Closing Disclosure Statement or an alternative form required by law evidencing all costs to homebuyer and property seller at closing of the Interim Construction Financing
- The Settlement/Closing Disclosure Statement for the closing of the Permanent Financing

In addition, the Mortgage file must contain the following documentation, when applicable:

- For a Mortgage secured by a Manufactured Home, the manufacturer's invoice and the Manufactured Home Purchase Agreement
- For a cash-out refinance Mortgage, documentation that supports at least one Borrower has been on title to the land for six months or more prior to the Effective Date of Permanent Financing
- Appropriate documentation to verify the acquisition and transfer of ownership of the land if the Borrower acquired the land as a gift or by inheritance

4602.13: Residential loan application and uniform underwriting and transmittal summary forms for Construction Conversion and Renovation Mortgages (03/01/21)

Effective for Mortgages with Application Received Dates on or after March 1, 2021, Section 4602.13 is deleted.

4602.14: Delivery requirements for Construction Conversion and Renovation Mortgages (03/02/16)

See Section 6302.28 for delivery and pooling requirements for Construction Conversion and Renovation Mortgages.

4602.15: Credit Fees for Construction Conversion and Renovation Mortgages (05/04/22)

The Seller must refer to Exhibit 19, Credit Fees, for Credit Fees related to Construction Conversion and Renovation Mortgages. Credit Fees are paid in accordance with the Credit Fee provisions stated in Chapter 6303.

Chapter 4603: Super Conforming Mortgages

4603.1: Purchase of super conforming Mortgages (03/02/16)

Freddie Mac will purchase super conforming Mortgages under the terms of the Purchase Documents and this chapter. Super conforming Mortgages are Mortgages that are secured by properties located in designated High-Cost Areas and have original loan amounts meeting the loan limits in Section 4603.2.

Unless specifically prohibited, the special negotiated Mortgage underwriting provisions, products and offerings described in the Purchase Documents may be used with super conforming Mortgages provided that the more restrictive provisions of this chapter or the Seller's other Purchase Documents apply.

Unless otherwise notified in writing, Sellers are eligible to deliver super conforming Mortgages.

4603.2: Minimum and maximum original loan amounts for super conforming Mortgages (01/01/24)

The following minimum and maximum original loan amounts apply to super conforming Mortgages that have Freddie Mac Funding or Settlement Dates on or after January 1, 2024 and Freddie Mac Funding or Settlement Dates on or before December 31, 2024:

Units	Minimum/Maximum Original Loan Amount		Properties in Alaska, Hawaii, Guam and the U.S. Virgin Islands	
	Minimum Loan Amount	Maximum Loan Amount Permanent (HERA)*	Minimum Loan Amount	Maximum Loan Amount** Permanent (HERA)*
1	$766,551	$1,149,825	>$1,149,825	None in 2024
2	$981,501	$1,472,250	>$1,472,250	None in 2024
3	$1,186,351	$1,779,525	>$1,779,525	None in 2024
4	$1,474,401	$2,211,600	>$2,211,600	None in 2024

*These are the maximum potential loan limits for designated High-Cost Areas, as determined under the provisions of the Housing and Economic Recovery Act of 2008 (HERA). Actual loan limits are established for each county (or equivalent) and the loan limits for specific High-Cost Areas may be lower. The original principal balance of a Mortgage must not exceed the maximum loan limit for the specific area in which the Mortgaged Premises is located. For specific loan limits for each High-Cost Area, as released by FHFA, visit: **https://www.fhfa.gov/DataTools/Downloads/Pages/Conforming-Loan-Limit.aspx**.

** There are no properties in Alaska, Hawaii, Guam or the U.S. Virgin Islands with loan limits higher than the applicable base conforming limits for 2024. As a result, there are no super conforming limits specific to Alaska, Hawaii, Guam or the U.S. Virgin Islands for 2024.

For super conforming Mortgages, the Seller must use the loan amount of the Mortgage stated in the Note to determine compliance with the maximum loan limits stated above.

4603.3: General eligibility requirements for super conforming Mortgages (06/05/24)

(a) Eligible Mortgages

A super conforming Mortgage must be a:

- Fixed-rate Mortgage, or
- 5/6-Month, 7/6-Month or 10/6-Month ARM

Freddie Mac Enhanced Relief Refinance® Mortgages may be super conforming Mortgages provided the Mortgage meets the applicable requirements for that offering in Chapter 4304.

Super conforming Mortgages may be any of the following provided the Mortgage meets the applicable requirements for that offering and this chapter. If there is a conflict between any of the requirements for the following products or offerings, the more restrictive requirements will apply:

- Home Possible® Mortgages originated in accordance with Chapter 4501
- Texas Equity Section 50(a)(6) Mortgages originated in accordance with Section 4301.7
- Community Land Trust Mortgages originated in accordance with Chapter 4502
- Mortgages secured by properties subject to income-based resale restrictions that terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure, where the property value must be determined in accordance with Section 4406.6(b)

(b) Ineligible Mortgages

Super conforming Mortgages must not be:

1. ARMs with Initial Periods of less than five years
2. Mortgages secured by a Manufactured Home
3. Seller-Owned Converted Mortgages
4. Seller-Owned Modified Mortgages
5. FHA/VA Mortgages
6. Section 502 GRH Mortgages
7. Section 184 Native American Mortgages
8. Mortgages using an Automated Valuation Model (AVM)
9. HomeOne® Mortgages
10. HeritageOne℠ Mortgages

(c) Maximum loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios

See Section 4203.4 for maximum LTV/TLTV/HTLTV ratios.

(d) Mortgage insurance requirements

Standard mortgage insurance coverage is required in accordance with Section 4701.1.

(e) Monthly debt payment-to-income ratio

The maximum monthly debt payment-to-income ratio for super conforming Manually Underwritten Mortgages is 45%.

For Manually Underwritten Mortgages, the debt-to-income ratio must be underwritten in accordance with Section 5401.2.

4603.4: Underwriting requirements for super conforming Mortgages (01/01/22)

(a) Loan Product Advisor® Mortgages

All super conforming Mortgages must be submitted to Loan Product Advisor.

The Borrower's credit reputation is acceptable if the Mortgage receives a Risk Class of Accept.

If the Mortgage receives a risk assessment status of invalid, ineligible or incomplete, the Seller must take all steps possible in accordance with Chapter 5101 to correct the information and resubmit the Mortgage.

Super conforming Mortgages that have never been submitted to Loan Product Advisor are not eligible for delivery.

The Seller must enter the Key Number (which is referred to as the Loan Prospector® AUS Key Number in Loan Selling Advisor®) in the ULDD Data Point *Automated Underwriting Case Identifier* for all super conforming Mortgage transactions.

(b) Non-Loan Product Advisor Mortgages

Super conforming Mortgages with a risk assessment status of invalid, ineligible or incomplete must be manually underwritten in accordance with Topics 5100 through 5500 and this chapter.

Noncredit Payment References are prohibited to establish an acceptable credit reputation for super conforming Mortgages.

To be eligible for sale to Freddie Mac, a minimum Indicator Score is required for super conforming Manually Underwritten Mortgages. The minimum Indicator Score requirements

for Mortgages sold to Freddie Mac can be found in Exhibit 25, Mortgages with Risk Class and/or Minimum Indicator Score Requirements.

4603.5: Appraisal requirements for super conforming Mortgages (10/04/23)

The Seller must obtain an appraisal that meets Freddie Mac requirements unless the Last Feedback Certificate includes an automated collateral evaluation (ACE) offer stating that the Mortgage is eligible for collateral representation and warranty relief with an ACE appraisal waiver or ACE+ PDR and the Seller has accepted the offer. See Section 5602.3 for more information on ACE appraisal waivers or Section 5602.4 for information on ACE+ PDR.

4603.6: Delivery and pooling requirements for super conforming Mortgages (03/02/16)

See Section 6302.31 for delivery and pooling requirements for super conforming Mortgages.

4603.7: Credit Fees for super conforming Mortgages (05/04/22)

The Seller must refer to Exhibit 19, Credit Fees, for Credit Fees related to super conforming Mortgages. Credit Fees are paid in accordance with the Credit Fee provisions stated in Chapter 6303.

Chapter 4604: Affordable Merit Rate® Mortgages

4604.1: Purchase of Affordable Merit Rate® Mortgages (01/01/22)

Effective January 1, 2022, Section 4604.1 is deleted.

4604.2: Eligible Affordable Merit Rate® Mortgages (01/01/22)

Effective January 1, 2022, Section 4604.2 is deleted.

4604.3: Special underwriting requirements for Affordable Merit Rate® Mortgages (01/01/22)

Effective January 1, 2022, Section 4604.3 is deleted.

4604.4: Other requirements for Affordable Merit Rate® Mortgages (01/01/22)

Effective January 1, 2022, Section 4604.4 is deleted.

Chapter 4605: HomeOne® Mortgages

4605.1: HomeOne® Mortgages (10/02/24)

HomeOne® Mortgages are Mortgages with loan-to-value (LTV), total LTV (TLTV) and/or Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios above 95% originated in accordance with the requirements of the Guide and this chapter.

This section contains requirements related to:

- Eligible Mortgages
- Ineligible Mortgages
- Mortgage purpose
- Property eligibility
- Occupancy requirement
- Underwriting requirements
- Maximum LTV/TLTV/HTLTV ratios
- Borrower eligibility
- Homeownership education
- Delivery requirements

(a) Eligible Mortgages

HomeOne Mortgages eligible for sale to Freddie Mac must be both of the following:

- A fixed-rate Mortgage; and
- An Accept Mortgage

(b) Ineligible Mortgages

Mortgages with the following characteristics are not eligible for sale to Freddie Mac as HomeOne Mortgages:

- Freddie Mac Enhanced Relief Refinance® Mortgages

- FHA Mortgages
- Financed Permanent Buydown Mortgages
- HeritageOne® Mortgages
- Home Possible® Mortgages
- Mortgages with capitalized balances as described in Chapter 4403
- Refi Possible® Mortgages
- Section 184 Native American Mortgages
- Section 502 GRH Mortgages
- Seller-Owned Converted Mortgages
- Seller-Owned Modified Mortgages
- Super conforming Mortgages as described in Chapter 4603
- VA Mortgages

(c) Mortgage purpose

A HomeOne Mortgage must be either a:

- Purchase transaction Mortgage, or
- "No cash-out" refinance Mortgage meeting the following requirements:
  - The Mortgage being refinanced must be owned in whole or in part or securitized by Freddie Mac when:
    - The LTV and/or HTLTV ratio is greater than 95%, or
    - The TLTV ratio is greater than 95% with secondary financing that is not an Affordable Second®
  - The Mortgage being refinanced does not have to be owned or securitized by Freddie Mac when the TLTV ratio is greater than 95% with secondary financing that is an Affordable Second

(d) Property eligibility

HomeOne Mortgages must be secured by a 1-unit Primary Residence that is not a Manufactured Home, unless the Manufactured Home is a CHOICEHome®.

(e) Occupancy requirement

For HomeOne Mortgages, all Borrowers must occupy the Mortgaged Premises as their Primary Residence.

(f) Underwriting requirements

For HomeOne Mortgages, at least one Borrower on the transaction must have a usable Credit Score as determined by Loan Product Advisor®.

(g) Maximum LTV/TLTV/HTLTV ratios

For HomeOne Mortgages, the maximum LTV/TLTV/HTLTV ratio is 97%.

Exception: For HomeOne Mortgages with Affordable Seconds, the maximum TLTV ratio is 105%.

(h) Borrower eligibility

For HomeOne purchase transaction Mortgages, at least one Borrower must be a First-Time Homebuyer.

(i) Homeownership education

For HomeOne purchase transaction Mortgages when all Borrowers are First-Time Homebuyers, at least one Borrower must participate in a homeownership education program in accordance with Section 5103.6.

(j) Delivery requirements

See Section 6302.41 for special delivery requirements for HomeOne Mortgages that are purchase transaction Mortgages.

See Section 6302.16 for delivery requirements for HomeOne Mortgages that are "no cash-out" refinance Mortgages.

Chapter 4606: GreenCHOICE Mortgages®

4606.1: Eligible Mortgages and improvements, and use of Mortgage proceeds (11/06/24)

Mortgages that meet the requirements of this chapter and the Seller's other Purchase Documents are eligible for sale to Freddie Mac as GreenCHOICE Mortgages®. This section contains requirements related to:

- Eligible Mortgages
- Eligible improvements
- Use of Mortgage proceeds

(a) Eligible Mortgages

The Mortgage must be:

- A First Lien Mortgage
- A purchase transaction Mortgage or a "no cash-out" refinance Mortgage, and
- Secured by a property with eligible improvements

(b) Eligible improvements

For purposes of this chapter, "eligible improvements" means:

- Energy and/or water efficiency improvements, including:
  - Renewable energy sources (e.g., solar panels, hydropower systems, wind turbines and geothermal systems)
  - ENERGY STAR Energy Efficient Products listed at **https://www.energystar.gov/products/products_list**
  - Electrification improvements (e.g., replacing equipment or appliances that run on natural gas or other combustible fuel with efficient, all-electric technologies)
- Health and safety improvements (e.g., building-code compliance if cited by the applicable jurisdiction)

- Resiliency and preventative improvements to either repair natural disaster damage or improve a home's ability to withstand future natural disasters
- Basic improvements, such as:
  - Adding ceiling, wall or floor insulation
  - Air conditioning/heating replacement with high efficiency
  - Air sealing
  - Caulking or weather stripping
  - Heat pumps and induction cooktops
  - High efficiency refrigerators/freezers, water heaters and light bulbs
  - Hurricane fabric or shutters
  - Low-flow water fixtures
  - Programmable thermostats
  - Solar water heaters
  - Ventilation; radon mitigation; and asbestos, mold or lead abatement
  - Window and door replacement

Eligible improvements must:

- Be permanently affixed to the property, except for:
  - Appliances used in a kitchen, laundry room or utility room
  - Health and safety improvements
- Not impact the structural integrity of the property for Mortgages secured by Manufactured Homes, including Manufactured Homes that are CHOICEHomes®

(c) Use of Mortgage proceeds

The Mortgage proceeds must be used as follows:

- For a **purchase transaction Mortgage**, to finance the purchase, installation, repair or upgrade of eligible improvements, to be completed after the Note Date

- For a **"no cash-out" refinance Mortgage**, to finance the:

  - Purchase, installation, repair or upgrade of eligible improvements, to be completed after the Note Date; or

  - Payment (in whole or in part) towards an existing debt incurred by the Borrower to finance the purchase, installation, repair or upgrade of eligible improvements (such debt, an "Existing Debt" for purposes of this chapter), completed before the Note Date

Fees associated with the purchase, installation, repair or upgrade of eligible improvements, including any fees related to plans and specifications, permits, title updates, appraisals, draw inspections or final inspections, as applicable, may be financed as part of the Mortgage. The cost of an energy report, if required, may also be financed.

4606.2: Determination of value for the loan-to-value (LTV)/total loan-to-value (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratio, underwriting requirements and qualifying ratios (11/06/24)

This section contains requirements related to:

- Determining value
- Underwriting
- Qualifying ratios for Manually Underwritten Mortgages

(a) Determining value

The value used to calculate the loan-to-value (LTV) ratio, the total LTV (TLTV) ratio and the Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratio must be determined as follows:

The value used to calculate the LTV/TLTV/HTLTV ratio	
Mortgage purpose	**Value**
Purchase transaction	The value is the lesser of: ■ The "as completed" appraised value of the Mortgaged Premises; or

The value used to calculate the LTV/TLTV/HTLTV ratio	
Mortgage purpose	**Value**
	■ The total acquisition cost (i.e., the price paid for the Mortgaged Premises plus the cost of the eligible improvements) If the total acquisition cost is used, the Mortgage file must contain documentation of the costs used to calculate the total acquisition cost.
"No cash-out" refinance used to finance eligible improvements	The value is the "as completed" appraised value of the Mortgaged Premises.
"No cash-out" refinance used to pay an Existing Debt	The value is the appraised value of the Mortgaged Premises.

(b) Underwriting

The Mortgage must be an Accept Mortgage or a Manually Underwritten Mortgage.

(c) Qualifying ratios for Manually Underwritten Mortgages

For Manually Underwritten Mortgages, see Section 5401.1(e)(ii)(B) for additional requirements for calculating the monthly housing expense-to-income ratio and the monthly debt payment-to-income ratio.

4606.3: Mortgage requirements (11/06/24)

This section contains requirements related to:

- Mortgages used to finance eligible improvements
- Mortgages used to pay an Existing Debt

(a) Mortgages used to finance eligible improvements

When the Mortgage proceeds are used to finance eligible improvements completed after the Note Date:

1. **Use of proceeds:** The maximum amount of the proceeds that may be used for the purchase, installation, repair or upgrade of eligible improvements is limited to 15% of the "as completed" appraised value of the Mortgaged Premises

2. **Mortgage file documentation:** The Seller/Servicer must obtain and retain in the Mortgage file copies of all invoices and/or receipts, as applicable, related to the cost of the eligible improvements

3. **Completion escrow account:** On the Note Date, funds sufficient to cover the cost of the eligible improvements must be deposited into a completion escrow account. The Seller and the Borrower must execute a written escrow agreement detailing how the funds will be managed and disbursed. A copy of the escrow agreement must be retained in the Mortgage file. A contingency reserve is not required.

4. **Completion escrow account disbursements:** Funds in the completion escrow account may be used to reimburse the Borrower for the cost of materials purchased to complete the eligible improvements. The Seller/Servicer may not reimburse the Borrower for any self-performed labor. After all eligible disbursements have been made, any remaining funds must be applied:

   - If the Mortgage is delinquent, in accordance with the application of payment requirements in the Note and Security Instrument

   - If the Mortgage is not delinquent, to reduce the UPB

5. **Appraisal:** The Seller/Servicer must obtain an interior and exterior inspection appraisal with an "as completed" appraised value of the Mortgaged Premises, subject to all eligible improvements being completed. See Section 5601.4 for additional appraisal requirements.

6. **Completion report:** After completion of all eligible improvements, the Seller/Servicer must have the appraiser:

   - Inspect the Mortgaged Premises to verify the eligible improvements have been completed, and

   - Provide the Seller/Servicer with a completion report that includes photographs of the completed improvements. The Seller/Servicer must retain the completion report in the Mortgage file.

7. **Completion deadline:** All eligible improvements must be completed no more than 180 days after the Note Date. If the eligible improvements are not completed by the required completion date, the Seller/Servicer must notify Freddie Mac quality control pursuant to the reporting requirements in Section 3402.10.

8. **Energy report:** An energy report meeting the energy report requirements in Section 4606.4 may be required

(b) Mortgages used to pay an Existing Debt

When the Mortgage proceeds are used to pay an Existing Debt:

1. **Use of proceeds:** The maximum payment towards an Existing Debt is limited to 15% of the appraised value of the Mortgaged Premises

2. **Remaining Existing Debt:** Any remaining balance of the Existing Debt must be included in the calculation of the monthly debt payment-to-income ratio. If the remaining balance is reamortized, the Seller/Servicer must obtain and retain in the Mortgage file sufficient documentation evidencing the new payment, including a copy of the new promissory note, if applicable.

3. **Settlement/Closing Disclosure Statement requirements:** The Settlement/Closing Disclosure Statement must reflect that the proceeds were paid directly to the holder of the Existing Debt. The total amount of proceeds disbursed to the Borrower at closing must not exceed the maximum amount allowed pursuant to the "no cash-out" refinance Mortgage requirements in Section 4301.4.

4. **Mortgage file documentation:** The Mortgage file must include documentation (e.g., invoices, receipts) of the eligible improvements completed before the Note Date and their costs

5. **Appraisal:** An interior and exterior inspection appraisal is required. The appraisal must reflect all eligible improvements that were made. See Section 5601.4 for additional appraisal requirements.

Note: See Sections 4301.4 and 4301.8 for payoff of PACE obligation requirements.

4606.4: Energy reports (11/06/24)

This section contains requirements related to:

- Eligible energy reports
- Energy report conditions
- Energy report exceptions when proceeds are used to finance renewable energy sources
- Energy report alternatives

For Mortgages used to finance eligible improvements with an aggregate cost less than or equal to $6,500, an energy report is not required. For Mortgages used to finance eligible improvements with an aggregate cost greater than $6,500, an energy report must be obtained and retained in the Mortgage file.

An energy report is not required for a "no cash-out" refinance Mortgage used to pay an Existing Debt.

(a) Eligible energy reports

Energy reports must be one of the following:

- Home Energy Rating Systems (HERS) report completed by a certified Residential Energy Services Network (RESNET®) Home Energy Rater reflecting a HERS Index of 90 or below (**http://www.resnet.us/directory/search**)

- Department of Energy Home (DOE) Energy Score Report completed by an independent Home Energy Score Certified Assessor™ reflecting a DOE Home Energy Score of six or greater (**https://betterbuildingssolutioncenter.energy.gov/home-energy-score/home-energy-score-map**)

- Comparable rating report or audit completed by a certified home energy rater or consultant indicating the property is a high-performing energy efficient property

(b) Energy report conditions

Energy reports must:

- Identify the energy improvements and expected cost to complete these improvements

- Specify the actual or expected monthly or annual energy savings

- Verify that the energy improvements are cost effective. Energy improvements are cost effective when the expected cost to complete these improvements, including maintenance, is less than the present value of the energy saved over the useful life of these improvements, and

- Be dated no more than 24 months before or 24 months after the Note Date, as applicable

The cost of the energy report may be included in the total cost of the eligible improvements and must be identified on the Settlement Statement if the Borrower is to be reimbursed.

(c) Energy report exceptions when proceeds are used to finance renewable energy sources

If the energy improvements are related to renewable energy sources (e.g., solar panels, hydropower systems, wind turbines or geothermal systems), and an energy report is not available to demonstrate their cost effectiveness, the cost effectiveness may be demonstrated by:

1. Obtaining copies of all invoices and/or receipts, as applicable, for the cost of the systems or devices, and

2. Comparing the cost of the systems or devices, including maintenance, to the income produced over the life of the systems or devices

When the income produced exceeds the net cost (including any tax credits and rebates) of the systems or devices, the cost effectiveness has been demonstrated.

The appraiser must document the projected income by utilizing PV Value, Ei Value or a similar tool as referenced in Section 5601.4.

(d) Energy report alternatives

For certain eligible improvements, the Seller/Servicer may obtain, and, if obtained, must retain in the Mortgage file, alternative documentation in lieu of an energy report:

Alternative documentation in lieu of an energy report	
Improvement type	**Permitted alternative documentation**
ENERGY STAR Energy Efficient Products	Documentation (e.g., invoices, receipts, printout(s) showing the eligible improvements in the list of ENERGY STAR Energy Efficient Products) verifying the eligible improvements are ENERGY STAR Energy Efficient Products.
Health and safety improvements	At least one of the following: ■ Copies of all invoices and/or receipts, as applicable, documenting the cost of the eligible improvements as well as their expected impact to health and safety (e.g., for a radon mitigation system, its expected impact on the radon levels in the home) ■ A completed United States Environment Protection Agency (EPA) Indoor airPLUS (Version 1 (Rev. 04) or higher) Verification Checklist
Resiliency and preventative improvements to either repair natural disaster damage or improve a home's ability to withstand future natural disasters	At least one of the following: ■ Copies of all invoices and/or receipts, as applicable, documenting the cost of the eligible improvements. This should

Alternative documentation in lieu of an energy report	
Improvement type	**Permitted alternative documentation**
	include invoices from a contractor for completing the repairs or improving the home, if applicable. ■ An Insurance Institute for Business & Home Safety (IBHS) FORTIFIED Home™ designation certificate (i.e., FORTIFIED Roof, FORTIFIED Silver or FORTIFIED Gold)

4606.5: Transfers of Servicing (11/06/24)

For GreenCHOICE Mortgages® where eligible improvements will be completed after the Note Date, a Transfer of Servicing is prohibited until all eligible improvements are complete and the appraiser has provided a completion report.

See Chapter 7101 for requirements regarding Transfers of Servicing.

4606.6: Delivery requirements and Credit Fees (11/06/24)

See Section 6302.23 for special delivery requirements for GreenCHOICE Mortgages®.

For Credit Fees related to GreenCHOICE Mortgages, the Seller/Servicer must refer to Exhibit 19, Credit Fees, and Exhibit 19A, Credit Fee Cap Eligibility Criteria. Credit Fees are paid in accordance with the Credit Fee provisions stated in Chapter 6303.

See Section 4607.16(b) for special requirements when CHOICERenovation Mortgage proceeds finance renovations to improve the energy and/or water efficiency, the health and safety and/or the resiliency and preventiveness of the Mortgaged Premises and the eligibility for the credit for Credit Fees for GreenCHOICE Mortgages.

Chapter 4607: CHOICERenovation® Mortgages

4607.1: CHOICERenovation® Mortgages (11/02/24)

This section contains requirements related to:

- Mortgages with Settlement Dates after completion of renovations
- Mortgages with Settlements Dates before completion of renovations
- CHOICEReno eXPress® Mortgages
- Loan Status Hub℠

A CHOICERenovation® Mortgage is a Mortgage that meets the requirements of this chapter and the Seller's Purchase Documents.

The proceeds from a CHOICERenovation Mortgage must be used to finance repairs and/or improvements to the Mortgaged Premises (the "renovations"); the renovations may be completed before or after the Settlement Date.

All requirements in this Chapter 4607 are selling obligations to be fulfilled by the Seller in its capacity as a Seller/Servicer. See also Section 4607.17 regarding Transfers of Servicing.

(a) Mortgages with Settlement Dates after completion of renovations

If the renovations are completed before the Settlement Date, Freddie Mac's prior written approval is not needed to sell the Mortgage to Freddie Mac and the Seller will not be subject to the requirements for:

- Renovation work and process described in Sections 4607.9(a)(1 and 2) and 4607.9(b)(1 through 3)
- The contingency reserve described in Section 4607.11(b)
- Recourse described in Section 4607.14

CHOICERenovation Mortgages with renovations that are substantially complete such that the only remaining incomplete improvements meet the requirements of Section 5601.3 may be delivered to Freddie Mac as CHOICERenovation Mortgages with Settlement Dates after completion of renovations.

(b) Mortgages with Settlement Dates before completion of renovations

As used in this chapter, a "CHOICERenovation In Progress Mortgage" is a CHOICERenovation Mortgage that:

- Is not a CHOICEReno eXPress Mortgage as described in Section 4607.1(c); and
- Has renovations that are not complete or substantially complete as of the Settlement Date

Such CHOICERenovation Mortgages must be sold to Freddie Mac with recourse (see Section 4607.14), and the Seller must obtain Freddie Mac's written approval before selling CHOICERenovation In Progress Mortgages to Freddie Mac. The Seller can request approval by contacting its Freddie Mac representative or the Customer Contact Center at 800-FREDDIE.

See Section 4607.3(b) for a special occupancy requirement for CHOICERenovation In Progress Mortgages.

(c) CHOICEReno eXPress Mortgages

As used in this chapter, a "CHOICEReno eXPress Mortgage" is CHOICERenovation Mortgage with renovations not completed by the Settlement Date that may be sold to Freddie Mac without recourse if:

- All renovations are completed within 180 days of the Note Date in accordance with Section 4607.4(a), and
- The maximum financed renovation costs for CHOICEReno eXPress Mortgages meet the requirements of Section 4607.7

For CHOICEReno eXPress Mortgages, the Seller will not be subject to the requirements for:

- Renovation work and process described in Section 4607.9(a)(1)
- The minimum contingency reserve described in Section 4607.11(b)
- Recourse described in Section 4607.14

The Seller is not required to obtain Freddie Mac's prior written approval before selling CHOICEReno eXPress Mortgages to Freddie Mac.

(d) Loan Status Hub

"Loan Status Hub" means the System (as that term is defined in Section 2401.1(b)) Freddie Mac makes available to the Seller to enable the Seller to submit to Freddie Mac certain data,

documents and information required by this Chapter 4607 and to receive associated Output (as that term is defined in Section 2401.1(b)).

For CHOICERenovation In Progress Mortgages, the Seller must use Loan Status Hub to submit required data, documents and information.

The Seller must request access to Loan Status Hub by calling their Freddie Mac representative or the Customer Contact Center at 800-FREDDIE.

4607.1: CHOICERenovation® Mortgages (Future effective date 11/25/24)

This section contains requirements related to:

- Mortgages with Settlement Dates after completion of renovations
- Mortgages with Settlements Dates before completion of renovations
- CHOICEReno eXPress® Mortgages
- Loan Status Hub℠

A CHOICERenovation® Mortgage is a Mortgage that meets the requirements of this chapter and the Seller's Purchase Documents.

The proceeds from a CHOICERenovation Mortgage must be used to finance repairs and/or improvements to the Mortgaged Premises (the "renovations"); the renovations may be completed before or after the Settlement Date.

All requirements in this Chapter 4607 are selling obligations to be fulfilled by the Seller in its capacity as a Seller/Servicer. See also Section 4607.17 regarding Transfers of Servicing.

(a) Mortgages with Settlement Dates after completion of renovations

If the renovations are completed before the Settlement Date, Freddie Mac's prior written approval is not needed to sell the Mortgage to Freddie Mac and the Seller will not be subject to the requirements for:

- Renovation work and process described in Sections 4607.9(a)(1 and 2) and 4607.9(b)(1 through 3)
- The contingency reserve described in Section 4607.11(b)
- Recourse described in Section 4607.14

CHOICERenovation Mortgages with renovations that are substantially complete such that the only remaining incomplete improvements meet the requirements of Section 5601.3 may be delivered to Freddie Mac as CHOICERenovation Mortgages with Settlement Dates after completion of renovations.

(b) Mortgages with Settlement Dates before completion of renovations

As used in this chapter, a "CHOICERenovation In Progress Mortgage" is a CHOICERenovation Mortgage that:

- Is not a CHOICEReno eXPress Mortgage as described in Section 4607.1(c); and
- Has renovations that are not complete or substantially complete as of the Settlement Date

Such CHOICERenovation Mortgages must be sold to Freddie Mac with recourse (see Section 4607.14), and the Seller must obtain Freddie Mac's written approval before selling CHOICERenovation In Progress Mortgages to Freddie Mac. The Seller can request approval by contacting its Freddie Mac representative or the Customer Contact Center at 800-FREDDIE.

See Section 4607.3(b) for a special occupancy requirement for CHOICERenovation In Progress Mortgages.

(c) CHOICEReno eXPress Mortgages

As used in this chapter, a "CHOICEReno eXPress Mortgage" is CHOICERenovation Mortgage with renovations not completed by the Settlement Date that may be sold to Freddie Mac without recourse if:

- All renovations are completed within 180 days of the Note Date in accordance with Section 4607.4(a), and
- The maximum financed renovation costs for CHOICEReno eXPress Mortgages meet the requirements of Section 4607.7

For CHOICEReno eXPress Mortgages, the Seller will not be subject to the requirements for:

- Renovation work and process described in Section 4607.9(a)(1)
- The minimum contingency reserve described in Section 4607.11(b)
- Recourse described in Section 4607.14

The Seller is not required to obtain Freddie Mac's prior written approval before selling CHOICEReno eXPress Mortgages to Freddie Mac.

(d) Loan Status Hub

"Loan Status Hub" means the System (as that term is defined in Section 2401.1(b)) Freddie Mac makes available to the Seller to enable the Seller to submit to Freddie Mac certain data, documents and information required by this Chapter 4607 and to receive associated Output (as that term is defined in Section 2401.1(b)).

The Seller must use Loan Status Hub to submit required data, documents and information for:

- CHOICERenovation In Progress Mortgages
- CHOICEReno eXPress Mortgages

The Seller must request access to Loan Status Hub by calling their Freddie Mac representative or the Customer Contact Center at 800-FREDDIE.

4607.2: Eligible and ineligible CHOICERenovation® Mortgages (10/02/24)

This section contains requirements related to:

- Eligible Mortgages
- Ineligible Mortgages

(a) Eligible Mortgages

CHOICERenovation® Mortgages must be First Lien Mortgages and may be any Mortgage eligible under the Seller's Purchase Documents, unless specifically described as ineligible below.

(b) Ineligible Mortgages

Mortgages with the following characteristics are not eligible for sale to Freddie Mac as CHOICERenovation Mortgages:

- Community Land Trust Mortgages
- FHA Mortgages
- Financed Permanent Buydown Mortgages

- Freddie Mac Enhanced Relief Refinance® Mortgages
- Mortgages with capitalized balances as described in Chapter 4403
- Refi Possible® Mortgages
- Section 184 Native American Mortgages
- Section 502 GRH Mortgages
- Seller-Owned Converted Mortgages
- Seller-Owned Modified Mortgages
- Special purpose cash-out refinance Mortgages
- VA Mortgages

4607.3: Property eligibility and occupancy for CHOICERenovation® Mortgages (10/02/24)

This section contains requirements related to:

- Property eligibility
- Special occupancy requirement for CHOICERenovation® In Progress Mortgages

(a) Property eligibility

CHOICERenovation Mortgages must be secured by one of the following:

- 1- to 4-unit Primary Residence
- Second home
- 1-unit Investment Property
- A Manufactured Home, including a CHOICEHome® as described in Section 5703.16
- A Condominium Unit, a unit located in a Planned Unit Development (PUD), or a Cooperative Unit if permitted under the Seller's Purchase Documents

(b) Special occupancy requirement for CHOICERenovation In Progress Mortgages

For CHOICERenovation In Progress Mortgages or CHOICEReno eXPress secured by Primary Residences, if the Borrower does not occupy the Mortgaged Premises during the course of renovations, the Mortgaged Premises will be deemed owner-occupied as of the Delivery Date so long as the Borrower occupies the Mortgaged Premises as a Primary Residence within 60 days of the last disbursement made and distributed from the Custodial Account for Renovation Funds (as described in Section 4607.12).

4607.4: General eligibility requirements for CHOICERenovation® Mortgages (10/02/24)

This section contains requirements related to:

- Completion Date and Settlement Date requirements
- Mortgage purpose
- Maximum loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios
- Determining value
- Secondary financing

(a) Completion Date and Settlement Date requirements

(i) Completion Date requirements

Renovations to the Mortgaged Premises must be completed by the Completion Date as follows:

- 450 days after the Note Date for CHOICERenovation® Mortgages that are not CHOICEReno eXPress® Mortgages
- 180 days after the Note Date for CHOICEReno eXPress Mortgages

(ii) Settlement Date requirements

For CHOICERenovation Mortgages with Settlement Dates after completion of renovations (see Section 4607.1(a)), the Settlement Date must occur no more than 450 days after the Note Date.

(b) Mortgage purpose

CHOICERenovation Mortgages must be either purchase transaction or "no cash-out" refinance Mortgages with proceeds used as follows:

- **Purchase transaction Mortgages**: Proceeds may be used to purchase the Mortgaged Premises and to pay for the eligible renovations described in Section 4607.6

- **"No cash-out" refinance Mortgages**: Proceeds may be used as described in Section 4301.4, except that proceeds may not be used to disburse cash out to the Borrower. A CHOICERenovation Mortgage secured by a property previously owned free and clear by the Borrower is considered a "no cash-out" refinance Mortgage if the proceeds are used only to finance the eligible renovations described in Section 4607.6.

  At least one Borrower must have been on the title to the subject property for at least six months prior to the Note Date unless one of the exceptions to this title requirement that are specified in the cash-out refinance Mortgage requirements of Section 4301.5(b) applies.

(c) Maximum LTV/TLTV/HTLTV ratios

Each CHOICERenovation Mortgage must have maximum LTV/TLTV/HTLTV ratios that comply with the LTV/TLTV/HTLTV ratios in Section 4203.4 and any other applicable LTV/TLTV/HTLTV ratio requirement for the specific Mortgage Product or offering.

(d) Determining value

The value used to determine the LTV, TLTV and HTLTV ratios must be established as follows:

Purchase transaction	**"No cash-out" refinance**
Value is the lesser of: ■ The purchase price of the Mortgaged Premises prior to the renovations plus the total renovation costs, or ■ Appraised value of the Mortgaged Premises, as completed	Value is the appraised value of the Mortgaged Premises, as completed.

(e) Secondary financing

Secondary financing must comply with Guide requirements for the specific Mortgage Product or offering.

4607.4: General eligibility requirements for CHOICERenovation® Mortgages (Future effective date 11/25/24)

This section contains requirements related to:

- Completion Date and Settlement Date requirements
- Mortgage purpose
- Maximum loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios
- Determining value
- Secondary financing

(a) Completion Date and Settlement Date requirements

(i) Completion Date requirements

Renovations to the Mortgaged Premises must be completed by the Completion Date as follows:

- 450 days after the Note Date for CHOICERenovation® Mortgages that are not CHOICEReno eXPress® Mortgages
- 180 days after the Note Date for CHOICEReno eXPress Mortgages

(ii) Completion Date extension

The Seller may request from Freddie Mac a Completion Date extension when circumstances outside the Borrower's or contractor's control prevent completion of the renovations by the Completion Date. The total days requested for the extension(s) must not exceed 90 days.

To be eligible for a Completion Date extension, the Borrower must not:

- Be delinquent at the time of the Seller's extension request, and
- Have been 30 days delinquent more than once during the renovation period

To request a Completion Date extension, the Seller must submit to Loan Status Hub℠ documentation supporting the reason for the delay (e.g., weather, supply chain issues,

permit delays, etc.). If Freddie Mac grants the extension, the Completion Date may be extended:

- A maximum of 90 days for CHOICERenovation Mortgages
- A maximum of 30 days for CHOICEReno eXPress Mortgages

If the extension request is granted, Freddie Mac will provide the extended Completion Date through Loan Status Hub.

(iii)Settlement Date requirements

For CHOICERenovation Mortgages with Settlement Dates after completion of renovations (see Section 4607.1(a)), the Settlement Date must occur no more than 450 days after the Note Date.

(b) Mortgage purpose

CHOICERenovation Mortgages must be either purchase transaction or "no cash-out" refinance Mortgages with proceeds used as follows:

- **Purchase transaction Mortgages**: Proceeds may be used to purchase the Mortgaged Premises and to pay for the eligible renovations described in Section 4607.6
- **"No cash-out" refinance Mortgages**: Proceeds may be used as described in Section 4301.4, except that proceeds may not be used to disburse cash out to the Borrower. A CHOICERenovation Mortgage secured by a property previously owned free and clear by the Borrower is considered a "no cash-out" refinance Mortgage if the proceeds are used only to finance the eligible renovations described in Section 4607.6.

  At least one Borrower must have been on the title to the subject property for at least six months prior to the Note Date unless one of the exceptions to this title requirement that are specified in the cash-out refinance Mortgage requirements of Section 4301.5(b) applies.

(c) Maximum LTV/TLTV/HTLTV ratios

Each CHOICERenovation Mortgage must have maximum LTV/TLTV/HTLTV ratios that comply with the LTV/TLTV/HTLTV ratios in Section 4203.4 and any other applicable LTV/TLTV/HTLTV ratio requirement for the specific Mortgage Product or offering.

(d) Determining value

The value used to determine the LTV, TLTV and HTLTV ratios must be established as follows:

Purchase transaction	"No cash-out" refinance
Value is the lesser of: ■ The purchase price of the Mortgaged Premises prior to the renovations plus the total renovation costs, or ■ Appraised value of the Mortgaged Premises, as completed	Value is the appraised value of the Mortgaged Premises, as completed.

(e) Secondary financing

Secondary financing must comply with Guide requirements for the specific Mortgage Product or offering.

4607.5: Underwriting CHOICERenovation® Mortgages (10/02/24)

This section contains requirements related to:

- Residential loan application
- Uniform Underwriting and Transmittal Summary
- Accept Mortgages

(a) Residential loan application

The Seller must code the Purpose of Loan on Form 65, Uniform Residential Loan Application, as either Purchase or Refinance (as applicable) and not as Construction or Construction-Permanent.

(b) Uniform Underwriting and Transmittal Summary

The Seller must code the Loan Purpose on Form 1077, Uniform Underwriting and Transmittal Summary, as either Purchase or No Cash-Out Refinance (as applicable) and not as Home Improvement. The Seller must indicate in the Underwriter Comments if the Mortgage is a CHOICERenovation® Mortgage.

(c) Accept Mortgages

All CHOICERenovation Mortgages must be Accept Mortgages.

4607.5: Underwriting CHOICERenovation® Mortgages (Future effective date 11/25/24)

This section contains requirements related to:

- Residential loan application
- Uniform Underwriting and Transmittal Summary
- Accept Mortgages
- Temporary rental payments for Mortgages with Settlement Dates before completion of renovations

(a) Residential loan application

The Seller must code the Purpose of Loan on Form 65, Uniform Residential Loan Application, as either Purchase or Refinance (as applicable) and not as Construction or Construction-Permanent.

(b) Uniform Underwriting and Transmittal Summary

The Seller must code the Loan Purpose on Form 1077, Uniform Underwriting and Transmittal Summary, as either Purchase or No Cash-Out Refinance (as applicable) and not as Home Improvement. The Seller must indicate in the Underwriter Comments if the Mortgage is a CHOICERenovation® Mortgage.

(c) Accept Mortgages

All CHOICERenovation Mortgages must be Accept Mortgages.

(d) Temporary rental payments for Mortgages with Settlement Dates before completion of renovations

For CHOICERenovation In Progress and CHOICEReno eXPress Mortgages secured by Primary Residences, if the Borrower plans to rent another property as their principal domicile during the renovations, the rental lease must be documented in the Mortgage file.

The temporary rental payment for the Borrower's principal domicile must be included in the calculation of the monthly debt payment-to-income ratio if:

- More than 10 payments remain on the lease term as of the Note Date, or
- The rental lease has a renewal or extension option

4607.6: Eligible renovations for CHOICERenovation® Mortgages (10/02/24)

This section contains requirements related to:

- Eligible and ineligible uses of Mortgage proceeds
- Compliance with applicable laws and project documents
- Renovations to Manufactured Homes
- Payoff of short-term financing that financed renovations completed prior to the Note Date

(a) Eligible and ineligible uses of Mortgage proceeds

CHOICERenovation® Mortgage proceeds must only be used to finance renovations that are made to a property with an existing dwelling and may include:

- Fees related to plans and specifications, permits, title updates, appraisals, draw inspections and the final inspection
- An amount up to, but no more than, six monthly payments of principal, interest, taxes and insurance
- Contingency reserve funds as described in Section 4607.11(b)
- The payoff of short-term financing that provided the Borrower with funds to repair, restore, rehabilitate or renovate an existing home as described in Section 4607.6(d)
- Adding or renovating outdoor structures used for leisure and recreation, including, but not limited to, swimming pools, decking, screening and porch and patio additions

  Note: In accordance with Section 4607.11(b), CHOICERenovation Mortgages whose proceeds are used exclusively to finance the addition or renovation of outdoor structures

used for leisure and recreation will not be subject to the minimum contingency reserve requirements.

- Renovations or repairs to a property that has been damaged in a disaster or for renovations that will protect the Mortgaged Premises in case of a future disaster (e.g., storm surge barriers, foundation retrofitting for earthquakes, retaining walls, etc.)

- Renovations to improve the energy and/or water efficiency, the health and safety and/or the resiliency and preventiveness of the Mortgaged Premises

  Note: See Section 4607.16(b) for special requirements when CHOICERenovation Mortgages are combined with GreenCHOICE Mortgages® and the eligibility for the credit for Credit Fees for GreenCHOICE Mortgages

- Adding or renovating an ADU, including a Manufactured Home ADU

  Note: See Section 4607.6(d) below regarding the payoff of short-term financing that financed the addition or renovation of an ADU prior to the Note Date.

CHOICERenovation® Mortgage proceeds may not be used:

- To raze an existing structure and build a new primary dwelling unit

- For personal property with the exception of new appliances

(b) Compliance with applicable laws and project documents

Renovations must comply with all applicable State and local laws and regulations, including zoning regulations. All required permits and approvals must be obtained.

Renovations of properties located in Planned Unit Developments (PUDs), Condominium Projects or Cooperative Projects must comply with all applicable project conditions, covenants and restrictions.

(c) Renovations to Manufactured Homes

Renovations to a primary dwelling unit that is a Manufactured Home or a Manufactured Home ADU are allowed, provided the Manufactured Home remains in compliance with HUD's property acceptability criteria for Manufactured Homes and the general requirements in Section 5703.3, property eligibility requirements for Manufactured Homes in Section 5703.5(a) and requirements for eligible properties with an ADU in Section 5601.2, as applicable.

Renovations may include the removal of a Manufactured Home on the property that is not the primary dwelling unit, provided any effect of its removal on the value of the Mortgaged Premises is reported by the appraiser when determining the "as completed" value of the

property pursuant to the appraisal requirements for CHOICERenovation Mortgages in Section 4607.8.

(d) Payoff of short-term financing that financed renovations completed prior to the Note Date

For CHOICERenovation Mortgages that are "no cash-out" refinance Mortgages, proceeds can be used to pay off short-term financing that financed renovations (including, but not limited to, the addition or renovation of an ADU) completed prior to the Note Date, provided the following requirements are met:

- The CHOICERenovation Mortgage is not secured by a Manufactured Home
- The CHOICERenovation Mortgage is not a CHOICEReno eXPress® Mortgage
- The Borrower on the CHOICERenovation Mortgage must be the Borrower on, and obligated to repay, the short-term financing.

  Exceptions:

  - A Borrower may be omitted in the event of death or divorce, or
  - A Borrower who is a Related Person may be added, provided that all Borrowers on the CHOICERenovation Mortgage are owner-occupants of the Mortgaged Premises and considered in the underwriting of the CHOICERenovation Mortgage

- All renovations financed by the short-term financing must be completed prior to the Note Date of the CHOICERenovation Mortgage with no outstanding obligations related to such financing
- All renovations financed by the short-term financing must be completed prior to the appraisal, which must reflect these renovations having been made. The appraisal report obtained in accordance with CHOICERenovation Mortgage appraisal requirements in Section 4607.8 must only be completed subject to completion of any proposed renovations also being financed with the CHOICERenovation Mortgage.
- The Mortgage file must contain copies of all relevant documentation, including, but not limited to:

  - The short-term financing agreement
  - Sufficient documentation (e.g., purchase contracts, plans and specifications, receipts, invoices, lien waivers, etc.) on which to validate the actual cost of all renovations financed by the short-term financing
  - A document clearly showing the calculation of the short-term financing

- ❑ The Settlement/Closing Disclosure Statement or an alternative form required by law for the closing of the short-term financing

- ❑ The payoff statement

4607.7: Maximum financed renovation costs for CHOICERenovation® Mortgages (10/02/24)

This section contains requirements related to:

- Maximum renovation costs overview
- Purchase transactions
- Refinance Mortgages
- Manufactured Homes

(a) Maximum renovation costs overview

The maximum financed renovation costs for CHOICERenovation® Mortgages are outlined below based on the Mortgage purpose.

Mortgages secured by properties with Manufactured Home ADUs will be subject to the maximum financed renovation costs described in either Section 4607.7(b) for purchase transactions or Section 4607.7(c) for "no cash-out" refinance Mortgages, as applicable.

(b) Purchase transactions

The table below lists the maximum financed renovation costs for purchase transaction Mortgages secured by Mortgaged Premises that are not Manufactured Homes:

Maximum financed renovation costs for purchase transaction Mortgages excluding Manufactured Homes		
For…	**The total cost of the financed renovations must not exceed…**	**Of the lesser of the…**
CHOICERenovation Mortgages delivered pursuant to Sections 4607.1(a) and 4607.1(b)	75%	■ Sum of the purchase price of the property plus the estimated total of the renovation costs, or

CHOICEReno eXPress® Mortgages located in designated Duty to Serve high-needs areas (refer to Exhibit 40, Duty to Serve High-Needs Areas)	15%	■ "As completed" value of the property as determined by the appraiser pursuant to the appraisal requirements in Section 4607.8
CHOICEReno eXPress Mortgages not in Duty to Serve high-needs areas	10%	

(c) Refinance Mortgages

The table below lists the maximum financed renovation costs for "no cash-out" refinance Mortgages secured by Mortgaged Premises that are not Manufactured Homes:

Maximum financed renovation costs for refinance Mortgages excluding Manufactured Homes		
For…	**The total cost of the financed renovations must not exceed…**	**Of the…**
CHOICERenovation Mortgages delivered pursuant to Sections 4607.1(a) and 4607.1(b)	75%	"As completed" value of the property as determined by the appraiser pursuant to the appraisal requirements in Section 4607.8
CHOICEReno eXPress Mortgages located in designated Duty to Serve high-needs areas	15%	
CHOICEReno eXPress Mortgages not in Duty to Serve high-needs areas	10%	

(d) Manufactured Homes

The table below lists the maximum financed renovation costs for purchase transaction and "no cash-out" refinance Mortgages secured by Manufactured Homes:

Maximum financed renovation costs for Manufactured Homes		
For…	**The total cost of the financed renovations must not exceed the lesser of $50,000 or…**	**Of the…**
CHOICERenovation Mortgages delivered pursuant to Sections 4607.1(a) and 4607.1(b)	50%	"As completed" value of the property as determined by the appraiser pursuant to the appraisal requirements in Section 4607.8
CHOICEReno eXPress Mortgages located in designated Duty to Serve high-needs areas	15%	
CHOICEReno eXPress Mortgages not in Duty to Serve high-needs areas	10%	

Note: Mortgages secured by properties with Manufactured Home ADUs will be subject to the maximum financed renovation costs described in Section 4607.7(a) for purchase transactions, or Section 4607.7(b) for "no cash-out" refinance Mortgages, as applicable above.

4607.8: Appraisal requirements for CHOICERenovation® Mortgages (10/02/24)

This section contains requirements related to:

- Initial appraisal report
- Changes to original plans and specifications
- Final inspection and completion report

(a) Initial appraisal report

The Seller must obtain an appraisal report based on an interior and exterior inspection. The appraisal report must include an "as completed" value of the subject property. If there are proposed renovations being financed with the CHOICERenovation® Mortgage, the appraisal report must be completed subject to completion of the proposed renovations.

The Seller must provide the appraiser with the cost estimates, plans and specifications for the renovations.

(b) Changes to original plans and specifications

If, after the appraiser provides the "as completed" value, changes are made to the original plans and specifications in accordance with the Seller responsibilities outlined in Section 4607.9(a)(2), the Seller must notify the appraiser of the changes and provide change documentation to the appraiser.

The appraiser must provide a new appraisal to reflect the changes and account for the impact on the "as completed" value.

(c) Final inspection and completion report

Upon completion of all proposed renovations, the appraiser must perform a final inspection of the property and complete a completion report in accordance with the requirements in Section 5605.8 for verifying completion.

The completion report must document that all renovations were completed in accordance with the plans and specifications and must include photographs of the completed renovations.

4607.8: Appraisal requirements for CHOICERenovation® Mortgages (Future effective date 11/25/24)

This section contains requirements related to:

- Initial appraisal report
- Changes to original plans and specifications
- Final inspection and completion report

(a) Initial appraisal report

The Seller must obtain an appraisal report based on an interior and exterior inspection. The appraisal report must include an "as completed" value of the subject property. If there are proposed renovations being financed with the CHOICERenovation® Mortgage, the appraisal report must be completed subject to completion of the proposed renovations.

The Seller must provide the appraiser with the cost estimates, plans and specifications for the renovations.

Note: If Form 1000, Single Family Comparable Rent Schedule, or Form 72, Small Residential Income Property Appraisal Report, is required, it must be completed using current rental income for the subject property. See Section 5306.4.

(b) Changes to original plans and specifications

If, after the appraiser provides the "as completed" value, changes are made to the original plans and specifications in accordance with the Seller responsibilities outlined in Section 4607.9(a)(2), the Seller must notify the appraiser of the changes and provide change documentation to the appraiser.

The appraiser must provide a new appraisal to reflect the changes and account for the impact on the "as completed" value.

(c) Final inspection and completion report

Upon completion of all proposed renovations, the appraiser must perform a final inspection of the property and complete a completion report in accordance with the requirements in Section 5605.8 for verifying completion.

The completion report must document that all renovations were completed in accordance with the plans and specifications and must include photographs of the completed renovations.

4607.9: Seller responsibilities for renovation work and process for CHOICERenovation® Mortgages (11/02/24)

This section contains requirements related to:

- Responsibilities during the renovation period
- Other Seller responsibilities
- Notification of completion of the subject property
- Seller responsibilities for third parties

(a) Responsibilities during the renovation period

During the renovation period:

1. The Seller is responsible for managing the Custodial Account for Renovation Funds as described in Section 4607.12 and corresponding draws

2. The Seller must manage any changes to the plans and specifications requested by the Borrower during the course of renovations.

   If any changes are made to the plans and specifications and/or the estimated time of completion for the renovations, the changes must be agreed upon via a change order signed by the Borrower and the contractor and approved by the Seller. Documentation evidencing the change order must be signed by the Borrower and the contractor and must include the following, as applicable:

   - Detailed description of the changes
   - Updated itemized renovation costs
   - Updated total cost of the renovations
   - Any changes to the estimated Completion Date

3. The Seller may not approve changes to the plans and specifications if such changes impact the loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratio or the property such that the Mortgage:

   - Would not have been eligible for sale under the terms of the Seller's Purchase Documents in effect on the Settlement Date, or
   - Would have been eligible for sale but under different terms

(b) Other Seller responsibilities

The Seller is responsible for compliance with the following requirements:

1. The Mortgage file must contain all relevant documentation, including, but not limited to, copies of:

   - Costs of the renovations
   - Purchase contracts
   - Bids
   - Appraisal(s)
   - Renovation contract(s)
   - Plans and specifications
   - Permits and applicable homeowners association approvals

- Documents related to change orders and draws
- Completion report
- Close-out documentation for the Custodial Account for Renovation Funds
- Title updates

Note: See Section 4607.6(d) regarding additional Mortgage file documentation requirements when CHOICERenovation® Mortgage proceeds are used to pay off short-term financing that provided the Borrower with funds to repair, restore, rehabilitate or renovate an existing home.

2. The Seller must notify Freddie Mac through Loan Status Hub℠ if there are any concerns that the renovations will not be completed by the Completion Date or if there are any changes that impact the "as completed" value of the property as determined by the appraiser.

3. Unless otherwise noted below, all contractor(s) and/or tradespersons chosen by the Borrower to complete the renovations must:

   - Have entered into an executed, binding renovation contract with the Borrower to complete the renovations no later than the Completion Date. The contract must include an indemnification provision requiring the contractor to indemnify the Borrower for any property loss or damage caused by the contractor, its employees or its subcontractors.
   - Be licensed and insured as required by local and/or State requirements, and
   - Be financially able to perform the duties necessary to complete the renovation work in a timely manner

   The above requirements do not apply if the Borrower, acting as general contractor, performs all the work in accordance with Section 4607.10(a) or if renovations are purchased from a home improvement store in accordance with Section 4607.10(c).

4. The Seller must obtain title updates as necessary to ensure that the CHOICERenovation Mortgage meets all title insurance requirements in Chapter 4702

5. After all renovations are completed, there must be no outstanding liens related to the renovations, and the CHOICERenovation Mortgage must remain a valid First Lien in accordance with Section 4201.2

(c) Notification of completion of the subject property

For CHOICERenovation In Progress Mortgages, when the renovations are complete, the Seller must notify Freddie Mac through Loan Status Hub and provide the completion report including photographs of the completed renovations.

Until the Seller receives written acknowledgment from Freddie Mac through Loan Status Hub that all renovations have been completed to satisfy the "as completed" appraised value of the original appraisal and Freddie Mac approves the removal of recourse, the Seller remains responsible for the requirements of Section 4607.9.

The Seller represents and warrants that, as of the date the Seller notifies Freddie Mac that all renovations are complete, all requirements in this Chapter 4607 have been met.

If notice that all renovations are complete is not received by Freddie Mac by the Completion Date, the Mortgage will be subject to a repurchase.

(d) Seller responsibilities for third parties

A third party may perform all or some of the processing, management and performance of draw inspections and/or maintenance and management of disbursements from the completion escrow account or Custodial Account for Renovation Funds as described in Sections 4607.11 and 4607.12, as applicable, and other requirements described above as responsibilities or obligations of the Seller.

A third party may not open and perform ongoing maintenance of the Custodial Account for Renovation Funds except as otherwise provided for in Section 4607.17(a) for Transfers of Servicing of CHOICERenovation Mortgages.

Although these functions may not be performed directly by the Seller, the Seller is responsible for the accuracy and integrity of the information provided by the third party and for compliance with these and all requirements in the Seller's Purchase Documents.

4607.9: Seller responsibilities for renovation work and process for CHOICERenovation® Mortgages (Future effective date 11/25/24)

This section contains requirements related to:

- Responsibilities during the renovation period
- Other Seller responsibilities
- Notification of completion of the subject property
- Seller responsibilities for third parties

(a) Responsibilities during the renovation period

During the renovation period:

1. The Seller is responsible for managing the Custodial Account for Renovation Funds as described in Section 4607.12 and corresponding draws

2. The Seller must manage any changes to the plans and specifications requested by the Borrower during the course of renovations.

   If any changes are made to the plans and specifications and/or the estimated time of completion for the renovations, the changes must be agreed upon via a change order signed by the Borrower and the contractor and approved by the Seller. Documentation evidencing the change order must be signed by the Borrower and the contractor and must include the following, as applicable:

   - Detailed description of the changes
   - Updated itemized renovation costs
   - Updated total cost of the renovations
   - Any changes to the estimated Completion Date

3. The Seller may not approve changes to the plans and specifications if such changes impact the loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratio or the property such that the Mortgage:

   - Would not have been eligible for sale under the terms of the Seller's Purchase Documents in effect on the Settlement Date, or
   - Would have been eligible for sale but under different terms

(b) Other Seller responsibilities

The Seller is responsible for compliance with the following requirements:

1. The Mortgage file must contain all relevant documentation, including, but not limited to, copies of:

   - Costs of the renovations
   - Purchase contracts
   - Bids

- Appraisal(s)
- Renovation contract(s)
- Plans and specifications
- Permits and applicable homeowners association approvals
- Documents related to change orders and draws
- Completion report
- Close-out documentation for the Custodial Account for Renovation Funds
- Title updates

Note: See Section 4607.6(d) regarding additional Mortgage file documentation requirements when CHOICERenovation® Mortgage proceeds are used to pay off short-term financing that provided the Borrower with funds to repair, restore, rehabilitate or renovate an existing home.

2. The Seller must notify Freddie Mac through Loan Status Hub℠ if there are any concerns that the renovations will not be completed by the Completion Date or if there are any changes that impact the "as completed" value of the property as determined by the appraiser.

   If a Completion Date extension is necessary, the Seller must follow the requirements in Section 4607.4(a)(ii) to request an extension.

3. Unless otherwise noted below, all contractor(s) and/or tradespersons chosen by the Borrower to complete the renovations must:

   - Have entered into an executed, binding renovation contract with the Borrower to complete the renovations no later than the Completion Date. The contract must include an indemnification provision requiring the contractor to indemnify the Borrower for any property loss or damage caused by the contractor, its employees or its subcontractors.
   - Be licensed and insured as required by local and/or State requirements, and
   - Be financially able to perform the duties necessary to complete the renovation work in a timely manner

The above requirements do not apply if the Borrower, acting as general contractor, performs all the work in accordance with Section 4607.10(a) or if renovations are purchased from a home improvement store in accordance with Section 4607.10(c).

4. The Seller must obtain title updates as necessary to ensure that the CHOICERenovation Mortgage meets all title insurance requirements in Chapter 4702

5. After all renovations are completed, the CHOICERenovation Mortgage must remain a valid First Lien in accordance with Section 4201.2

(c) Notification of completion of the subject property

For CHOICERenovation In Progress and CHOICEReno eXPress Mortgages, when the renovations are complete, the Seller must notify Freddie Mac through Loan Status Hub and provide the completion report including photographs of the completed renovations.

Until the Seller receives written acknowledgment from Freddie Mac through Loan Status Hub that all renovations have been completed to satisfy the "as completed" appraised value of the original appraisal and Freddie Mac approves the removal of recourse, the Seller remains responsible for the requirements of Section 4607.9.

The Seller represents and warrants that, as of the date the Seller notifies Freddie Mac that all renovations are complete, all requirements in this Chapter 4607 have been met.

If notice that all renovations are complete is not received by Freddie Mac by the Completion Date, the Mortgage will be subject to a repurchase.

(d) Seller responsibilities for third parties

A third party may perform all or some of the processing, management and performance of draw inspections and/or maintenance and management of disbursements from the completion escrow account or Custodial Account for Renovation Funds as described in Sections 4607.11 and 4607.12, as applicable, and other requirements described above as responsibilities or obligations of the Seller.

A third party may not open and perform ongoing maintenance of the Custodial Account for Renovation Funds except as otherwise provided for in Section 4607.17(a) for Transfers of Servicing of CHOICERenovation Mortgages.

Although these functions may not be performed directly by the Seller, the Seller is responsible for the accuracy and integrity of the information provided by the third party and for compliance with these and all requirements in the Seller's Purchase Documents.

4607.10: Contractor requirements and advancing the costs of materials for CHOICERenovation® Mortgages (10/02/24)

This section contains requirements related to:

- Borrower as contractor
- Contractors and/or tradespersons chosen by the Borrower
- Renovations purchased from a home improvement store

(a) Borrower as contractor

The Borrower may act as the general contractor and/or may perform some or all of the work to complete the renovations when the following requirements are met:

- The Borrower must be a licensed contractor
- The Borrower must be qualified to complete the renovations

The Borrower must submit to the Seller a plan detailing the work items the Borrower will perform.

CHOICERenovation® Mortgage proceeds may be used to reimburse the Borrower for the cost of materials, but may not be used to reimburse the Borrower for labor costs.

(b) Contractor(s) and/or tradespersons chosen by the Borrower

Contractor(s) and/or tradespersons chosen by the Borrower to complete the renovations must meet the following requirements in accordance with Section 4607.9(b)(3):

- The contractor(s) and/or tradespersons entered into an executed, binding renovation contract with the Borrower to complete the renovations no later than the Completion Date. The contract must include an indemnification provision requiring the contractor to indemnify the Borrower for any property loss or damage caused by the contractor, its employees or its subcontractors.
- The contractor(s) and/or tradespersons must be licensed and insured as required by local and/or State requirements
- The contractor(s) and/or tradespersons must be financially able to perform the duties necessary to complete the renovation work in a timely manner

Except when the Borrower is acting as the contractor and/or tradesperson, up to 50% of the cost of materials may be advanced to the contractor(s) and/or tradespersons at closing in lieu of such funds being deposited into the completion escrow account or Custodial Account for Renovation Funds (as described in Sections 4607.11 and 4607.12), as applicable, when the above requirements are met.

(c) Renovations purchased from a home improvement store

If the Borrower chooses a home improvement store to have the renovation work completed and the home improvement store's renovation program requires payment-in-full at the point of purchase, renovations may be purchased from the home improvement store at closing, provided the following requirements are met:

- The CHOICERenovation Mortgage is a "no cash-out" refinance Mortgage

- The Seller must review the home improvement store's renovation program to determine that the following requirements are met:

  - The home improvement store is financially able to perform the duties necessary to have the renovation work completed in a timely manner and pay the contractor(s) and/or tradespersons chosen by the home improvement store to complete the renovations. A contractor and/or tradesperson may not require payment directly from the Borrower.

  - The home improvement store has a robust contractor approval process that is managed, maintained and updated regularly

  - The contractor(s) and/or tradespersons chosen by the home improvement store to complete the renovations is licensed and insured as required by local and/or State requirements, and they must be approved under the home improvement store's contractor approval process during the course of renovations.

    In the event a contractor and/or tradesperson becomes unapproved or is unable to complete the renovation work in a timely manner, the home improvement store must choose other approved contractor(s) and/or tradespersons to complete the renovations.

- The Borrower may not be chosen by the home improvement store to complete the renovations, even if the Borrower is a licensed contractor and/or is licensed and qualified to complete the renovations

- The home improvement store must have entered into an executed, binding renovation contract with the Borrower to complete the renovations no later than the Completion Date. The contract must include an indemnification provision requiring the home improvement store to indemnify the Borrower for any property loss or damage caused by

the contractor(s) and/or tradespersons chosen by the home improvement store to complete the renovations.

Up to 100% of the cost of materials and renovation costs identified in the renovation contract (including labor costs) may be paid to a home improvement store at closing in lieu of such funds being deposited into the completion escrow account or Custodial Account for Renovation Funds (as described in Sections 4607.11 and 4607.12), as applicable, if the requirements above are met.

4607.10: Contractor requirements and advancing the costs of materials for CHOICERenovation® Mortgages (Future effective date 11/25/24)

This section contains requirements related to:

- Borrower as contractor
- Contractors and/or tradespersons chosen by the Borrower
- Renovations purchased from a home improvement store

(a) Borrower as contractor

The Borrower may act as the general contractor and/or may perform some or all of the work to complete the renovations when the following requirements are met:

- The Borrower must be a licensed contractor when required by applicable local and/or State law
- The Borrower must be insured to perform the renovations on the subject property
- The Borrower must be qualified to complete the renovations

The Borrower must submit to the Seller a plan detailing the work items the Borrower will perform.

CHOICERenovation® Mortgage proceeds may be used to reimburse the Borrower for the cost of materials, but may not be used to reimburse the Borrower for labor costs.

(b) Contractor(s) and/or tradespersons chosen by the Borrower

Contractor(s) and/or tradespersons chosen by the Borrower to complete the renovations must meet the following requirements in accordance with Section 4607.9(b)(3):

- The contractor(s) and/or tradespersons entered into an executed, binding renovation contract with the Borrower to complete the renovations no later than the Completion Date. The contract must include an indemnification provision requiring the contractor to indemnify the Borrower for any property loss or damage caused by the contractor, its employees or its subcontractors.

- The contractor(s) and/or tradespersons must be licensed and insured as required by local and/or State requirements

- The contractor(s) and/or tradespersons must be financially able to perform the duties necessary to complete the renovation work in a timely manner

Except when the Borrower is acting as the contractor and/or tradesperson, up to 50% of the cost of materials may be advanced to the contractor(s) and/or tradespersons at closing in lieu of such funds being deposited into the completion escrow account or Custodial Account for Renovation Funds (as described in Sections 4607.11 and 4607.12), as applicable, when the above requirements are met.

(c) Renovations purchased from a home improvement store

If the Borrower chooses a home improvement store to have the renovation work completed and the home improvement store's renovation program requires payment-in-full at the point of purchase, renovations may be purchased from the home improvement store at closing, provided the following requirements are met:

- The CHOICERenovation Mortgage is a "no cash-out" refinance Mortgage

- The Seller must review the home improvement store's renovation program to determine that the following requirements are met:

  - The home improvement store is financially able to perform the duties necessary to have the renovation work completed in a timely manner and pay the contractor(s) and/or tradespersons chosen by the home improvement store to complete the renovations. A contractor and/or tradesperson may not require payment directly from the Borrower.

  - The home improvement store has a robust contractor approval process that is managed, maintained and updated regularly

  - The contractor(s) and/or tradespersons chosen by the home improvement store to complete the renovations is licensed and insured as required by local and/or State requirements, and they must be approved under the home improvement store's contractor approval process during the course of renovations.

In the event a contractor and/or tradesperson becomes unapproved or is unable to complete the renovation work in a timely manner, the home improvement store must choose other approved contractor(s) and/or tradespersons to complete the renovations.

- The Borrower may not be chosen by the home improvement store to complete the renovations, even if the Borrower is a licensed contractor and/or is licensed and qualified to complete the renovations

- The home improvement store must have entered into an executed, binding renovation contract with the Borrower to complete the renovations no later than the Completion Date. The contract must include an indemnification provision requiring the home improvement store to indemnify the Borrower for any property loss or damage caused by the contractor(s) and/or tradespersons chosen by the home improvement store to complete the renovations.

Up to 100% of the cost of materials and renovation costs identified in the renovation contract (including labor costs) may be paid to a home improvement store at closing in lieu of such funds being deposited into the completion escrow account or Custodial Account for Renovation Funds (as described in Sections 4607.11 and 4607.12), as applicable, if the requirements above are met.

4607.11: Funds for renovations and contingency reserve requirements for CHOICERenovation® Mortgages (10/02/24)

This section contains requirements related to:

- Renovation funds
- Contingency reserve
- Unused funds

(a) Renovation funds

On the Note Date, the renovation funds (sufficient to cover the total cost of the renovations minus any advances for the cost of materials and/or renovation costs paid pursuant to Section 4607.10) must be deposited into a completion escrow account meeting the requirements of Section 5601.3 for properties with incomplete improvements.

For CHOICERenovation® In Progress Mortgages, the renovation funds must be deposited into a Custodial Account for Renovation Funds, as described in Section 4607.12, on or before the Settlement Date.

After taking into consideration any advances for the cost of materials and/or renovation costs paid pursuant to Section 4607.10, the renovation costs identified in the renovation contract(s) must be consistent with the amount of renovation funds deposited into the completion escrow account or Custodial Account for Renovation Funds, as applicable.

If the CHOICERenovation Mortgage proceeds are insufficient to cover the contracted cost of the renovations, the Borrower must deposit sufficient funds to pay the remaining amount into the completion escrow account or Custodial Account for Renovation Funds, as applicable.

(b) Contingency reserve

In addition to the renovation funds required to be deposited into the completion escrow account or Custodial Account for Renovation Funds, as applicable, the Seller must also deposit a contingency reserve to cover unforeseen renovation costs. Contingency reserve funds may come from the CHOICERenovation Mortgage proceeds or directly from the Borrower.

A contingency reserve is not required for CHOICERenovation Mortgages whose proceeds are used exclusively to finance the addition or renovation of outdoor structures used for leisure and recreation. (See Section 4607.6 for a description of eligible renovations.)

(i) Minimum contingency reserve

For CHOICERenovation In Progress Mortgages, the minimum contingency reserve amount must be greater than or equal to 10% of the total renovation costs identified in the renovation contract(s), except that if the property utilities are not operable as referenced in the renovation contract(s) and/or plans and specifications, the minimum contingency reserve amount must be greater than or equal to 15% of the total renovation costs identified in the renovation contract(s).

(ii) Maximum contingency reserve

For CHOICERenovation Mortgages, the contingency reserve amount must be less than or equal to 20% of the total renovation costs identified in the renovation contract(s).

While a contingency reserve is not required for CHOICEReno eXPress® Mortgages or CHOICERenovation Mortgages whose proceeds are used exclusively to finance the addition or renovation of outdoor structures used for leisure and recreation, if the Seller chooses to establish a contingency reserve, the contingency reserve amount must be less than or equal to 20% of the total renovation costs identified in the renovation contract(s).

(c) Unused funds

(i) CHOICERenovation Mortgage is current

If the CHOICERenovation Mortgage is current, any unused funds remaining in the completion escrow account or Custodial Account for Renovation Funds, as applicable, after the costs of all renovations have been paid to the appropriate parties must be used for the following:

- Reduce the UPB
- Complete additional renovations, provided the Seller must:
  - Document that additional renovations were paid for from the completion escrow account or Custodial Account for Renovation Funds, as applicable, and verify the funds are being used to further improve the Mortgaged Premises, and
  - Verify the additional renovation work has been completed by obtaining a completion report pursuant to the appraisal requirements in Section 4607.8
- Reimburse Borrower contributed funds to the contingency reserve
- If a "no cash-out" refinance Mortgage, disburse to the Borrower the remaining proceeds, provided the total amount disbursed to the Borrower at closing and from the unused funds does not exceed the maximum amount allowed under Section 4301.4 for "no cash-out" refinance Mortgages

(ii) CHOICERenovation Mortgage is delinquent

If the CHOICERenovation Mortgage is delinquent, any unused funds remaining in the completion escrow account or Custodial Account for Renovation Funds, as applicable, after the costs of all renovations have been paid to the appropriate parties must be applied in accordance with the application of payment requirements in the Note and Security Instrument. After the CHOICERenovation Mortgage is brought current, any remaining unused funds (including contingency reserve funds not provided by the Borrower) must be used for the following:

- Reduce the UPB
- Complete additional renovations, provided the Seller must:
  - Document that additional renovations were paid for from the completion escrow account or Custodial Account for Renovation Funds, as applicable, and verify the funds are being used to further improve the Mortgaged Premises, and
  - Verify the additional renovation work has been completed by obtaining a completion report pursuant to the appraisal requirements in Section 4607.8
- Reimburse Borrower contributed funds to the contingency reserve

- If a "no cash-out" refinance Mortgage, disburse to the Borrower the remaining proceeds, provided the total amount disbursed to the Borrower at closing and from the unused funds does not exceed the maximum amount allowed under Section 4301.4 for "no cash-out" refinance Mortgages

4607.12: Custodial Accounts for Renovation Funds for CHOICERenovation® Mortgages (10/02/24)

This section contains requirements related to:

- General requirements
- Opening the Custodial Account for Renovation Funds
- Changing or transferring Custodial Accounts for Renovation Funds
- Freddie Mac's rights
- Seller responsibilities related to maintaining the Custodial Account

The requirements of this section apply to CHOICERenovation® In Progress Mortgages.

(a) General requirements

For each Seller/Servicer number associated with one or more CHOICERenovation Mortgage(s), the Seller must:

- Open and maintain a separate completion escrow account solely to retain the CHOICERenovation Mortgage proceeds and any other deposited funds to be used to complete the renovations of Mortgaged Premises securing CHOICERenovation Mortgages (such funds, the "Renovation Funds" and each such account, the "Custodial Account for Renovation Funds")

- Open and maintain each Custodial Account for Renovation Funds in accordance with the requirements of this section and the account must be utilized exclusively for the CHOICERenovation Mortgages it sells to Freddie Mac under a particular Seller/Servicer number

- Ensure the Custodial Account for Renovation Funds does not carry a negative balance, even if permitted by its depository institution

- Maintain a separate account record for each CHOICERenovation Mortgage's Renovation Funds retained in the Custodial Account for Renovation Funds until all appropriate

parties have been paid and the renovation work is completed and all unused funds have been disbursed in accordance with Section 4607.11(c) for unused funds. Each separate account record may not reflect a negative balance.

(b) Opening the Custodial Account for Renovation Funds

Each Custodial Account for Renovation Funds must meet the requirements in Section 8302.3 for Custodial Accounts, Section 8302.4 for an Eligible Depository, Section 8302.6(c) for Escrow Custodial Accounts and Section 8302.7 for Custodial Account documentation.

The Seller must establish a separate Custodial Account for Renovation Funds which must be named "Freddie Mac Escrow Completion Custodial Account" or "Freddie Mac Renovation Funds Custodial Account."

With respect to the Escrow Custodial Account requirements in Section 8302.6(c), the Seller may not:

- Designate the Custodial Account for Renovation Funds using the abbreviated designation "Freddie Mac Escrow Custodial Account"
- Commingle Renovation Funds with Escrow Funds in the same Custodial Account

Custodial Accounts for Renovation Funds are not subject to the tier rating requirements in Section 8302.5.

(c) Changing or transferring Custodial Accounts for Renovation Funds

See Sections 8304.10 through 8304.12 for Freddie Mac's requirements for changing or transferring established Custodial Accounts, including Custodial Accounts for Renovation Funds.

(d) Freddie Mac's rights

Freddie Mac reserves the right to request that the Seller submit copies of Custodial Account for Renovation Funds records, such as bank account statements, detailed trial balances and completed reconciliations, variance logs, and supporting documentation for such records.

(e) Seller responsibilities related to maintaining the Custodial Account

The Seller must manage Custodial Accounts for Renovation Funds as required in Sections 8304.3, 8304.4, 8304.6, 8304.8 through 8304.10, 8304.11(a), 8304.12 and 8304.13.

4607.13: Property insurance for CHOICERenovation® Mortgages (10/02/24)

CHOICERenovation® Mortgages must meet the property insurance requirements in Chapter 4703. Insurance coverage may need to be adjusted during the course of renovations and/or upon completion of all renovations based on the "as completed" value of the property (as determined by the appraiser pursuant to Section 4607.8) to meet the property insurance requirements in Chapter 8202.

4607.14: Recourse for CHOICERenovation® Mortgages (11/02/24)

CHOICERenovation® In Progress Mortgages must be sold with recourse within the meaning of Section 6201.7, except that Freddie Mac may require the Seller to repurchase the CHOICERenovation Mortgage if the Mortgage becomes 120 days delinquent while subject to recourse.

The recourse will remain in full force and effect until:

- All renovations are completed,
- The Seller requests removal of recourse in writing indicating the applicable Freddie Mac loan number and provides the completion report, including photographs of the renovations, and
- Freddie Mac approves the removal of recourse, subject to the requirements below

In order to request removal of recourse the Seller must submit all required documentation mentioned above to Freddie Mac through Loan Status Hub℠, and the following requirements must be met:

- There is no Delinquency at the time of the request
- There has not been a Delinquency of 30 days more than once during the renovation period, except that recourse may be removed at a later date once the Borrower has made 36 consecutive monthly payments with no Delinquencies

The Seller represents and warrants that, as of the date Freddie Mac approves the Seller's request for removal of recourse, all requirements in this Chapter 4607 have been met.

4607.15: Representations and warranties for CHOICERenovation® Mortgages (10/02/24)

The selling representation and warranty framework described in Section 1301.11 applies to CHOICERenovation® Mortgages that meet the requirements of this Chapter 4607 provided that, starting on the date that the payments are paid by the Borrower and not from the completion escrow account or Custodial Account for Renovation Funds (as described in Sections 4607.11 and 4607.12), as applicable, the Borrower:

1. Made the first 36 monthly payments due with no more than two 30-day Delinquencies and no 60-day or greater Delinquencies, and

2. Is not 30 or more days delinquent with respect to the 36th monthly payment

4607.16: CHOICERenovation® Mortgages combined with GreenCHOICE Mortgages® and credit for Credit Fees (11/06/24)

This section contains requirements related to:

- Delivery requirements for CHOICERenovation® Mortgages
- Special requirements when CHOICERenovation Mortgages are combined with GreenCHOICE Mortgages®

(a) Delivery requirements for CHOICERenovation Mortgages

See Section 6302.43 for special delivery requirements for CHOICERenovation Mortgages.

(b) Special requirements when CHOICERenovation Mortgages are combined with GreenCHOICE Mortgages

When CHOICERenovation Mortgage proceeds finance renovations completed after the Note Date to improve the energy and/or water efficiency, the health and safety and/or the resiliency and preventiveness of the Mortgaged Premises, the CHOICERenovation Mortgage may be eligible for the credit for Credit Fees for GreenCHOICE Mortgages (see Exhibit 19, Credit Fees, and Exhibit 19A, Credit Fee Cap Eligibility Criteria), provided the following requirements are met:

- Except as stated below, the requirements in Section 4606.3(a) for GreenCHOICE Mortgages must be met for the subject Mortgage. This includes, but is not limited to:

  - The cost of the financed renovations to improve the energy and/or water efficiency, the health and safety and/or the resiliency and preventiveness of the Mortgaged Premises must not exceed 15% of the "as completed" appraised value of the Mortgaged Premises.

    Note: In all cases, the maximum financed renovation costs must comply with the requirements in Section 4607.7, as applicable.

  - Eligible improvements as described in Section 4606.1(b) with an aggregate cost of less than or equal to $6,500 may be completed without obtaining an energy report. If the aggregate cost should exceed $6,500, an energy report or alternative documentation in lieu of an energy report meeting the requirements in Section 4606.4 must be obtained and retained in the Mortgage file.

  - The energy report exception stated in Section 4606.4(c), when proceeds are used to finance renewable energy sources, may apply so long as the appraiser documents the projected income by utilizing PV Value, Ei Value or a similar tool as referenced in Section 5601.4, and that the cost effectiveness has been demonstrated

- All renovations, including renovations to improve the energy and/or water efficiency, the health and safety and/or the resiliency and preventiveness of the Mortgaged Premises, must be completed by the Completion Date

- The renovation funds are deposited into a completion escrow account or Custodial Account for Renovation Funds (as described in Sections 4607.11 and 4607.12), as applicable, and

- If the CHOICERenovation Mortgage is current, any funds remaining in the completion escrow account or Custodial Account for Renovation Funds, as applicable, after the costs of all renovations have been paid to the appropriate parties either must be used to reduce the UPB or may be used for additional renovations, as described in Section 4607.11(c)

For CHOICERenovation Mortgages that are eligible for the credit for Credit Fees for GreenCHOICE Mortgages pursuant to this Section 4607.16(b), in addition to meeting the special delivery requirements for CHOICERenovation Mortgages in Section 6302.43, the Seller must deliver the ULDD Data Point(s) for GreenCHOICE Mortgages specified in Section 6302.23.

4607.17: Transfers of Servicing for CHOICERenovation® Mortgages (11/02/24)

This section contains requirements related to:

- Requirements for CHOICERenovation® In Progress Mortgages related to a Concurrent Transfer of Servicing
- Prohibited Transfers of Servicing

(a) Requirements for CHOICERenovation In Progress Mortgages related to a Concurrent Transfer of Servicing

For Sellers that have obtained Freddie Mac's prior written approval, Concurrent Transfers of Servicing involving CHOICERenovation In Progress Mortgages are permitted, provided the following requirements are met. (See this Section 4607.17(b) regarding Subsequent Transfers of Servicing involving such CHOICERenovation Mortgages and Transfers of Servicing involving CHOICEReno eXPress® Mortgages.)

Consistent with Section 7101.15, the Seller, as Transferor Servicer, remains jointly liable with the Transferee Servicer for all selling representation and warranty obligations, including obligations in this Chapter 4607 related to the completion of the renovations, even if such obligations are performed after the Effective Date of Transfer. This includes, but is not limited to, ensuring completion of all renovations and delivering through Loan Status Hub℠ the required notice and documentation to support completion of the renovations in accordance with the Seller responsibilities in Section 4607.9(c) and fulfilling the recourse obligation in the event that Freddie Mac does not approve removal of recourse pursuant to Section 4607.14.

In addition to the requirements governing Concurrent Transfers of Servicing in the Guide, the Transferor Servicer must inform the Transferee Servicer whether the Transfer of Servicing involves CHOICERenovation In Progress Mortgages and must provide a list of such Mortgages (identified, at a minimum, by Transferor Servicer loan number and Freddie Mac loan number) to the Transferee Servicer.

A Transferee Servicer may engage an Outsourced Vendor or Servicing Agent, which may be the Seller, to perform some or all of the activities set forth in Section 4607.9(d). The Transferee Servicer must have in place appropriate processes and communication protocols with any Outsourced Vendor or Servicing Agent it engages to perform the obligations in this Chapter 4607 related to the completion of the renovations, including, but not limited to:

- Requiring that any remaining funds in the Custodial Account for Renovation Funds (as described in Section 4607.12) to be remitted to the Servicer to be applied to reduce the UPB or returned to the Borrower, as applicable, in accordance with Section 4607.11(c).

The Servicer may outsource the opening and ongoing maintenance of the Custodial Account for Renovation Funds only to its Servicing Agent, if applicable. An Outsourced Vendor may be an authorized party to the account's signature card and act as an agent of the primary account holder (either the Servicer or Servicing Agent, as applicable).

- Notifying the Outsourced Vendor of any defaults related to the CHOICERenovation Mortgage and ensuring appropriate actions are being taken, such as:
  - Relaying adverse information related to the Mortgaged Premises
  - If the CHOICERenovation Mortgage is delinquent, applying any unused funds in accordance with the application of payment requirements in the Note and Security Instrument (see Section 4607.11(c))
- Notifying Freddie Mac in accordance with Section 1301.2(b) and the Outsourced Vendor if the Servicer or its Servicing Agent, if any, determines the Borrower was added to the Office of Foreign Assets Control Specially Designated Nationals list
- Requiring any Mortgage proceeds allocated to make monthly payments of principal, interest, taxes and insurance pursuant to Section 4607.6(a) to be remitted from the Custodial Account for Renovation Funds to the Servicer in a timely manner for posting to the Borrower's Mortgage account
- Providing to the Servicer for inclusion in the Mortgage file all documentation maintained by any Outsourced Vendor related to the completion of renovations as required by this Chapter 4607
- Enforcing the property insurance requirements in Section 4607.13

(b) Prohibited Transfers of Servicing

The following Transfers of Servicing involving CHOICERenovation Mortgages are prohibited:

- Subsequent Transfers of Servicing involving CHOICERenovation In Progress Mortgages are prohibited until all renovations have been completed, the Seller has obtained a completion report pursuant to the appraisal requirements in Section 4607.8, Freddie Mac has acknowledged completion of the renovations pursuant to Section 4607.9(c) and Freddie Mac has approved the removal of recourse pursuant to Section 4607.14. (See Chapter 7101 regarding Transfers of Servicing.)
- Transfers of Servicing involving CHOICEReno eXPress Mortgages are prohibited until all renovations have been completed and the Seller has obtained a completion report pursuant to the appraisal requirements in Section 4607.8

CHOICERenovation In Progress Mortgages and CHOICEReno eXPress Mortgages may not be sold through Cash-Released XChange®. Additionally, CHOICEReno eXPress Mortgages may not be involved in any other Concurrent Transfers of Servicing.

Chapter 4701: Mortgage Insurance and Late Charges

4701.1: Mortgage insurance (06/05/24)

Mortgage insurance is required for each conventional Mortgage Freddie Mac purchases that has a loan-to-value (LTV) ratio of more than 80%. The LTV ratio is obtained by dividing the original loan amount by the value, as defined in Section 4203.1.

(a) Freddie Mac's mortgage insurance coverage options

Freddie Mac offers two mortgage insurance coverage options:

- Standard mortgage insurance
- Custom mortgage insurance

The standard and custom coverage levels apply as stated in the table below:

Transaction type	Mortgage insurance coverage	LTV ratio			
		> 80% & ≤85%	> 85% & ≤90%	> 90% & ≤95%	>95% & ≤97%
Fixed rate, term ≤ 20 years	**Standard**	6%	12%	25%	35%
	Custom*	N/A	N/A	16%	18%
■ **Fixed rate, term > 20 years** ■ **ARMs[1]; and** ■ **Manufactured Homes[1]**	**Standard**	12%	25%	30%	35%
	Custom*	6%	12%	16%	18%
Home Possible® Mortgages, fixed rate, term ≤ 20 years	**Standard**	6%	12%	25%	25%
	Custom*	N/A	N/A	16%	18%
	Standard	12%	25%	25%	25%

Transaction type	Mortgage insurance coverage	LTV ratio			
		> 80% & ≤85%	> 85% & ≤90%	> 90% & ≤95%	>95% & ≤97%
Home Possible Mortgages: ■ **Fixed rate, term > 20 years** ■ **ARMs[1]; and** ■ **Manufactured Homes[1]**	**Custom***	6%	12%	16%	18%

1 Except for Mortgages secured by a CHOICEHome® as described in Section 5703.16, Manufactured Homes and ARMs are limited to a maximum LTV ratio of 95%.

* If custom mortgage insurance is chosen, in addition to all other applicable Credit Fees, the custom mortgage insurance Credit Fee in Price in Exhibit 19 applies, including on Home Possible Mortgages.

(b) Custom mortgage insurance options

The custom mortgage insurance option provides an alternative to standard mortgage insurance coverage.

- Custom mortgage insurance is available only for Accept Mortgages
- Custom mortgage insurance may not be financed as part of the principal amount of the Mortgage

(c) Mortgaged Premises located in the State of New York

For Mortgaged Premises located in the State of New York, the "value" is the appraised value of the Mortgaged Premises on the Note Date of the Mortgage and is used solely for the purpose of determining whether mortgage insurance is required or should be canceled. (This definition of the "value" of Mortgaged Premises located in the State of New York applies only to the above-stated mortgage insurance requirements and is not applicable for any other purposes under the terms of the Purchase Documents. In particular, this definition of "value" is not applicable in determining the LTV ratios for the required percentage of mortgage insurance coverage.) For special requirements related to Cooperative Share Loans when the Cooperative Unit is located in the state of New York, see Section 4701.5.

(d) MI master policy

A Freddie Mac-approved mortgage insurance policy must be issued by a Freddie Mac-approved MI as of the Delivery Date of the Mortgage (see Exhibit 10, Freddie Mac-

Approved Mortgage Insurers). Mortgage insurance coverage must continue to be carried with the MI that insured the Mortgage, except as provided for in Section 8203.10.

The required mortgage insurance must be in full force and effect as of the Delivery Date and remain in force until canceled in accordance with the requirements of Sections 8203.2 through 8203.7 or pursuant to applicable law. Mortgage insurance coverage must not be subject to any exclusion besides those exclusions stated in the MI's master policy. Coverage must run to the benefit of Freddie Mac for a whole loan or a participation loan insured under a participation policy, or to the Seller for any other insured participation loan. No action may have been taken, or no action may have failed to be taken, that would impair the rights of Freddie Mac or the Seller. Participation policies with provisions inconsistent with this section or that impose premium payment or reporting requirements on Freddie Mac are not acceptable.

The Seller warrants that the Borrower has been given all disclosures required by law, including, but not limited to, the Homeowners Protection Act of 1998 (HPA), as amended, relating to the terms on which Borrower-paid mortgage insurance may be canceled. This includes all disclosures required by the HPA at loan origination to describe the Borrower's mortgage insurance cancelation rights under the HPA.

(e) Credit Fees

Mortgages sold to Freddie Mac with mortgage insurance other than the standard levels shown in Section 4701.1(b) will be assessed the Custom Mortgage Insurance Option Credit Fee in Price, as described in Exhibit 19, Credit Fees.

4701.2: Mortgage insurance premiums (06/05/24)

Eligible Mortgage insurance premiums include the following:

- **Monthly premium**: Premiums paid monthly from accumulated escrow deposits (with no initial payment at closing)
- **Annual premium**: An initial premium paid at closing to cover the first year's premium and annual renewal premium payments thereafter paid from accumulated escrow deposits
- **Single-premium**: A lump-sum premium paid at closing to purchase life of Mortgage coverage
- **Split-premium**: An initial up-front payment premium paid at closing and an ongoing monthly premium paid from accumulated escrow deposits

For Borrower-paid mortgage insurance premiums, the Borrower must pay the mortgage insurance premium by a single payment at closing, through monthly Escrow payments or as a

combination of the two. A Mortgage that includes a Borrower-paid mortgage insurance premium in the Note Rate is not eligible for sale to Freddie Mac.

Lender-paid mortgage insurance premiums for annual and monthly premium programs must be included in the Servicing Spread included in the Note Rate on the Mortgage (see Section 4701.2(b)). Mortgages with single-premium lender-paid mortgage insurance do not require an adjustment to the Minimum Servicing Spread.

(a) Borrower-paid financed premiums

For purposes of this section, the following definitions apply:

- **Base LTV ratio:** The loan-to-value (LTV) ratio calculated using the Mortgage amount without the financed mortgage insurance premium
- **Gross LTV ratio:** The LTV ratio calculated using the Mortgage amount which includes the financed mortgage insurance premium

Mortgages for which the Borrower-paid mortgage insurance premium is included as part of the principal amount of the Mortgage (that is, a financed premium) are eligible for purchase provided the Mortgage complies with the requirements below:

- The Base LTV ratio must not exceed the maximum LTV ratio permitted for the Mortgage Product or offering
- The Gross LTV ratio must not exceed 95%, except for Home Possible® Mortgages, HomeOne® Mortgages and HeritageOne℠ Mortgages, for which the Gross LTV ratio must not exceed 97%
- The Mortgaged Premises must be a 1- to 4-unit Primary Residence or a 1-unit second home
- The Mortgage is a fixed-rate, fully amortizing Mortgage or an ARM
- The amount of coverage meets the standard coverage level requirements in Section 4701.1 using the Base LTV ratio
- The mortgage insurance premium must be paid with a Borrower-paid single-premium or split-premium payment.

Financed mortgage insurance premium endorsement

The mortgage insurance policy must include an endorsement, generally referred to as the "financed mortgage insurance premium endorsement." This endorsement states that adjustments will be made to the claim calculation to meet the required exposure level for the Base LTV ratio.

Maximum original loan amount

The maximum original loan amounts provided in Section 4203.3 apply to Mortgages with financed mortgage insurance premiums. The original loan amount of the Mortgage inclusive of the amount of any financed mortgage insurance premium may not exceed the maximum original loan limits provided in Section 4203.3.

Delivery requirements for Mortgages with financed mortgage insurance premium

See Section 6302.21 for delivery requirements. Any applicable Credit Fees will be assessed based on the Mortgage's Gross LTV ratio and the UPB, which includes the financed mortgage insurance premium.

(b) Lender-paid mortgage insurance

Freddie Mac will purchase Mortgages with single, annual or monthly premium lender-paid mortgage insurance as follows:

(i) For annual and monthly premiums:

- The Mortgage is a fixed-rate, fully amortizing Mortgage or a non-convertible ARM
- For monthly and annual premium programs, premium payments are made from the Servicing Spread compensation.

  To ensure that the Servicer receives sufficient Servicing compensation after premium payments are made:

  - For fixed-rate Mortgages, the Minimum Contract Servicing Spread must be at least 0.250% and the maximum Servicing Spread may not exceed 0.500%. The Minimum Contract Servicing Spread must be equal to or greater than the Minimum Servicing Spread. The Minimum Contract Servicing Spread must be no less than the sum of the Minimum Servicing Spread plus the amount necessary to pay the mortgage insurance premium when due and must not exceed 0.500%.
  - For non-convertible ARMs, see the Minimum Contract Servicing Spread requirements in Sections 6102.8 and 6201.3(c)
  - For Mortgages that are modified in accordance with Chapter 9206, the Servicing Spread will be reduced to 0.250% in accordance with Section 9206.13(c). This potential change in the Servicing Spread does not change a Servicer's responsibility to continue making premium payments.
- Coverage will be maintained for the life of the Mortgage. A change in MI may be allowed if approved by Freddie Mac (see Chapter 8203).

- The Mortgage is sold under the Guarantor or MultiLender Swap program

(ii) For single premiums:

- The Mortgage is a Mortgage eligible for purchase under the Purchase Documents
- Coverage will be maintained for the life of the Mortgage. A change in MI may be allowed if approved by Freddie Mac (see Chapter 8203).

- The Seller must ensure that the required mortgage insurance for the Mortgage is in full force and effective on the Delivery Date of the Mortgage regardless of whether the entire mortgage insurance premium is paid by the Seller prior to the Delivery Date. The Seller must obtain and be able to produce evidence of any required mortgage insurance (including, but not limited to, a certificate of insurance).

See Section 6302.21 for delivery requirements for Mortgages with lender-paid mortgage insurance.

4701.3: Commissions, fees or other compensation on insurance (03/02/16)

The Seller warrants that in connection with the placement or renewal of any mortgage insurance, including insurance on any other Mortgages it owns, to the Seller's knowledge, the insurer (including its parent company or any affiliate thereof) has not caused or permitted any consideration or thing of value (other than the protection provided by its mortgage insurance) to be paid to or received by any of the following:

- The Mortgage lender
- Any officer, director or employee of the lender or any member of their immediate families
- Any insurance agency, corporation (other than the insurer), partnership, trust or other business entity (including any service corporation, whether organized for profit or otherwise) in which the lender or any of its officers, directors, employees or their immediate family members have financial interest, or
- Any designee, trustee, nominee or other agent or representative of any of the foregoing

This requirement applies to any commission, fee or other compensation on all mortgage insurance presently in force or to be placed in the future.

4701.4: Late charges (03/02/16)

The Uniform Single Family Note provides blanks for inserting the amounts of late charges and the grace period after which such charges are assessable. Any amount and period stated must be permissible under applicable law.

For Mortgages purchased by Freddie Mac, the Seller agrees to collect late charges only on monthly installments more than 15 days late. If the 15-day period ends on a weekend or holiday, it is extended to the next Business Day. The Seller also agrees not to collect late charges of more than 5% of the late principal and interest payment. The Seller may retain any late charge collected as additional Servicing compensation.

If the late charge stated in the Note is more than 5% of the principal and interest payment and/or is to be assessed on a monthly installment late 15 days or less, the Seller agrees to notify the Borrower in writing of Freddie Mac's late charge and grace period requirements and to retain a copy of the written notification in the Mortgage file for each Mortgage purchased by Freddie Mac.

4701.5: Mortgage insurance for Cooperative Share Loans (05/04/20)

Notwithstanding the requirements of Section 4701.1, for New York properties, the sales price of the Cooperative Interest may be used solely for the purpose of determining whether mortgage insurance is required for purchase transaction Cooperative Share Loans. If mortgage insurance is required, the requirements of Section 4701.1 apply for determining the loan-to-value ratio for the required percentage of mortgage insurance coverage and for purposes of determining whether mortgage insurance should be canceled.

Chapter 4702: Title Insurance

4702.1: General Freddie Mac title insurance requirements (05/01/24)

A title insurance policy is mandatory for each Mortgage delivered to Freddie Mac unless specifically excepted by Section 4702.3 or 4702.4.

Each Mortgage purchased by Freddie Mac must be covered by one of the following:

- A paid-up Mortgage title insurance policy meeting the requirements in Section 4702.2,
- An attorney opinion of title letter meeting the requirements in Section 4702.3, or
- A certificate of title issued by Iowa Title Guaranty

4702.2: Title insurance policy requirements (11/02/22)

Each title insurance policy must meet the following minimum requirements:

(a) Title insurer

The title insurance policy must be written by a title insurer legally able to do business in the jurisdiction where the Mortgaged Premises are located.

The policy must be fully enforceable and protective of the mortgagee's rights and comply with all other requirements of this section.

If a preliminary binder or commitment is issued, it must be issued by the same title insurer that issues the final title insurance policy.

Selection or acceptance of the title insurance company by the Seller must be based solely on considerations, such as the comprehensiveness of the policy, the financial ability of the company to stand behind its commitment, the company's record on settling claims and other considerations normally employed by institutional investors originating or purchasing Mortgages in the jurisdiction where the Mortgaged Premises are located. The selection or acceptance must not be based on receipt of any fee or other consideration by the Seller or its employees, officers or directors.

(b) Amount of protection

The title insurance policy must protect the mortgagee up to at least the current principal balance of the Mortgage.

(c) Insured

The title insurance protection must run to Freddie Mac for Mortgages purchased in their entirety by Freddie Mac.

If a Mortgage is registered with MERS® and is originated naming MERS as original mortgagee of record, solely as nominee for the Lender named in the Security Instrument and the Note, and Lender's successors and assigns, then the "insured Mortgage" covered by the title insurance policy must be identified in the title insurance policy as the Security Instrument given to MERS, solely as nominee for Lender and Lender's successors and assigns. However, under no circumstances may MERS be named as an insured in a title insurance policy.

Furthermore, if a Mortgage is registered with MERS, the Seller/Servicer must arrange for all insurance drafts, notices, policies, invoices, etc., to be delivered directly to the Seller/Servicer. Although the MERS address appears in local public land records, the address for MERS must not be given to organizations that normally direct mail to the Seller/Servicer or Servicing Agent.

(d) Forms

The title insurance policy must be written on:

- Effective for Mortgages with Note Dates up to December 31, 2023, Freddie Mac will accept either the 2006 (adopted 6/17/06) or 2021 (adopted 7/1/2021) versions of the following policy forms:
  - The American Land Title Association (ALTA) Loan Policy
  - The ALTA Short Form Residential Loan Policy One-to-Four-Family or
  - The ALTA Expanded Coverage Residential Loan Policy One- to Four-Family
- Effective for Mortgages with Note Dates on or after January 1, 2024, only the 2021 versions of the above policy forms will be accepted

Whichever policy is used, it must be permitted to be issued in the State where the Mortgaged Premises is located under applicable law (e.g., Seller cannot deliver a 2021 Loan Policy in New York until the State of New York has approved use of that form policy).

Sellers may use a title insurance policy written on a form other than one of the ALTA insurance policy forms described above, provided the Seller warrants that the coverage the policy provides is at least as broad as the coverage provided by the applicable ALTA title insurance policy.

Regardless of the title insurance policy form used, endorsements must be attached to or, where applicable, incorporated by reference into the policy. The following endorsements must correspond to the year of the title insurance policy form used (e.g., an endorsement used only with the ALTA 2006 Loan policy cannot be used with the ALTA 2021 Loan Policy):

- An ALTA Form 8.1, Environmental Protection Lien Endorsement. Form 8.1 may make an exception only for specific State statutes that provide for possible subsequent "superliens" that could take priority over the Mortgage

- For all ARMs, the appropriate ALTA form for Variable Rate Mortgages (ALTA Form 6, Variable Rate Mortgage; ALTA Form 6.1, Variable Rate Mortgage — regulations; or ALTA Form 6.2, Variable Rate Mortgage — Negative Amortization)

- An ALTA Form 4 endorsement or its equivalent for each Condominium Unit Mortgage

- An ALTA Form 5 endorsement or its equivalent for each Mortgage secured by a Planned Unit Development (PUD) unit

- An ALTA Form 13.1 endorsement or its equivalent for all leasehold Mortgages and Community Land Trust Mortgages

- An ALTA Form 7.1 endorsement in States where available, or Form 7 endorsement in other States, or its equivalent for each Mortgage secured by a Manufactured Home. The title policy must identify the Manufactured Home located on the land and insure against any loss if the Manufactured Home is not real property.

- An ALTA Form 9 endorsement or its equivalent meeting the requirements of Section 4702.4(d) (3rd bullet) for each Mortgage secured by property subject to a restrictive agreement or restrictive covenant

A Seller may accept an ALTA Form 47.1 (Operative Law) endorsement for jurisdictions where State and Native American Indian tribal authorities overlap, and tribal law could potentially govern real estate interests in the Mortgaged Premises. However, the endorsement may not contain any exclusions to coverage, which are noted as optional in the endorsement. Sellers must review the endorsement to ensure that the exclusions to coverage are removed or not present.

A Seller may accept evidence of title insurance under a master title insurance policy for any Home Mortgage. Any Seller that accepts evidence of title insurance under a master title insurance policy represents and warrants as follows:

- The Seller has reviewed the title insurer's master policy documents, including the certificate of title insurance or short-form title policy, the master policy with all endorsements and any other applicable documents, and, based on this review and on certifications from the title insurer, the Seller has confirmed that the master policy provides at least the amount and scope of coverage given by the applicable ALTA title insurance policy and that the master policy otherwise meets the requirements of this Section 4702.2

- The Seller has obtained from the title insurer a fully executed master title insurance policy issued in the Seller's name as insured and assigns to Freddie Mac its rights in the policy

- The master policy has been approved by the applicable State or local authority where such approval is required

- The insurer will replace the title insurance certificate with a full individual ALTA or similar policy upon 10 days' notice by Freddie Mac

Freddie Mac may refuse to accept the master title insurance policy of any title insurer.

(e) Survey requirements

If the title company insuring the Mortgage or the attorney rendering the opinion of title requires a survey to remove exceptions to survey matters, the Seller must provide a survey of the Mortgaged Premises. The survey provided must conform to:

- The title insurance company's or attorney's standards, and

- Any applicable legal standards relating to surveys

(f) Exceptions

When the title insurance policy takes exception to survey matters, other than those permitted under Section 4702.4, the Seller must provide whatever information is required by the title insurance company to either remove the exception or obtain an endorsement providing the insurance required. If the title company will not issue a policy without a survey exception, Freddie Mac will not purchase the Mortgage. In addition, the title policy must not be subject to any title exceptions other than those permitted under Section 4702.4.

4702.3: Attorney opinion of title letter (05/01/24)

- Issuer requirements

- Attorney opinion of title letter requirements

- Ineligible Mortgages
- Additional requirements

(a) Issuer requirements

Attorney must meet the following requirements to be acceptable issuer of attorney opinion of title letters:

- Be licensed and in good standing to practice law in the jurisdiction where the Mortgaged Premises is located
- Provide coverage for the "gap" period between closing of the Mortgage and recordation of the loan documents
- Maintain professional liability insurance that meets the following requirements:
  - Extends coverage against malpractice or errors and omissions in rendering opinions of title
  - Maintains coverage amount that adequately accounts for the quantity and size of opinions rendered by the attorney and organization or law firm, without limits of liability for a single claim lower than the UPB of the Mortgaged Premises
  - Extends coverage to all assignees and successors
  - Extends coverage to the organization or law firm under which the attorney opinion of title letter is issued, in the event the attorney is no longer a member of the firm or organization
- Provide current proof of acceptable professional liability coverage

(b) Attorney opinion of title letter requirements

Freddie Mac will accept an attorney opinion of title letter in lieu of a title insurance policy if all the following conditions are satisfied:

The attorney opinion of title letter must:

Be addressed to the Seller and all successors in interest of the Seller
Provide the following statement: "We [I] agree to indemnify you and your successors in interest in the [Mortgage] [deed of trust] opined hereto, to the full extent of any loss attributable to a breach of our [my] duty to exercise reasonable care and skill in the examination of the title and the giving of this

opinion.”
Be issued by an eligible attorney and organization as defined above
State that the condition of title to the Mortgaged Premises is acceptable and the Mortgage constitutes a lien of the required priority on a fee simple estate in the property
List all other liens as subordinate
Include the following if the Mortgage is secured by a unit in a Condominium Project or Planned Unit Development (PUD): ■ There is no violation of any restrictive covenants that are in the Condominium Project or PUD constituent documents and restrict the use of the land ■ All dues applicable to the Mortgages Premises are current and not delinquent ■ No recorded right of first refusal to purchase the land was exercised or could have been exercised on or before the closing date of the Mortgage and the undersigned is unaware of the existence or the exercise of any right of first refusal on or before the closing date of the Mortgage
For ARMs, if applicable, include the following: “The law of [the State in which the property securing the Mortgage is located] provides that (i) the lien of the Mortgage will not become invalid or unenforceable resulting from provisions in the Mortgage which provide for changes in the interest rate calculated pursuant to the formula provided in the Mortgage, and (ii) priority of the lien of the Mortgage for the UPB of the loan, together with interest as changed and other sums advanced by the Noteholder in accordance with the provisions of the Mortgage, will not be lost as a result of changes in the rate of interest calculated pursuant to the formula provided in the Mortgage.”
Include an opinion on environmental protection liens that addresses the following: ■ That there are no environmental protection liens filed in the public records that have priority over the lien of the insured Mortgage ■ That there are no applicable State laws that provide that environmental liens filed after the date of the policy would have priority over the lien of the insured Mortgage. If there are such laws, the letter must expressly identify them as an exception. ■ May include an exception for possible subsequent superliens that could take priority over the Mortgage only if the Mortgaged Premises is located in a State whose State statutes provide for such a superlien
Not take exception to survey matters; when the attorney’s opinion takes exception to survey matters, the Seller must provide whatever information is required by the attorney to remove the exception
Not be subject to any title exceptions other than those permitted under Section 4702.4

(c) Ineligible Mortgages

An attorney opinion of title letter may not be delivered for Mortgages with the following transactions:

- Mortgaged Premises is located in a Tribal Area (as defined in Section 4504.2)
- Mortgaged Premises is located in jurisdictions where an attorney opinion of title letter is prohibited by law
- Cooperative Share Loans
- Mortgages secured by a dwelling on a leasehold estate, including leasehold estates on property owned by a Community Land Trust, and a property subject to a sublease(s) that survive(s) the extinguishment of the primary ground lease
- Mortgages secured by a Manufactured Home
- Mortgages executed using a power of attorney
- Texas Equity Section 50(a)(6) Mortgages
- GreenCHOICE Mortgages®
- Construction Conversion Mortgages
- Renovation Mortgages
- CHOICERenovation® Mortgages
- HeritageOne℠ Mortgages

(d) Additional requirements

The Seller must deliver Investor Feature Identifier (IFI) "J18" when delivering a Mortgage that uses an attorney opinion of title letter in lieu of a title insurance policy or Iowa certificate of title. This is in addition to any other IFIs that may apply.

The Seller must include and maintain the following in the Mortgage file:

- A copy of the attorney opinion of title letter
- Proof of acceptable professional liability coverage
- Current claim filing instructions

See Section 6302.47 for delivery requirements for each Mortgage delivered with an attorney opinion of title letter in lieu of a title insurance policy.

4702.4: Acceptable exceptions to the title insurance policy or to the attorney's opinion of title letter (05/01/24)

The following exceptions to the title insurance policy or to the attorney opinion of title letter are acceptable:

(a) Subsurface public utility easements

Exceptions for subsurface public utility easements for local residential distribution, such as lines for gas and water, and cable for electric, telephone or television utilities, are acceptable provided that the location of the easements is ascertainable and fixed. The exercise of the rights thereunder must not interfere with the use and enjoyment of any present improvements on the Mortgaged Premises or proposed improvements on which the appraisal or Mortgage is based.

(b) Surface public utility easements

Exceptions for surface easements for public utilities for local residential distribution are acceptable provided that the location of the easements is ascertainable and fixed. The exercise of the rights thereunder must not interfere with the use and enjoyment of any of the following:

- Present improvements on the Mortgaged Premises
- Proposed improvements upon which the appraisal or Mortgage is based
- Part of the Mortgaged Premises outside the easement and not occupied by improvements

(c) Encroachments on public utility easements

Exceptions for encroachments on easements for public utilities by a garage, tool shed or similar structure that is not attached to, or a portion of, the dwelling structure are acceptable provided that the encroachments do not interfere with the use and enjoyment of the easements or the exercise of rights of repair and maintenance in connection therewith.

(d) Restrictive agreements and restrictive covenants

Exceptions for restrictive agreements or restrictive covenants of record related to cost, use, setback, resale restrictions, right of first refusal, minimum size and building materials, and

architectural, aesthetic or similar matters (other than single-family-use restrictions on 2- to 4-unit properties) are acceptable provided that the following conditions are met:

- The restrictive agreements or restrictive covenants do not create or provide for any lien that would be prior to the lien of the Home Mortgage nor provide for the elimination of the lien of the Home Mortgage

- The terms and provisions of the restrictive agreements or restrictive covenants are commonly acceptable to private institutional Mortgage investors in the area where the Mortgaged Premises are located

- An endorsement to the title insurance policy affirmatively insures that no violation of any such restrictive agreement or restrictive covenant exists and that any future violation shall not result in forfeiture or reversion of title

(e) Mutual easement agreements

Exceptions for mutual easement agreements of record that establish a joint driveway or a party wall are acceptable if such improvements are constructed in any of the following ways:

- Partly on the Mortgaged Premises and partly on adjoining property, or

- Wholly on the Mortgaged Premises, or

- Wholly on the adjoining property

The easement agreement must allow all present and future owners and their heirs, successors and assigns forever, unlimited use and enjoyment of the driveway or party wall without any restriction other than restriction by reason of the mutual easement owners' rights in common and duties for joint maintenance.

(f) Fence misplacements

Exceptions for fence misplacements on either side of the property line of the Mortgaged Premises, are acceptable provided that neither the misplacement, nor a future correction thereof, will interfere with the use and enjoyment of any improvements on the Mortgaged Premises nor with the use and enjoyment of the balance of the Mortgaged Premises not occupied by improvements. The definition of fence in this section shall not include retaining walls or other permanent structures.

(g) Encroachments on the Mortgaged Premises by improvements on adjoining property

Exceptions for encroachments on the Mortgaged Premises by improvements on adjoining property are acceptable provided that the following conditions are met:

- The encroachment must not touch any improvements on the Mortgaged Premises

- The encroachment must not interfere with the use and enjoyment of any improvements on the Mortgaged Premises nor with the use and enjoyment of the Mortgaged Premises not occupied by improvements

(h) Encroachments on adjoining property

Exceptions for encroachments on adjoining property by eaves or other projections attached to improvements on the Mortgaged Premises, or by structures such as tool sheds, or by a driveway appurtenant to the Mortgaged Premises are acceptable provided that there is an endorsement to the title insurance policy whereby the policy affirmatively insures against loss suffered by reason of the entry of a decree or court order requiring the removal of the encroachment.

(i) Oil, gas, water and mineral rights

Exceptions for outstanding oil, gas, water or mineral rights are acceptable if commonly granted by private institutional Mortgage investors in the area where the Mortgaged Premises is located, and:

- The exercise of such rights will not result in damage to the Mortgaged Premises or impairment of the use or marketability of the Mortgaged Premises for residential purposes and there is no right of surface or subsurface entry within 200 feet of the residential structure, or

- There is a comprehensive endorsement to the title insurance policy that affirmatively insures the lender against damage or loss due to the exercise of such rights

(j) Liens for taxes not due

Exceptions for liens for real estate or ad valorem taxes and assessments that specifically state that such liens are not yet due and payable are acceptable.

(k) Sums readvanced

This includes the priority of the lien for any sum repaid and subsequently readvanced under the terms of the Mortgage insured thereby.

(l) Tenants in possession

Exceptions for rights of tenants in possession, as tenants only, under prior unrecorded leases, are acceptable.

(m)Liens and leases for solar panels

Exceptions for liens and leases, including UCC-1 Financing Statements, for solar panels are acceptable provided the exception is for a lien or lease that lists only the solar panels as the collateral.

(n) Other exceptions

Any exception not set forth above in Sections 4702.4(a) through 4702.4(l) is acceptable only if all of the following conditions are met:

1. The subject of the exception must not interfere with the use and enjoyment of any present or proposed improvements on the Mortgaged Premises or with the use and enjoyment of the balance of the Mortgaged Premises not occupied by improvements

2. The subject of the exception must not affect the marketability of the Mortgaged Premises

3. The subject of the exception must have no or minimal effect on the value of the Mortgaged Premises

4. The subject of the exception must be acceptable to the MI if the Mortgage is insured

5. The subject of the exception must be commonly acceptable to private institutional Mortgage investors in the area where the Mortgaged Premises is located

The Seller shall warrant that all exceptions to the title insurance policy or to the attorney opinion of title letter are permissible under this section. Freddie Mac will not issue any letters addressing the acceptability of particular exceptions nor waivers of the above requirements.

4702.5: Special title insurance requirements for Texas Equity Section 50(a)(6) Mortgages (03/02/16)

Texas Equity Section 50(a)(6) Mortgages must be covered by a title insurance policy meeting the requirements of Chapter 4702 with the endorsements described below.

- An Equity Loan Mortgage Endorsement (Form T-42). The Form T-42 endorsement must include the optional coverage provided by paragraph 2(f) of the endorsement and there must not be any exceptions to, or deletions of, paragraphs 2(a) through 2(e) of the Form T-42 endorsement.

- A Supplemental Coverage Equity Loan Mortgage Endorsement (Form T 42.1). There must not be any exceptions to, or deletions of, paragraphs 1(a) through 1(k) of the Form T-42.1 endorsement, or any subsequent subparagraphs added to Paragraph 1 by any revision of the Form T 42.1 approved by the Texas Insurance Commission.

- Any other endorsement that provides additional optional mortgagee coverage that is approved by the State of Texas Insurance Commission. The endorsement must be obtained by the Seller for Texas Equity Section 50(a)(6) Mortgages originated on and after the date the endorsement becomes legally available. There must be no exceptions to, or deletions of, any paragraphs providing additional coverage in any such endorsement.

4702.6: Title insurance requirements for Cooperative Projects and Cooperative Share Loans (02/03/22)

(a) Cooperative Projects

The Cooperative Project must be covered by a title insurance policy that meets the requirements of the Seller's Purchase Documents.

(b) Cooperative Share Loans

When a Cooperative Share Loan is recognized as real property, a title insurance policy is required to evidence that:

- The Shareholder has good and marketable title to the Shares, and
- The Cooperative Corporation has good and marketable title to the Cooperative Project

When a Cooperative Share Loan is recognized as personal property, the Seller represents and warrants that:

- The Shareholder has good and marketable title to the Cooperative Shares,
- The Cooperative Corporation has good and marketable title to the Cooperative Project, and
- A title lien search was obtained prior to closing or delivery of the Cooperative Share Loan and a copy is retained in the Mortgage file

4702.7: Title insurance requirements for HeritageOne^{SM} Mortgages (05/01/24)

The following title insurance requirements apply to HeritageOne^{SM} Mortgages:

Land Ownership Interest	Title Insurance Requirements
Tribal trust land or allotted trust land	Although Section 4702.1 provides otherwise, title insurance is not required for leasehold Mortgages, including where there is a Condominium Unit or Manufactured Home on the leasehold estate and/or the leasehold estate is subject to restrictive agreements or restrictive covenants, if: ■ A certified title status report(s) is obtained from the U.S. Department of the Interior Bureau of Indian Affairs (BIA) and, if applicable, any other land claims recordation system maintained by the Eligible Native American Tribe (as defined in Section 4504.2(c)); and ■ All other requirements of Chapter 4702 are met The effective date of the title status report(s) must be no more than 365 days before the Delivery Date. If the Seller elects to purchase title insurance, the cost may not be passed to the Borrower.
Land that is owned in fee simple	In addition to meeting all requirements of Chapter 4702, the title insurance policy may not make any specific exclusion or exception for the laws, ordinances or regulations of the Eligible Native American Tribe. An attorney opinion of title letter is not acceptable in lieu of a title insurance policy.

See Chapter 4504 for additional requirements for HeritageOne Mortgages.

Chapter 4703: Property Insurance

4703.1: General property insurance requirements (01/01/23)

For Mortgages sold to Freddie Mac, the Seller must ensure that the Mortgaged Premises are covered by insurance meeting the requirements in this Chapter 4703. The Seller must obtain evidence of insurance meeting the requirements of Section 8202.8.

(a) Licensing of insurer

All insurance companies (insurers) and insurance companies which guarantee coverages provided by other insurance companies (reinsurers) must be licensed, or otherwise authorized by law, to conduct business in the jurisdictions where the Mortgaged Premises are located.

(b) Assessments

Insurance contracts must provide that no assessment may be made against the Seller/Servicer or Freddie Mac and that any assessment made against others may not become a lien on the Mortgaged Premises superior to the lien of the Freddie Mac Mortgage.

(c) Rating of insurer

The required insurance must be provided by one of the following insurers:

1. An insurer with a current rating that meets the requirements below:

   - For an insurer rated by AM Best Company (AM Best), a minimum Financial Strength Rating of B+, as reported online at **http://www.ambest.com**
   - For an insurer rated by Demotech, Inc., a minimum Financial Stability Rating of A as reported online at **http://www.demotech.com**
   - For an insurer rated by S&P Global, a minimum Insurer Financial Strength Rating of BBB as reported online at **http://www.standardandpoors.com**
   - For an insurer rated by Kroll Bond Rating Agency (KBRA), a minimum Insurance Financial Strength Rating of BBB as reported online at **https://www.kbra.com**

2. An insurer with coverage that is guaranteed by a reinsurer under all of the following conditions:

- The reinsurer's current rating meets the requirements below:
  - For a reinsurer rated by AM Best, a minimum Financial Strength Rating of B+; or
  - For a reinsurer rated by S&P Global, a minimum Insurer Financial Strength Rating of BBB
- The reinsurer assumes by endorsement 100% of the insurer's liability for any covered loss payable but unpaid by the insurer for reason of insolvency
- The reinsurer assumes by endorsement to give the policyholder, the Seller/Servicer and insurer 90-day written notice before canceling or otherwise terminating the guarantee
- The above endorsements are attached to each property insurance policy accepted by the Seller/Servicer on account of the endorsements

3. A state insurance pool created by statutory authority to provide insurance for geographic areas or insurance lines which suffer from lack of voluntary market availability (such pool may be designated as a property insurance plan, a Fair Access to Insurance Requirements (FAIR) plan, an underwriting association, a joint underwriting association or an insurance authority)

4. A non-admitted insurer with a current rating that meets the requirements below:
   - For an insurer rated by AM Best, a minimum Financial Strength Rating of A, or
   - For an insurer rated by S&P Global, a minimum Insurer Financial Strength Rating of AA-

5. An insurer with coverage that is guaranteed by the National Flood Insurance Program (NFIP) under a Standard Flood Insurance Policy issued pursuant to the National Flood Insurance Act of 1968, as amended

Insurers rated by more than one rating company need only meet one of the rating requirements.

4703.2: Minimum property insurance types and amounts (06/01/24)

(a) 1- to 4-unit properties

At a minimum, the insurable improvements on the Mortgaged Premises must be insured for loss or damage from:

- Fire
- Lightning
- Windstorm
- Hail
- Explosion
- Riot
- Civil commotion
- Damage by aircraft
- Damage by vehicles
- Damage by smoke

If any of the preceding perils is excluded from the primary insurance policy, coverage of the excluded peril must be provided through a secondary insurance policy.

The deductible for fire, water (not caused by flooding) or wind damage to the insured improvements (generally designated as “dwelling” in the insurance policy) may not exceed 5 percent of the limit maintained for dwelling coverage.

Insurance policies must provide for claims to be settled on a replacement cost basis. Policies that (1) provide for claims to be settled on an actual cash value basis, or (2) limit, depreciate, reduce or otherwise settle losses for less than a replacement cost basis are not eligible.

The insurance limits must at least equal the higher of:

- The UPB of the Mortgage
- 80% of the full replacement cost value (RCV) of the insurable improvements as of the current insurance policy effective date

The coverage required in accordance with the above formula must not exceed the replacement cost of the insurable improvements, even when the UPB of the Mortgage exceeds such replacement cost.

The table below describes how to calculate the required amount of insurance.

Step	Description
1	Determine the UPB and the RCV.
2	If the RCV is less than the UPB, the required insurance coverage is the RCV, and no further calculation is required. If the RCV is greater than the UPB, go to step 3.
3	If the RCV is greater than the UPB, calculate 80% of the RCV and then go to step 4 or 5.
4	If this calculation is equal to or less than the UPB, the UPB is the amount of coverage required or
5	If this calculation is greater than the UPB, the 80% calculation is the amount of coverage required.

Examples:

	Property A: **The RCV is less than the UPB**	**Property B:** **80% of the RCV is equal to or less than the UPB**	**Property C:** **80% of the RCV is greater than the UPB**
RCV	$80,000	$90,000	$90,000
UPB	$85,000	$80,000	$65,000
80% of replacement cost	$64,000	$72,000	$72,000
Required insurance coverage	$80,000	$80,000	$72,000

Seller/Servicers must verify the RCV in order to complete the calculation above. The verification source may be (1) the replacement cost estimator utilized by the insurance carrier or an insurance risk appraisal; or (2) statement from property insurer, an independent insurance risk specialist, or other professional with appropriate resources to make such a determination.

The Seller/Servicer must ensure that adequate insurance coverage is in force even when the improvements are vacant or unoccupied and must notify all insurers of any such change in occupancy in order to preserve its rights as mortgagee under the applicable insurance policy.

(b) Planned Unit Developments (PUDs) and ground lease communities

Unit owners within a Planned Unit Development (PUD) and leasehold lessees within a ground lease community with residential properties similar to 1- to 4- unit properties can insure their units individually, provided that the requirements in Section 4703.2(a) are met.

If the individual units are covered by insurance purchased by their respective owners or leasehold lessees, the PUD homeowners association or the fee simple landowner/lessor of the ground lease community, the Seller is not required to verify insurance for its Common Elements.

Freddie Mac will also accept a master insurance policy covering all units in the PUD or ground lease community if called for in the PUD's governing documents or in the ground lease. The Seller/Servicer must confirm the master insurance policy limit covers 100% of the replacement cost value of the units, as of the current insurance policy effective date, but is not required to verify if a master insurance policy provides insurance for Common Elements. The verification source may be (1) the replacement cost estimator utilized by the insurance carrier or the project's insurance risk appraisal; or (2) statement from property insurer, an independent insurance risk specialist, or other professional with appropriate resources to make such a determination.

The master insurance policy must provide for claims to be settled on a replacement cost basis. Policies that (1) provide for claims to be settled on an actual cash value basis, or (2) limit, depreciate, reduce or otherwise settle losses for less than a replacement cost basis are not eligible.

The master insurance policy must be written on a special coverage form or equivalent.

The PUD homeowners association or fee simple landowner/lessor must also obtain any additional coverage commonly required by private mortgage investors for developments similar in construction, location and use, including the following:

- Inflation guard endorsement – this endorsement is required when it is applicable to the coverage and available in the insurance market

- Building ordinance or law endorsement – this endorsement is not required if the building is legally conforming under current building, zoning or land use laws, or is not available; however, it is required if the enforcement of any law or ordinance results in increased costs such as demolition or loss to the undamaged portions of the building and the coverage is available in the insurance market

- Steam boiler and machinery or equipment breakdown endorsement – this endorsement is required if a building in the project has a central heating ventilation and cooling (HVAC) system and the coverage is available in the insurance market

  The insurance limit per covered mechanical breakdown or equipment failure must equal the lesser of:

  - 100% of the replacement cost of the building housing the equipment, or
  - $2 million

If a higher limit is required by private mortgage investors for PUDs similar in construction, location and use, the PUD homeowners association must maintain the higher insurance limit.

The deductible for fire, water (not caused by flooding) or wind damage to the insured improvements (generally designated as "building" in the insurance policy) may not exceed 5% of the limit maintained for building coverage.

If a master insurance policy deductible exceeds the 5% maximum due to a per unit deductible for named perils specific to a geographic area, the Mortgage is eligible for sale to Freddie Mac if the Borrower's unit is covered by an owner's HO-6 policy. The Borrower's owners policy must include the same perils as the master policy, cover master policy assessments levied on the unit owner and carry a sufficient coverage amount to cover the per unit amount over the permissible 5% limit. See Section 4703.2(c) below for an example of how to calculate sufficient coverage to meet the 5% maximum deductible requirement.

The insurance policy of the PUD homeowners association or fee simple landowner/lessor of the ground lease community must name the insured in substantially the same language indicated below:

For PUDs: Association of Owners of the [Name of PUD] Planned Unit Development for the use and benefit of the individual owners (designated by name, if required by law or the governing documents).

For ground lease communities: [Name of the lessor] of the [Name of the ground lease community] for the use and benefit of the individual lessees (designated by name, if required by law or by the lease).

Mortgages secured by units in a PUD with a master or blanket insurance policy that combines insurance coverage for multiple unaffiliated PUDs are eligible for sale to Freddie Mac provided that each covered PUD has a dedicated policy limit and a specific dedicated deductible that does not exceed the requirements above. Also, the policy must clearly state that each association is a named insured. The policy limit needs to cover the full replacement cost required for the Common Elements, and to the extent required, the units. Additionally, the insurance policy must meet all requirements of the Guide and other Purchase Documents applicable to master insurance policies covering PUDs such as:

- The insurance company underwriting the master policy must meet Freddie Mac insurance ratings requirements

- The protected perils must include those normally covered in policies for similar types of PUDs; and

- If applicable, the building ordinance or law endorsement and/or equipment breakdown endorsement

Projects that are under the same master association and/or share the use of common facilities, whether those facilities are individually owned or owned as part of a master association or development, are considered to be affiliated projects. Multiple projects that do not meet one of these criteria, even if they are under the management of the same management company, are not considered to be affiliated projects.

(c) Condominiums

The Project Documents will define the insurance requirements for the homeowners association and the individual unit owner in a Condominium Project, including a Detached Condominium Project and a 2- to 4-Unit Condominium Project. The insurance requirements will define the extent to which the homeowners association will insure the individual units and the unit owner responsibility for individual insurance.

There are two acceptable options for unit coverage depending on what the governing documents indicate:

- The condominium homeowners association must insure the building and structures in the Condominium Project as well as fixtures, machinery, equipment and supplies maintained for the service of the Condominium Project. To the extent required the homeowners association must also insure fixtures, improvements, alterations and equipment within the individual Condominium Units, regardless of ownership. To the extent the condominium homeowners association's policy does not cover the interior of the Condominium Unit or the improvements to the Condominium Unit, the Borrower must maintain an HO-6 unit owner policy. Coverage for the HO-6 unit owner policy must be sufficient to repair the Condominium Unit to at least its condition prior to the claim.

- If the Project Documents allow Condominium Unit owners to insure their Condominium Units individually, in lieu of a master policy, the Mortgages secured by the Condominium Units are eligible for sale to Freddie Mac provided the requirements in Section 4703.2(a) are met. Common Elements must be covered through the condominium homeowners association policy and the homeowners association must maintain all other applicable insurance coverages required in Chapter 4703.

The master insurance policy coverage limit must be at least equal to 100% of the replacement cost value of the project's improvements, including Common Elements and residential structures, as of the current insurance policy effective date.

The Seller/Servicer must verify the coverage amount is not less than the minimum required as described above. The verification source may be (1) the replacement cost estimator utilized by the insurance carrier or the project's insurance risk appraisal; or (2) statement from property insurer, an independent insurance risk specialist, or other professional with appropriate resources to make such a determination.

The master insurance policy must provide for claims to be settled on a replacement cost basis. Policies that (1) provide for claims to be settled on an actual cash value basis, or (2) limit, depreciate, reduce or otherwise settle losses for less than a replacement cost basis are not eligible.

The master insurance policy must be written on a special coverage form or equivalent. The condominium homeowners association must also obtain any additional coverage commonly required by private mortgage investors for developments similar in construction, location and use, including the following:

- Inflation guard endorsement – this endorsement is required when it is applicable to the coverage and available in the insurance market

- Building ordinance or law endorsement – this endorsement is not required if the building is legally conforming under current building, zoning or land use laws, or is not available; however, it is required if the enforcement of any law or ordinance results in increased costs such as demolition or loss to the undamaged portions of the building and the coverage is available in the insurance market

- Steam boiler and machinery or equipment breakdown endorsement – this endorsement is required if a building in the project has an HVAC system and the coverage is available in the insurance market

  The insurance limit per covered mechanical breakdown or equipment failure must equal the lesser of:

  - 100% of the replacement cost of the building housing the equipment, or

  - $2 million

  If a higher limit is required by private mortgage investors for Condominium Projects similar in construction, location and use, the condominium homeowners association must maintain the higher insurance limits.

- Condominium Association Coverage Form or its equivalent, including the following provisions or comparable language:

- Recognition of an Insurance Trustee (e.g., "If you name an insurance trustee, we will adjust losses with you, but we will pay the insurance trustee. If we pay the trustee, the payments will satisfy your claims against us.")

- Waiver of Rights of Recovery (e.g., "We waive our rights to recover payment from any unit-owner of the condominium that is shown in the declarations.")

- Unit-owner's Insurance (e.g., "A unit-owner may have other insurance covering the same property as this insurance. This insurance is intended to be primary, and not to contribute with such other insurance.")

The condominium homeowners association's policy deductible for fire, water (not caused by flooding) or wind damage to the insured improvements (generally designated as "building" in the insurance policy) may not exceed 5% of the limit maintained for building coverage.

If the deductible exceeds the 5% maximum due to a per unit deductible for named perils specific to a geographic area, the Mortgage is eligible for sale to Freddie Mac if the Borrower's unit is covered by an owner's HO-6 policy. The Borrower's owner's policy must include the same perils as the condominium association's master policy, cover master policy assessments levied on the unit owner and carry a sufficient coverage amount to cover the per unit amount over the permissible 5% limit.

For example:

- Condominium association policy limit: $6,000,000

- Number of units: 20

- Condominium association policy deductible: $80,000

- Condominium association separate per unit deductible for ice dam coverage: $40,000

The master deductible of $80,000 is 1.33% of the building coverage ($80,000/$6,000,000) and does not exceed the 5% deductible requirement. However, the per unit deductible is 13.3% (($40,000 x 20 units)/$6,000,000)) which is above the 5% maximum requirement and the policy is not acceptable.

The maximum per unit deductible needed to meet the 5% deductible requirement is $15,000 (($6,000,000/20) x .05)). To be eligible, the unit owner needs an HO-6 policy that would cover the $25,000 per unit coverage ($40,000 - $15,000 = $25,000).

The insurance policy of the condominium homeowners association must name the insured in substantially the same language indicated below:

Association of Owners of the [Name of Condominium Project] Condominium for the use and benefit of the individual owners (designated by name, if required by law or the governing documents).

In the event the HO-6 unit owner policy is required, the policy must include the standard Mortgage clause required in Section 4703.6.

Mortgages secured by a Condominium Unit in a Condominium Project with a master insurance policy that combines insurance coverage for multiple unaffiliated Condominium Projects are eligible for sale to Freddie Mac provided that each covered Condominium Project has a dedicated policy limit and a specific dedicated deductible that does not exceed the requirements above. Also, the policy must clearly state that each association is a named insured. The policy limit must cover the full replacement cost of the Common Elements, and to the extent required, the Condominium Units, as of the current insurance policy effective date. Additionally, the insurance policy must meet all requirements of Chapter 4703 of the Guide and other Purchase Documents applicable to master insurance policies covering Condominium Projects such as:

- The insurance company underwriting the master policy must meet Freddie Mac insurance ratings requirements;
- The protected perils must include those normally covered in policies for similar types of Condominium Projects; and
- If applicable, the building ordinance or law endorsement and/or equipment breakdown endorsement.

Condominium Projects that are under the same master association and/or share the use of common facilities, whether those facilities are individually owned or owned as part of a master association or development, are considered to be affiliated projects. Multiple Condominium Projects that do not meet one of these criteria, even if they are under the management of the same management company, are not considered to be affiliated projects.

(d) Cooperative Corporations

The Cooperative Corporation must insure the building and structures in the Cooperative Project as well as fixtures, machinery, equipment and supplies maintained for the service of the project. To the extent required by the Cooperative Project Documents, the Cooperative Corporation must also insure fixtures, improvements, alterations and equipment within the individual Cooperative Units, regardless of ownership.

To the extent the Cooperative Corporation policy does not cover the interior of the Cooperative Unit or the improvements to the Cooperative Unit (the fixtures, improvements, alterations and equipment within the individual Cooperative Units), the Borrower must maintain an HO-6 unit owner’s policy. Coverage for the H0-6 unit owner policy must be sufficient to repair the Cooperative Unit to at least its condition prior to the claim. If the

Cooperative Corporation policy fully covers the interior or the improvements to the Cooperate Unit, an H0-6 unit owner policy is not required.

The Cooperative Corporation's master insurance policy coverage limit must be at least equal to 100% of the replacement cost value of the project's improvements, including common elements and residential structures, as of the current insurance policy effective date.

The Seller/Servicer must verify the coverage amount is not less than the minimum required as described above. The verification source may be the (1) replacement cost estimator utilized by the insurance carrier or the project's insurance risk appraisal; or (2) statement from property insurer, an independent insurance risk specialist, or other professional with appropriate resources to make such a determination.

The master insurance policy must provide for claims to be settled on a replacement cost basis. Policies that (1) provide for claims to be settled on an actual cash value basis, or (2) limit, depreciate, reduce or otherwise settle losses for less than a replacement cost basis are not eligible.

The master insurance policy must be written on a special coverage form or equivalent.

The Cooperative Corporation must also obtain any additional coverage commonly required by private mortgage investors for Cooperative Projects similar in construction, location, and use, including the following:

- Inflation guard endorsement – required when it is applicable to the coverage and available in the insurance market

- Building ordinance or law endorsement – not required if the building is legally conforming under current building, zoning or land use laws or is not available; however, it is required if the enforcement of any law or ordinance results in increased costs such as demolition or loss to the undamaged portions of the building and the coverage is available in the insurance market

- Steam boiler and machinery or equipment breakdown endorsement – required if a building in the Cooperative Project has a central heating ventilation and cooling system and the coverage is available in the insurance market.

The insurance limit per covered mechanical breakdown or equipment failure must equal the lesser of:

- 100% of the replacement cost of the building housing the equipment, or

- $2 million

The deductible for fire, water (not caused by flooding) or wind damage to the insured improvements (generally designated as "building" in the insurance policy) may not exceed 5% of the limit maintained for building coverage.

If the deductible exceeds the 5% maximum due to a per unit deductible for named perils specific to a geographic area, the Cooperative Share Loan is eligible for sale to Freddie Mac if the Borrower's unit is covered by an owner's HO-6 policy. The Borrower's owner's policy must include the same perils as the Cooperative Corporation's master policy, cover master policy assessments levied on the Shareholder and carry a sufficient coverage amount to cover the per unit amount over the permissible 5% limit. See Section 4703.2(c) above for an example of how to calculate sufficient coverage to meet the 5% maximum deductible requirement for Cooperative Corporation Units.

Shareholders within a Cooperative Project of detached Cooperative Units can insure their units individually, provided that the requirements in Section 4703.2(a) are met and the Cooperative Corporation's governing documents permit it.

4703.3: Flood insurance (06/01/24)

(a) Determining if a property requires flood insurance

A flood zone determination (FZD) must be made for each property securing a Mortgage sold to Freddie Mac.

An FZD must be documented by a completed FEMA Standard Flood Hazard Determination Form, FEMA Form 086-0-032 (Exhibit 13, Standard Flood Hazard Determination Form [SFHDF]) in accordance with federal law. The SFHDF may be used in a printed, computerized or electronic manner and must be retained for the life of the Mortgage in either hard copy or electronic format. Any alternative electronic format must contain all mandatory fields indicated on the SFHDF.

The date in the "Date of Determination" field on the SFHDF must be a date that is no more than 120 days before the Note Date of the Mortgage, or, if applicable, the Note Date of the refinance Mortgage. However, the "Date of Determination" field on the SFHDF may be a date that is more than 120 days before the Note Date of the Mortgage or, if applicable, the Note Date of the refinance Mortgage, if the Seller uses a "life of loan" FZD where the third party providing the FZD provides a "life of loan" certificate assuring that the Mortgage is monitored for compliance.

The loan number or other identifying information in the "Loan Identifier" field on the SFHDF must be the loan number or other identifying information for the Mortgage or, if applicable, the refinance Mortgage.

The Seller/Servicer warrants that any FZD made by a party other than the Seller/Servicer is guaranteed by the FZD maker to be accurate, in accordance with federal law. The

Seller/Servicer, however, remains responsible to Freddie Mac for the accuracy of any FZD made by the Seller/Servicer or any party other than the Seller/Servicer.

If the SFHDF identifies the insurable improvements on the Mortgaged Premises as located in an area that has been identified as a Special Flood Hazard Area (SFHA) containing the letter "A" or "V" within its designated zone on a flood map (Flood Hazard Boundary Map or Flood Insurance Rate Map) of FEMA, the Seller/Servicer must ensure that flood insurance is obtained and maintained on such improvements for the term of the Mortgage.

The Seller/Servicer may waive or discontinue the flood insurance requirement if:

- The Borrower and the Seller/Servicer have obtained, following a joint request to FEMA as provided under federal law, a Letter of Determination Review (LODR) concluding that the insurable improvements are not in the SFHA, or

- The Borrower has provided the Seller/Servicer with a Letter of Map Amendment (LOMA) from FEMA excluding the insurable improvements or the entire property from the SFHA, or

- The Borrower has provided the Seller/Servicer with a Letter of Map Revision (LOMR) from FEMA removing the community's SFHA designation

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 in accordance with Chapters 3401, 3301 and 3302.

If the insurable improvements on the Mortgaged Premises are located in an SFHA but the community does not participate in the National Flood Insurance Program (NFIP) ("nonparticipating community"), the Mortgage is not eligible for sale to Freddie Mac.

If the insurable improvements on the Mortgaged Premises are located in an area that has not been mapped by FEMA and the Seller/Servicer is not aware of any flood risks to which the improvements are exposed, the Mortgage is eligible for sale to Freddie Mac without the benefit of flood insurance. If the area has not been mapped by FEMA but the Seller/Servicer is aware that the insurable improvements are exposed to flood risks, the Mortgage is not eligible for sale to Freddie Mac without flood insurance on the improvements.

(b) Acceptable flood insurance policies

The flood insurance policy may be one of the following:

- A standard policy issued by the NFIP, or

- A policy issued by a private insurer that is qualified under Section 4703.1, with at least equivalent terms and conditions to the standard NFIP policy for the types of improvements insured, including coverage, deductibles and exclusions and conditions offered

(c) Coverage required

(i) 1- to 4-unit properties

If the community where the Mortgaged Premises are located participates in the Emergency Program of the NFIP, the flood insurance coverage on the insurable improvements must at least equal the lowest of the following:

- The UPB of the Mortgage
- The maximum amount of coverage currently sold under the Emergency Program of the NFIP for the type of improvements insured
- The replacement cost of the insurable improvements

The Seller/Servicer must ensure that the Borrower increases flood insurance coverage on the insurable improvements when the community moves into the Regular Program of the NFIP as described below.

If the community where the Mortgaged Premises are located participates in the Regular Program of the NFIP, the flood insurance coverage on the insurable improvements must at least equal the lowest of the following:

- The UPB of the Mortgage
- The maximum amount of coverage currently sold under the Regular Program of the NFIP for the type of improvements insured
- The replacement cost of the insurable improvements

The deductible may not exceed the maximum deductible amount currently allowed under the NFIP for the type of improvements insured.

For 1- to 4-unit properties, the Seller/Servicer may waive the flood insurance requirements for structures on the Mortgaged Premises that are detached from the primary residential structure and do not serve as a residence.

(ii) PUD or ground lease community units

Flood insurance requirements for 1- to 4-unit properties apply to similar residential properties within a PUD or ground lease community.

(iii) Condominium Units

Flood insurance requirements for 1- to 4-unit properties apply to similar residential properties in a 2- to 4-Unit Condominium Project or Detached Condominium Project.

If the Condominium Unit securing a Mortgage sold to or serviced for Freddie Mac is in a building in a Condominium Project other than a 2- to 4-Unit Condominium Project or Detached Condominium Project and all or part of the building is in an SFHA, the following flood insurance coverage, as applicable, is required:

A. Condominium homeowners association's coverage

The condominium homeowners association must maintain building coverage on the building for the lower of:

(i) 80% of the building's replacement cost or

(ii) The maximum coverage amount available from NFIP per unit

The condominium owners association must maintain contents coverage on the building for the lower of (i) the actual cash value of the contents in the building that are owned in common by the association members or (ii) the maximum amount of contents coverage sold by the NFIP for a condominium building.

The deductible of the condominium owners association's coverage may not exceed the maximum deductible amount currently allowed under the NFIP for condominium association building coverage. The deductible for association building contents may not exceed the maximum deductible amount currently allowed under the NFIP for association building contents.

B. Unit owner's coverage

To the extent the condominium owners association's building coverage meets the minimum requirements above, but the Condominium Unit allocation does not meet the 1- to 4-unit coverage requirement, the Borrower must maintain supplemental coverage on the Condominium Unit. The coverage must be at least equal to the difference between the condominium associations' building coverage allocated to that Condominium Unit and the amount required on a 1- to 4-unit property.

The deductible may not exceed the maximum deductible allowed for a 1- to 4-unit property.

(iv) Cooperative Corporations

The Cooperative Corporation must maintain flood insurance on each building that is located in an SFHA.

The building coverage must be the lower of (i) 100% of the building's replacement cost, or (ii) the maximum amount of building coverage sold by the NFIP.

The contents coverage must be the lower of (i) 100% of the insurable replacement cost of all contents owned by the Cooperative Corporation, or (ii) the maximum amount of contents coverage sold by the NFIP.

The deductible of the Cooperative Corporation coverage may not exceed the maximum deductible amount currently allowed under NFIP for building coverage. The deductible for Cooperative Corporation building contents may not exceed the maximum deductible amount currently allowed under the NFIP for contents coverage.

A blanket policy of flood insurance covering more than one building or structure in the Cooperative Project is acceptable if each building or structure covered by the blanket policy is insured for at least the individual building and contents limits stated above.

4703.4: Liability insurance for Condominium Projects and Cooperative Projects (06/10/20)

Effective June 10, 2020, the content of this section has moved from Section 8202.5.

Liability insurance is required for all Condominium Projects and Cooperative Projects, except the following:

- Condominium Projects reviewed under the streamlined project review type in Section 5701.4
- Condominium Projects and Condominium Unit Mortgages that meet the requirements in Section 5701.7 and are delivered as Exempt From Review
- Cooperative Share Loans that meet the requirements in Section 5701.7 and are delivered as Exempt From Review
- Freddie Mac Enhanced Relief Refinance® Mortgages

The condominium homeowners association or Cooperative Corporation must maintain commercial general liability (CGL) insurance covering all common areas, Common Elements, commercial spaces and public ways in the Condominium Project or Cooperative Project.

If not already included in the terms of the CGL coverage, there must be a "severability of interest" endorsement precluding the insurer's denial of a unit owner's claim because of negligent acts by the association, corporation or other unit owners.

The insurer's limit of liability per occurrence for personal injury, bodily injury or property damage under the terms of the above coverages must be at least $1 million and the coverage must provide for claim settlements on an occurrence basis.

4703.5: Fidelity or employee dishonesty insurance for Condominium Project and Cooperative Projects (06/10/20)

Effective June 10, 2020, the content of this section has moved from Section 8202.6.

Fidelity or employee dishonesty insurance is required for Condominium Projects and Cooperative Projects, except the following:

- Condominium Projects reviewed under the streamlined project review type in Section 5701.4
- Condominium Projects and Condominium Unit Mortgages that meet the requirements in Section 5701.7 and are delivered as Exempt From Review
- Cooperative Share Loans that meet the requirements in Section 5705.7 and are delivered as Exempt From Review
- Freddie Mac Enhanced Relief Refinance® Mortgages
- Condominium or Cooperative Projects consisting of 20 units or less
- Condominium or Cooperative Projects where the calculated amount of required coverage is less than or equal to $5,000 (based on the coverage requirement below)

Freddie Mac requires all condominium homeowners associations or Cooperative Corporations to obtain and maintain fidelity or employee dishonesty insurance that meets the terms and conditions of coverage detailed in this section. In States that require condominium homeowners associations or Cooperative Corporations to obtain and maintain fidelity or employee dishonesty insurance on terms or conditions different from Freddie Mac's, Freddie Mac will deem compliance with the State's requirements to be in compliance with Freddie Mac's requirements.

The condominium homeowners association or Cooperative Corporation must maintain fidelity or employee dishonesty insurance covering losses resulting from dishonest or fraudulent acts committed by directors, managers, trustees, employees or volunteers who manage the funds collected and held or administered for the condominium homeowners association or Cooperative Corporation. A professional management firm must be insured to the same extent as an

association or corporation that manages its own operation. The management firm must submit evidence of such coverage or must be insured under the condominium homeowners association's or Cooperative Corporation's policy.

Fidelity or employee dishonesty insurance coverage must have all of the following characteristics:

- The policy must name the condominium homeowners association or Cooperative Corporation as the insured, and premiums must be paid as a common expense by the association or corporation.

- The coverage must equal no less than the maximum amount of funds in the custody of the condominium homeowners association, Cooperative Corporation or the management firm at any one time. A lower coverage limit is acceptable if the Project Documents require the condominium homeowners association or Cooperative Corporation and any management firm to adhere to certain financial controls. However, in such case, the coverage limit must at least equal the sum of three months of assessments or Maintenance Fees on all units in the Condominium Project or Cooperative Project.

Freddie Mac will accept reduced fidelity or employee dishonesty insurance coverage based on greater financial controls if such controls include at least one of the following provisions:

- The condominium homeowners association, Cooperative Corporation or management firm maintains separate accounts for the operating budget and the reserve fund. The depository institution in which funds are deposited sends copies of the monthly account statements directly to the association or corporation.

- Separate records and accounts are maintained for each condominium homeowners association, Cooperative Corporation or other community association using the management firm's services. The management firm does not have the authority to draw checks on or to transfer funds from the reserve fund of the condominium homeowners association or Cooperative Corporation.

- Two or more members of the board of directors must sign any checks drawn on the reserve fund

4703.6: Mortgage clause (06/10/20)

Effective June 10, 2020, the content of this section has moved from Section 8202.7.

All policies documenting insurance coverage(s) obtained in accordance with Freddie Mac's requirements for 1- to 4-unit properties must have the insurance industry's standard mortgage clause. Such clause must provide that the insurer will notify the named mortgagee at least 10 days before cancelation of the policy.

If the Mortgage is owned by Freddie Mac, "(name of Seller/Servicer), its successors and assigns" should be named as mortgagee instead of Federal Home Loan Mortgage Corporation. In deed-of-trust jurisdictions, the mortgagee should be designated as "(name of Seller/Servicer), its successors and assigns, beneficiary."
If the Federal Home Loan Mortgage Corporation must be named as mortgagee, the endorsement must show the Seller's address in lieu of Freddie Mac's, as shown in the example below:

FEDERAL HOME LOAN MORTGAGE CORPORATION
C/O ABC SAVINGS AND LOAN ASSOCIATION
100 MAIN STREET
HOMETOWN USA 12345

If the Mortgage is registered with MERS® and is originated naming MERS as the original mortgagee of record, under no circumstances may MERS be named as loss payee on any property insurance policy.

Regardless of how the mortgage clause is endorsed, or if the Mortgage is registered with MERS, the Seller/Servicer must arrange for all insurance drafts, notices, policies, invoices, etc. to be delivered directly to the Seller/Servicer. Although the MERS address appears in county land records, the address for MERS must not be given to organizations that normally direct mail to the Seller/Servicer or subservicer.

When a mortgage clause is not applicable (e.g., in a separate policy of commercial general liability), a certificate of insurance must be provided to the Seller/Servicer. This certificate must contain the information required for certificates or other evidence of insurance in Section 8202.8, with the Seller/Servicer named as certificate holder instead of mortgagee.

4703.7: Localized perils insurance (06/10/20)

Effective June 10, 2020, the content of this section has moved from Section 8202.10.

If the Seller/Servicer becomes aware of localized perils (i.e., sinkhole, mine subsidence, volcanic eruption, landslides) that are not covered by standard property insurance, then the Seller/Servicer must require the Borrower to obtain appropriate insurance coverage in accordance with the terms of the Security Instrument and applicable law.

Chapter 5101: Using Loan Product Advisor®

5101.1: General information for using Loan Product Advisor® (05/03/23)

(a) Access to and use of Loan Product Advisor®

Loan Product Advisor is an automated loan assessment system that indicates whether a Mortgage will be eligible for purchase by Freddie Mac, provided other conditions are met. Use of Loan Product Advisor can eliminate many of the manual processing and underwriting requirements of traditional Mortgage processing. Although Freddie Mac will continue to purchase manually processed Mortgages, Freddie Mac prefers and recommends that most Mortgages be processed through Loan Product Advisor.

Loan Product Advisor may be accessed from a commercial Loan Origination System (LOS), a custom LOS system or directly via an internet connection. Loan Product Advisor utilizes the information obtained from:

- Data input by the originator
- Credit repositories
- HVE®

Loan Product Advisor uses statistical models and judgmental rules to analyze the data received and then returns a Feedback Certificate. Loan Product Advisor will return credit information and for certain Mortgages will provide HVE support for the Mortgaged Premises.

(b) Loan Product Advisor Mortgages

In order for a Mortgage to qualify as a Loan Product Advisor Mortgage, the Mortgage must meet all of the following criteria:

- Be submitted to Loan Product Advisor no more than 120 days before and no later than the Note Date, or for Construction Conversion and Renovation Mortgages, the Effective Date of Permanent Financing or, for Seller-Owned Modified Mortgages that are Home Possible® Mortgages, the modification date
- Have all credit reports (including the Loan Product Advisor credit reports) dated no more than 120 days before and no later than on the Note Date, or for Construction Conversion and Renovation Mortgages, the Effective Date of Permanent Financing

- Receive an automated underwriting service (AUS) status of "complete" on the Feedback Certificate based on the last submission to Loan Product Advisor on or before the Note Date, or for Construction Conversion and Renovation Mortgages, the Effective Date of Permanent Financing

- Comply with all of the requirements of this Chapter 5101

Mortgages that are submitted to Loan Product Advisor and receive a status of ineligible, invalid or incomplete must be manually underwritten as Non-Loan Product Advisor Mortgages.

For each Mortgage submitted, or to be submitted, to Loan Product Advisor, the Seller must consider each application without regard to the Borrower's race, color, religion, national origin, age, sex, marital status, familial status or handicap.

(c) Last Feedback Certificate

The Last Feedback Certificate:

- Is, except as stated in Chapter 4602 and Section 5101.6, based on true, complete and accurate data as required by the Seller's Purchase Documents

- Is used by Freddie Mac to determine the Risk Class, Documentation Level and, Credit Fees

- Must be retained in the Mortgage file

In delivering the Mortgage to Freddie Mac, the Seller represents and warrants that the applicable Feedback Certificates are retained in the Mortgage file and meet all of the requirements of Chapter 5101. If Freddie Mac subsequently determines that the Feedback Certificates are not in the Mortgage file, any representation and warranty relief, Documentation Levels granted and/or payment or non-payment of fees are subject to change based on the actual contents of the Mortgage file.

The purchase restrictions on the Loan Product Advisor Last Feedback Certificate are not customized for a Seller's specific Purchase Documents. Therefore, Sellers with Master Agreement terms or Guide Plus Additional Provisions may receive purchase restrictions on the Last Feedback Certificate that conflict with their negotiated terms. In such cases, the negotiated terms apply rather than any conflicting purchase restrictions.

The Last Feedback Certificate may be transferred without restriction prior to delivery of the Mortgage to Freddie Mac. However, the Last Feedback Certificate and the conditions indicated on it are effective only with respect to Freddie Mac and only when the Mortgage is delivered to Freddie Mac by a Freddie Mac Seller in compliance with the Seller's Purchase Documents. (An example of a Feedback Certificate is included in the ***Loan Product Advisor User Guide***.)

(d) Key Number

The Key Number is a unique identifier assigned to a Mortgage by Loan Product Advisor when the Mortgage is first submitted to Loan Product Advisor. The Key Number is returned to the Seller on the Feedback Certificate and is used by the Seller and Freddie Mac to identify an individual Mortgage (e.g., a purchase, a refinance, etc.) from application through closing and delivery.

A Key Number is valid for use with only one Mortgage. Once that Mortgage has been closed, regardless of whether the Mortgage is sold to Freddie Mac, the Key Number may be used only in delivering that Mortgage to Freddie Mac or for the Seller's quality control process. The Key Number from a previously closed Mortgage may not be re-used to process or originate another Mortgage. Additionally, if the Borrower has more than one Mortgage in process, each loan must have a separate application and a different Key Number.

The Seller may resubmit the Mortgage to Loan Product Advisor using the original Key Number, provided Freddie Mac has not removed the Key Number from Loan Product Advisor.

For each Loan Product Advisor Mortgage delivered to Freddie Mac, the Seller must deliver the Key Number in the ULDD Data Point *Automated Underwriting Case Identifier*. A Mortgage delivered without a Key Number will be considered a Non-Loan Product Advisor Mortgage.

The Seller is not required to deliver the Key Number on the following Mortgages, as they are considered Non-Loan Product Advisor Mortgages:

- Mortgages, other than Mortgages secured by Manufactured Homes, submitted to Loan Product Advisor on or before the Note Date, or for Construction Conversion and Renovation Mortgages, the Effective Date of Permanent Financing, that received an AUS status of invalid, ineligible or incomplete; the Seller must deliver the Key Number for Mortgages secured by Manufactured Homes that received an AUS status of invalid, ineligible or incomplete

- Mortgages submitted to Loan Product Advisor for the first time after the Note Date

- Mortgages delivered as Seller-Owned Converted Mortgages or Seller-Owned Modified Mortgages that are not Home Possible Accept Mortgages

(e) Invalid, ineligible or incomplete status

Loan Product Advisor may return an assessment status of invalid, ineligible or incomplete. If resubmission with new and/or corrected information does not correct the status, the Mortgage cannot be processed through Loan Product Advisor. The Mortgage must be manually underwritten and delivered as a Non-Loan Product Advisor Mortgage.

(f) Number of Borrowers

Loan Product Advisor cannot assess more than five Borrowers on a single application. When there are more than five Borrowers the Seller must manually underwrite the Mortgage.

(g) Compliance with Loan Product Advisor requirements

If the Mortgage and/or the Seller fail to comply with all Loan Product Advisor requirements, including, except as stated in Chapter 4602 and Section 5101.6, submission of true, complete and accurate data to Loan Product Advisor, the benefits and terms associated with the Loan Product Advisor Mortgage may not apply and the Mortgage may be subject to the terms and requirements for a Non-Loan Product Advisor and/or a Manually Underwritten Mortgage.

(h) Required and optional data fields

Loan Product Advisor requires submission of specific data elements in order to process the information and return a complete result with a Risk Class and Documentation Level. Complete details of the required and optional data fields as well as the data field specifications can be found in the ***Loan Product Advisor User Guide***.

5101.2: Accuracy of data submitted to Loan Product Advisor® (07/11/16)

Because Loan Product Advisor® is an automated system, it relies heavily on information from other sources. Consequently, accurate data and accurate data entry are critical. The Seller is responsible for the accuracy and completeness of the data it submits to Loan Product Advisor. The Seller must ensure that the identifying information for any Borrower and property (name, current and previous address and Social Security number and property address) are true, complete and accurate and that they are properly input into Loan Product Advisor on or before the Note Date. Except as stated in Chapter 4602 and Section 5101.6, all data that was submitted to Loan Product Advisor for the Last Feedback Certificate must be true, complete and accurate, as required by the Purchase Documents.

5101.3: Loan Product Advisor® Risk Class (05/01/23)

The Risk Class on the Last Feedback Certificate establishes the extent of underwriting required. Based on its analysis of the data, Loan Product Advisor® will return a Risk Class of:

- Accept, or
- Caution

(a) Accept Mortgage

An Accept Mortgage is a Loan Product Advisor Mortgage that receives a Risk Class of Accept. An Accept Risk Class confirms that Loan Product Advisor has determined that the Borrower's creditworthiness is acceptable, provided that the requirements in Topics 5100 through 5500 applicable to Accept Mortgages are met.

(b) Caution Mortgage

A Caution Mortgage is a Loan Product Advisor Mortgage that receives a Risk Class of Caution.

For a Caution Mortgage, the Caution Risk Class indicates that the Mortgage is unlikely to comply with Freddie Mac's eligibility and underwriting requirements because there is a strong indication of excessive layering of risk as described in Section 5102.2. A Caution Mortgage must be:

- Manually underwritten as a Caution Mortgage in accordance with Topics 5100 through 5500, including Section 5102.2(b), and
- Delivered as a Caution Mortgage with the Key Number in accordance with Section 6302.10

5101.4: Documentation requirements when using Loan Product Advisor® (01/01/22)

The Documentation Level shown on the Last Feedback Certificate indicates the minimum level of documentation that Freddie Mac will accept for the Mortgage.

Streamlined Accept Documentation

A Streamlined Accept Documentation Mortgage requires significantly less documentation than a Standard Documentation Mortgage.

Standard Documentation

Standard Documentation is required for higher-risk Accept Mortgages, Caution Mortgages and all Non-Loan Product Advisor Mortgages. This is the most comprehensive level of documentation.

Specific feedback messages will describe the type of documentation needed for employment, income and asset verification based on the data input into Loan Product Advisor®. The specific feedback messages are for guidance purposes only. For complete details regarding employment and income documentation requirements using Streamlined Accept and Standard Documentation

Levels, see Chapters 5303 through 5307. For complete details regarding asset documentation requirements using Streamlined Accept and Standard Documentation Levels, see Section 5501.3.

The Seller is responsible for documenting information in the Mortgage file and, except as stated in Chapter 4602 and Section 5101.6, must make sure that the information submitted to Loan Product Advisor matches what is documented in the Mortgage file.

The Seller must have processes in place to ensure that the requirements on the Feedback Certificate and other applicable requirements of the Guide and the Seller's other Purchase Documents are met. If the Mortgage delivered to Freddie Mac does not comply with the requirements of the Last Feedback Certificate, the Guide or the Seller's other Purchase Documents, Freddie Mac may require additional documentation.

5101.5: Property and collateral feedback messages (08/02/23)

The Feedback Certificate will advise the Seller of the minimum collateral assessment required.

5101.6: Resubmission requirements/Loan Product Advisor® tolerances (08/02/23)

A Mortgage may be resubmitted to Loan Product Advisor® however, the Risk and/or Documentation Classes might change. Loan Product Advisor minimizes the number of times that the Documentation Class will change, even if the Risk Class changes.

(a) Resubmission required

The Risk Class and Documentation Level on the Last Feedback Certificate must be based on submission of accurate data to Loan Product Advisor. Except as indicated in this section and Chapter 4602, resubmission of a Mortgage to Loan Product Advisor prior to the Delivery Date is required if:

- Information on the previous submission was not true, complete or accurate
- The most recent submission on or before the Note Date, or the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages (including the date of the Loan Product Advisor credit report(s)) exceeds the date requirements in Section 5203.1(i); resubmission must occur on or before the Note Date, or the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages
- Any information submitted to Loan Product Advisor changes, except as indicated below

If resubmission of a Mortgage to Loan Product Advisor is after the Note Date, or the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages, refer to the additional requirements in Section 5101.7.

(b) Resubmission not required

A change from the previous submission involving the following does not require resubmission:

(i) Debts/income:

- The monthly debt payment (including monthly housing expense (see Section 5401.1) decreases
- The income for any Borrower increases; however, for Home Possible® Mortgages, resubmission is required if the income used to qualify the Borrower increases
- The income for any Borrower decreases and/or the monthly debt payment (including monthly housing expense) increases, and
  - The total new debt payment-to-income ratio does not exceed 45%, and
  - The total difference does not change the total debt payment-to-income ratio by more than three percentage points

(ii) Assets/reserves:

- The amount of verified assets increases
- The amount of verified reserves increases
- The amount of verified reserves decreases to an amount that is no less than the reserves required to be verified on the Feedback Certificate

(iii) Loan amount changes on refinance transactions:

(A) Loan amount decreases

- The loan amount decreases by no more than 5% on a refinance transaction and at the time of the most recent Loan Product Advisor submission mortgage insurance is not required on the Mortgage, OR
- The loan amount decreases by no more than 5% on a refinance transaction and at the time of the most recent Loan Product Advisor submission mortgage insurance on the Mortgage is required, and

- ❑ The change does not impact the amount of the mortgage insurance coverage, and

- ❑ The amount of the mortgage insurance premium collected by the Seller is based on the new loan amount and the Seller obtains a new mortgage insurance certificate

AND

- ■ For Mortgages that qualify for an automated collateral evaluation (ACE) appraisal waiver, or ACE+ PDR the Seller has not accepted the ACE appraisal waiver, or ACE+ PDR offer

(B) Loan amount increase

- ■ On a refinance transaction, the loan amount increases by no more than $500 or up to 1% of the loan amount, whichever is less and based on the new loan amount mortgage insurance is not required on the Mortgage, OR

- ■ On a refinance transaction, the loan amount increases by no more than $500 or up to 1% of the loan amount, whichever is less and based on the new loan amount mortgage insurance on the Mortgage is required, and

  - ❑ The change does not impact the amount of the mortgage insurance coverage, and

  - ❑ The amount of the mortgage insurance premium collected by the Seller is based on the new loan amount and the Seller obtains a new mortgage insurance certificate

AND

- ■ For Mortgages that qualify for an ACE appraisal waiver, or ACE+ PDR the Seller has not accepted the ACE appraisal waiver, or ACE+ PDR offer

- ■ The increase in the monthly debt payment results in a debt payment-to-income ratio that meets the requirements in Section 5101.6(b)(i) above, *Debts/income*

Refer to Section 4602.8(b) for Loan Product Advisor resubmission requirements for Construction Conversion and Renovation Mortgages.

Any other changes in the information submitted to Loan Product Advisor require resubmission.

(iv) Interest rate reduction

- Seller-Owned Modified Mortgages that are Home Possible Mortgages modified for the purpose of a reduction in interest rate of the First Lien Mortgage (see Section 4402.4(c))

5101.7: Resubmission to Loan Product Advisor® after the Note Date (06/21/21)

If the Seller determines after the Note Date, the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages or the modification date for Seller-Owned Modified Mortgages that are Home Possible® Mortgages that the information entered into Loan Product Advisor® was not true, complete, and accurate and does not match the terms of the Mortgage to be delivered to Freddie Mac, except as otherwise permitted in Section 5101.6 and unless otherwise prohibited below, the Mortgage must be resubmitted to Loan Product Advisor after the Note Date or the Effective Date of Permanent Financing, as applicable, but prior to the Delivery Date.

The Seller must select "Post Closing Quality Control" as the Loan Processing Stage.

A Mortgage cannot be resubmitted to Loan Product Advisor after the Note Date or the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages if:

- Resubmission is more than 120 days after the Loan Product Advisor Assessment Expiration Date displayed on the Feedback Certificate in effect as of the Note Date; or
- A Borrower is being added or deleted, or a change is being made to a Borrower's last name or Social Security number; or
- A new credit report company needs to be selected; or
- The single or joint merged credit report indicator changes; or
- The order of Borrowers changes on a joint merged credit request; or
- The merged credit report number does not match the merged credit report number from the most recent complete transaction

If the Mortgage cannot be resubmitted to Loan Product Advisor after the Note Date, or the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages, the Mortgage must be manually underwritten and is considered a Non-Loan Product Advisor Mortgage.

5101.8: Representation and warranty relief for creditworthiness (05/03/23)

Representation and warranty relief for Borrower creditworthiness (see Sections 5102.1, 5102.2, 5401.1 and 5401.2 and Chapter 5201) granted to the Seller are valid for the life of the Mortgage, provided all of the following conditions are met:

- The Last Feedback Certificate returned a Risk Class of Accept
- The Mortgage and the Seller comply with all requirements of the Purchase Documents including, but not limited to, Section 4201.13 and Chapter 5101
- The Last Feedback Certificate complies with Chapter 5101
- The Last Feedback Certificate matches the terms of the transaction delivered to Freddie Mac and, except as stated in Section 5101.7 and Chapter 4602, information entered into Loan Product Advisor® was true, complete and accurate
- The Mortgage was not sold to Freddie Mac as a Seller-Owned Modified Mortgage, unless the Seller-Owned Modified Mortgage is a Home Possible® Accept Mortgage, or a Seller-Owned Converted Mortgage
- The property address returned on the Last Feedback Certificate is the address of the Mortgaged Premises
- The Mortgage met all applicable manual eligibility requirements found in the Seller's Purchase Documents and the Last Feedback Certificate
- The Mortgage was not originated based on fraudulent and/or misrepresented information and/or documentation

Representation and warranty relief is terminated if Freddie Mac determines that:

- The Mortgage was ineligible to have been submitted to Loan Product Advisor and is a Non-Loan Product Advisor Mortgage, or
- The Mortgage is not an Accept Mortgage, or
- All requirements in Chapter 5101 were not met

5101.9: A-minus Mortgages (01/01/22)

Effective January 1, 2022, Section 5101.9 is deleted.

Chapter 5102: Underwriting a Mortgage for Sale to Freddie Mac

5102.1: Underwriting a Mortgage (09/04/24)

(a) Three "Cs" of underwriting

Freddie Mac purchases Mortgages that meet standards and requirements included in the Guide. Freddie Mac requirements establish the information that must be analyzed and documented in the Mortgage file and, when applicable, warranted by the Seller for each Mortgage sold to Freddie Mac. The conclusion that a Mortgage is acceptable must be based on a determination that the Borrower is creditworthy (acceptable credit reputation and capacity) and the Mortgaged Premises (collateral) is adequate for the transaction. Credit reputation, capacity and collateral are often called the "three Cs" of underwriting. If one of these components is not acceptable or if there is excessive layering of risk across components, the Mortgage is not acceptable for sale to Freddie Mac.

Topics 5100 through 5500 include Freddie Mac's requirements for determining that the Borrower has acceptable credit reputation and capacity. These topics also cover layering of risk within the three components and how to determine excessive layering of risk.

In addition, other specific requirements related to Borrower credit reputation and Borrower capacity for special Mortgage products, offerings and special features are provided in the following locations:

Subject	Location
Second home Mortgages	Section 4201.15(b)
Investment Property Mortgages	Section 4201.16(a)
Secondary financing	Section 4204.1(b)
Temporary subsidy buydown plans	Sections 4204.4(b) and 4204.4(c)
Cash-out refinance Mortgages	Section 4301.5
ARMs	Section 4401.8(b)

Subject	Location
Seller-Owned Converted and Seller-Owned Modified Mortgages	Sections 4402.1(b) and 4402.4(c)
Home Possible® Mortgages	Sections 4501.5 and 4501.6
Section 502 GRH Mortgages, Home Possible Mortgages with RHS Leveraged Seconds, Section 184 Native American Mortgages	Sections 4205.1(d), 4205.2(d) and 4205.3(c)
Underwriting Financed Permanent Buydown Mortgages	Section 4601.2
Construction Conversion and Renovation Mortgages	Section 4602.8
Super conforming Mortgages	Chapter 4603
Unsecured loans	Sections 4501.7(c) and 5501.4(b)
Manufactured Homes	Sections 5703.8(a), 5703.8(b) and 5703.8(d)

See Topic 5600 for requirements regarding collateral.

(b) Underwriting information

All information used to evaluate the creditworthiness of the Borrower must be supported by documentation in the Mortgage file and must be obtained before, as applicable, the Note Date, or:

- For Construction Conversion and Renovation Mortgages, the Effective Date of Permanent Financing
- The modification date for Seller-Owned Modified Mortgages
- The Conversion Date for Seller-Owned Converted Mortgages

- The date of the applicable assumption agreement

(c) Number of Borrowers

Freddie Mac does not limit the number of Borrowers on the Mortgage or require that they be related. When multiple Borrowers are involved, the overall creditworthiness of each Borrower and all Borrowers collectively must be evaluated. The presence of more than one Borrower on the Mortgage helps to reduce risk.

5102.2: Methods of underwriting (01/01/22)

Borrower creditworthiness is established and excessive layering of risk is identified by one of the following methods:

(a) Submitting the Mortgage to Loan Product Advisor®

In many cases, the most effective way to assess Borrower creditworthiness and identify excessive layering of risk is to submit the Mortgage to Loan Product Advisor. Loan Product Advisor performs an overall assessment of the credit risks in the Mortgage file based on the information provided by the Seller and credit repositories and returns a Risk Class of either Accept or Caution on the Feedback Certificate.

See Chapter 5101 for additional details regarding Loan Product Advisor Mortgages.

(i) Borrower creditworthiness

A Seller is relieved of the requirements to represent and warrant that the Borrower is creditworthy if the requirements in Section 5101.8 are met.

(ii) Layering of risk

For all Accept Mortgages, Loan Product Advisor has determined that the layering of risk is acceptable. The Seller does not have to make this determination.

For all Caution Mortgages, the Seller must manually underwrite the Mortgages in accordance with Section 5102.2(b). For such Mortgages, there is a strong indication that the layering of risk is excessive and that acceptability and compliance with Freddie Mac requirements is unlikely.

(b) Manually underwriting the Mortgage

Mortgages for which the Seller evaluates the Mortgage data and makes the final determination regarding Borrower creditworthiness and excessive layering of risk are referred to as “Manually Underwritten Mortgages.” Manual underwriting is required for Loan Product Advisor Mortgages that received a Risk Class of Caution and the following Non-Loan Product Advisor Mortgages:

- Mortgages that were never submitted to Loan Product Advisor
- Mortgages that were submitted to Loan Product Advisor and received an assessment status of invalid, ineligible or incomplete

For Manually Underwritten Mortgages, the Seller's conclusion that Borrower credit reputation and capacity are acceptable must be based on the documentation included in the Mortgage file and described on Form 1077, Uniform Underwriting and Transmittal Summary, or another document in the Mortgage file.

(i) Borrower creditworthiness

For Manually Underwritten Mortgages, the Seller must manually underwrite Borrower creditworthiness as required in Topics 5100 through 5500, in order to determine that the Borrower is creditworthy. The Seller must confirm that the Borrower has the minimum Indicator Score, if applicable, as indicated in Exhibit 25, Mortgages with Risk Class and/or Minimum Indicator Score Requirements.

Another part of determining the Borrower's creditworthiness is evaluating the Borrower's capacity to repay the Mortgage and other monthly obligations.

The Seller must determine capacity by analyzing file documentation of the following factors:

- Stable monthly income
- Monthly housing expense-to-income and monthly debt payment-to-income ratios
- Reserves and other liquid assets
- Information about how the Borrower has paid obligations in the past

The following characteristics specific to the Mortgage request may introduce an additional layer of risk that must be considered in evaluating capacity:

- The payoff of a junior lien from the proceeds of a refinance Mortgage
- A cash-out refinance Mortgage
- A Borrower with low reserves or no reserves

Based on its analysis, the Seller must provide a written, well-reasoned conclusion that the Borrower has the ability to meet current obligations, including the new Mortgage.

When multiple risk factors are present, more conservative underwriting must be undertaken to assess whether the Mortgage is acceptable. The Seller must document in the Mortgage file all offsetting factors and an overall conclusion that the Borrower has the ability to meet current obligations, including the new Mortgage.

For Non-Loan Product Advisor Mortgages, the Seller must presume the Borrower's capacity to repay is not acceptable when the following conditions exist:

- The transaction is a cash-out refinance, and
- The monthly debt payment-to-income ratio exceeds 42%, and
- Any Borrower has an Underwriting Score less than 700, and
- The total loan-to-value (TLTV) ratio is greater than 75%

A Borrower who increases debt and then periodically uses refinance or debt consolidation to reduce payments to a manageable level presents a higher degree of risk. The Seller should consider the Borrower's short- term and long- term ability to repay the Mortgage.

Freddie Mac requires that the Seller use objective criteria to evaluate the Borrower's creditworthiness and apply underwriting requirements and guidelines consistently to each Borrower, regardless of race, color, religion, national origin, age, sex, marital status, familial status or handicap. (See also Section 1301.2 for equal opportunity compliance requirements.)

When properly applied, Freddie Mac's underwriting requirements and guidelines will result in an evaluation of the Borrower's overall creditworthiness rather than an evaluation that focuses on minor exceptions to specific policies.

(ii) Layering of risk

For all Manually Underwritten Mortgages, the Seller is responsible for determining that the Mortgage is acceptable for sale to Freddie Mac by performing a detailed risk assessment. Multiple characteristics that increase risk without sufficient offsetting factors are likely to result in excessive risk layering. An offsetting factor does not need to be established for each risk factor if the overall risk is balanced.

The Seller's conclusion that a Mortgage has acceptable layering of risk must be documented in the file and at a minimum include:

- The identified risk factors
- The identified offsetting factors
- Documentation of the offsetting factors
- A written conclusion that the Mortgage does not exhibit excessive layering of risks

The Seller must determine that each component (credit reputation, capacity and collateral) is acceptable and that the overall layering of risk is acceptable. A conclusion that the Mortgage is acceptable cannot be reached by looking only at a single underwriting component or by placing the most weight on a single component, but may result from balancing the weakness of one component against the strength of the other

two components. For example, a Borrower with weak capacity may be found to be acceptable because of strong collateral and credit reputation, but a Borrower with weak capacity and weak credit reputation is not acceptable because only collateral is strong.

Even when each of the three components is acceptable, layered risk may make a Mortgage unacceptable. Characteristics specific to the Mortgage request, such as the type of Mortgage product, the purpose of the Mortgage and the property type securing the Mortgage, add layers of risk that must be considered. For instance:

- An ARM adds an additional layer of capacity risk to a Mortgage request that would not be present in a fixed-rate Mortgage
- A cash-out refinance Mortgage adds an additional layer of capacity risk to a Mortgage request that would not be present in a "no cash-out" refinance Mortgage
- A Mortgage secured by a 2- to 4-unit property or a Condominium Unit adds a layer of collateral risk that would not be present in a Mortgage secured by a 1-unit detached dwelling

Whenever there is evidence of layered risk, more conservative underwriting must be undertaken to assess whether the Mortgage is acceptable for sale to Freddie Mac.

The following chart gives examples of loan characteristics that increase risk in a Mortgage. This list does not identify all possible risk factors or combinations of risks in a Mortgage file; nor is it intended to imply that an individual characteristic is unacceptable. But the chart does illustrate how layering of risk can be assessed. Read vertically, the chart shows how risk may be layered within a component; read horizontally, it shows how risk may be layered across components.

Credit Reputation	**Capacity**	**Collateral**
Adverse or derogatory credit information	A housing payment-to-income ratio in excess of guidelines	Low equity/Down Payment
High balances-to-limits	A debt payment-to-income ratio in excess of guidelines	Maximum financing
High overall utilization of revolving credit	A debt payment-to-income ratio in excess of guidelines	Cooperative Interest
Credit history of short duration	Cash-out refinance	2- to 4-unit property

Credit Reputation	Capacity	Collateral
A significant change in the Borrower's credit history	No reserves	Manufactured Home
Several inquiries	ARM	Condominium Unit

The Seller must determine that each component and the layering of risk across components are acceptable and document that conclusion in the Mortgage file.

(iii) Additional requirements for Caution Mortgages

For all Caution Mortgages, the Seller must manually underwrite the Mortgages and assess the Borrower's capacity to repay in accordance with Topics 5100 through 5500. For such Mortgages, there is a strong indication that the layering of risk is excessive and that acceptability and compliance with Freddie Mac requirements is unlikely.

When the Borrower has derogatory credit information on the credit report and at least two Feedback Messages are related to nonpayment of obligations, the Seller must presume the derogatory information is significant. The Seller must document the extenuating circumstances or conclude that the difficulties were due to financial mismanagement. See Section 5202.5 for more information about adverse or derogatory credit information.

What constitutes an acceptable credit reputation for Freddie Mac may vary according to the Mortgage product or type. The Seller may also be able to conclude that a Mortgage receiving a Caution Risk Class from Loan Product Advisor due to significant derogatory information has an acceptable credit reputation by documenting that the derogatory credit was attributable to extenuating circumstances. The requirements for establishing and documenting extenuating circumstances are set forth in Section 5202.5(a).

The Seller must analyze all risk factors present in the Mortgage file, including those identified in the Feedback Certificate, and document in the Mortgage file offsetting factors satisfactory to ensure that the Mortgage is acceptable. The offsets used must provide information not considered by Loan Product Advisor.

The Seller may not use information already considered by Loan Product Advisor to determine that the capacity is acceptable when the Feedback Certificate contains credit risk comments related to capacity. Factors not considered by Loan Product Advisor, such as the existence of verified income that is not included in the submission or energy savings from an energy-efficient property (see Section 5401.1), may be used by the Seller in making a case that capacity is acceptable.

The Seller cannot use the following factors as a basis for concluding that excessive layering of risk is not present because Loan Product Advisor has already considered them:

- TLTV or LTV ratio below the maximum allowable financing
- Qualifying monthly housing expense-to-income ratio or monthly debt payment-to-income ratio below Freddie Mac's guidelines
- The level of reserves
- The type of Mortgage product
- The type of property securing the Mortgage
- FICO® score, or
- Any combination of these factors

The Seller must presume the Borrower's capacity to repay is not acceptable when the Caution Mortgage is a cash-out refinance transaction and at least one credit risk comment related to the monthly debt payment-to-income ratio is returned on the Feedback Certificate.

5102.3: General requirements for verifying documents (08/01/23)

This section and Sections 5102.4, 5202.2(b) and 5501.3 and Chapters 5302 through 5307 describe the requirements for verifications.

(a) Written verifications

Written verifications must meet all of the following requirements:

- Standard verification forms, such as the original verification of employment (VOE), verification of deposit (VOD), direct verification of Tradelines and Noncredit Payment References, including Mortgage payment history and verification of rental payments must be sent directly from the originator to the Borrower's employer, depository, creditor or landlord and, upon completion, returned directly from that entity to the originator
- Facsimile verification forms are acceptable if it is clear from the document that the information was sent by facsimile transmission directly from the source to the originator and are considered to be originals
- The original documents must not contain any alterations, erasures, correction fluid or correction tape

- The Seller's Mortgage file contains legible copies of the originals

- The copies must have been made by the originator or the applicant directly from the originals. Copies provided by any other source, such as the agent or builder, are not acceptable.

An electronic verification is a computer-generated document, accessed and printed from an Intranet or internet, that may be used to verify information such as the Borrower's employment, income or funds on deposit. This includes on-line bank statements, investment account statements, employment and/or income statements. The Borrower may provide the verification directly, or the originator may obtain it directly from the employer, depository or other institution.

The Borrower may provide verification of income, employment and assets in the form of a photocopy (including a picture of a document), facsimile or electronic verification. If the Borrower has provided electronic verifications, photocopies or facsimiles of other verifications, where the originator did not view and copy the original documents directly, the Seller is strongly encouraged to reverify the information through the quality control process.

(b) Documents of foreign origin and documents in a foreign language

All documents in the Mortgage file must be in English or translated into English in accordance with the requirements in Section 1201.9.

All foreign currency amounts must be converted to U.S. dollars. See Section 5501.3 for requirements when the source of funds needed for Closing Costs is, or otherwise originates from, asset(s) located outside the United States and its territories.

(c) Quality control reverification

As part of quality control review, Freddie Mac may require, in its discretion, that the Seller reverify the information contained in any Mortgage file submitted to Freddie Mac. Freddie Mac reserves the right to independently reverify the information contained in any Mortgage file.

5102.4: Age of documentation (10/14/24)

(a) Age of verifications

Verifications of information used to evaluate the Borrower's creditworthiness must be dated no more than 120 calendar days before the Note Date[1]. Verifications subject to this requirement include verification of:

- Employment

- Income, including current receipt of income
- Source of funds
- Payment history

For an employed Borrower, the Seller must also confirm the Borrower's employment by obtaining a 10-day pre-closing verification in accordance with the requirements of Section 5302.2(d).

For a self-employed Borrower, the Seller must also obtain a verification of the current existence of the Borrower's business in accordance with the requirements of Section 5304.1(g).

[1]For the purposes of this section, all references to the Note Date refer, as applicable, to the:
- Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages
- Modification date for Seller-Owned Modified Mortgages
- Conversion Date for Seller-Owned Converted Mortgages
- Assumption agreement date for Mortgages that have been assumed

(b) Additional Guide sections related to verifications

For additional Guide sections related to verifications, refer to:

- Section 4402.1(c) for special documentation requirements for Seller-Owned Modified and Seller-Owned Converted Mortgages
- Section 5302.2(a) for additional requirements for year-to-date paystubs
- Section 5302.4(b) for age of tax return requirements

(c) Age of documentation when data used for Loan Product Advisor assessments

For Mortgages when data is used for the Loan Product Advisor assessment and a verification report is obtained, the expiration of the verification report reflected in feedback messaging on the Last Feedback Certificate complies with the requirement of Section 5102.4(a) above. Refer to the following table for the locations of the verification report requirements for Mortgages using automated assessment:

Verification Report Requirements	**Guide Location**
Mortgages using automated income assessment with Loan Product Advisor using employed income data	Section 5901.3
Mortgages using automated asset assessment with Loan Product Advisor using account data	Section 5902.3

Mortgages using automated income assessment with Loan Product Advisor using account data	Section 5904.3
Mortgages using automated employment assessment with Loan Product Advisor	Section 5905.3
Mortgages when rent payment history and Borrower's cash flow are included in Loan Product Advisor's assessment	Section 5201.1

For Mortgages using automated income assessment with Loan Product Advisor using tax data, see Section 5903.6 for age of tax data requirements.

5102.4: Age of documentation (Future effective date 11/08/24)

(a) Age of verifications

Verifications of information used to evaluate the Borrower's creditworthiness must be dated no more than 120 calendar days before the Note Date[1]. Verifications subject to this requirement include verification of:

- Employment
- Income, including current receipt of income
- Source of funds
- Payment history

For an employed Borrower, the Seller must also confirm the Borrower's employment by obtaining a 10-day pre-closing verification in accordance with the requirements of Section 5302.2(d).

For a self-employed Borrower, the Seller must also obtain a verification of the current existence of the Borrower's business in accordance with the requirements of Section 5304.1(m).

[1]For the purposes of this section, all references to the Note Date refer, as applicable, to the:
- Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages
- Modification date for Seller-Owned Modified Mortgages
- Conversion Date for Seller-Owned Converted Mortgages
- Assumption agreement date for Mortgages that have been assumed

(b) Additional Guide sections related to verifications

For additional Guide sections related to verifications, refer to:

- Section 4402.1(c) for special documentation requirements for Seller-Owned Modified and Seller-Owned Converted Mortgages
- Section 5302.2(a) for additional requirements for year-to-date paystubs
- Section 5302.4(b) for age of tax return requirements

(c) Age of documentation when data used for Loan Product Advisor assessments

For Mortgages when data is used for the Loan Product Advisor assessment and a verification report is obtained, the expiration of the verification report reflected in feedback messaging on the Last Feedback Certificate complies with the requirement of Section 5102.4(a) above. Refer to the following table for the locations of the verification report requirements for Mortgages using automated assessment:

Verification Report Requirements	**Guide Location**
Mortgages using automated income assessment with Loan Product Advisor using employed income data	Section 5901.3
Mortgages using automated asset assessment with Loan Product Advisor using account data	Section 5902.3
Mortgages using automated income assessment with Loan Product Advisor using account data	Section 5904.3
Mortgages using automated employment assessment with Loan Product Advisor	Section 5905.3
Mortgages when rent payment history and Borrower's cash flow are included in Loan Product Advisor's assessment	Section 5201.1

For Mortgages using automated income assessment with Loan Product Advisor using tax data, see Section 5903.6 for age of tax data requirements.

Chapter 5103: Special Borrower Eligibility

5103.1 Mortgages including a non-occupying Borrower (09/04/24)

When a Mortgage includes a non-occupying Borrower, the following apply:

- For Accept Mortgages:
  - The loan-to-value (LTV) ratio must not exceed 95%
  - The Seller is not required to calculate or evaluate the occupant Borrower's monthly housing expense-to-income ratio or the occupant Borrower's monthly debt payment-to-income ratio
- For Manually Underwritten Mortgages:
  - The LTV ratio must not exceed 90%
  - The occupant Borrower's monthly housing expense-to-income ratio should not exceed 35% of the occupant Borrower's stable monthly income and the occupant Borrower's monthly debt payment-to-income ratio must not exceed 43% of the occupant Borrower's stable monthly income
- For Accept Mortgages and Manually Underwritten Mortgages:
  - The Mortgage must be a purchase or "no cash-out" refinance transaction
  - The non-occupying Borrower must not be an interested party to the transaction (for example, the builder, property seller, real estate agent or broker)
  - The funds used to qualify for the Mortgage may come from the occupant and/or the non-occupant Borrower

See Section 4302.5 for special requirements for Refi Possible® Mortgages that include a non-occupying Borrower.

See Section 4501.4 for special requirements for Home Possible Mortgages® that include a non-occupying Borrower.

See Section 5103.3 for special requirements when a non-occupying Borrower is an endorser, guarantor or surety.

See Section 4504.3 for special requirements for HeritageOne[SM] Mortgages that include a non-occupying Borrower.

5103.2: Permanent and nonpermanent resident aliens (03/02/16)

A non-U.S. citizen who is lawfully residing in the U.S. as a permanent or nonpermanent resident alien is eligible for a Mortgage on the same terms as a U.S. citizen.

A Mortgage to a non-U.S. citizen who has no lawful residency status in the United States is not eligible for sale to Freddie Mac.

5103.3: Endorser, guarantor and surety (07/03/23)

A Mortgage with a personal endorser, guarantor and/or surety may be eligible for purchase by Freddie Mac provided the following requirements are met:

- The endorsement, guaranty or surety agreement must not be qualified or limited in any manner

- The endorser, guarantor or surety must not be an interested party to the transaction (for example, the builder, property seller, real estate agent or broker)

Endorsers, guarantors and sureties that do not occupy the Mortgaged Premises must comply with all requirements for non-occupying Borrowers, including those in Section 5103.1.

5103.4: Creditworthiness of a previous Borrower (03/02/16)

Freddie Mac does not consider the creditworthiness of a previous Borrower who has sold the Mortgaged Premises or whose Mortgage has been assumed by another. For a Mortgage that has undergone an ownership transfer of the Mortgaged Premises, the new owner must be obligated by a written assumption agreement to repay the entire indebtedness and must be fully underwritten and qualified according to the requirements in Topics 5100 through 5500.

5103.5: Living Trust (11/09/16)

The Seller warrants and represents that the Living Trust meets Freddie Mac's revocability and all other eligibility requirements as of the Delivery Date and the Funding Date.

A Living Trust is an eligible Borrower for a Home Mortgage if it meets all of the following conditions:

1. Special underwriting requirement

The Mortgage applicants must include an Underwritten Settlor (or at least one Underwritten Settlor if there is more than one Settlor)

2. Trust requirements

- The Settlor (or each Settlor, if there is more than one) is the primary beneficiary of the trust
- The trustee(s) must be the Settlor (or at least one Settlor if there is more than one), or a Settlor and one or more co-trustees. A financial institution customarily engaged in trust functions in the applicable jurisdiction may serve as a co-trustee.
- The trustee(s) must be specifically authorized to:
  - Borrow money for the benefit of an Underwritten Settlor
  - Purchase, construct or encumber realty to secure a loan to an Underwritten Settlor

3. Property type, occupancy and ownership requirements

- The Mortgage is secured by:
  - A 1- to 4-unit Primary Residence occupied by an Underwritten Settlor, or
  - A second home occupied for some portion of the year by an Underwritten Settlor, or
  - A 1- to 4-unit Investment Property
- If a Living Trust is a Borrower, then:
  - The occupancy of the property/Mortgaged Premises by an Underwritten Settlor of that Living Trust will be considered to be occupancy by the Borrower of the property/Mortgaged Premises
  - The Underwritten Settlor is an individual who is deemed to be the owner of the property/Mortgaged Premises

4. Title and title insurance

- **Title**

The title to the property is vested in the trustee(s) on behalf of the trust (or in such other manner as is customary in the jurisdiction for Living Trusts)

- **The title insurance policy**

  - States that title to the Mortgaged Premises is vested in the trustee(s) on behalf of the Living Trust (or in such other manner as is customary in the jurisdiction for Living Trusts)

  - Does not list any exceptions arising from the trust ownership of the property

- The Seller must verify that:

  - Title vested in the trustee(s) on behalf of the trust (or in such other manner as is customary in the jurisdiction for Living Trusts) does not lessen in any way Freddie Mac's interest in the Mortgage, such as Freddie Mac's ability to obtain clear and marketable title to the Mortgaged Premises in the event of a foreclosure of the Mortgage

  - The title insurance policy provides full title insurance protection to Freddie Mac

5. Signatures required; forms of signature

Set forth below are the required forms of signatures (Note) and required forms of signatures and acknowledgment (Security Instrument). If the Seller elects to use the Note with signature addendum to the Note ("Signature Addendum") alternative:

(a) The form of Signature Addendum, and its use, must comply with all applicable laws

(b) The use of the Signature Addendum must result in a properly signed and legally enforceable Note

(c) The Signature Addendum must not impair Freddie Mac's status as a "holder in due course" or any of Freddie Mac's rights under the Purchase Documents

(d) The Seller indemnifies Freddie Mac from any loss or damage Freddie Mac may incur as a result of the use of the Signature Addendum

NOTE	
Loan documents	**Required forms of signatures** (See Exhibit 9A, Note Signature Forms for Living Trusts)
Note	■ Each Underwritten Settlor individually; and ■ One or more trustees on behalf of the trust, indicating the complete legal name of the trust, using the form prescribed in Exhibit 9A. An Underwritten Settlor executing the Note both individually and as a trustee must use one of the methods prescribed in Exhibit 9A.
Note with Signature Addendum alternative	■ May be used if there is not enough space on the Note for the signatures of the trustee(s). The Note must clearly reference the existence of the Signature Addendum. ■ Each Underwritten Settlor (regardless of whether the Underwritten Settlor also is signing as a trustee) must sign individually in the Borrower's signature lines on the Note itself; only the signature(s) of the trustee(s) may be included on the Signature Addendum
Signature Addendum requirements	■ The Signature Addendum must: ❑ Be permanently affixed to the Note ❑ Clearly identify the Note by referencing the following: ■ Name(s) of the Borrower(s) ■ Note Date ■ Property address ■ Original Principal Balance of the Note

SECURITY INSTRUMENT	
Loan documents	**Required forms of signatures and acknowledgment** (See Exhibit 9B, Security Instrument Signature and Acknowledgement Forms for Living Trusts)
Security Instrument	■ Executed by the trustee(s) on behalf of the trust, indicating the complete legal name of the trust, using the form prescribed in Exhibit 9B ■ Acknowledged by each Underwritten Settlor on the Security Instrument in the form prescribed by Exhibit 9B
Security Instrument with Rider as alternative form of Underwritten Settlor acknowledgment	■ The Security Instrument is executed by the trustee(s) on behalf of the trust, indicating the complete legal name of the trust ■ The Seller may use a rider to the Security Instrument that meets all of the requirements in Exhibit 9B including that the rider: ❑ Is signed by the trustee(s) of the Living Trust; and ❑ Is acknowledged by each Underwritten Settlor of the Living Trust

Note:

The Seller may exclude any institutional trustee and any individual trustee who is not an Underwritten Settlor from personal liability under the Note and the Security Instrument provided that:

- The Seller verifies that such exclusion applies specifically to that trustee, and the Seller excludes only that trustee from liability; and

- Such exclusion does not impair the exercise of any rights and remedies under the Note and/or the Security Instrument

6. Seller review

The Seller must review:

- Either (a) the trust agreement for the Living Trust or, (b) an abstract, certification or other summary of the trust agreement if and to the extent the laws of the applicable jurisdiction require or permit a third-party dealing with a trustee to rely on such abstract, certification or other summary. Based on such review, the Seller must determine that:

- ❑ The Settlor (or each Settlor, if there is more than one) has retained the power to revoke or amend the trust

- ❑ There is specific authorization for the trustee(s) to borrow money and to purchase, construct, or encumber realty as more fully described in Section 5103.5(2) above

- ❑ There is no unusual risk or impairment of lenders' rights (such as distributions required to be made in specified amounts from other than net income)

- ❑ The beneficiary need not grant written consent for the trust to borrow money or, if such consent is required, it has been granted in writing for purposes of the Mortgage

- ❑ If the trust agreement requires more than one trustee to borrow money or to purchase, construct or encumber realty, that the requisite number of trustees have signed the loan documents

- ■ The deed conveying the Mortgaged Premises to the trustee or trust to verify that title is vested in the trustee(s) on behalf of the Living Trust (or is vested in such other manner as is customary in the jurisdiction for Living Trusts)

7. The Mortgage file

- ■ In addition to other requirements in the Purchase Documents, when the Borrower is a Living Trust, the Mortgage file also must contain either:

  - ❑ A complete copy of the trust agreement

  - ❑ An abstract, certification or other summary of the trust agreement if and to the extent the laws of the applicable jurisdiction require or permit a third-party dealing with a trustee to rely on such abstract, certification or other summary

8. Delivery requirements

See Section 6302.9 for special delivery requirements when the Borrower is a Living Trust.

9. Freddie Mac resources

The following are useful Freddie Mac resources related to this section:

Document Custodian Procedures Handbook, Chapter 3, Document Delivery and Processing Procedures, Borrower's Signature

5103.6: Homeownership education (09/04/24)

This section contains requirements related to:

- General requirements
- Homeownership education providers and format
- Documentation
- Delivery requirements

(a) General requirements

At least one Borrower must participate in a homeownership education program before the Note Date, or the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages, in each of the following instances:

- Home Possible® purchase transaction Mortgages when all occupying Borrowers are First-Time Homebuyers;
- HeritageOne℠ purchase transaction Mortgages when all occupying Borrowers are First-Time Homebuyers;
- Freddie Mac HomeOne® purchase transaction Mortgages when all Borrowers are First-Time Homebuyers; or
- Any transaction when the credit reputation for all Borrowers is established using only Noncredit Payment References

(b) Homeownership education providers and format

Homeownership education providers and format	
Ineligible provider	Homeownership education must not be provided by an interested party to the transaction, the originating lender or the Seller. Exception: For HeritageOne Mortgages, homeownership education may be provided by a Native community development financial institution (CDFI), even if the Native CDFI is the originating lender and/or the Seller (see Section 4504.5).
Acceptable programs (may use different formats and require different lengths of time to complete)	Programs provided by any of the following: ■ Mortgage insurance companies ■ HUD-approved counseling agencies ■ Housing finance agencies ■ CDFIs ■ Programs that meet the standards of the National Industry Standards for Homeownership Education and Counseling (**www.homeownershipstandards.org**)
Alternative homeownership education program	As an alternative to the programs described above, Freddie Mac's free homeownership education curriculum, **CreditSmart® Homebuyer U**, meets the homeownership education requirements.

(c) Documentation

To document completion of a homeownership education program, if required under Section 5103.6(a), the following must be retained in the Mortgage file:

- A copy of Exhibit 20, Homeownership Education Certification, or
- Another document (e.g., **CreditSmart® Homebuyer U** certificate of completion) containing comparable information

Additionally, as part of the Mortgage application process, Form 1103, Supplemental Consumer Information Form, must be presented to at least one Borrower on the loan

application. The "Homeownership Education and Housing Counseling" section of the form should be completed for any transaction where homeownership education is required.

(d) Delivery requirements

For homeownership education delivery requirements refer to the following:

- Section 6302.9(b)(ii) for any transaction when the credit reputation for all Borrowers is established using only Noncredit Payment References
- Sections 6302.14 and 6302.50 for purchase transaction Home Possible and HeritageOne Mortgages, respectively, when all occupying Borrowers are First-Time Homebuyers
- Section 6302.41 for purchase transaction HomeOne Mortgages when all Borrowers are First-Time Homebuyers

5103.7: Land Trust (12/14/17)

Freddie Mac will purchase Land Trust Mortgages under the terms of this section, the requirements of the Guide and the Seller's other Purchase Documents.

(a) General eligibility requirements

(i) Location of Mortgaged Premises

The Mortgaged Premises must be located in a State that by statute recognizes and permits the use of Land Trusts.

(ii) Beneficiary of a Land Trust

At least one beneficiary of the Land Trust must be a Borrower.

Each beneficiary who is a Borrower has been fully underwritten and is a qualified Borrower in the beneficiary's individual capacity.

(iii) Trust requirements

All beneficiaries of the Land Trust must be individuals.

The trustee of the Land Trust must be a corporation or financial institution customarily engaged in the business of acting as trustee for land trusts in the applicable jurisdiction.

The Mortgaged Premises must be the only asset of the Land Trust.

(iv) Property and occupancy types; ownership requirements

Each Land Trust Mortgage must be secured by:

- A 1- to 4-unit Primary Residence occupied by a beneficiary of the Land Trust who is a Borrower, or
- A second home occupied for some portion of the year by a beneficiary of the Land Trust who is a Borrower, or
- A 1- to 4-unit Investment Property, provided at least one beneficiary of the Land Trust is a Borrower

For Land Trust Mortgages, a beneficiary of the Land Trust Mortgage who is a Borrower is deemed to be an owner of the property/Mortgaged Premises.

(b) Signatures and documentation

(i) Uniform Instrument signatures

(A) Form of signature for Note

Each beneficiary of a Land Trust who is a Borrower must sign the Note in that beneficiary's individual capacity.

(B) Signature required on Security Instrument

The trustee of the Land Trust must execute the Security Instrument.

See Section 4101.8 for additional Note and Security Instrument signature requirements.

(ii) Special documentation: Collateral Assignment of Beneficial Interest ("Collateral Assignment")

(A) Collateral Assignment requirements

Each beneficiary of the Land Trust who is a Borrower must execute a Collateral Assignment under which the beneficiary:

- Grants the lender named in the Security Instrument and the Note and the lender's successors and assigns (the "Lender") a security interest in all of the beneficiary's rights, title, powers and interests in, under and to the Land Trust, the property held in the Land Trust (including any rights to earnings or proceeds from that property), and the Land Trust agreement (including any powers of direction or control over the trustee of the Land Trust or the property) (collectively, the "Collateral")
- Certifies that no prior security interest in the Collateral has been granted

- Agrees not to make any further assignment or take any other action by which all or any part of the Collateral is transferred in any way without the written approval of the Lender; and

- Agrees that the Collateral Assignment is for collateral security only, that no liability under the Land Trust agreement accrues to the Lender by virtue of the Collateral Assignment, and that signing the Collateral Agreement does not relieve the beneficiary of any responsibility or liability under the Land Trust agreement

(B) Collateral Assignment signatures requirements

The Collateral Assignment must be signed by the appropriate parties as follows:

- Each beneficiary of the Land Trust who is a Borrower must individually execute the Collateral Assignment

- The lender named in the Security Instrument and the Note in whose favor the beneficiary of the Land Trust grants a security interest under the Collateral Assignment (the "Assignee") must accept the Collateral Assignment

- The trustee of the Land Trust must receive and agree to, endorse and/or acknowledge, as appropriate in the applicable jurisdiction, the Collateral Assignment

(C) Collateral Assignment form

(I) Sample Illinois Collateral Assignment form

Form 50 is a sample form of Collateral Assignment for Land Trust Mortgages secured by Mortgaged Premises located in Illinois. The Seller may use Freddie Mac's form for Land Trust Mortgages secured by Mortgaged Premises located in Illinois or an alternative form that Seller has determined meets Illinois requirements.

(II) Collateral Assignment forms for use in other jurisdictions

For Land Trust Mortgages secured by property located in jurisdictions other than Illinois, the Seller must use a form of Collateral Assignment that reflects the requirements of the jurisdiction in which the Mortgaged Premises is located (unless the Seller determines that the use of Form 50 is appropriate for the specific jurisdiction).

(D) Collateral Assignment representations and warranties

In addition to all other representations and warranties specified in the Seller's Purchase Documents, the Seller makes the following representations and warranties:

- The Collateral Assignment is appropriately executed by each beneficiary of the Land Trust who is a Borrower, is accepted by the lender named in the Security Instrument and the Note in whose favor the beneficiary of the Land Trust grants a security interest under the Collateral Assignment (the "Assignee") and is appropriately received and agreed to, endorsed and/or acknowledged, as appropriate in the applicable jurisdiction, by the trustee of the Land Trust

- If (i) the Land Trust Mortgage is secured by Mortgaged Premises located in a jurisdiction other than Illinois or (ii) the Land Trust Mortgage is secured by Mortgaged Premises located in Illinois and the Seller uses a form of Collateral Assignment other than Form 50, the Seller also represents and warrants that the Collateral Assignment is valid, enforceable and meets any specified criteria under the provisions of the applicable jurisdiction, including relevant statutes, regulations and judicial decisions

(c) Title and title insurance

The Land Trust Mortgage must constitute a valid first lien.

The Land Trust Mortgage must be covered by a title insurance policy that meets the requirements of Chapter 4702.

(d) The Mortgage file

In addition to other requirements in the Purchase Documents, for Land Trust Mortgages the Mortgage file also must contain:

- **Copy of Land Trust agreement:** A copy of the original Land Trust agreement or an abstract if required by the jurisdiction

- **Documentation of power of direction:** Documentation evidencing that the beneficiary(ies) of the Land Trust holding the power of direction as provided in the trust documents have authorized and directed the trustee of the trust to execute the Mortgage documents. If the trust documents require more than one beneficiary holding the power of direction to so authorize and direct the trustee, then the documentation must evidence that the requisite number of beneficiaries have so directed the trustee; and

- **Collateral Assignment:** A fully executed or certified copy of Collateral Assignment, as described below for the applicable jurisdiction. A "Fully Executed Collateral Assignment" is the original Collateral Assignment executed by each beneficiary of the Land Trust who is a Borrower in that beneficiary's individual capacity, accepted by the lender named in the Security Instrument and the Note in whose favor the beneficiary of

the Land Trust grants a security interest under the Collateral Assignment (the "Assignee"), and received and agreed to or endorsed and/or acknowledged by the trustee. A "Certified Copy of Collateral Assignment" is a copy, certified by the trustee as a true and complete copy, of the Fully Executed Collateral Assignment.

- **Mortgaged Premises located in Illinois:** For Mortgaged Premises located in Illinois:

  - **Certified Copy of Collateral Assignment:** A Certified Copy of Collateral Assignment. Seller must ensure that the Fully Executed Collateral Assignment can be obtained from the trustee upon request by a Seller/Servicer and/or by Freddie Mac.

  - **Facsimile Assignment of Beneficial Interest:**

    If:

    - An Illinois jurisdiction requires recording of a facsimile assignment of beneficial interest (or similar document) ("facsimile"), and

    - Until the trustee is provided with the recorded facsimile, the trustee will not receive and agree to and/or endorse and/or acknowledge the Collateral Assignment executed by each beneficiary of the Land Trust who is a Borrower in that beneficiary's individual capacity and accepted by the Assignee,

    Then:

    - The Seller may retain in the Mortgage file copies of the executed and accepted Collateral Assignment and the facsimile sent for recording, provided that Seller also retains in the Mortgage file a letter of intent confirming that the Seller will

      - Obtain the trustee receipt and agreement/endorsement/acknowledgement upon receipt of the recorded facsimile, and

      - Place the Certified Copy of Collateral Assignment in the Mortgage file

- **Mortgaged Premises located in a State other than Illinois:** For Mortgaged Premises located in any other State that by statute recognizes and permits the use of Land Trusts: The Fully Executed Collateral Assignment

5103.8: Parent or disabled child occupying the Mortgaged Premises (02/06/19)

A Borrower may be considered an occupying Borrower, for purposes of the Guide, if the Mortgaged Premises is occupied as a Primary Residence by an individual(s) who:

- Is the Borrower's parent(s), or
- Has a disability and the Borrower is the individual(s)'s parent or legal guardian

Chapter 5201: Credit Assessment with Loan Product Advisor®

5201.1: Credit assessment with Loan Product Advisor® (05/05/24)

(a) Documenting Borrower's credit reputation

To document the credit reputation for Loan Product Advisor® Accept Mortgages, the Seller must use the following:

- The Uniform Residential Loan Application
- The credit reports (see Section 5203.1 for details)
- The Feedback Certificate
- An underwriting summary such as Form 1077, Uniform Underwriting and Transmittal Summary

Direct verification of Mortgage debt, rental payments and other debts not shown on the credit reports are typically not required for Accept Mortgages. For Accept Mortgages with Borrowers who do not have a usable Credit Score, the requirements in Section 5201.1(c) below apply.

The Seller is not required to obtain or document an explanation of adverse or derogatory information on Accept Mortgages.

(b) Assessing Borrower's credit reputation

For Accept Mortgages, Loan Product Advisor has assessed the Borrower's credit reputation, and determined that the credit reputation is acceptable.

(c) Special requirements for Accept Mortgages with Borrowers who do not have a usable Credit Score

(i) Mortgages where not all Borrowers have a usable Credit Score

For Mortgages where not all Borrowers have a usable Credit Score, Loan Product Advisor will apply the following requirements:

- At least one Borrower on the transaction must have a usable Credit Score, as determined by Loan Product Advisor

- The transaction must be a purchase or "no cash-out" refinance Mortgage

- The Mortgage must be secured by a 1-unit property and all Borrowers must occupy the property as their Primary Residence

In addition, for Mortgages other than Refi Possible® Mortgages, if the Borrower(s) without a usable Credit Score contributes 50% or more of the total monthly income, the Seller must determine that the Mortgage meets the following requirements:

- Each Borrower without a usable Credit Score must have at least two payment references in the United States comprised of Noncredit Payment References and/or Tradelines not appearing on the credit report. If two or more Borrowers without a usable Credit Score have the same payment reference, then the payment reference may count for each of those Borrowers.

  Additionally:

  - Each payment reference must have existed for at least the most recent 12 months

  - At least one Borrower without a usable Credit Score must have a **housing payment history** as one of the payment references; and:

    - In the event more than one Borrower without a usable Credit Score has a housing payment history, then all such housing payment histories for the most recent 12 months (or length of housing payment history if less than 12 months) must be verified

    - All housing payment histories must have no 30-day or greater Delinquencies in the most recent 12 months

  - For all payment references **other than housing**:

    - Only one payment reference may have one 30-day Delinquency in the most recent 12 months; and

    - All payment references must have no 60-day or greater Delinquencies in the most recent 12 months

  - Each payment reference must:

    - Meet the requirements for written verifications in Section 5102.3,

    - Meet the age of documentation requirements in Section 5102.4, and

- Be documented in accordance with Section 5202.2(b)

- Each Borrower without a usable Credit Score must have no collections (other than medical), judgments or tax liens filed in the most recent 24 months

(ii) Mortgages where no Borrower has a Credit Score

For Mortgages where no Borrower has a Credit Score, Loan Product Advisor will apply the following requirements:

- The transaction must be a purchase or "no cash-out" refinance Mortgage

- The Mortgage must be secured by a 1-unit property and all Borrowers must occupy the property as their Primary Residence

- The loan-to-value (LTV), total LTV (TLTV) and Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios must not exceed 95%

- The Mortgage must be a fixed-rate Mortgage

- The Mortgage must not be a super conforming Mortgage

- The Mortgage must not be a Refi Possible Mortgage

In addition, unless the Last Feedback Certificate includes a feedback message that indicates positive Borrower cash flow was identified, the Seller must determine that the Mortgage meets the following requirements:

- Each Borrower must have at least two payment references in the United States comprised of Noncredit Payment References and/or Tradelines not appearing on the credit report. If two or more Borrowers have the same payment reference, then the payment reference may count for each of those Borrowers.
  Additionally:

  - Each payment reference must have existed for at least the most recent 12 months

  - At least one Borrower must have a **housing payment history** as one of the payment references; and:

    - In the event more than one Borrower has a housing payment history, then all such housing payment histories for the most recent 12 months (or length of housing payment history if less than 12 months) must be verified

    - All housing payment histories must have no 30-day or greater Delinquencies in the most recent 12 months

- For all payment references **other than housing**:
  - Only one payment reference may have one 30-day Delinquency in the most recent 12 months; and
  - All payment references must have no 60-day or greater Delinquencies in the most recent 12 months
- Each payment reference must:
  - Meet the requirements for written verifications in Section 5102.3,
  - Meet the age of documentation requirements in Section 5102.4, and
  - Be documented in accordance with Section 5202.2(b)

- Each Borrower must have no collections (other than medical), judgments or tax liens filed in the most recent 24 months
- When the credit reputation for all Borrowers is established using only Noncredit Payment References, then at least one Borrower must participate in a homeownership education program before the Note Date, or the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages. Refer to Section 5103.6 for requirements related to homeownership education.

(d) Authorized user Tradelines

For Accept Mortgages, when a Borrower's credit report contains Tradelines for accounts for which the Borrower is not the primary account holder but is listed as an authorized user, Loan Product Advisor will return a feedback message indicating when the following requirements must be met:

- The Mortgage file must contain documentation evidencing that for each authorized user account:
  - Another Borrower on the Mortgage owns the Tradeline in question, or
  - The Tradeline is owned by the Borrower's spouse, or
  - The Borrower has been making the payments on the account for the last 12 months

  OR
- If the Seller is unable to document one of the above requirements for each authorized user account, the Seller may make the determination that the authorized user accounts have an insignificant impact on the Borrower's overall credit history and the information

on the credit report is representative of the Borrower's own credit reputation. The Seller should base its determination on the number of the Borrower's own Tradelines, as well as their age, type, size and the payment history, as compared to the authorized user accounts. The Seller must document its determination in the Mortgage file.

If the Seller is unable to document any of the above four requirements when the feedback message is returned, the Seller must consider the Loan Product Advisor assessment invalid and manually underwrite the Mortgage as a Non-Loan Product Advisor Mortgage.

(e) Inquiries

Inquiries on the credit report generally reflect the Borrower's requests for new or additional credit. Inquiries made for other purposes, such as general solicitations not initiated by the Borrower or monitoring inquiries by current creditors, typically are not shown on the credit report.

When the credit report indicates that a creditor has made an inquiry within the previous 90-day period, the Seller must determine whether additional credit was granted. If additional credit was granted, the Seller must obtain verification of the debt and must consider the debt when qualifying the Borrower subject to the requirements in Section 5401.2, Monthly debt payment-to-income ratio.

(f) Rent payment history included in Loan Product Advisor's assessment

(i) Overview

For certain Mortgages, a Borrower's rent payment history may positively impact the Loan Product Advisor credit assessment. For Mortgages that meet the requirements below, Loan Product Advisor will retrieve and assess a verification report obtained by the Seller that includes the depository account(s) from which a Borrower pays rent to determine if it can identify a rent payment history. In instances where Loan Product Advisor identifies a history of recurring rent payments, the history will be included in Loan Product Advisor's credit assessment provided the requirements of this section are met.

(ii) Eligibility requirements

The following requirements must be met for Loan Product Advisor to consider a Borrower's rent payment history in the credit assessment:

1. The Seller must submit to Loan Product Advisor the current monthly rent amount paid by the Borrower and obtain a verification report of the depository account(s) from which the Borrower makes their rent payments. The verification report must meet the requirements in section (iii) below.

2. The Mortgage must be a purchase transaction Mortgage secured by a Primary Residence

3. At least one Borrower with a rent payment history must:

   A. Have a usable Credit Score, as determined by Loan Product Advisor, and

   B. Be a First-Time Homebuyer who intends to occupy the subject property as their Primary Residence, and

   C. Have been renting for a minimum of 12 months with a monthly rent payment of at least $300 that is paid from the depository account(s) in the verification report obtained by the Seller

(iii) Verification reports

The verification report obtained by the Seller must be produced by a third-party service provider designated by Freddie Mac or produced through a Freddie Mac-supplied application programming interface (API) using data transmitted by the Seller. The Seller must obtain Freddie Mac's written approval to transmit data through the API.

For each verification report obtained, the Seller must:

1. Confirm that each depository account is owned by the Borrower and that the account(s) is the one from which the Borrower pays rent

2. Ensure that the most current version of the verification report is used by Loan Product Advisor. If the Seller obtains an updated report, the Mortgage must be resubmitted to Loan Product Advisor to ensure assessment of the most current information.

3. Maintain the verification report in the Mortgage file for transactions where the Last Feedback Certificate includes a feedback message that the rent payment history was successfully identified in Loan Product Advisor, resulting in a Risk Class of Accept

The expiration date of the verification report reflected in feedback messaging complies with the age of documentation requirement in Section 5102.4.

(g) Borrower cash flow included in Loan Product Advisor's assessment

(i) Overview

For certain Mortgages, a Borrower's monthly cash flow may positively impact Loan Product Advisor's credit assessment. Loan Product Advisor will assess the transaction patterns present in the Borrower's checking, savings, investment and retirement accounts and changes in account balances using data transmitted by a third-party service provider

designated by Freddie Mac or transmitted by the Seller through an API. The Seller must obtain Freddie Mac's written approval to transmit data through an API.

(ii) Eligibility requirements

For Loan Product Advisor to consider Borrower cash flow in the credit assessment, at least 12 months of account data must be transmitted to Loan Product Advisor.

(iii) Verification reports

The verification report obtained by the Seller must be produced by a third-party service provider designated by Freddie Mac or through a Freddie Mac-supplied API using data transmitted by the Seller. The Seller must obtain Freddie Mac's written approval to transmit data through the API.

For each verification report obtained, the Seller must:

1. Confirm that each asset in the verification report is owned by at least one Borrower and such Borrower has access to the funds

2. Ensure that the most current version of the verification report is used by Loan Product Advisor. If the Seller obtains an updated report, the Mortgage must be resubmitted to Loan Product Advisor to ensure assessment of the most current information.

3. Maintain the verification report in the Mortgage file if the Last Feedback Certificate includes a feedback message that positive Borrower cash flow was identified

The expiration date of the verification report is reflected in feedback messaging complies with the age of documentation requirements in Section 5102.4.

Chapter 5202: Credit Assessment for Manually Underwritten Mortgages

5202.1: Establishing Borrower credit reputation for Manually Underwritten Mortgages (06/26/17)

To establish an acceptable credit reputation, there must be at least a minimum amount of credit history available. There may be situations in which a credit history of short duration is sufficient to demonstrate an acceptable reputation as long as the history contains a sufficient number of payment references. A credit history of short duration adds a layer of risk that must be considered in evaluating the Borrower's credit reputation.

At least one Borrower whose income or assets are used for qualification must have a minimum number of payment references comprised of:

- At least three Tradelines, whether or not on the credit report, or
- If a Borrower does not have three Tradelines, at least four Noncredit Payment References or a total of four Tradelines and Noncredit Payment References

A Tradeline for an account for which the Borrower is not the primary account holder, but is listed as an authorized user, may be considered a Borrower's Tradeline if the Seller obtains and retains in the Mortgage file documentation that evidences at least one of the following:

- Another Borrower on the Mortgage owns the Tradeline in question
- The Tradeline is owned by the Borrower's spouse, or
- The Borrower has been making the payments on the account for the last 12 months

To be used to establish a minimum payment history, a Noncredit Payment Reference must have existed for at least 12 months. A Borrower with a credit reputation established using only Noncredit Payment References adds an additional layer of risk that must be considered by the Seller. In addition, when the credit reputation for all Borrowers is established using only Noncredit Payment References, then at least one Borrower must participate in a homeownership education program before the Note Date, or the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages. Refer to Section 5103.6 for requirements related to homeownership education.

When the Borrower has a housing payment history, the Seller must verify both current and prior housing payment histories for no less than the most recent 12 months (or length of housing payment history if less than 12 months) in accordance with Section 5202.2(b).

Documented payments of a voluntary nature, such as deposits to a savings account, contributions to a payroll savings plan or contributions to a stock purchase plan of at least 12 months may be included as one of the Noncredit Payment References if the history shows periodic deposits (at least quarterly) resulting in a growing balance over the year.

As long as a permanent or nonpermanent resident alien Borrower has established the minimum number of payment references required above in the United States, a U.S. credit history may be supplemented with a credit history from a foreign country to establish an acceptable credit reputation. Documentation from a foreign country must meet the standards set forth in Sections 5102.3, 5102.4, 5202.2(b) and 5203.1.

5202.2: Documenting Borrower credit reputation for Manually Underwritten Mortgages (02/05/20)

(a) Required documentation

The Seller is required to document the Borrower's credit reputation and the Seller's determination that the Borrower's reputation is acceptable. Although the documentation necessary to establish an acceptable credit reputation may vary, Freddie Mac requires that the Mortgage file documentation clearly demonstrates the Borrower met his or her obligations over an extended period of time.

To document the Borrower's credit reputation for Manually Underwritten Mortgages, the Seller must use the following documentation:

- The Uniform Residential Loan Application
- The credit reports (see Section 5203.1 for details)
- For Caution Mortgages, the Feedback Certificate
- Any direct verification of payment histories
- An underwriting summary such as Form 1077, Uniform Underwriting and Transmittal Summary
- Additional documentation may be required depending on the Borrower's credit history

The first step in documenting credit reputation is to document the Borrower's existing credit history. This must be done by documenting a history of payments made by the Borrower through the credit reporting process as detailed in Section 5203.1 and/or by direct verification. If the credit report does not contain a reference for each significant open debt, including housing debt, listed on the Mortgage application, the Seller must obtain a separate written verification for each unreported debt. Accounts listed on the credit report as "will rate by mail only" or "need written authorization" also require separate verification by the Seller.

The Seller must document in the Mortgage file and describe on Form 1077 or another document in the Mortgage file:

- Any additional risks uncovered during the evaluation of the credit history
- The Seller's analysis and conclusion that the Borrower's credit reputation is acceptable

The documents used to establish the Borrower's credit history must be consistent with each other and with the Borrower information found on the Mortgage application. The Mortgage file must also include any supporting documentation necessary to address derogatory information or other risks identified by other sources.

When underwriting with Credit Scores, the Seller must identify on Form 1077, or another document in the Mortgage file, the Credit Score selected for each Borrower and the process used to select that Credit Score from among all Credit Scores received for that Borrower. An explanation for any Credit Scores found to be unusable due to an insufficient number of Tradelines or inaccurate information should also be included.

See Section 5202.5(b) for documentation of the Borrower's explanation of adverse or derogatory credit information.

(b) Documentation of Tradelines and Noncredit Payment References

Tradelines (e.g., installment loans, revolving charge accounts and Mortgages) and Noncredit Payment References (e.g., rent, utilities and insurance) may appear on a credit report meeting the requirements of Section 5203.1 or the Seller may obtain a direct verification from the creditor or other acceptable documentation of payment history meeting the requirements of this section.

If the verification of a Noncredit Payment Reference on the credit report or direct verification is provided by a source other than a professional business, the Mortgage file must also include other documentation supporting the payment history, for example, canceled checks, depository statements, documentation from a third-party money transfer application or service or receipts issued by the creditor, subject to requirements below.

(i) Direct verification

A direct verification may be either a completed verification form or a computer-generated payment history obtained by the Seller directly from the creditor and signed by the individual providing the verification.

Direct verifications must contain sufficient information to establish the following:

- The name and address of the creditor
- The name of the payor
- The name and title of the individual providing the credit reference

- The telephone number of the creditor
- The account number, if applicable
- The nature of the obligation (rent, utilities, payment for purchases, insurance, etc.)
- The highest credit balance, if applicable
- The amount of the payment due
- The outstanding balance
- The current and historical status of the account. The completed verification form must indicate the number of times and duration of times past due. The historical account status format should be "0 x 30, 0 x 60, 0 x 90 days" late. However, alternative formats are acceptable as long as the meaning is clear. Statements such as "current," "as agreed," or "satisfactory" are not acceptable by themselves because they are too vague.
- For a housing payment history, age of the reference if the length of housing payment history is less than 12 months

General reference letters without the above information are not sufficient documentation for establishing an acceptable credit reputation.

(ii) Other acceptable documentation

In lieu of a direct verification from the creditor, the Seller may obtain canceled checks, receipts issued by the creditor in accordance with the requirements of subsection (iii) below, documentation from a third-party money transfer application or service or depository account statements from the Borrower. The Mortgage file must also contain documentation that substantiates the terms of the debt repayment (e.g., a copy of a fully executed lease agreement for a rental verification).

For rental verification, if the Seller obtains a copy of a fully executed lease agreement and either canceled checks, depository account statements, documentation from a third-party money transfer application service or receipts from the creditor for payments in cash in accordance with the requirements of subsection (iii) below, and the Seller confirms that the Borrower has made timely payments in accordance with the terms of the lease for the most recent 12 months, the documentation requirements of this subsection (ii) are met.

The obtained documentation must contain sufficient information to establish the following:

- The name and address of the creditor
- The name of the payor

- The nature of the obligation (rent, utilities, payment for purchases, insurance, etc.)
- The highest credit balance, if applicable
- The amount of the payment due
- The outstanding balance
- The current and historical status of the account, including number of times past due and how many days past due
- For a housing payment history, age of the reference if the length of housing payment history is less than 12 months

Documented payments of a voluntary nature, such as deposits to a savings account, contributions to a payroll savings plan or contributions to a stock purchase plan of at least 12 months may be included as one of the Noncredit Payment References if the history shows periodic deposits (at least quarterly) resulting in a growing balance over the year. If a savings history is used as one of the Noncredit Payment References, the Mortgage file must contain documentation, such as depository account statements that meet the requirements of Section 5501.3(a).

(iii) Special requirements for receipts

Receipts from the creditor are acceptable documentation only if the payments being verified were made in cash and there is no evidence in the Mortgage file that the payments were made by checks or direct bank transfers.

5202.3: Evaluating Borrower credit reputation for Manually Underwritten Mortgages (09/01/21)

The Borrower's credit reputation may be evaluated by any of the following methods:

- For Borrowers with usable Credit Scores, manually underwriting with FICO® scores and reason codes and analyzing the information in each of the Borrower's credit reports and other verifications as required by this section and Section 5202.4. When a minimum Indicator Score is required, it must be met or exceeded for the Mortgage to be eligible for delivery to Freddie Mac.
- For Borrowers without usable Credit Scores, manually underwriting without FICO scores, and analyzing all information contained in each of the Borrower's credit reports and other verifications, with the exception of trended credit data, which must not be considered.

  Trended credit data is expanded credit information reflecting historical Tradeline data such as balances, scheduled payments and actual payments reported for each month over an extended period of time.

See Section 5203.2 for more information about Credit Scores and Indicator Scores, including when minimum Indicator Scores are required for a Mortgage to be eligible for sale to Freddie Mac.

The Seller must review the credit reports and direct verifications and thoroughly evaluate the Borrower's credit reputation in accordance with the requirements set forth in this section and document in the Mortgage file the Seller's conclusion the reputation is acceptable. The Seller must determine that each Borrower individually, and that all Borrowers collectively, have acceptable credit reputations. The acceptable credit reputation of one Borrower cannot be used to offset the unacceptable credit reputation of another.

An acceptable credit reputation is established by a history that, when viewed as a whole, evidences a Borrower's willingness to make ongoing payments and ability to manage obligations as agreed. The Seller must perform a detailed review of all aspects of the Borrower's credit history, with the exception of trended credit data, as described above, which must not be considered. To ensure that the Seller has satisfactorily established the Borrower's willingness to repay and ability to manage obligations as agreed, the Seller must:

- Review the credit report to determine that the credit report meets the requirements of Section 5203.1

- Review the credit report and all credit documentation to determine that the data is accurate and the documentation in the Mortgage file is consistent with the credit report

- Evaluate the Borrower(s) overall credit reputation using the factors described in this section and Sections 5202.4 through 5202.6, especially those listed in the reason codes accompanying the FICO score

- Identify and document credit-related offsets for the risks indicated by the reason codes; for example, if the reason codes indicate nonpayment of obligations, the Seller may establish that the Borrower was unable to meet credit obligations because he or she experienced financial difficulties attributable to extenuating circumstances (see Section 5202.5(a) for more information on extenuating circumstances)

- Identify and document credit-related offsets for significant derogatory information included in the credit history, such as bankruptcy, foreclosure, short sale or recent late housing payments (see Section 5202.5(a))

- After credit reputation is established, evaluate the overall layering of risk (see Section 5102.2(b))

- Document its evaluation and conclusion that the credit reputation is acceptable on Form 1077, Uniform Underwriting and Transmittal Summary, or on a separate document in the Mortgage file

For Manually Underwritten Mortgages, the Seller's evaluation of the Borrower's credit reputation must be based on the entire credit history documented in the Mortgage file, with the exception of trended credit data, as described above, which must not be considered. The Seller must weigh the following factors in arriving at a conclusion that the Borrower's credit reputation is acceptable:

1. The type and amount of credit outstanding
2. How long the Borrower has had credit
3. How the Borrower uses available credit, including revolving balances-to-limits
4. Recent changes in the number of open accounts or overall amount of credit outstanding
5. The payment history and status of all accounts
6. Any recent inquiries shown on the credit report
7. Any public record or collection items

If a Borrower's credit history includes both Tradelines and Noncredit Payment References, the Seller must put more weight on the Tradelines when evaluating the Borrower's credit reputation and cannot use Noncredit Payment References to offset derogatory credit in a Tradeline reference. If a Borrower's credit history includes housing obligations (rental or Mortgage), the Seller should put more weight on how housing payments were made than non-housing payments, but must not ignore any derogatory information in the credit history.

The Seller must also consider layering of risk in its evaluation of credit reputation. A stronger credit reputation may be required if either capacity or collateral is weak. (See Sections 5102.1 and 5102.2(b) for more information on how to evaluate the overall risk of the Mortgage using the "three Cs" (credit reputation, capacity and collateral).)

5202.4: Additional requirements for Borrowers with usable Credit Scores (11/09/16)

For Manually Underwritten Mortgages, Freddie Mac requires the use of FICO® scores with accompanying reason codes in underwriting the Borrower's credit reputation. A FICO Score is an effective tool in evaluating a Borrower's credit reputation; however, it does not necessarily indicate that the Borrower's credit reputation is acceptable. The reason codes indicate the most important reasons why a FICO score is not higher and must be used by the Seller to identify the credit factors that need to be addressed in determining the Borrower has an acceptable credit reputation. Because FICO scores evaluate the information in the Borrower's repository credit file at the time the FICO score was created, a Seller underwriting with FICO scores will find much of

the evaluation of the Borrower's credit reputation is already reflected in the FICO score and accompanying reason codes.

Sellers must select one Credit Score from all usable Credit Scores obtained for an individual Borrower that quantifies the credit reputation risk for that individual Borrower. For Borrowers with a usable Credit Score, a minimum Indicator Score of 620 is required.

Sellers should refer to Exhibit 25, Mortgages with Risk Class and/or Minimum Indicator Score Requirements, and to the Guide sections referenced in Exhibit 25 for minimum Indicator Score requirements. Additionally, Sellers should also review the Guide and other Purchase Documents for additional special requirements, which may not appear in Exhibit 25 to determine the eligibility of Mortgages for which Freddie Mac requires a minimum Indicator Score.

When manually underwriting with FICO scores, the Seller must not use the following factors as offsets for weaknesses in the Borrower's credit reputation because they have already been considered in creating the FICO score:

1. The absence of, or age of, derogatory information
2. The number/proportion of accounts paid as agreed versus delinquent
3. The types of accounts paid as agreed versus the types of accounts that are delinquent
4. Recent pay-down or consolidation of account balances by the Borrower
5. The length of the Borrower's credit history
6. Any combinations of the above factors

5202.5: Adverse or derogatory credit information (11/01/23)

(a) Evaluating adverse or derogatory credit information

Adverse credit information in and of itself does not mean the Borrower's credit reputation is unacceptable. When there is adverse or derogatory information in the Borrower's credit history, the Seller must determine whether the derogatory information is significant.

For Manually Underwritten Mortgages underwritten using FICO® scores with at least two reason codes related to nonpayment of obligations, the Seller must presume the derogatory information is significant and the Seller must document the extenuating circumstances or conclude that the difficulties were due to financial mismanagement. See Sections 5202.3 and 5202.4 for additional information regarding the requirements necessary to determine a

Borrower has an acceptable credit reputation for Manually Underwritten Mortgages using FICO scores in underwriting.

For all other Manually Underwritten Mortgages with or without FICO scores, the Seller must weigh the amount of derogatory information against the rest of the credit history and decide whether it is significant. In making its determination, the Seller should not ignore any derogatory credit, but must give more weight to late housing payments and to derogatory information or late payments occurring within the past two years. Generally, the more recent the adverse or derogatory credit information, the more likely it is significant.

The Seller must consider all of the following:

- The number, timing and extent of the adverse or derogatory credit information
- The number, type and size of accounts with adverse or derogatory credit information
- Public record information, such as judgments and non-medical collection accounts
- Other characteristics listed in this section

For example, Freddie Mac considers a 30-day late housing payment to have more weight than a 30-day late non-housing payment, and a non-medical collection account to have more weight than a 30-day late payment on a revolving account.

Although there may be many situations involving derogatory credit information that are less clear, especially when disputes about obligations are involved, the derogatory credit information is not significant when it consists only of isolated late payments, even if several accounts show sporadic late payments, provided all of the following exist:

- The late payments were not recent
- The late payments did not extend beyond one month
- The number and size of delinquent accounts is not large in relation to the overall credit
- The credit history does not show multiple revolving accounts with high balances-to-limits or high overall utilization of revolving credit
- All other credit has been paid as agreed

However, the derogatory information is significant if any of the following exist:

- There are several accounts showing recent late payments
- There are multiple 60- or 90-day late payments

- There is more than one 30-day late housing payment in the last 12 months
- There are more than two 30-day or more than one 60-day late housing payments within the most recent two years
- The number and size of the delinquent accounts are large in relation to the overall credit
- There are multiple episodes of late payments extending over a period of time
- The credit history shows derogatory credit information within the two most recent years combined with multiple revolving accounts with high balances-to-limits
- The public record information reveals several occurrences of derogatory credit information, including judgments, tax liens and/or non-medical collection accounts
- There is a bankruptcy, foreclosure, deed-in-lieu of foreclosure, or short sale within the last seven years that is disclosed on a credit report, disclosed by the Borrower on the Form 65, Uniform Residential Loan Application, or is evidenced by other documentation contained in the Mortgage file

Timeshare loans are considered installment debts, regardless of how they are reported on the Borrower's credit report; therefore, payments on timeshare loans are not considered housing payments for purposes of evaluating late housing payments as required above. Additionally, the foreclosure recovery time periods for reestablishment of credit below do not apply to timeshare loans in foreclosure.

If the Seller decides that the derogatory information is not significant, it must provide documentation supporting its conclusion in the Mortgage file. If the Seller decides that the derogatory information is significant, it must determine whether the problems were due to extenuating circumstances or to financial mismanagement.

For additional information on manually underwriting Caution Mortgages with adverse or derogatory credit information, refer to Section 5102.2.

(i) Handling significant adverse or derogatory information caused by extenuating circumstances for Manually Underwritten Mortgages

Freddie Mac considers an extenuating circumstance to be a nonrecurring or isolated circumstance, or set of circumstances, that was beyond the Borrower's control and that significantly reduced income and/or increased expenses and rendered the Borrower unable to repay obligations as agreed, resulting in significant adverse or derogatory credit information.

In addition, if the Borrower's credit history includes significant adverse or derogatory credit within the most recent two years, even if it was caused by extenuating circumstances, the Borrower's credit reputation cannot be considered acceptable.

When the Seller uses extenuating circumstances to justify that the Borrower's credit reputation is acceptable despite significant adverse or derogatory information, the Seller must confirm the extenuating circumstances and that the Borrower has reestablished an acceptable credit reputation. If the Seller cannot obtain third-party documentation confirming the extenuating circumstances and reestablishment of credit, it cannot consider the extenuating circumstance as an acceptable offset to significant adverse or derogatory credit information.

The Mortgage file must contain all of the following documentation:

- A written statement from the Borrower, in the form of a signed letter or an e-mail directly from the Borrower, attributing the cause of the financial difficulties to outside factors beyond the Borrower's control that are not ongoing and are unlikely to recur

- Third-party documentation confirming that the events related by the Borrower in the explanation were an isolated occurrence and significantly reduced the Borrower's income and/or increased expenses and rendered the Borrower unable to repay as agreed

- An underwriting analysis on Form 1077, Uniform Underwriting and Transmittal Summary, or on a separate document in the Mortgage file, relating the Borrower's explanation to the Mortgage file documentation and leading to a reasonable conclusion that:

  - The events causing the financial difficulties were beyond the Borrower's control, are not ongoing and are unlikely to recur; and

  - The Borrower has reestablished an acceptable credit reputation

- Evidence on the credit report and other documentation in the Mortgage file of the length of time since completion of the significant derogatory event to the date of application and of completion of the recovery time period requirements below. In addition to the recovery time period requirements, the following additional requirements below must also be met:

Significant Derogatory Event	**Recovery Time Periods for Reestablishment of Credit with Extenuating Circumstances**	**Additional Requirements**
Foreclosure	■ 36 months from the completion date as	Whenever a Borrower has had a previous

Significant Derogatory Event	Recovery Time Periods for Reestablishment of Credit with Extenuating Circumstances	Additional Requirements
	reported on the credit report, or ■ When foreclosure resulted from a Mortgage that was extinguished in Chapter 7 bankruptcy, the recovery time period for a Chapter 7 bankruptcy caused by extenuating circumstances, as described below, may be applied and counted from the date of the bankruptcy discharge, provided that: ❑ The Mortgage file must include documentation supporting that the foreclosure resulted from a Mortgage that was extinguished in the Chapter 7 bankruptcy, and ❑ The foreclosure proceedings did not begin before the bankruptcy filing, and	foreclosure, deed-in-lieu of foreclosure or a short sale within the last seven years, the Mortgage must either be: ■ A purchase transaction Mortgage secured by a Primary Residence with a maximum loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit TLTV (HTLTV) ratio of the lesser of 90% or the maximum LTV/TLTV/HTLTV ratio for the transaction, or ■ A "no cash-out" refinance Mortgage that meets the requirements of Chapter 4301 Additionally, the Mortgage file must contain evidence of the completion of the foreclosure, deed-in-lieu of foreclosure or short sale.

Significant Derogatory Event	Recovery Time Periods for Reestablishment of Credit with Extenuating Circumstances	Additional Requirements
	❑ The Mortgage was not reaffirmed through the bankruptcy	
Deed-in-lieu of foreclosure	24 months from the execution date	
Short sale	24 months from the completion date	
Bankruptcy (all bankruptcy actions)	24 months from the discharge or dismissal date	Whenever a Borrower has had a bankruptcy within the last seven years, the Mortgage file must also contain: ■ Copies of the bankruptcy petition, schedule of debts and discharge or dismissal ■ Evidence to indicate that all debts not satisfied by the bankruptcy have been paid or are being paid ■ Any other evidence necessary to support the Seller's determination that the Borrower has reestablished and maintained an acceptable credit reputation

Significant Derogatory Event	Recovery Time Periods for Reestablishment of Credit with Extenuating Circumstances	Additional Requirements
Other significant adverse or derogatory credit information	24 months from the most recent significant adverse or derogatory credit information	N/A

(ii) Handling significant adverse or derogatory information caused by financial mismanagement for Manually Underwritten Mortgages

If the Seller is unable to document extenuating circumstances in accordance with Freddie Mac's requirements, then it must conclude that the problems were due to financial mismanagement.

In order to conclude that the Borrower's credit reputation is still acceptable despite the previous financial mismanagement, the Seller must explain on Form 1077 or on a separate document in the Mortgage file, the rationale supporting its determination that the financial mismanagement is unlikely to recur and the Borrower's credit reputation is acceptable. Making a case that the Borrower is sufficiently willing to repay obligations when significant derogatory information was caused by financial mismanagement is very difficult. It will take a longer and more convincing reestablishment period to overcome derogatory information caused by financial mismanagement than would be needed if the Borrower had experienced financial difficulties due to extenuating circumstances.

When the Seller determines that the Borrower's credit reputation is acceptable despite significant adverse or derogatory information caused by financial mismanagement, the Mortgage file must contain all of the following documentation:

- Evidence that the Borrower has reestablished an acceptable credit reputation as required in Topics 5100 and 5200 for Manually Underwritten Mortgages

- Evidence on the credit report and other credit documentation in the Mortgage file of the length of time since completion of the significant derogatory event to the date of the application, and of completion of the recovery time period requirements below. In addition to the recovery time period requirements, the following additional requirements below must also be met:

Significant Derogatory Event	Recovery Time Periods for Reestablishment of Credit with Financial Mismanagement	Additional Requirements
Foreclosure	■ 84 months from the completion date as reported on the credit report, or ■ When foreclosure resulted from a Mortgage that was extinguished in Chapter 7 bankruptcy, the recovery time period for a Chapter 7 bankruptcy caused by financial mismanagement, as described below, may be applied and counted from the date of the bankruptcy discharge, provided that: ❑ The Mortgage file must contain documentation supporting that the foreclosure resulted from a Mortgage that was extinguished in a Chapter 7 bankruptcy, and ❑ The foreclosure proceedings did not begin before the bankruptcy filing, and ❑ The Mortgage was not reaffirmed through the bankruptcy	N/A
Deed-in-lieu of foreclosure	48 months from the execution date	Whenever a Borrower has had a previous deed-in-

Significant Derogatory Event	Recovery Time Periods for Reestablishment of Credit with Financial Mismanagement	Additional Requirements
Short sale	48 months from the completion date	lieu of foreclosure or a short sale within the last seven years, the Mortgage must either be: ■ A purchase transaction Mortgage secured by a Primary Residence with a maximum LTV/TLTV/HTLTV ratio of the lesser of 90%, or the maximum LTV/TLTV/HTLTV ratio for the transaction, or ■ A "no cash-out" refinance Mortgage that meets the requirements of Chapter 4301 Additionally, the Mortgage file must contain evidence of the completion of the foreclosure, deed-in-lieu of foreclosure or short sale.
Chapter 7 bankruptcy Chapter 11 bankruptcy	48 months from the discharge or dismissal date	Whenever a Borrower has had a bankruptcy within the last seven years, the

Significant Derogatory Event	Recovery Time Periods for Reestablishment of Credit with Financial Mismanagement	Additional Requirements
Chapter 12 bankruptcy Chapter 13 bankruptcy	24 months after the discharge date or 48 months from the dismissal date	Mortgage file must also contain: ■ Copies of the bankruptcy petition, schedule of debts and discharge or dismissal ■ Evidence to indicate that all debts not satisfied by the bankruptcy have been paid or are being paid ■ Any other evidence necessary to support the Seller's determination that the Borrower has reestablished and maintained an acceptable credit reputation
Multiple bankruptcy filings in the past seven years	60 months from the most recent discharge or dismissal date	
Other significant adverse or derogatory credit information	48 months from the most recent significant adverse or derogatory credit information	N/A

(b) Documenting Borrower explanation of adverse or derogatory information

As part of its review of Manually Underwritten Mortgages, the Seller may need to request that the Borrower provide a written explanation, in the form of a signed letter or an e-mail directly from the Borrower, of the circumstances causing the payment difficulty. The decision to require an explanation letter should be based on such factors as the age of the delinquent account, the frequency and severity of late payments, the size of the account balance and payment, when the late payments occurred and the status of the Borrower's other credit accounts.

For example, a Borrower's credit history shows a 30-day late payment on a single charge account ten months ago. The Borrower has several other charge accounts, an installment loan and a Mortgage, all showing timely payments. The Seller may decide not to obtain a letter of explanation. However, if several of the Borrower's credit accounts showed late payments, or the Borrower's Mortgage or installment loan were also late, the single late on the charge account ten months ago may be considered significant, so the Seller should obtain a letter of explanation from the Borrower and include it in the Mortgage file.

A written explanation is required for significant derogatory information. The purpose for requiring a written explanation is to assist the Seller in determining whether the Borrower's credit problems were due to extenuating circumstances (factors clearly beyond the control of the Borrower) or whether they reflect financial mismanagement (the Borrower's disregard for the payment of obligations when due).

In order to accomplish this purpose, it may be necessary to allow someone to assist the Borrower in preparing the explanation. If the Borrower needs assistance in preparing a written explanation, another party, such as the real estate agent or loan officer, should be encouraged to assist the Borrower in preparing the explanation. As long as the explanation accurately reflects the facts as related by the Borrower (as evidenced by the Borrower's signature attesting accuracy), the Seller should accept the explanation as documentation for its review.

A written explanation in and of itself does not satisfy the Seller's responsibility to determine the Borrower's willingness to repay. When adverse or derogatory information is considered significant, as explained in Section 5202.5(a), the Seller must relate the reasons for the late payments, as stated by the Borrower, to the other information about the Borrower's credit history contained in the Mortgage file. The Seller must reasonably be able to conclude that:

- The explanation is consistent with the adverse information reported and the other information in the Mortgage file
- The explanation establishes a credible cause for the late payments
- The Borrower represents an acceptable credit risk and exhibits the ability and willingness to repay the Mortgage

5202.6: Evaluating other credit information (09/09/18)

(a) Inquiries

Inquiries on the credit report generally reflect the Borrower's requests for new or additional credit. Inquiries made for other purposes, such as general solicitations not initiated by the Borrower or monitoring inquiries by current creditors, typically are not shown on the credit report.

When the credit report indicates that a creditor has made an inquiry within the previous 90-day period, the Seller must determine whether additional credit was granted. If additional credit was granted, the Seller must obtain verification of the debt and must consider the debt when qualifying the Borrower subject to the requirements in Section 5401.2, Monthly debt payment-to-income ratio.

When underwriting with FICO® scores, a reason code will alert the Seller that the number of inquiries affected the Borrower's FICO score and, therefore, should not be overlooked in underwriting. In this case and when underwriting without FICO scores, the Seller must decide whether the number of recent inquiries, especially when combined with other credit information, increases the risk of the Borrower's credit profile.

Several inquiries within the most recent 12 months generally increase risk and, when combined with high balances-to-limits on revolving accounts may indicate that the Borrower is in danger of becoming overextended. In addition, several recent inquiries, combined with a credit history of short duration may make even mild derogatory credit information significant.

To address how risk evidenced by several recent inquiries, layered with other credit reputation risks, affects the Borrower's overall credit reputation, the Seller must look at:

- The Borrower's payment history
- The age of the Borrower's other credit
- The type of credit being sought
- The total amount of credit outstanding, and
- The overall credit utilization reflected on the report

(b) Age of accounts

For Manually Underwritten Mortgages, the Seller must review the age of the Borrower's credit obligations to determine whether there has been a recent, significant increase in the number of open accounts. The age of an account is found on a credit report by referring to the "date opened" column. The length of a Borrower's credit history can be measured from the oldest account.

Like inquiries, several recently opened accounts may be a warning that the Borrower could become overextended and require a more conservative approach to reviewing both Borrower credit reputation and capacity. A credit history with all recently opened accounts may indicate that the Borrower lacks sufficient experience managing financial obligations.

The Seller should also review the age of accounts to determine if there has been a significant change in the Borrower's credit profile. A change in the Borrower's pattern of credit use,

which includes several newly opened revolving accounts, several inquiries and high utilization of revolving Tradelines, introduces significant layering of risk to the Borrower's credit reputation.

When underwriting with FICO scores, a reason code will alert the Seller that the age of accounts affected the Borrower's FICO score and, therefore, should not be overlooked in underwriting. In this case and when underwriting without FICO scores, the Seller must decide whether the age of accounts, combined with other credit information, increases the risk of the Borrower's profile.

To address how the age of a Borrower's accounts, layered with other credit risks, affects the Borrower's credit reputation, the Seller must consider:

- The Borrower's payment history
- The amount of outstanding credit
- The overall utilization of revolving accounts, and
- Recent inquiries

(c) Balances-to-limits/high overall utilization of revolving credit

For Manually Underwritten Mortgages, the Seller must compare the current balance for each open account to the high credit or limit to determine whether there is a pattern of accounts with balances at or near their limits. Multiple revolving accounts with balances more than 50% of their limits must be considered as additional risk when evaluating credit reputation. The more accounts with high balances-to-limits and the higher the percentage used, the higher the risk.

High balances-to-limits may also indicate the Borrower is making minimum payments on revolving accounts rather than reducing the debt and may be at or near payment capacity. Any derogatory information in a credit history within the most recent two years combined with several revolving accounts at or near their limits should be considered significant derogatory information when evaluating the credit reputation.

In addition to evaluating balances-to-limits, the Seller must compare the overall amount of outstanding revolving credit to the overall amount of revolving credit available to the Borrower, as shown on the credit report, to determine credit utilization. Usage of more than 60% of available revolving credit must be considered a risk factor when evaluating credit reputation. The higher the Borrower's overall utilization of revolving credit, the higher the amount of risk.

A pattern of revolving accounts at or near their limits, and utilization of a high proportion of the overall revolving credit available to the Borrower, especially when combined with newly opened accounts, indicates that the Borrower is becoming overextended and there is

significant risk in the Borrower's credit reputation. The Seller may not use the lack of adverse or derogatory credit information as an offset for high balances-to-limits or high overall utilization of revolving credit.

For a Caution Mortgage with at least two Feedback Certificate messages related to high balances-to-limits or high overall utilization of revolving credit, the Seller should presume the Borrower's credit reputation is unacceptable.

When underwriting with FICO scores, a reason code will alert the Seller that the balances on revolving accounts are too high or the proportion of balance to high credit on bank revolving or all revolving accounts is too high and affected the Borrower's FICO score.

The Seller must determine whether the balances-to-limits and overall revolving utilization, combined with other credit information, make the Borrower's credit reputation unacceptable.

For example, a Borrower with multiple revolving accounts with balances at or near limits, overall utilization of revolving credit of 90%, and less than four years of credit history would have an unacceptable credit reputation, even if there were no derogatory information in the credit report, unless the Borrower had sufficient cash reserves to pay off all revolving account balances and the Borrower's total debt-to-income ratio was within guidelines.

To address how high balances-to-limits, when layered with other credit risks, affect the Borrower's overall credit reputation, the Seller should look at:

- The Borrower's payment history
- The age of the Borrower's credit
- The number of accounts with outstanding balances
- Recent inquiries, and
- The total amount of credit outstanding

Chapter 5203: Credit Reports and Credit Scores

5203.1: Credit reports (08/04/24)

For Manually Underwritten and Loan Product Advisor® Mortgages, each Mortgage file submitted to Freddie Mac must contain one or more written credit reports meeting the requirements of this section.

The Seller must determine that the consumer reporting agency/bureau or credit repositories accessed the correct credit file by confirming the Borrower's identifying information (name, current and previous address and Social Security number) on the credit reports returned. The Seller is required to re-request the credit reports if a data entry error was made, or if the credit reports contain incorrect identifying information.

(a) Repository of credit information

A repository of credit information is an organization engaged primarily in gathering, recording, updating, storing and distributing financial and public record information concerning the debt repayment histories of individuals being considered for credit extension. The following national organizations meet this definition:

- Equifax Credit Information Services, Inc.
- Experian Information Solutions, Inc.
- Trans Union

(b) Consumer reporting agency or bureau

A consumer reporting agency is an organization engaged in the preparation and sale of credit reports used by credit grantors to determine the credit and public record history of an individual. These reports contain data obtained from the repositories of credit information. The reports may also contain information and verifications obtained from other sources.

(c) In-file credit reports

An in-file credit report is issued by a credit repository and contains "as is" information which is information that has not been updated or re-verified as a result of a credit inquiry.

If the Seller chooses to use in-file credit reports for a Manually Underwritten Mortgage, Freddie Mac requires the Seller to obtain reports from at least two credit repositories for each Borrower.

(d) Merged credit reports

A merged credit report is issued by a credit repository or a consumer reporting agency or bureau and includes the credit information from at least two credit repositories. A merged credit report includes all credit repository credit data for an individual Borrower. A joint merged credit report includes all credit repository credit data on two individual Borrowers.

The credit information from each credit repository may be presented in a stacked merged credit report (that is, all records from all repositories are included in the report), or the consumer reporting agency or bureau may eliminate duplicate records through an automated merge process. Each consumer reporting agency or bureau may have a slightly different merge logic to eliminate duplicate records.

If the Seller chooses to use merged or joint merged credit reports, Freddie Mac requires the credit repository or consumer reporting agency or bureau to obtain reports from at least two credit repositories for each Borrower.

(e) Residential Mortgage Credit Report

A Residential Mortgage Credit Report (RMCR) is a detailed account of the credit, employment and residence history as well as public records information prepared by a consumer reporting agency for an individual Borrower or two individual Borrowers. The RMCR was designed for use in mortgage financing of 1- to 4-unit dwellings. Credit information from two national repositories is merged and verified by a consumer reporting agency or bureau before it is sent to the user. The consumer reporting agency or bureau may also verify other information not contained in repository records.

(f) Credit report standards

All credit reports must meet the applicable standards from the following table:

Standard	In-file credit report	Merged credit report	RMCR
Must have no erasures, alterations, correction fluid or correction tape and must be filed in the Mortgage file	X	X	X

Standard	In-file credit report	Merged credit report	RMCR
Show the names of the national credit repositories from which the information was obtained. The report must contain information from at least two national credit repositories for each area in which the Borrower has resided during the most recent two-year period. For Borrowers with frozen credit, no more than one of the national credit repositories can have frozen credit information. Separate credit repository inquiries are necessary when multiple Borrowers have maintained credit individually.	X	X	X
Be issued by a consumer reporting agency that obtains or verifies all information from sources other than the applicant	X	X	X
Present all credit data in a format that is easy to read and free of excessive coding. All codes must be clearly defined.	X	X	X
Identify the full name, address and telephone number of the repository, consumer reporting agency or bureau issuing the report	X	X	X

Standard	In-file credit report	Merged credit report	RMCR
Identify who ordered the report and who was billed for it (if different from the party who ordered it), unless the billed party has a documented agent or corporate relationship with the lender who ordered the report			X
Be delivered to the office of the requestor	X	X	X
Show responsive statements concerning items on the report. For example, the consumer reporting agency must report "unable to verify" or "employer refused to verify." The same responsive reporting applies to trade and credit history.			X
Generate an inquiry that will be identified on subsequent credit reports (i.e., hard credit pull)	X	X	X
List all inquiries made within the previous 90 days	X	X	X

Standard	In-file credit report	Merged credit report	RMCR
Show a positive statement that the consumer reporting agency attempted to verify the Borrower's current employment and, if obtainable, income. The report must show the date of verification. Verification may be made by telephone. If there has been a change in employment in the past two years, the report must also state the Borrower's previous employment and income. In cases in which employment was not verified, the report must indicate why it was not.			X
Include all available public records information. The legal search must disclose whether any judgments, foreclosures, tax liens or bankruptcies were discovered in the public records. Adverse items must be reported as provided under the Fair Credit Reporting Act.	X	X	X

Standard	In-file credit report	Merged credit report	RMCR
List, in all cases, the historical status of each account. This status must be in a "number of times past due" format. Freddie Mac prefers the format of "0 x 30, 0 x 60, 0 x 90 days" late. However, the format of R1, R2, etc., is acceptable if the meaning of the ratings is given and the credit report also gives historical negative ratings, such as "was R3 in 6/84." As long as its meaning is clear from the credit report, a consecutive numbering sequence for payment history — such as "00010000..." is also acceptable. Statements such as "current," "as agreed," or "satisfactory" are not acceptable by themselves because they are too vague.	X	X	X
The consumer reporting agency must interview the subjects of the credit report when the agency has incomplete information or when it discovers information that indicates the possible existence of undisclosed credit information or public records. The interview may be conducted by telephone and should obtain any information necessary to provide a credit report that is factually correct and complete.			X

Standard	In-file credit report	Merged credit report	RMCR
Indicate the dates the accounts were last updated with the creditors. Each account with a balance must have been checked with the creditor within 90 days of the date of the credit report.			X
Indicate the dates the accounts were last updated with the creditors	X	X	
Contain all credit and legal activity that has occurred within a minimum of the last seven years	X	X	X
Credit reports received from foreign countries must meet the requirements and standards for domestic reports, including the requirement for information for an RMCR as described in Section 5203.1, including the requirement to contact two national repositories for each area in which the Borrower has resided during the most recent two years. Any credit report that does not meet these standards is not acceptable as documentation for a Mortgage sold to Freddie Mac. All foreign credit reports must be completed in English, or the Seller must provide a translation and warrant that the translation is complete and accurate.	X	X	X

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Note:
In addition to reviewing the files delivered by the Seller, Freddie Mac will spot-check credit reports and make other checks to ensure the quality of credit reports used in the underwriting process. If Freddie Mac, in its discretion, determines that a credit report is inadequate, Freddie Mac reserves the right to declare as unacceptable the consumer reporting agency originating the report and the Seller may not use that consumer reporting agency for Mortgages sold to Freddie Mac.

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(g) FICO® scores

Loan Product Advisor will automatically request FICO scores for each Borrower. If the Mortgage is not submitted to Loan Product Advisor, the Seller must request the credit agency or repository to include FICO scores from all credit repositories on all credit reports. See Section 5203.2 for additional details on FICO scores.

(h) Credit report options for Loan Product Advisor Mortgages

The Seller must include in the Mortgage file a complete set of credit reports for all Borrowers. All credit reports used by the Seller to evaluate the Borrower's creditworthiness, including the calculation of total monthly debt payments, must be of the same type. For example, the Seller may not use a merged credit report for one Borrower and an RMCR for another Borrower.

Freddie Mac encourages the Seller to use the merged or joint merged credit reports obtained through Loan Product Advisor.

If the Seller chooses to use Loan Product Advisor provided merged credit reports, then only those credit reports must be retained in the Mortgage file.

However, the Seller may also use the following credit reports obtained outside of Loan Product Advisor:

- In-file credit reports
- Merged or joint merged credit reports
- RMCR

If the Seller chooses to use credit reports obtained outside of Loan Product Advisor and also prints reports from Loan Product Advisor, the Seller must include in the Mortgage file any credit reports received from Loan Product Advisor and the credit reports obtained outside of Loan Product Advisor.

The Seller may use any of the above credit reports to assess the Borrower's credit reputation and to calculate total monthly debt payments (see also Section 5401.2).

All credit reports submitted to Loan Product Advisor must include trended credit data. Trended credit data is expanded credit information reflecting historical Tradeline data such as balances, scheduled payments and actual payments reported for each month over an extended period of time.

(i) Credit report options for Non-Loan Product Advisor Mortgages

The Seller must include in the Mortgage file a complete set of credit reports for all Borrowers. All credit reports must be of the same type. All in-file credit reports for any one Borrower must be dated within 14 days of each other.

The Seller may use the following types of credit reports:

- In-file credit reports
- Merged or joint merged credit reports
- RMCR

(j) Age of credit reports

All credit reports must be dated within 120 days before, as applicable, the Note Date, or for Construction Conversion and Renovation Mortgages, the Effective Date of Permanent Financing, the modification date for Seller-Owned Modified Mortgages, the Conversion Date for Seller-Owned Converted Mortgages or the date of the assumption agreement. See Chapter 4402 for the requirements for Seller-Owned Modified and Seller-Owned Converted Mortgages.

5203.2: Credit Scores (05/01/23)

Freddie Mac requires the Seller to use Credit Scores to underwrite Manually Underwritten Mortgages. A Credit Score used to underwrite a Borrower's credit reputation is referred to as an "Underwriting Score." See Sections 5202.3 and 5202.4 for information needed to determine the Borrower has an acceptable credit reputation.

Freddie Mac may require that one Credit Score be identified and delivered for a Mortgage for reasons such as eligibility or pricing. When one Credit Score is required, the Credit Score is referred to as the "Indicator Score." The Indicator Score must be identified in accordance with Section 5203.2(e) and must be delivered in accordance with the requirements of Section 5203.2(f).

To expand the range of Mortgage products with higher-risk characteristics that Freddie Mac is able to purchase, the eligibility of such Mortgages may be limited to those having a minimum Indicator Score. When a minimum Indicator Score is required, it must be met or exceeded for the Mortgage to be eligible for delivery to Freddie Mac.

For example, to be eligible for sale to Freddie Mac, a minimum Indicator Score is required for Manually Underwritten Mortgages that are:

- Mortgages secured by 2- to 4-unit Primary Residences, or
- Cash-out Refinance Mortgages

The minimum Indicator Score requirements are noted in Exhibit 25, Mortgages with Risk Class and/or Minimum Indicator Score Requirements. If the Borrower does not have a usable Credit Score in connection with a purchase transaction or "no cash-out" refinance Mortgage secured by a 1- to 4-unit Primary Residence that is not a super conforming Mortgage, then the use of Noncredit Payment References as described in Section 5202.2(b) is acceptable.

For Loan Product Advisor® Mortgages, Credit Scores are obtained by Loan Product Advisor and provided with the merged credit report(s). A minimum Indicator Score, in most cases, is not required for Accept Mortgages since Loan Product Advisor has made the determination that the Borrower's credit reputation and the Mortgage product are acceptable. If Exhibit 25 requires a minimum Indicator Score for Loan Product Advisor Mortgages, the Indicator Score delivered by Seller will be used to assess whether or not the minimum Indicator Score requirements have been met. If, however, the Seller does not deliver an Indicator Score, then the Indicator Score determined by Loan Product Advisor will be used to assess whether or not the minimum Indicator Score requirements have been met. An Indicator Score does not indicate that the Borrower's credit reputation is acceptable. Even when the Indicator Score for the Mortgage exceeds the minimum required, the Seller must determine that each Borrower individually, and that all Borrowers collectively, have an acceptable credit reputation.

For Mortgages sold through Cash-Released XChange®, the Seller must deliver ULDD Data Point *Loan Level Credit Score Value* regardless of whether the Mortgage is a Loan Product Advisor Mortgage.

For Non-Loan Product Advisor Mortgages, an Indicator Score is required (see Exhibit 25 for Indicator Score requirements). With the exception of a purchase transaction or "no cash-out" refinance Mortgage secured by a 1- to 4-unit Primary Residence, other than a Manufactured Home, if no Borrower has a usable Credit Score, there can be no Indicator Score for the Mortgage and it is not eligible for sale to Freddie Mac. If the Borrower does not have a usable Credit Score in connection with a purchase transaction or "no cash-out" refinance Mortgage secured by a 1- to 4-unit Primary Residence that is not a super conforming Mortgage, underwriting without credit scores as described in Sections 5202.3 and 5202.5 through 5202.6 is acceptable to evaluate the Borrower's credit reputation.

If no Borrower has a usable Credit Score and an Indicator Score is not required for the Mortgage to be eligible, see Section 5203.2(f) for delivery requirements.

The methods used to obtain, select and identify both Underwriting Scores and Indicator Scores are described in Sections 5203.2(d) and (e).

(a) Types of Credit Scores

Freddie Mac requires the Seller to use a FICO® score, whenever a usable Credit Score is required. FICO scores have different names at each of the three major United States credit reporting companies. All of these scores, however, are developed using the same methods by FICO.

FICO scores are known as:

Credit Reporting Company	FICO Score
Equifax®	Equifax FICO Classic v5
Experian®	Experian/Fair Isaac Risk Model v2
TransUnion®	TransUnion FICO Risk Score 04

Freddie Mac has identified a strong correlation between Mortgage performance and FICO Bureau scores (FICO score). FICO scores range from 300 to 850. The lower the FICO score, the greater the risk of default.

(b) Obtaining FICO scores

FICO scores can be obtained by requesting a credit reporting company (often called a consumer reporting agency, a credit repository or a credit bureau) to provide them as part of the required credit report. The Seller must request FICO scores and accompanying reason codes from at least two of the credit repositories, for each Borrower.

The three credit repositories are:

- Equifax Credit Information Services
- Experian Information Systems and Services
- TransUnion Credit Information Company

The following versions of the FICO score are required for Manually Underwritten Mortgages:

- Equifax FICO Classic v5
- Experian/Fair Isaac Risk Model v2
- TransUnion FICO Risk Score 04

It is unusual for a Borrower who reports credit obligations on the application not to have a FICO score. If no FICO score is received for such a Borrower, the Seller must re-check the information provided when ordering the FICO scores and resubmit a request if an error is identified.

The Seller must obtain FICO scores no more than 120 days prior to, as applicable, the Note Date, the modification date for Seller-Owned Modified Mortgages, the Conversion Date for Seller-Owned Converted Mortgages or assumption agreement date.

For Construction Conversion and Renovation Mortgages, the Seller must obtain FICO scores no more than 120 days prior to the Effective Date of Permanent Financing.

(c) Usable credit/FICO scores

For Manually Underwritten Mortgages, the Seller must determine that each Credit Score (FICO score) received is usable. For a FICO score to be usable it must be based on sufficient, accurate information. Too little information, or information that is significantly inaccurate, makes the FICO score unusable for Mortgage underwriting. This is important both to ensure that the FICO score is adequately indicative of a Borrower's credit reputation and to ensure fairness for Borrowers in using Credit Scores to evaluate their overall credit reputation.

(i) Insufficient information

Although FICO scores may be generated if a repository's file includes only one Tradeline, the Seller must not use any FICO score based on fewer than three Tradelines. This is important both to ensure that the FICO score is adequately indicative of a Borrower's credit reputation and to ensure fairness for Borrowers in using Credit Scores to evaluate their overall credit reputation.

Because a merged credit report or Residential Mortgage Credit Report (RMCR) may show more Tradelines than were included in the particular repository's file used to generate the FICO score, the Seller should request that the credit reporting company indicate on the credit report the number of Tradelines that were used to create each FICO score. Alternatively, the Seller may wish to obtain the in-file report used to create each FICO score and use the in-file report to determine if the FICO score was based on at least three Tradelines.

(ii) Inaccurate information

If the credit reporting company reports that the repository file used to create a FICO score contains inaccurate information about a Borrower's credit history, the Seller must determine if the inaccuracy is significant and, if so, it must disregard that FICO score and explain the decision on Form 1077, Uniform Underwriting and Transmittal Summary, or another document in the Mortgage file. However, minor discrepancies in the balances owed or payment amounts on open accounts belonging to the Borrower are not to be considered significant. FICO scores based on information that includes minor discrepancies must be used to select an Underwriting Score for each Borrower and identify an Indicator Score for the Mortgage.

The Seller must disregard FICO scores based on significant inaccuracies. Significant inaccuracies include:

- Public records information on a bankruptcy, foreclosure, judgment or collection that does not belong to the Borrower
- Delinquencies that are reported in error
- One or more Tradelines that do not belong to the Borrower
- Tradelines for accounts for which the Borrower is not the primary account holder, but is listed as an authorized user (authorized user accounts). However, the Seller does not have to disregard the FICO score if the Seller obtains and retains evidence in the Mortgage file of at least one of the following for each authorized user account:
  - Another Borrower on the Mortgage owns the Tradeline in question
  - The Tradeline is owned by the Borrower's spouse, or
  - The Borrower has been making the payments on the account for the last 12 months

If the Seller is unable to document one of the above three requirements for each authorized user account, the FICO score does not have to be disregarded if the Seller determines that the authorized user accounts have an insignificant impact on the Borrower's overall credit history and the information on the credit report is representative of the Borrower's own credit reputation. The Seller should base its determination on the number of the Borrower's own Tradelines, as well as their age, type, size and the payment history, as compared to the authorized user accounts. The Seller must document its determination on Form 1077 or another document in the Mortgage file.

The Seller must not attempt to adjust the value of a FICO score because some information used to create the score is inaccurate. The Seller may obtain and use a different FICO score from another repository if the score obtained from that repository

was not based on similar inaccurate information. This is important both to ensure that the FICO score is adequately indicative of a Borrower's credit reputation and to ensure fairness for Borrowers in using Credit Scores to evaluate their overall credit reputation.

For each Mortgage that the Seller has determined the inaccurate information is significant, the Mortgage file must contain written documentation from the repository of credit information or the creditor reporting the inaccurate information affirming the errors. In addition, the Seller is strongly encouraged to inform the Borrower that, pursuant to rights granted under the federal Fair Credit Reporting Act, the Borrower has a right to contact both the consumer reporting agency (repository) from which the inaccurate FICO score was obtained and the furnisher of the inaccurate credit information to require the disputed credit information to be reinvestigated and corrected. The requirements of this paragraph do not apply to authorized user accounts.

(d) Identifying the Underwriting Score for each Borrower

To use Credit Scores to underwrite the Borrower's credit reputation, the Seller must select a single FICO score for each qualifying Borrower from the FICO scores that were received and determined to be usable as described above.

To identify the Underwriting Score, the Seller must use the middle/lower method.

- If three usable FICO scores are obtained for a Borrower, the Underwriting Score for that Borrower is the one with the middle value. For example, if the FICO scores are 660, 656, 640, the single FICO score selected by the Seller would be 656. When there is a duplicate score, the Seller would select that score to be the Underwriting Score. If the FICO scores for a Borrower are 660, 660 and 640, the Seller would select 660.

- If two usable FICO scores are obtained for a Borrower, the Underwriting Score for that Borrower is the lower of the two FICO scores

- If only one usable FICO score is obtained for a Borrower, that FICO score is the Underwriting Score

(e) Identifying the Indicator Score for the Mortgage when a minimum Indicator Score is required

When a minimum Indicator Score is required to establish eligibility for the product offering, it must be met or exceeded for the Mortgage to be eligible for delivery to Freddie Mac.

Before the Seller can identify an Indicator Score, the Seller must select a single FICO score for each qualifying Borrower as described above.

If a Borrower has no usable FICO score, so no Underwriting Score can be identified for that Borrower, the Seller may use the Underwriting Scores for the remaining Borrowers to identify the Indicator Score. If no Borrower has a usable FICO score, and an Indicator Score

is required for the Mortgage to be eligible, there can be no Indicator Score for the Mortgage and it is not eligible for sale to Freddie Mac.

The minimum Indicator Score requirements for Mortgages are noted in the individual chapters or sections for the product offerings and in Exhibit 25.

There are three methods of identifying an Indicator Score, as described in more detail below. Freddie Mac:

- Permits the Seller to use any one of three methods
- Prefers the Seller use one method for all their loans
- Recommends the Seller use the middle/lower then lowest method to identify an Indicator Score

(i) Middle/lower then lowest method

To use the middle/lower then lowest method, the Seller must follow the requirements in the Sections 5203.2(a) through 5203.2(d) to find an Underwriting Score for each qualifying Borrower, and then choose the lowest Underwriting Score as the Indicator Score for the Mortgage. If there is only one qualifying Borrower, that Borrower's Underwriting Score is the Indicator Score for the Mortgage.

(ii) Middle/lower then average method

The Seller must follow all of the requirements in Sections 5203.2(a) through 5203.2(d) except the Indicator Score would be the average value of all Underwriting Scores.

(iii) Average/average method

The Seller must follow all of the requirements in Sections 5203.2(a) through 5203.2(d) except that the Underwriting Score for each qualifying Borrower would be the average value calculated from all usable FICO scores received for the Borrower. The Indicator Score is the average value of all Underwriting Scores.

The middle/lower then lowest method is the most predictive of the overall credit reputation of the Mortgage.

(f) Documenting and delivering Underwriting and Indicator Scores

When delivering a Minimum Indicator Score, the Seller must:

- Note the Underwriting Scores, the Indicator Score, and how they were identified, on Form 1077 or another similar document in the Mortgage file

- Retain the source documentation for the Indicator Score in the Mortgage file

The Seller must deliver the Indicator Score in the ULDD Data Point *Loan Level Credit Score Value* and must deliver the ULDD Data Point *Loan Level Credit Score Selection Method Type* as follows:

- "Middle Or Lower Then Lowest," "Middle or Lower Then Average," or "Average Then Average"

- If the Seller enters a usable Credit Score value in the ULDD Data Point *Loan Level Credit Score Value*, then the Seller must enter a Credit Score method of "Middle Or Lower Then Lowest," "Middle or Lower Then Average," or "Average Then Average" in the ULDD Data Point *Loan Level Credit Score Selection Method Type*, as applicable

- If the Seller determines there is no usable Indicator Score in the Mortgage file due to insufficient credit information, the Seller must select the valid value of "Insufficient Credit History" in the ULDD Data Point *Credit Score Impairment Type*, as applicable

- If the Seller determines there is no usable Indicator Score in the Mortgage file due to significant inaccurate credit information, the Seller must select the valid value of "Significant Errors Score" in the ULDD Data Point *Credit Score Impairment Type*, as applicable

If the Seller does not deliver an Indicator Score for Loan Product Advisor Mortgages, the Seller must enter the Key Number (which is referred to as the Loan Prospector® AUS Key Number in Loan Selling Advisor®) in the ULDD Data Point *Automated Underwriting Case Identifier* so that Freddie Mac may use the Indicator Score from the Last Feedback Certificate to determine the Mortgage Indicator Score. If the Seller does not deliver the Key Number, the Mortgage will not qualify as a Loan Product Advisor Mortgage.

(g) Assessment of Credit Fees for Mortgages with certain Indicator Scores

The Base Grid Credit Fees in Price, by Loan Purpose Type, in Exhibit 19, Credit Fees, assume that the middle/lower then lowest method has been used to identify the Mortgage Indicator Score.

The Alt FICO Credit Fee in Price in Exhibit 19 will be assessed when a Base Grid Credit Fee in Price, by Loan Purpose Type, is applicable with a credit fee rate greater than 0% and a method other than the middle/lower then lowest method is used for identifying the Mortgage Indicator Score.

Unless the Mortgage is sold through Cash-Released XChange, for Base Grid Credit Fees in Price, by Loan Purpose Type, in Exhibit 19, applicable to Loan Product Advisor Mortgages, the applicable Credit Fee in Price will be assessed using the loan-to-value (LTV) ratio calculated by Freddie Mac based on data delivered by the Seller and the Indicator Score found on the Last Feedback Certificate.

For Mortgages sold through Cash-Released XChange, the Mortgage will be assessed a Base Grid Credit Fee in Price, by Loan Purpose Type, in Exhibit 19, based on the ULDD Data Point *Loan Level Credit Score Value*.

If the Seller does not deliver an Indicator Score or, in lieu of an Indicator Score, the Key Number, the Mortgage may be assessed the < 640 Base Grid Credit Fee in Price, by Loan Purpose Type, in Exhibit 19.

For Mortgages delivered with no usable Credit Score due to insufficient information or inaccurate information in accordance with Section 5203.2(f), Freddie Mac will not assess the Base Grid Credit Fee in Price, by Loan Purpose Type, in Exhibit 19.

The Seller must refer to Exhibit 19, Credit Fees, for information related to Credit Scores. Credit Fees are paid in accordance with the Credit Fee provisions stated in Chapter 6303.

Chapter 5301: General Requirements for All Stable Monthly Income and Asset Qualification Sources

5301.1: General requirements for all stable monthly income (10/02/24)

(a) Analysis of stable monthly income amount

The analysis, verification, calculation and determination of the stable monthly income amount is integral to the overall qualification of the Borrower and determination of the Borrower's capacity to repay the Mortgage and other monthly obligations.

Topic 5300 provides requirements and guidance for the determination of stable monthly income. The Seller must determine when additional analysis and documentation is needed to support the determination of stable and consistent monthly income.

If the Borrower is obligated to pay alimony and has more than 10 months remaining, the amount of the monthly alimony payment must be deducted from the stable monthly income. See Section 5401.2(b)(3).

(b) General requirements for all stable monthly income

Stable monthly income is the Borrower's verified gross monthly income from all acceptable and verifiable sources that can reasonably be expected to continue for at least the next three years. For each income source used to qualify the Borrower, the Seller must determine that both the source and the amount of the income are stable, with a consistent level of earnings. Income that is paid to the Borrower in cryptocurrency may not be used for qualification.

Regardless of the underwriting path, the income used to qualify the Borrower (whether or not specifically addressed in Topic 5300) and the documentation in the Mortgage file must be evaluated for stable monthly income qualification requirements and must meet the requirements of Topic 5300. Income that does not meet these requirements or is not calculated correctly may invalidate the Loan Product Advisor Risk Class on the Feedback Certificate.

The Seller must include a written analysis of the income and amount in the Mortgage file. A written analysis includes topics such as:

- The calculation used to determine the qualifying income, unless it can be clearly derived from documentation in the Mortgage file (e.g., Social Security pre-determined payment amounts, annual salary); and

- The rationale for determining that the source and the amount of the income are stable, including any rationale applicable to the stability, history, calculation and continuance of the income

In addition, all documentation used to establish stable monthly income must be retained in the Mortgage file.

(c) Income stability and history requirements

The Seller must consider the length of history of the income and whether the earnings have been level and consistent. When evaluating stability of income based upon historical receipt, additional layering of risk may be present depending upon the degree of income fluctuation. As a result, the Seller must determine when additional documentation (e.g., an additional year of earnings history) is necessary to support income stability.

In most instances, a two-year history of receiving a consistent level of income is required in order for the income to be considered stable and used for qualifying. While the source of income may vary, the Borrower must have a consistent level of income despite changes in the sources of income.

(d) Continuance

For all income used to qualify the Borrower, the Seller must determine whether the income is reasonably expected to continue. This determination must focus on the Borrower's past employment/self-employment history, history of receipt of other income and the probability of continued consistent receipt of the income used to qualify the Borrower. At a minimum, the Seller must base the determination on the requirements of Topic 5300, and any other documentation contained in the Mortgage file. Additional documentation may be required, as described in Section 5302.1.

The Seller may consider all income for qualifying the Borrower, provided the Seller does not have knowledge, information or documentation that contradicts a reasonable expectation of continuance or probability of consistent receipt over at least the next three years.

Continuance of income is categorized as follows:

- Income and earnings types typically without documentable continuance (likely to continue) (**Chart A**)

- Income types with documentable continuance (**Chart B**)

- Income types that may or may not have documentable continuance, depending upon the source (e.g., government program, private insurer) and terms of the specific income type (e.g., retirement, long-term disability) (**Chart C**)

Chart A: **Income and earnings types typically without documentable continuance**	
For earnings and income types that typically do not have documentable continuance, the Seller is not required to obtain documentation to verify income continuance, absent any knowledge or information that the income is no longer being received or is likely to cease. However, when the Seller has knowledge or information that the income may not be reasonably expected to continue, the Seller must conduct additional evaluation and/or obtain documentation in order to determine if the income can be used. For example, if a Borrower has been receiving additional fluctuating employment earnings such as overtime or bonus, but the Seller has information or documentation evidencing that the income is already discontinued or will be discontinued due to the completion of a project or termination of a bonus program, the "likely to continue" requirement would not be met and the income cannot be used for qualification purposes.	
Earnings types and income types	**Continuance requirements**
Base non-fluctuating employment earnings	**Income must be likely to continue for at least the next three years.** The Seller is not required to obtain documentation to verify income continuance, absent any knowledge, information or documentation that the income is no longer being received or is likely to cease.
Base fluctuating hourly employment earnings	
Commission income	
Bonus income	
Overtime income	
Restricted stock and restricted stock units subject to performance-based vesting provisions	
Tip income	
Automobile allowance	
Military entitlements	
Military Reserve or National Guard	
Unemployment (associated with seasonal employment)	

Chart A: **Income and earnings types typically without documentable continuance**	
Self-employment income	
Royalty payments (two-year history)	
Foster-care income	
Housing or parsonage allowance	The Seller is not expected or required to obtain documentation to verify income continuance, absent any knowledge, information or documentation that the income is likely to cease.
Mortgage Credit Certificate	
Rental income	
Tax-exempt income	

Chart B: **Income types with documentable continuance**	
For income types with documentable continuance, the documentation requirements for each individual income type listed within Topic 5300 provide the minimum documentation required in order for the Seller to verify income continuance for at least three years. Highlights of the requirements from the individual income types are provided for illustrative purposes only.	
Income types	**Continuance requirement highlights**
Mortgage differential	Document duration of payments (Refer to Sections 5303.1, 5305.1 and 5305.2)
Notes receivable	
Royalty payments (one-year history)	
Restricted stock and restricted stock units subject to time-based vesting provisions	
Trust income (fixed payment)	

Chart B: **Income types with documentable continuance**	
Alimony, child support and/or separate maintenance	Document duration of obligation (Refer to Sections 5305.1 and 5305.2)
Homeownership Voucher Program (HOV)	Document duration of HOV term limit for assistance (Refer to Sections 5305.1 and 5305.2)
Dividend and interest	Document sufficient assets (Refer to Sections 5305.1 and 5305.2)
Capital gains	
Trust income (fluctuating payments)	
Retirement account distributions as income	

Chart C: **Income types that may or may not have documentable continuance**
Certain income types are comprised of multiple income sources, each of which may have specific requirements with respect to continuance, whether defined or undefined. For this reason, this grouping of income types may or may not have documentable continuance. For example, if the source of retirement income is Social Security retirement benefits, no additional documentation of continuance is required; however, if the source is a retirement annuity from an insurance company, there will generally be a defined term in which case continuance must be documented. Highlights of the requirements from the individual income topics are provided for illustrative purposes only.

Chart C: **Income types that may or may not have documentable continuance**	
Income types	**Continuance requirement highlights**
Retirement income[(b)] (e.g., Social Security, defined benefit pension, annuity, other similar benefits)	Sellers must be knowledgeable about the source of the specific income type in order to determine whether or not documentable continuance is applicable. This includes, but is not limited to, knowledge of factors with respect to whether the payments are received pursuant to a written agreement, government program, law and/or regulation, as well as the applicable eligibility criteria governing the continued receipt of the income. [(a)] Pending or current re-evaluation of medical eligibility for insurance and/or benefit payments is not considered an indication that the insurance and/or benefit payment will not continue. [(b)] Refer to Section 5305.1 for general requirements for these income types and Section 5305.2 for topic-specific requirements for these income types.
Survivor and dependent benefits[(b)] (e.g., Social Security Survivor Benefits, Survivors' Department of Veterans Affairs (VA) benefits, other similar benefits)	
Long-term disability income[(a), (b)] (e.g., Social Security disability benefits, VA disability compensation, worker's compensation, private disability insurance)	
Social Security Supplemental Security Income (SSI) [(a), (b)]	
Public assistance income[(b)] (e.g., Temporary Assistance for Needy Families (TANF))	

5301.2: General requirements for all stable monthly asset qualification sources (10/02/24)

In addition to the income sources described above, asset qualification sources that meet the requirements of Topic 5300, including Chapter 5307, may also be used to qualify the Borrower for the Mortgage. For each asset qualification source used to qualify the Borrower, the Seller must determine that both the source of the asset and the amount of the asset source used to qualify the Borrower are reasonable and stable.

Regardless of the underwriting path, the asset qualification sources used to qualify the Borrower and the documentation in the Mortgage file must be evaluated for stable monthly asset

qualification requirements. Asset qualification sources that do not meet these requirements or are not calculated correctly may invalidate the Loan Product Advisor Risk Class on the Feedback Certificate.

The Seller must include a written analysis of the asset qualification source and amount in the Mortgage file. In addition, all documentation used to establish stable monthly asset qualification must be retained in the Mortgage file.

5301.3: Note Date references (10/02/24)

For the purposes of Topic 5300, all references to the Note Date refer to the modification date for Seller-Owned Modified Mortgages, the Conversion Date for Seller-Owned Converted Mortgages, the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages, or the assumption agreement date, as applicable.

Chapter 5302: General Requirements for Documentation Used to Verify Employment and Income

5302.1: Introduction to documentation requirements (10/02/24)

For all income and each qualification source used to qualify the Borrower, the Seller must obtain the required documentation and verifications, as listed in the respective income sections of Topic 5300. Additional documentation may be necessary to evaluate, justify and explain the qualification of the Borrower. This includes scenarios in which the Seller has knowledge that the documentation originally provided by the Borrower may not be reflective of the Borrower's current level of income, even though it meets the age of documentation requirements. For example, a more recent paystub may be necessary if the Borrower's industry was impacted by economic conditions or wide-spread business closures after the original paystub was provided, potentially affecting hours worked and income received. All documentation must be maintained in the Mortgage file.

The documentation requirements are the same for both Streamlined Accept and Standard Documentation.

For information about general requirements for verifying documents and age of documentation, refer to:

- Section 5102.3 for general requirements for verifying documents
- Section 5102.4 for age of documentation requirements

5302.2: Employed income documentation and verification requirements (10/14/24)

This section contains income documentation and verification requirements for the following subjects:

- Year-to-date (YTD) paystubs
- W-2 forms
- Written verification of employment (VOE)

- 10-day pre-closing verification (10-day PCV)

(a) YTD paystub(s)

The following chart contains requirements and guidance pertaining to YTD paystubs:

Subject	Requirements
YTD paystubs	The YTD paystub(s) must enable the Seller to determine and support the stable monthly income used for qualification. At a minimum, the paystub must: ■ Be dated no more than 30 days before the Application Received Date in addition to complying with the age of documentation requirements in Section 5102.4 ■ Clearly identify the employer's name, the Borrower as the employee and the date issued ■ Show the time period covered, the current pay period dates and earnings, and the complete YTD earnings **YTD paystubs with less than the required information** When the YTD paystub does not contain the required information (e.g., paystubs that are handwritten or typed by the employer and do not contain YTD earnings), the Seller must verify the required information by obtaining additional documentation (e.g., written VOE, a review of payroll deposits on bank statements).

(b) W-2 forms

W-2 form(s) must be the complete Internal Revenue Service (IRS) Form W-2 distributed by the employer issued for the preceding tax year(s).

The following documentation may be used in lieu of the W-2 form:

Subject	Requirements
Year-end YTD paystub or military Leave and Earnings Statement	The year-end YTD paystub(s) or military Leave and Earnings Statement may be used in lieu of the W-2 form(s) provided the documentation reflects the complete income earned in the previous calendar year
W-2 transcript for all income and earnings	The W-2 transcript(s) may be used in lieu of the W-2 form(s) provided the transcript reflects the complete

types	income earned in the previous calendar year

(c) Written VOE

All written VOEs must contain the following information:

- Signature, printed name, title and contact information (e.g., phone number) of the authorized employer representative who verified the information and the date completed
- Borrower's name and employer's name and address

If the employer provides additional information, such as the probability of continued employment and/or income, or comments, the Seller must consider the information with the income and employment analysis.

Refer to Section 5102.3 for additional information about verifying documents.

The following chart contains additional requirements pertaining to written VOEs:

Subject	Requirements
Current employment and income	■ Date employment began ■ Current position ■ Gross base non-fluctuating earnings per pay period (e.g., monthly, bi-weekly) ■ Fluctuating hourly earnings and rate of hourly pay ■ Year-to-date earnings with paid through date ■ Earnings from either the most recent one or two-year calendar period, in accordance with the requirements in Chapter 5303 ■ Earnings (e.g., base non-fluctuating, fluctuating hourly, bonus, overtime, tips, commissions) must be split into separate categories for both YTD and prior year(s) earnings
Current military active-duty employment base (basic) pay and entitlement income	■ Date employment began ■ Current position ■ Base (basic) monthly pay ■ Current monthly entitlement income (e.g., rations, clothing, quarters) ■ Year-to-date earnings with paid through date

Subject	Requirements
	■ Earnings from most recent one-year calendar period
Current military Reserve or National Guard income	■ Date employment began ■ Current position ■ Year-to-date earnings with paid through date ■ Earnings from most recent one-year calendar period
Previous employment and income	■ Date employment began ■ Date employment concluded ■ Position held ■ Gross earnings amount

(d) 10-day PCV

Verification of the Borrower's current employment (10-day PCV) must be obtained in accordance with the requirements of this section. Refer to 5303.1(c), 5303.1(d) and 5303.2 for additional information about when a 10-day PCV is required.

The 10-day PCV, when required, must either be obtained no more than 10 Business Days prior to the Note Date, or after the Note Date but prior to the Delivery Date.

The following chart contains requirements for eligible 10-day PCV types:

10-day PCV types	Requirements
Verbal verification of employment (verbal VOE)	The Mortgage file must include Form 90, Verbal Verification of Employment, or a similar written document that includes all of the following: ■ Name of the Borrower, employer's name, name and title of the individual contacted at employer, date of contact, and the phone number used to contact the employer ■ Name of the third-party source used to obtain the phone number for the employer (e.g., phone directory, reliable internet source, directory assistance, etc.) ■ Borrower's current employment status ■ Any additional information that was verified ■ Name, title and employer of the representative who contacted the Borrower's employer and completed the Verbal VOE

10-day PCV types	Requirements
E-mail verification of employment (e-mail VOE)	The Mortgage file must include an e-mail exchange with the Borrower's employer from the independently obtained employer's work e-mail address that, at a minimum, includes all of the following: ■ Borrower's name and employer's name ■ Name and title of the individual contacted at the employer, date of contact and the individual's work e-mail address ■ Borrower's current employment status In addition, the Mortgage file must include: ■ Information about the third-party source used to obtain the employer's e-mail (e.g., a reliable internet source), and ■ Name, title and employer of the representative who contacted the Borrower's employer and obtained the e-mail verification
Employment commencing after the Note Date (refer to Section 5303.2)	In addition to the verbal or e-mail VOE requirements above, for employment commencing after the Note Date (refer to Section 5303.2), the Seller must confirm and include on the verbal or e-mail VOE document that the terms reflected on the non-contingent offer letter or employment contract accepted by the Borrower have not changed since the acceptance date, including employment start date, base non-fluctuating salary and any other relevant income or employment information used to qualify the Borrower.
Written VOE	A written VOE verifying the current employment status of the Borrower in accordance with the requirements of Section 5302.2(c)
YTD paystub	A YTD paystub that: ■ Is from the pay period immediately preceding the Note Date, and ■ Has the "paid through" date no more than 15 Business Days before the Note Date
Military Leave and Earnings Statement	A military Leave and Earnings Statement dated no more than 120 days prior to the Note Date
Third-party employment	Refer to Section 5302.3 for third-party verification requirements.

10-day PCV types	Requirements
verification service provider – electronically generated	
Automated employment assessment with Loan Product Advisor®	Refer to Chapter 5905 for requirements.

5302.3: Third-party verification service providers: employment and income verifications (10/02/24)

Employment, income and 10-day pre-closing verifications obtained through third-party verification service providers are acceptable, provided that the following qualifications are met:

- The verifications must be received by the originator directly from the third-party verification service provider
- If any required information is missing, the Seller must obtain additional documentation to supplement the third-party verification
- The Seller is responsible for ensuring the accuracy and integrity of the information provided by the third-party verification service providers
- The Seller must verify that all third-party verification service providers have procedures to comply with quality control requests for reverification from Freddie Mac, the Seller and/or Servicer

(a) Employment and income verifications

A copy of the verification must be retained in the Mortgage file and must meet the following requirements:

- Employment and income verifications must contain sufficient information to determine stable monthly income in accordance with the requirements of Topic 5300
- If the verification is completed using employment and/or income information from an electronic database, the verification must evidence that the information in the database is no more than 35 days old

Refer to Section 5102.4 for more information about the age of documentation requirements.

In lieu of the requirements of this section, for Mortgages using automated income assessment with Loan Product Advisor® using employed income data that receive a Risk Class of Accept and are underwritten using income types that are eligible for representation and warranty relief as described in Section 5901.5(a), see Section 5901.3 for requirements pertaining to third-party verification service providers and income verifications from third-party verification service providers.

In lieu of the requirements of this section, for Mortgages using automated income assessment with Loan Product Advisor using account data that receive a Risk Class of Accept and are underwritten using income types that are eligible for representation and warranty relief as described in Section 5904.5(a), see Section 5904.3 for requirements pertaining to third-party service providers and the verification reports.

(b) 10-day pre-closing verifications (10-day PCV)

Verification of the Borrower's current employment (10-day PCV) must be obtained in accordance with the requirements of this section. Refer to Sections 5303.1(c), 5303.1(d) and 5303.2 for additional information about when a 10-day PCV is required.

The 10-day PCV, when required, must either be obtained no more than 10 Business Days prior to the Note Date, or after the Note Date but prior to the Delivery Date.

Employment information must be verified and documented by the third-party verification service provider directly through the electronic database of the employer or the employer's third-party payroll services provider and must contain the following information:

- Name of Borrower
- Name of employer
- Borrower's current employment status
- Any additional information that was verified
- Date employment information was issued from the employer to the third-party verification services provider (e.g., effective date, current as of date)
- Date verification was issued to the Seller by third-party verification services provider

The form used by the third-party verification services provider must contain the name and contact information of the provider.

5302.4: Tax returns and tax return information: Documentation and verification requirements (10/02/24)

This section contains requirements for the following topics:

- Tax return requirements (Section 5302.4(a))
- Age of tax return requirements (Section 5302.4(b))
- Internal Revenue Service (IRS) tax transcripts (Section 5302.4(c))
- When tax returns are required (Section 5302.4(d))
- Unreimbursed employee expenses reported on tax returns (Section 5302.4(e))

Under certain circumstances, the Taxpayer First Act requires that the taxpayer's consent be obtained prior to the use and disclosure of the taxpayer's tax return or tax return information to a third party. If taxpayer consent is required under the Act, Sellers must ensure that the form of consent obtained from the taxpayer permits the use and sharing of the tax return or tax return information with and by any actual or potential owners of the Mortgage, as well as their service providers, successors and assigns. The signed consent form must be obtained in a timely manner and placed in the Mortgage file. See Section 3301.11.

(a) Tax return requirements

Tax returns must be:

- The Borrower's signed copy of the U.S. federal income tax return(s) that were most recently filed with the Internal Revenue Service (IRS)
- A complete tax return, including all applicable schedules and forms (which includes all W-2s, K-1s and 1099s)

The following are acceptable alternatives for the Borrower's signature on the tax return(s):

- Evidence the tax returns were filed electronically (e.g., signed Form 8879, IRS e-file Signature Authorization or equivalent), or
- Tax transcripts that validate the information on the unsigned tax returns, or
- A completed IRS Form 4506-C signed by the Borrower, or alternate form acceptable to the IRS that authorizes the release of comparable tax information to a third party

(b) Age of tax return requirements

The most recent federal income tax return is the last tax return, individual and/or business, that was filed with the IRS by the Borrower and, if applicable, the Borrower's business. Sellers are encouraged to always confirm with the Borrower that the tax returns provided are the tax returns most recently filed with the IRS.

The Seller must determine the stable monthly income which may require additional documentation and analysis. Refer to Section 5304.1(d) for additional guidance about self-employed income when the tax returns for the most recent calendar year are not yet available.

At a minimum, the following date and documentation requirements must be met, based on the Application Received Date and the Note Date for the Mortgage:

(i) For Mortgages with Note Dates on or after November 1, 2023

<table>
<tr><th>Application Received Date</th><th>Note Date</th><th>Age of tax return and other documentation requirements</th></tr>
<tr><td>Before:
April 15, 2024</td><td>On or after:
November 1, 2023
Before:
May 31, 2024</td><td>■ Most recent federal income tax return(s) filed with the IRS
■ The most recent tax return(s) must be no older than 2022</td></tr>
<tr><td>On or after:
April 15, 2024</td><td>Before:
May 31, 2024</td><td rowspan="2">If the Borrower has not filed the 2023 tax return(s) with the IRS:
■ The most recent tax returns must be no older than 2022
■ The Seller must obtain:
❑ IRS confirmation verifying tax transcript(s) are not yet available for the tax return(s) (individual, and business, if applicable) from the 2023 tax year[1,2]; and
❑ Evidence of completed IRS tax filing extension(s) for the 2023 tax year (e.g., if using IRS tax extension forms to evidence tax filing extension, include IRS Form(s) 4868 and/or 7004, as applicable)[3];</td></tr>
<tr><td>All</td><td>On or after:
May 31, 2024
Before:
November 1, 2024</td></tr>
<tr><td>All</td><td>On or after:
November 1, 2024</td><td>■ The most recent tax return(s) must be no older than 2023, regardless of other factors such as tax filing extension status or IRS tax filing deadline relief status</td></tr>
</table>

[1] If the IRS extends the tax filing due date, the IRS confirmation is required for Mortgages with Application Received Dates on or after the IRS income tax filing due date, or May 31, 2024, whichever occurs first; and Note Dates on or after the last day of the month following the IRS income tax filing due date, or June 30, 2024, whichever occurs first.

[2] Alternative documentation is acceptable in lieu of the IRS confirmation that tax transcript(s) are not yet available for the business tax return(s), as follows:

- Confirmation business tax returns were filed after IRS filing due date for the prior year(s) (e.g., 2022 business tax return in file was signed later in the year (e.g., October)) or documentation from third-party tax return preparer confirming 2023 business return has not yet been filed; and
- Documented evidence of continued income stability using at least one of the examples listed in Section 5304.1(d) in the row labeled "Business and/or individual tax return(s) - most recent calendar year not yet available"

[3] If the IRS extends the tax filing due date, evidence of the completed IRS tax filing extension is required for Mortgages with Application Received Dates on or after the IRS income tax filing due date and Note Dates on or after the last day of the month following the IRS income tax filing due date.

For Mortgages using automated income assessment with Loan Product Advisor® using tax data, see Section 5903.6 for age of tax return requirements.

(ii) For Mortgages with Note Dates before November 1, 2023 and Settlement Dates on or after February 7, 2024

Apply the age of tax return and other documentation requirements as shown in the table in Section 5302.4(b)(i); however, the prior calendar year may replace the calendar year shown in the table.

For Mortgages using automated income assessment with Loan Product Advisor using tax data, see Section 5903.6 for age of tax return requirements.

(c) IRS tax transcripts

If a tax transcript is obtained and contains information sufficient to meet verification requirements in Topic 5300, it may be used in lieu of other required documentation (e.g., IRS Form W-2); however, the information provided on the tax transcript often lacks certain information needed to fully evaluate the stable monthly income.

For example, individual rental property data, partnership and S corporation information is not clearly delineated in the tax transcripts. Conversely, the sole proprietorship information for Schedule C that is contained in a tax transcript may be an effective documentation alternative when reviewing the impact of a business loss incurred by self-employment. Refer to Section 5304.1(e) for additional information.

IRS confirmation verifying transcripts are not yet available for the prior calendar year are always recommended, and in certain instances are required. Refer to Section 5302.4(b) for additional information about age of tax return requirements.

(d) When tax returns are required

The Seller must obtain the Borrower's most recent federal income tax return(s) for certain types of income and/or employment characteristics if using the income to qualify the Borrower. Links to the topic specific requirements are provided in the chart below.

Income types and/or employment characteristics	Location
Tip income – Cash and charge tips reported on IRS Form 4137	Section 5303.1(d)(ii)
Income from employment by a family member, property seller, broker or other interested party to the transaction	Section 5303.1(e)
Employed income from a foreign source	Section 5303.1(e)
Income reported on IRS Form 1099	Section 5303.1(e), Chapter 5304
Self-employed income	Chapter 5304
Dividend and interest income	Section 5305.2
Capital gains income	Section 5305.2
Royalty payments	Section 5305.2
Trust income	Section 5305.2
Non-employment/non-self-employment income from a foreign source	Section 5305.2
Tax-exempt income (optional)	Section 5305.2
Rental income	Chapter 5306

(e) Unreimbursed employee expenses reported on tax returns

Unreimbursed employee expenses reported on the Borrower's federal individual income tax returns are not required to be deducted from the Borrower's income.

5302.4: Tax returns and tax return information: Documentation and verification requirements (Future effective date 11/08/24)

This section contains requirements for the following topics:

- Tax return requirements (Section 5302.4(a))
- Age of tax return requirements (Section 5302.4(b))

- Internal Revenue Service (IRS) tax transcripts (Section 5302.4(c))
- When tax returns are required (Section 5302.4(d))
- Unreimbursed employee expenses reported on tax returns (Section 5302.4(e))

Under certain circumstances, the Taxpayer First Act requires that the taxpayer's consent be obtained prior to the use and disclosure of the taxpayer's tax return or tax return information to a third party. If taxpayer consent is required under the Act, Sellers must ensure that the form of consent obtained from the taxpayer permits the use and sharing of the tax return or tax return information with and by any actual or potential owners of the Mortgage, as well as their service providers, successors and assigns. The signed consent form must be obtained in a timely manner and placed in the Mortgage file. See Section 3301.11.

(a) Tax return requirements

Tax returns must be:

- The Borrower's signed copy of the U.S. federal income tax return(s) that were most recently filed with the Internal Revenue Service (IRS)
- A complete tax return, including all applicable schedules and forms (which includes all W-2s, K-1s and 1099s)

The following are acceptable alternatives for the Borrower's signature on the tax return(s):

- Evidence the tax returns were filed electronically (e.g., signed Form 8879, IRS e-file Signature Authorization or equivalent), or
- Tax transcripts that validate the information on the unsigned tax returns, or
- A completed IRS Form 4506-C signed by the Borrower, or alternate form acceptable to the IRS that authorizes the release of comparable tax information to a third party

(b) Age of tax return requirements

The most recent federal income tax return is the last tax return, individual and/or business, that was filed with the IRS by the Borrower and, if applicable, the Borrower's business. Sellers are encouraged to always confirm with the Borrower that the tax returns provided are the tax returns most recently filed with the IRS.

The Seller must determine the stable monthly income which may require additional documentation and analysis. Refer to Section 5304.1(g) for additional guidance about self-employed income and supporting documentation when the tax returns for the most recent calendar year are not yet available.

At a minimum, the following date and documentation requirements must be met, based on the Application Received Date and the Note Date for the Mortgage:

(i) For Mortgages with Note Dates on or after November 1, 2023

<table>
<tr><th>Application Received Date</th><th>Note Date</th><th>Age of tax return and other documentation requirements</th></tr>
<tr><td>Before:
April 15, 2024</td><td>On or after:
November 1, 2023
Before:
May 31, 2024</td><td>■ Most recent federal income tax return(s) filed with the IRS
■ The most recent tax return(s) must be no older than 2022</td></tr>
<tr><td>On or after:
April 15, 2024</td><td>Before:
May 31, 2024</td><td rowspan="2">If the Borrower has not filed the 2023 tax return(s) with the IRS:
■ The most recent tax returns must be no older than 2022
■ The Seller must obtain:
❑ IRS confirmation verifying tax transcript(s) are not yet available for the tax return(s) (individual, and business, if applicable) from the 2023 tax year[1,2]; and
❑ Evidence of completed IRS tax filing extension(s) for the 2023 tax year (e.g., if using IRS tax extension forms to evidence tax filing extension, include IRS Form(s) 4868 and/or 7004, as applicable)[3];</td></tr>
<tr><td>All</td><td>On or after:
May 31, 2024
Before:
November 1, 2024</td></tr>
<tr><td>All</td><td>On or after:
November 1, 2024</td><td>■ The most recent tax return(s) must be no older than 2023, regardless of other factors such as tax filing extension status or IRS tax filing deadline relief status</td></tr>
</table>

[1] If the IRS extends the tax filing due date, the IRS confirmation is required for Mortgages with Application Received Dates on or after the IRS income tax filing due date, or May 31, 2024, whichever occurs first; and Note Dates on or after the last day of the month following the IRS income tax filing due date, or June 30, 2024, whichever occurs first.

[2] Alternative documentation is acceptable in lieu of the IRS confirmation that tax transcript(s) are not yet available for the business tax return(s), as follows:

- Confirmation business tax returns were filed after IRS filing due date for the prior year(s) (e.g., 2022 business tax return in file was signed later in the year (e.g., October)) or documentation from third-party tax return preparer confirming 2023 business return has not yet been filed; and
- Documented evidence of continued income stability using at least one of the examples listed in Section 5304.1(g) in the row labeled "Business and/or individual tax return(s) - most recent calendar year not yet available"

[3] If the IRS extends the tax filing due date, evidence of the completed IRS tax filing extension is required for Mortgages with Application Received Dates on or after the IRS income tax filing due date and Note Dates on or after the last day of the month following the IRS income tax filing due date.

For Mortgages using automated income assessment with Loan Product Advisor® using tax data, see Section 5903.6 for age of tax return requirements.

(ii) For Mortgages with Note Dates before November 1, 2023 and Settlement Dates on or after February 7, 2024

Apply the age of tax return and other documentation requirements as shown in the table in Section 5302.4(b)(i); however, the prior calendar year may replace the calendar year shown in the table.

For Mortgages using automated income assessment with Loan Product Advisor using tax data, see Section 5903.6 for age of tax return requirements.

(c) IRS tax transcripts

If a tax transcript is obtained and contains information sufficient to meet verification requirements in Topic 5300, it may be used in lieu of other required documentation (e.g., IRS Form W-2); however, the information provided on the tax transcript often lacks certain information needed to fully evaluate the stable monthly income.

For example, individual rental property data, partnership and S corporation information is not clearly delineated in the tax transcripts. Conversely, the sole proprietorship information for Schedule C that is contained in a tax transcript may be an effective documentation alternative when reviewing the impact of a business loss incurred by self-employment.

IRS confirmation verifying transcripts are not yet available for the prior calendar year are always recommended, and in certain instances are required. Refer to Section 5302.4(b) for additional information about age of tax return requirements.

(d) When tax returns are required

The Seller must obtain the Borrower's most recent federal income tax return(s) for certain types of income and/or employment characteristics if using the income to qualify the Borrower. Links to the topic specific requirements are provided in the chart below.

Income types and/or employment characteristics	Location
Tip income – Cash and charge tips reported on IRS Form 4137	Section 5303.1(d)(ii)
Income from employment by a family member, property seller, broker or other interested party to the transaction	Section 5303.1(e)
Employed income from a foreign source	Section 5303.1(e)
Income reported on IRS Form 1099	Section 5303.1(e), Chapter 5304

Income types and/or employment characteristics	Location
Self-employed income	Chapter 5304
Dividend and interest income	Section 5305.2
Capital gains income	Section 5305.2
Royalty payments	Section 5305.2
Trust income	Section 5305.2
Non-employment/non-self-employment income from a foreign source	Section 5305.2
Tax-exempt income (optional)	Section 5305.2
Rental income	Chapter 5306

(e) Unreimbursed employee expenses reported on tax returns

Unreimbursed employee expenses reported on the Borrower's federal individual income tax returns are not required to be deducted from the Borrower's income.

5302.5: IRS Form 4506-C requirements for all income and asset qualification sources (05/01/24)

All Borrowers, whose income is used to qualify or whose assets are used as a basis for repayment of obligations in accordance with the requirements in Section 5307.1, are required to sign Internal Revenue Service (IRS) Form 4506-C or an alternate form acceptable to the IRS that authorizes the release of comparable tax information to a third party (e.g., IRS Form 8821). The Form 4506-C must be signed no later than the Note Date and must be retained in the Mortgage file.

If submitting the Form 4506-C to the IRS, the Seller must ensure that the IRS receives the form prior to the form's expiration date. The Seller must retain the tax documentation received back from the IRS in the Mortgage file.

For Borrowers with income that is derived from sources in Puerto Rico, Guam or the U.S. Virgin Islands that are exempt from federal income taxation under the Internal Revenue Code, the above requirements apply, except as follows:

- In lieu of a Form 4506-C, Borrowers with income that is derived from sources in Puerto Rico must sign the most recent version of Commonwealth of Puerto Rico Form 2907 titled

"Request For Copy of the Return, Estate or Gift Certificate of Release" (Modelo SC 2907 "Solicitud De Copia De Planilla, Relevo De Herencia Y De Donacion") for submission to the Puerto Rico Department of the Treasury, Internal Revenue Area

- Borrowers with income that is derived from sources in Guam or the U.S. Virgin Islands must sign the Form 4506-C (or an alternate form that authorizes the release of comparable tax information to a third party) for submission to the Guam Department of Taxation and Revenue or Virgin Islands Bureau of Internal Revenue, as applicable

For Mortgages using automated income assessment with Loan Product Advisor® using employed income data that receive a Risk Class of Accept and are underwritten using income types that are eligible for representation and warranty relief as described in Section 5901.5(a), see Section 5901.5(b) for requirements pertaining to IRS Form 4506-C.

For Mortgages using automated income assessment with Loan Product Advisor using account data that receive a Risk Class of Accept and are underwritten using income types that are eligible for representation and warranty relief as described in Section 5904.5(a), see Section 5904.5(b) for requirements pertaining to IRS Form 4506-C.

Chapter 5303: Employed Income

5303.1: Employed income (10/02/24)

This section contains requirements and guidance related to:

- Requirements for all employed income
- Employment history requirements
- Non-fluctuating employment earnings (base, entitlements, military reserve, National Guard)
- Fluctuating employment earnings (base fluctuating hourly earnings, additional fluctuating earnings)
- Employment/income characteristics – requirements and guidance

(a) Requirements for all employed income

All employed income used for qualifying must meet the requirements and guidance of this chapter and Section 5301.1 for all stable monthly income.

(i) Stability and continuance of income

The Seller must determine that the amount of income used to qualify the Borrower is stable and complies with the requirements for each income type. All income must be expected to continue or have documented continuance for at least three years as described in this chapter. The Seller must analyze all income documentation while taking into consideration the characteristics of the employed income (e.g., employment source, income type and stability of the employment history, including any gaps in employment).

A Borrower who has had different types of employment in the past may be considered to have stable income if the income amount has remained at a consistent level. When evaluating a Borrower who has frequently changed jobs, the Seller must focus on whether the changes have affected the Borrower's ability to pay their obligations.

(ii) Primary and secondary employment types

Primary employment is the primary source of the Borrower's employed income whether derived from employment such as full-time employment, part-time employment, and/or seasonal employment.

Secondary employment is any type of employment (e.g., second part-time job or multiple jobs) that is in addition to the Borrower's primary employment.

(b) Employment history requirements

(i) Primary employment

In most instances, the Borrower should have at least a two-year history of primary employment documented on Form 65, Uniform Residential Loan Application, and verified in accordance with Topic 5300.

For Borrowers who are active-duty members of the U.S. Armed Forces, a history of military employment is not required for the employment to be considered stable.

Tenure with the same employer or in a similar industry lends support to the analysis of employment stability.

When a Borrower has less than a two-year history of primary employment, the Seller must provide its justification for determining that the employment is stable, taking into consideration factors such as income and/or employment characteristics and the overall layering of risk factors, including the Borrower's demonstrated ability to repay obligations.

Examples that may support less than a two-year history:

- **Example 1:** For a Borrower returning to the workforce after a period of extended absence, for any reason, documentation is provided to support a stable employment history that directly preceded the extended absence

- **Example 2:** For a Borrower new to the workforce, documentation is provided that supports the Borrower's recent attendance at school or in a training program prior to their current employment

For additional minimum history requirements for base fluctuating hourly earnings, refer to the history requirements in Section 5303.1(d), below.

(ii) Secondary employment

In most instances, the Borrower should have at least a two-year history of secondary employment for the employment to be considered stable. When a Borrower has less than a two-year secondary employment history but has at least a 12-month history, the Seller may be able to justify and determine the employment is stable.

Examples that may support less than a two-year history:

- **Example 1:** The Borrower previously held a job with base non-fluctuating earnings working 40 hours per week for multiple years; however, due to reasons such as position elimination, work force reduction, or illness, the Borrower is no longer employed at this job and now works at multiple part-time jobs that are similar in hours and pay, when combined, to the previous full-time job. Since the Borrower's full-time employment ended 18 months ago, the length of employment at each part-time job is in the range of 13 to 15 months. In this scenario, the Seller may be able to justify an employment history of less than two years for the secondary and additional jobs provided the earnings are consistent and the Borrower has exhibited the ability to repay obligations.

- **Example 2:** The Borrower is employed as a school teacher. During the previous summer, the Borrower taught summer school and is now starting summer school teaching for the current year. Although the two-year history is not yet fully developed, given the job type and current employment situation, the Seller may be able to justify including the summer school income, provided an accurate qualifying amount can be established and documented based on the previous and current earnings. Additional documentation to determine the stable monthly income may be appropriate (e.g., how many classes, how much, is it similar to prior year).

(c) Non-fluctuating employment earnings (base, military, additional fixed earnings)

History, continuance, calculation and documentation requirements for non-fluctuating employment earnings are outlined in the tables below. Additional documentation may be required to determine the stable monthly income amount. Refer to Section 5303.1(e) for additional documentation that may be required based on employment characteristics.

(i) Base non-fluctuating employment earnings

Earnings type description: Base non-fluctuating employment earnings are considered to be earnings with a pre-determined and agreed upon pay rate and number of hours worked each pay period.

The pay rate and number of hours worked must be reflected on an ongoing consistent basis for each pay period and be supported by the year-to-date (YTD) income. In addition, if the annual salary is reported on the income verification documentation, that may be considered additional confirmation of base non-fluctuating earnings.

Base non-fluctuating earnings may include:

- Exempt (salaried) and non-exempt (hourly) earnings provided the pay rate and number of hours worked do not fluctuate between pay periods.

  Example: The Borrower is a non-exempt (hourly) employee and receives overtime income. The written VOE includes a breakdown of base and overtime pay over the prior year and YTD, which supports consistent base hours of 37.5 per pay period.

- Military base (basic) pay. For members of the United States Armed Forces, active-duty pay is considered base non-fluctuating earnings.

- Part-time earnings, provided the number of hours worked each pay period are pre-determined and the same, as described above

Base non-fluctuating employment earnings – primary and secondary employment	
Topic	**Stable monthly income requirements**
Employment history	Refer to the employment history requirements in Section 5303.1(b), above.
Continuance	Must be likely to continue for at least the next three years

Base non-fluctuating employment earnings – primary and secondary employment	
Topic	**Stable monthly income requirements**
Documentation	■ **Primary employment earnings: base non-fluctuating earnings** **All of the following:** ❑ YTD paystub(s) documenting all YTD earnings ❑ W-2 form(s) for the most recent calendar year ❑ 10-day pre-closing verification (10-day PCV) **Or all of the following:** ❑ Written verification of employment (VOE) documenting all YTD earnings and the earnings for the most recent calendar year ❑ 10-day PCV ■ **Secondary employment earnings: base non-fluctuating earnings** **All of the following:** ❑ YTD paystub(s) documenting all YTD earnings ❑ W-2 forms for the most recent two calendar years ❑ 10-day PCV **Or all of the following:** ❑ Written VOE documenting all YTD earnings and the earnings for the most recent two calendar years ❑ 10-day PCV
Calculation	For all income used to qualify the Borrower, the Seller must determine the pay frequency (weekly, bi-

<table>
<tr><th colspan="2">Base non-fluctuating employment earnings – primary and secondary employment</th></tr>
<tr><th>Topic</th><th>Stable monthly income requirements</th></tr>
<tr><td></td><td>
weekly, semi-monthly, monthly, quarterly, annually) to accurately analyze and calculate the stable monthly income. All documentation in the Mortgage file must support the Seller's income analysis and calculation.

The following table describes the calculation methods the Seller must use to determine stable monthly income for base non-fluctuating employment earnings, taking into consideration the typical pay periods of weekly, bi-weekly, semi-monthly and monthly.
<table>
<tr><th colspan="2">Calculation of base non-fluctuating employment earnings</th></tr>
<tr><th>Pay period type</th><th>Calculation</th></tr>
<tr><td>Weekly</td><td>Multiply the weekly gross pay by 52 and divide by 12.</td></tr>
<tr><td>Bi-weekly (every two weeks)</td><td>Multiply the biweekly gross pay by 26 and divide by 12.</td></tr>
<tr><td>Semi-monthly (twice per month)</td><td>Multiply the semi-monthly gross pay by 24 and divide by 12.</td></tr>
<tr><td>Monthly</td><td>Use the monthly gross pay.</td></tr>
<tr><td>Annual base non-fluctuating salary paid out over less than 12 months per year (e.g., teachers)</td><td>Divide annual gross pay by 12

Example: If the annual salary is paid out over 10 months of the year, multiply the monthly base salary amount by 10 months and divide by 12.</td></tr>
</table>
</td></tr>
</table>

(ii) Military earnings (base, entitlements, reserve, National Guard)

(A) Military base (basic) pay

Base non-fluctuating earnings include military base (basic) pay. For members of the U.S. Armed Forces, active-duty pay is considered base non-fluctuating earnings.

Military base (basic) pay	
Topic	**Stable monthly income requirements**
Employment history	For Borrowers who are active-duty members of the U.S. Armed Forces, a history of military employment is not required for the employment to be considered stable.
Continuance	Must be likely to continue for at least the next three years
Documentation	**All of the following:** ■ YTD Military Leave and Earnings Statement ■ W-2 form(s) for the most recent calendar year **Or all of the following:** ■ Written VOE documenting all YTD earnings and the earnings for the most recent calendar year ■ 10-day PCV
Calculation	Refer to calculation guidance and requirements for base non-fluctuating employment earnings in Section 5303.1(c)(i), directly above.

(B) Military entitlements (e.g., flight or hazard duty, rations, clothing allowance or quarters allowance)

Military entitlements (e.g., flight or hazard duty, rations, clothing allowance or quarters allowance)	
Topic	**Stable monthly income requirements**
History of receipt	A history of receipt is not required for the income to be considered stable
Continuance	Must be likely to continue for at least the next three years
Documentation	**All of the following:** ■ YTD Military Leave and Earnings Statement ■ W-2 form for the most recent calendar year **Or all of the following:** ■ Written VOE documenting the current monthly fixed entitlement amount(s) and type(s) and the earnings for the most recent calendar year ■ 10-day PCV
Calculation	Current fixed monthly amount

(C) Military reserve and National Guard income

Military reserve and National Guard income

Topic	Stable monthly income requirements
History of receipt	One year
Continuance	Must be likely to continue for at least the next three years
Documentation	**All of the following:** ■ YTD Military Leave and Earnings Statement ■ W-2 form for the most recent calendar year **Or all of the following:** ■ Written VOE documenting all YTD earnings and the earnings for the most recent calendar year ■ 10-day PCV
Calculation	12-month average

(iii) Additional fixed employment earnings (automobile allowance, mortgage differential)

For the purposes of determining stable monthly income, additional fixed employment earnings are considered to be earnings that are based on a pre-determined and agreed upon fixed amount of pay that is fully documented, such as an automobile allowance or mortgage differential. Generally, additional employment earnings are received in connection with the primary or secondary employment.

For additional fixed employment earnings used to qualify the Borrower, the Seller must determine that the amount of income used to qualify the Borrower is stable and complies with the requirements below for each income type. All income must be expected to continue or have documented continuance for at least three years as described in this section.

(A) Automobile allowance

Automobile allowance	
Topic	**Stable monthly income requirements**
History of receipt	Two years, consecutive
Continuance	Must be likely to continue for at least the next three years
Documentation	**All of the following:** ■ YTD paystub(s) documenting all YTD earnings ■ W-2 forms for the most recent two calendar years ■ 10-day PCV **Or all of the following:** ■ Written VOE documenting all YTD earnings and the earnings for the most recent two calendar years ■ 10-day PCV
Calculation	Add the full amount of the allowance to the qualifying income. Note: The Seller may not subtract the automobile allowance from the monthly automobile financing expense.

(B) Mortgage differential

Mortgage differential	
Topic	**Stable monthly income requirements**
History of receipt	A history of receipt is not required for the income to be considered stable.
Continuance	Must continue for at least the next three years
Documentation	Agreement from the employer stating the terms including the scheduled amount and duration of the payments. The documentation must show that the payments are pursuant to an established, ongoing and documented employer program. The employer must not be an interested party to the transaction.
Calculation	Payments from the Borrower's employer for all or part of the housing payment differential between the Borrower's present and proposed Mortgage payment may be added to the qualifying income. Note: The payments may not be used to offset the monthly housing payment amount used for qualification.

(d) Fluctuating employment earnings (Base fluctuating hourly earnings, additional fluctuating earnings)

History, continuance, calculation and documentation requirements for fluctuating employment earnings are outlined in the tables below. Additional documentation may be required to determine the stable monthly income amount. Refer to Section 5303.1(e) for additional documentation that may be required based on employment characteristics.

(i) Base fluctuating hourly employment earnings

Earnings type description: Base fluctuating hourly employment earnings are considered to be earnings that are based on a pre-determined and agreed upon hourly rate of pay. The hours worked are not pre-determined and may fluctuate each pay period. Fluctuating hourly employment earnings are typically representative of non-exempt earnings.

The determination of whether the hours fluctuate is based on the review of the YTD and prior year income documentation, including the reported number of hours worked and YTD earnings in relation to base hours worked.

- **Example 1:** The pay frequency is bi-weekly. The current YTD paystub shows 77 hours worked. The prior pay period YTD paystub shows 74 hours worked. The base earnings are fluctuating hourly.

- **Example 2:** The pay frequency is weekly. The paystub reflects six months of YTD income showing 37 hours worked at a pay rate of $30 per hour. If the Borrower worked 37 hours every week, the YTD earnings are approximately $28,860. However, the YTD base earnings on the paystub are $20,240. This income documentation shows fluctuating hourly earnings and additional documentation is necessary to determine otherwise.

Base fluctuating hourly employment earnings	
Topic	**Stable monthly income requirements**
Employment history	Refer to employment history requirements in Section 5303.1(b), above. In addition, when the Borrower's employed income is derived from base fluctuating hourly employment earnings, the Borrower must have at least a 12-month history of employment. The required minimum 12-month history must be derived from one of the following: ■ The Borrower's current fluctuating hourly employment ■ A combination of current and prior fluctuating hourly employment ■ A combination of current fluctuating hourly employment and prior salaried employment in a similar industry or job type that had an income level consistent with the current income level

Base fluctuating hourly employment earnings	
Topic	**Stable monthly income requirements**
	based on trend analysis described in this table in the row labeled "calculation method and trend analysis for consistent and increasing income trends" below.
Continuance	Must be likely to continue for at least the next three years
Documentation	■ **Primary employment earnings: Base fluctuating hourly earnings** **All of the following:** ❑ YTD paystub(s) documenting all YTD earnings ❑ W-2 form(s) for the most recent calendar year ❑ 10-day PCV **Or all of the following:** ❑ VOE documenting all YTD earnings and the earnings for the most recent calendar year ❑ 10-day PCV ■ **Secondary employment earnings: Base fluctuating hourly earnings** **All of the following:** ❑ YTD paystub(s) documenting all YTD earnings ❑ W-2 forms for the most recent two calendar years ❑ 10-day PCV **Or all of the following:** ❑ Written VOE documenting all YTD earnings and the earnings for the most recent two

Base fluctuating hourly employment earnings	
Topic	**Stable monthly income requirements**
	calendar years ❑ 10-day PCV
General requirements for calculating income	**When calculating qualifying income, the Seller must:** ■ Determine and consider the pay frequency (weekly, bi-weekly, semi-monthly, monthly, quarterly, annually) to accurately analyze and calculate the stable monthly income ■ Determine if the income trend is consistent, increasing or declining by comparing the YTD income to prior year(s) income and taking into consideration the length of receipt and degree of fluctuation ■ Evaluate the income trend and use the amount that is most likely to continue for the next three years ■ Ensure that all documentation in the Mortgage file supports the Seller's income analysis and calculation
Calculation method and trend analysis for consistent and increasing income trends	**Calculation method: consistent and increasing income trends** The Seller must average the most recent year and YTD income over the applicable number of months of required history and documentation. In certain instances, the calculation may be based off a shorter number of months if the Seller provides a written justification and/or documentation to support the applicable months used in the calculation. The total number of months used in the calculation must be at least 12 months. Note: If the increasing income is due to a pay raise, the Seller may use the calculation method as described in this table in the row labeled "pay raises" below.

Base fluctuating hourly employment earnings	
Topic	**Stable monthly income requirements**
	Trend analysis: consistent and increasing income trends: ■ **Degree of fluctuation ≤ 10%** Income trend is considered consistent. No additional analysis or documentation is required when calculating the qualifying income. ■ **Degree of fluctuation > 10% – ≤ 30%** No additional analysis or documentation is required when the increase is supported by the verification of pay raise described in this table in the row labeled "pay raises," below, and/or the documented income breakdown described in the row labeled "documented income breakdown" in the table for bonus, commission, overtime and tips in Section 5303.1(d)(ii)(A), below. Otherwise, additional analysis is required, and additional documentation may be necessary to determine income stability and develop an accurate calculation of qualifying income. The analysis and documentation must support the amount of income used to qualify the Borrower. ■ **Degree of fluctuation > 30%** Additional analysis is required, and additional documentation will likely be necessary to determine income stability and develop an accurate calculation of qualifying income. The analysis and documentation must support the amount of income used to qualify the Borrower. When using an average with the YTD and most recent year, the degree of fluctuation is based on the increase between the YTD and the prior year When using an average with the YTD and the prior two years, the degree of fluctuation is based

Base fluctuating hourly employment earnings	
Topic	**Stable monthly income requirements**
	on the increase between the YTD and the prior two years
Calculation method and trend analysis for declining trend	**Calculation method and trend analysis: declining trend** The Seller must use the YTD income and must not include the previous higher level unless there is documentation of a one-time occurrence (e.g., injury) that prevented the Borrower from working or earning full income for a period of time and evidence that the Borrower is back to the income amount that was previously earned. If the decline between the prior year(s) and/or YTD earnings exceeds 10%, the Seller must conduct further analysis and additional documentation may be necessary to determine whether the income is currently stable. This analysis must include the reason for the declining trend, and support that the current income has stabilized.
Pay raises	**Verification of pay raises and using pay increase in calculation of income** Merit, promotional or other types of increases in pay may justify using different averaging methods for fluctuating hourly earnings based on the application of the new pay rate to the average hours worked for the prior year and YTD. While documentation to verify pay raises is not always required, it may be used to support a higher amount of qualifying income and/or support fluctuating hourly earnings when the degree of fluctuation exceeds 10%. **Verification method:** Use employed income documentation outlined in Chapter 5302, such as written VOEs and paystubs. Paystubs from the current or prior year that show the new and old rates of pay when the raise occurred and/or year-end paystubs will likely be necessary to complete this verification. **Calculation method**

Base fluctuating hourly employment earnings	
Topic	**Stable monthly income requirements**
	For consistent and increasing income trends, use one of the options below: ■ **Option 1**: Average the most recent year and YTD income over the applicable number of months of required history and documentation, as described in this table in the row labeled "calculation method and trend analysis for consistent and increasing income trends" above ■ **Option 2:** Apply the current pay rate to the average number of hours worked during the prior year and the current year, provided the hours worked during the prior year and the current year are consistent or increasing, and documented

(ii) Additional fluctuating employment earnings (e.g., bonus, commission, overtime, tips, unemployment)

For the purposes of determining stable monthly income, additional fluctuating employment earnings are considered to be earnings that fluctuate on a regular basis, often based on factors such as hours worked, job type and performance. Fluctuating earnings may include, but are not limited to, income types such as commissions, overtime, bonus, tips, and unemployment compensation associated with seasonal employment. For additional fluctuating employment earnings to qualify the Borrower, the Seller must determine that the amount of income used to qualify the Borrower is stable and complies with the requirements below for each income type. All income must be expected to continue or have documented continuance for at least three years as described in this section.

Income history and stability – requirements and guidance

The stability of fluctuating income is primarily determined based on historical earnings, so it is imperative that a sufficient income history has been established. For this reason, most income types that fluctuate have a history requirement of two years. In certain instances, a shorter history may still be considered stable if the Seller provides a written analysis and sufficient supporting documentation justifying the determination of stability. When making this determination, the Seller must take into consideration factors such as income and/or employment characteristics and the overall layering of risk factors, including the Borrower's demonstrated ability to repay obligations. The income history must be at least 12 months.

(A) Bonus, commission, overtime, tips (reported by the employer)

Bonus, commission, overtime, tips (reported by the employer)	
Topic	**Stable monthly income requirements**
History of receipt	Two years, consecutive Exception: A history of less than two years, but not less than one year, may be acceptable. Refer to income history and stability requirements and guidance in Section 5303.1(d)(ii), above.
Continuance	Must be likely to continue for at least the next three years
Documentation	**All of the following:** ■ YTD paystub(s) documenting all YTD earnings ■ W-2 forms for the most recent two calendar years ■ 10-day PCV **Or all of the following:** ■ Written VOE documenting all YTD earnings and the earnings for the most recent two calendar years ■ 10-day PCV
General requirements for calculating income	**When calculating qualifying income, the Seller must:** ■ Determine and consider the pay frequency (weekly, bi-weekly, semi-monthly, monthly, quarterly, annually) to accurately analyze and calculate the stable monthly income ■ Determine if the income trend is consistent, increasing or declining by comparing the YTD

Bonus, commission, overtime, tips (reported by the employer)	
Topic	**Stable monthly income requirements**
	income to prior year(s) income and taking into consideration the length of receipt and degree of fluctuation ■ Evaluate the income trend and use the amount that is most likely to continue for the next three years ■ Ensure that all documentation in the Mortgage file supports the Seller's income analysis and calculation **Example (pay frequency):** The Borrower received an annual bonus in February in both the prior year and current year as evidenced by the written VOE dated in March of the current year. The bonus amounts are consistent based on the income trend analysis. Because the bonus is paid on an annual basis, the amounts received in the current and prior year must be averaged over a 2-year period. It is inaccurate to average the prior year and YTD number of months on the income documentation (e.g., 15-month average).
Calculation method and trend analysis for consistent and increasing income trends	**Calculation method: consistent and increasing trends** The Seller must average the most recent years and YTD income over the applicable number of months of required history and documentation. In certain instances, the calculation may be based off a shorter number of months if the Seller provides a written justification and/or documentation to support the applicable months used in the calculation. The total number of months used in the calculation must be at least 12 months.
	Trend analysis: consistent and increasing trends Refer to the row labeled "Calculation method and trend analysis for consistent and increasing income trends" in the table for base fluctuating hourly earnings type in Section 5303.1(d)(i), above.

Bonus, commission, overtime, tips (reported by the employer)	
Topic	**Stable monthly income requirements**
Calculation method and trend analysis for declining trends	**Calculation method and trend analysis: declining trend** Refer to the row labeled "Calculation method and trend analysis for declining trends" in the table for base fluctuating hourly earnings type in Section 5303.1(d)(i), above.
Documented income breakdown	**Documented income breakdown (e.g., bonus, overtime, commissions)** A documented breakdown between the base non-fluctuating earnings or base fluctuating hourly earnings and the additional fluctuating employment earnings (e.g., bonus, overtime, commission, tips) ensures the most accurate analysis and calculation of stable monthly income. While a documented breakdown is not always required, one may be used to support a higher amount of qualifying income, verify bonus pay frequency, and/or support fluctuating income when the degree of fluctuation exceeds 10%. **Verification method:** Use employed income documentation outlined in Chapter 5302 such as written VOEs and/or year-end and current YTD paystubs that show the breakdown between the earnings type and additional employment earnings (e.g., overtime, bonus, commissions).

(B) Tip income – cash and charge tips reported on Internal Revenue Service (IRS) Form 4137

Tip income – Cash and charge tips reported on IRS Form 4137	
Topic	**Stable monthly income requirements**

Tip income – Cash and charge tips reported on IRS Form 4137	
Topic	**Stable monthly income requirements**
History of receipt	Two years, consecutive Exception: A history of less than two years, but not less than one year, may be acceptable. Refer to income history and stability requirements and guidance in Section 5303.1(d)(ii), above.
Continuance	Must be likely to continue for at least the next three years
Documentation	The Mortgage file must contain all of the following: ■ IRS Form 4137 for the most recent two years ■ Complete federal individual income tax returns covering the most recent two-year period ■ 10-day PCV
Calculation	Refer to requirements for calculating income in the table for bonus, commission, overtime and tips in Section 5303.1(d)(ii)(A), above.

(C) Unemployment compensation associated with seasonal employment

Unemployment compensation associated with seasonal employment	
Topic	**Stable monthly income requirements**
History of	Two years, consecutive

Unemployment compensation associated with seasonal employment	
Topic	**Stable monthly income requirements**
receipt	Exception: A history of less than two years, but not less than one year, may be acceptable. Refer to income history and stability requirements and guidance in Section 5303.1(d)(ii), above.
Continuance	Must be likely to continue for at least the next three years
Documentation	Proof of receipt of unemployment compensation for the most recent two-year period (e.g., IRS Form 1099-G(s) and/or equivalent documentation)
Calculation	Refer to requirements for calculating income in the table for bonus, commission, overtime and tips in Section 5303.1(d)(ii)(A), above.

(D) Restricted stock (RS) and restricted stock units (RSUs)

(I) RS and RSU subject to performance- based vesting provisions

RS and RSU subject to performance-based vesting provisions	
Topic	**Stable monthly income requirements**
History of receipt	■ Two years, consecutive Exception: A history of less than two years, but not less than one year, may be acceptable. Refer to income history and stability requirements and guidance in Section 5303.1(d)(ii), above.

RS and RSU subject to performance-based vesting provisions	
Topic	**Stable monthly income requirements**
	■ To be considered for history of receipt, RS and RSU used for qualifying must have vested and been distributed to the Borrower from their current employer, without restriction
Continuance	Must be likely to continue for at least the next three years
Documentation	**All of the following:** ■ YTD paystub(s) documenting all YTD earnings, including payout(s) of RS or RSU ■ W-2 forms for the most recent two calendar years ■ 10-day PCV **Or all of the following:** ■ Written VOE documenting all YTD earnings (including payout(s) of RS or RSU) as well as earnings for the most recent two calendar years ■ 10-day PCV Employment and income verifications obtained through a third-party verification service provider as described in Section 5302.3 are permitted, provided that the documentation clearly identifies and distinguishes the payout(s) of RS/RSU. **The Mortgage file must also include the following additional documentation:** ■ Evidence the stock is publicly traded ■ Documentation verifying that the vesting provisions are performance-based (e.g., RS and/or RSU agreement, offer letter) ■ Vesting schedule(s) currently in effect detailing past and future vesting

RS and RSU subject to performance-based vesting provisions	
Topic	**Stable monthly income requirements**
	■ Evidence of receipt of previous year(s) payout(s) of RS/RSU (e.g., year-end paystub, employer-provided statement paired with a brokerage or bank statement showing transfer of shares or funds) that must, at a minimum, include the number of vested shares or its cash equivalent distributed to the Borrower (pre-tax)
Calculation	Based on the form in which vested RS or RSU are distributed to the Borrower (i.e., as shares or its cash equivalent), the Seller must use the applicable method(s) below to calculate the monthly income: ■ **RS or RSU distributed as shares** Multiply the 52-week average stock price as of the Application Received Date by the total number of vested shares distributed (pre-tax) to the Borrower in the past two years, then divide by 24. **Example:** If 200 vested shares were distributed (pre-tax) in the past two years and the 52-week average stock price as of the Application Received Date is $10, multiply 200 x $10 then divide by 24= $83.33 monthly income. ■ **RS or RSU distributed as cash equivalent** Use the total dollar amount distributed (pre-tax) from the cash equivalent of vested shares in the past two years and divide by 24.

(II) RS and RSU subject to time-based vesting provisions

RS and RSU subject to time-based vesting provisions

Topic	Stable monthly income requirements
History of receipt	■ One year ■ To be considered for history of receipt, RS and RSU used for qualifying must have vested and been distributed to the Borrower from their current employer, without restriction
Continuance	Must continue for at least the next 3 years
Documentation	**All of the following:** ■ YTD paystub(s) documenting all YTD earnings, including payout(s) of RS or RSU ■ W-2 form for the most recent calendar year ■ 10-day PCV **Or all of the following:** ■ Written VOE documenting all YTD earnings (including payout(s) of RS or RSU) as well as earnings for the most recent calendar year ■ 10-day PCV Employment and income verifications obtained through a third-party verification service provider as described in Section 5302.3 are permitted, provided that the documentation clearly identifies and distinguishes the payout(s) of RS/RSU. **The Mortgage file must also include the following additional documentation:** ■ Evidence the stock is publicly traded ■ Documentation verifying that the vesting provisions are time-based (e.g., RS and/or RSU agreement, offer letter) ■ Vesting schedule(s) currently in effect detailing past and future vesting ■ Evidence of receipt of previous year's payout(s) of RS/RSU (e.g., year-end paystub,

RS and RSU subject to time-based vesting provisions	
Topic	**Stable monthly income requirements**
	employer-provided statement paired with a brokerage or bank statement showing transfer of shares or funds) that must, at a minimum, include the number of vested shares or its cash equivalent distributed to the Borrower (pre-tax)
Calculation	Based on the form in which vested RS or RSU are distributed to the Borrower (i.e., as shares or its cash equivalent), the Seller must use the applicable method(s) below to calculate the monthly income: ■ **RS or RSU distributed as shares** Multiply the 52-week average stock price as of the Application Received Date by the number of vested shares distributed (pre-tax) to the Borrower in the past year, then divide by 12. **Example:** If 50 vested shares were distributed (pre-tax) in the past year and the 52-week average stock price as of the Application Received Date is $10, multiply 50 x $10 then divide by 12 = $41.67 monthly income. ■ **RS or RSU distributed as cash equivalent** Use the total dollar amount distributed (pre-tax) from the cash equivalent of vested shares in the past year and divide by 12.

(e) Employment/income characteristics requirements and guidance

For all employment and/or income characteristics below, the Seller must determine whether the employment and/or income represents primary or secondary employment and/or income and use the applicable requirements for history, continuance, earnings type, documentation and calculation in this chapter and in conjunction with Chapters 5301 and 5302, unless specifically stated otherwise. For certain employment and/or income characteristics, additional documentation and/or analysis may be needed, as described below.

Employment/income characteristics		Additional requirements
Full-time and part-time employment	Full-time and part-time employment may be either primary or secondary employment, and may consist of base non-fluctuating earnings, base fluctuating hourly earnings and/or additional employment earnings.	None
Seasonal employment	Seasonal employment may be primary employment (e.g., highway construction and road work in colder regions) or secondary employment (e.g., educators teaching summer school). The earnings may include base non-fluctuating earnings, base fluctuating hourly earnings and/or additional employment earnings.	When using unemployment income associated with the seasonal employment as stable monthly income: ■ A documented two-year history of seasonal employment and income receipt is required, and ■ The requirements for unemployment income associated with seasonal employment in Section 5303.1(d)(ii)(C) must be met

Employment/income characteristics		Additional requirements
Union members	Certain union members may work in industries where they may switch employers frequently and the union facilitates the next position. In that case, the Borrower may have multiple YTD paystubs and W-2s, all of which can be used for the verification and calculation of stable monthly income. The Borrower's earnings may be comprised of base non-fluctuating earnings, base fluctuating hourly earnings and/or additional employment earnings. A Borrower may exhibit a stable and consistent employment and income history, regardless of the number of employers. The Borrower may or may not be in between employers at the time of closing. If the Seller determines that the Borrower's employment and income history is stable and it is documented that the Borrower has multiple jobs as described above, it may be acceptable to obtain the 10-day PCV (refer to Section 5302.2(d)) from the union. The Seller must make this determination based on a review of all employment	None

Employment/income characteristics		Additional requirements
	and income characteristics.	
Borrower employed by a family member or by the property seller, real estate broker or other interested party to the transaction	When a Borrower is employed by a family member or by an interested party to the transaction, the employment and income is not arm's length. Due to the increased layering of risk inherent in non-arm's length transactions, further in-depth analysis is required to determine stability of the income.	Complete signed federal individual income tax return for the most recent year
Employed income from a foreign source	When a Borrower receives employed income from a foreign source, the income may be considered for qualifying income if the income is reported on the Borrower's U.S. federal individual income tax return for the most recent year, in addition to meeting the requirements in this chapter. Refer to Chapter 5305 for all other non-employment/non-self-employment income from a foreign source.	Complete signed U.S. federal individual income tax return for the most recent year

Employment/income characteristics		Additional requirements
Employment contracts	**Employment contracts in the educational industry:** It is common for Borrowers who work in the educational industry, such as teachers, to be employed under renewable or term employment contracts. For the educational field, if the Borrower provides an annually renewable or term contract, it is reasonable to consider continuance of receipt, provided the Seller does not have knowledge or documentation to the contrary.	None
	Employment contracts in other industries: If an employment contract is provided, it may be considered for the purposes of determining stable monthly income. When making the determination of employment history, income stability and the monthly income amount, the Seller must take into consideration factors such as the following: ■ Whether employment contracts are reasonably common to the particular employment field and/or	A documented two-year history of income and employment in the same or a similar employment field or industry when the terms of the employment contract do not include a base non-fluctuating pay structure

Employment/income characteristics		Additional requirements
	region ■ The pay structure outlined within the terms of the contract ■ Whether the Borrower has demonstrated the ability to maintain consistent employment and income with this form or a similar form of pay structure over the most recent two years	
Temporary help services employment	Some contract firms and temporary staffing firms contract out the services of their employees to other employers. When making the determination of employment history, income stability and the monthly income amount, the Seller must take into consideration factors such as whether the Borrower has demonstrated the ability to maintain steady and continuous employment and income with this employment structure over the most recent two-year period.	W-2 forms from the contract and/or temporary staffing firm for the most recent two-year period
Income reported on IRS Form 1099 for services performed	At times, Borrowers receive IRS Form 1099(s) for services performed; this pay structure is often referred to in terms such as contractor or contingent worker.	**Minimum documentation – all of the following:** ■ All IRS Form 1099s for services performed for the most recent two-year period, and ■ YTD paystubs and/or other equivalent and reasonably reliable third-party documentation (e.g., YTD

<table>
<tr><th colspan="2">Employment/income characteristics</th><th>Additional requirements</th></tr>
<tr><td></td><td>Income received on IRS Form 1099 for services performed may be reported on Schedule C and may represent a sole proprietorship. The Seller must treat this income as either:
■ Self-employed income in accordance with the requirements and guidance in Chapter 5304,
OR
■ Non-self-employed income in accordance with the requirements in this section if the IRS Schedule C from the most recent calendar year tax return evidences all of the following:
❑ Gross receipts or sales = total amount(s) reported on the IRS Form 1099(s)
❑ Total expenses are < 5% of gross receipts or sales, after deducting non-cash expenses (e.g., depreciation)
❑ Cost of goods sold = $0
❑ 12-month history of 1099 income and reported expenses is present
Exception: If the above expense factor is not met but expenses are within a</td><td>earnings statements or evidence of payments for services performed) documenting YTD income received by the Borrower
■ Pages 1 and 2 of the Borrower’s federal individual income tax returns, and the applicable schedules (i.e., Schedule C, Schedule 1), covering the most recent one-year period
History of receipt: Most recent two years; however, in certain instances, a shorter history of income with this pay structure may still be considered stable if the Seller provides a written analysis and sufficient supporting documentation justifying the determination of stability (e.g., a prior history of employment earnings at a similar level). In no event may the history of receipt for this pay structure documented on the tax returns be less than 12 months.
Continuance: Must be likely to continue for at least the next three years
Calculation: Average must be based on the required and documented history of receipt and support a consistent level of income in accordance with the requirements of Section 5301.1(c). The 1099 income must be reduced by the expenses (excluding non-cash items) reported on Schedule C. Apply an average of the verified expenses to the 1099 income without verified expenses.
Calculation example
Scenario: Borrower has an 18-month history of</td></tr>
</table>

<table>
<tr><th colspan="2">Employment/income characteristics</th><th>Additional requirements</th></tr>
<tr><td></td><td>close range (e.g., 6%), the Seller may perform additional analysis to determine whether income reported on Schedule C remains characteristic of non-self-employed income. Factors the Seller may consider when making this determination include, but are not limited to:
■ The principal business or profession,
■ Gross receipts or sales,
■ Cost of goods sold, and
■ The type and level of expenses reported
If the Seller determines that the Borrower is a sole proprietor, refer to the self-employed income requirements and guidance in Chapter 5304.</td><td>documented 1099 income, with 12 months of income and expenses reflected on the most recent Schedule C and reasonably reliable verification of YTD income for the most recent 6 months. Prior employment (W-2) for 5 years with similar income level and employment field.
<table>
<tr><td>1099(s) reported as gross receipts/sales:</td><td>(+) $100,000</td></tr>
<tr><td>Less: Schedule C Expenses (less non-cash expenses)</td><td>(-) $4,000 (4%)</td></tr>
<tr><td>Subtotal (most recent year Schedule C)</td><td>$96,000</td></tr>
<tr><td>Verified YTD 1099 income (6 months):</td><td>(+) $50,000</td></tr>
<tr><td>Less: 4% expense rate (based on most recent year Schedule C)</td><td>(-) $2,000 (4%)</td></tr>
<tr><td>Subtotal (Current YTD)</td><td>$48,000</td></tr>
<tr><td>Income calculation: $144,000 (combined subtotals) / 18 months</td><td>$8,000/month</td></tr>
</table>
Stable monthly income: The Seller must determine if more information and/or documentation is needed to support and justify the stable monthly income based on</td></tr>
</table>

Employment/income characteristics		Additional requirements
		the individual circumstances. **Pre-closing verification:** Sellers are encouraged to complete a pre-closing verification confirming that the Borrower continues to perform services for the provider(s) of the 1099 income as close to the Note Date as possible.
Borrowers with business ownership interest(s) less than 25%	For use of ordinary income (loss) or guaranteed payments for services reported on IRS Schedule K-1 as stable monthly qualifying income, the Seller must meet either: ■ The self-employed requirements in Chapter 5304, or ■ All requirements in this section in conjunction with the general requirements and guidance in Section 5301.1 and Chapter 5302 The Borrower should not have an ownership interest of 25% or more in any business. When using ordinary business income for qualification, the historical cash distributions must be reasonably consistent with the ordinary business income reported on the K-1s. Note: For use of W-2 income, the Seller must meet the requirements of this chapter or Chapter 5304 for self-	**Schedule K-1 income from partnerships and S corporations** **Minimum documentation – all of the following:** ■ Schedule K-1s for the most recent two calendar years for partnerships and S corporations ■ Documentation of all YTD income must be obtained if available (e.g., most recent YTD paystub or equivalent). If YTD information is not attainable (e.g., due to year-end payment structures), the Seller may document and justify the income stability without this information. ■ The Schedule K-1(s) must evidence less than 25% ownership interest for the individual Borrower ■ Verification of current existence of business in accordance with Section 5304.1(g) **History of receipt:** ■ **Ordinary business income:** Most recent two years ■ **Guaranteed payments for services:** Most recent two years; however, in certain instances, a shorter history may still be considered stable if the Seller provides a

Employment/income characteristics		Additional requirements
	employed income; the additional requirements in this row do not apply.	written analysis and sufficient supporting documentation justifying the determination of stability (e.g., recently changed from an employee of the same firm to a partner with a nominal ownership interest). In no event may the history be less than 12 months. **Continuance:** Must be likely to continue for at least the next three years **Calculation:** Average must be based on the required and documented history of receipt and support a consistent level of income in accordance with the requirements of Section 5301.1(c). **Stable monthly income:** The Seller must determine if more information and/or documentation is needed to support and justify the stable monthly income based on the individual circumstances.

5303.1: Employed income (Future effective date 11/08/24)

This section contains requirements and guidance related to:

- Requirements for all employed income
- Employment history requirements
- Non-fluctuating employment earnings (base, entitlements, military reserve, National Guard)
- Fluctuating employment earnings (base fluctuating hourly earnings, additional fluctuating earnings)

■ Employment/income characteristics – requirements and guidance

(a) Requirements for all employed income

All employed income used for qualifying must meet the requirements and guidance of this chapter and Section 5301.1 for all stable monthly income.

(i) Stability and continuance of income

The Seller must determine that the amount of income used to qualify the Borrower is stable and complies with the requirements for each income type. All income must be expected to continue or have documented continuance for at least three years as described in this chapter. The Seller must analyze all income documentation while taking into consideration the characteristics of the employed income (e.g., employment source, income type and stability of the employment history, including any gaps in employment).

A Borrower who has had different types of employment in the past may be considered to have stable income if the income amount has remained at a consistent level. When evaluating a Borrower who has frequently changed jobs, the Seller must focus on whether the changes have affected the Borrower's ability to pay their obligations.

(ii) Primary and secondary employment types

Primary employment is the primary source of the Borrower's employed income whether derived from employment such as full-time employment, part-time employment, and/or seasonal employment.

Secondary employment is any type of employment (e.g., second part-time job or multiple jobs) that is in addition to the Borrower's primary employment.

(b) Employment history requirements

(i) Primary employment

In most instances, the Borrower should have at least a two-year history of primary employment documented on Form 65, Uniform Residential Loan Application, and verified in accordance with Topic 5300.

For Borrowers who are active-duty members of the U.S. Armed Forces, a history of military employment is not required for the employment to be considered stable.

Tenure with the same employer or in a similar industry lends support to the analysis of employment stability.

When a Borrower has less than a two-year history of primary employment, the Seller must provide its justification for determining that the employment is stable, taking into consideration factors such as income and/or employment characteristics and the overall layering of risk factors, including the Borrower's demonstrated ability to repay obligations.

Examples that may support less than a two-year history:

- **Example 1:** For a Borrower returning to the workforce after a period of extended absence, for any reason, documentation is provided to support a stable employment history that directly preceded the extended absence

- **Example 2:** For a Borrower new to the workforce, documentation is provided that supports the Borrower's recent attendance at school or in a training program prior to their current employment

For additional minimum history requirements for base fluctuating hourly earnings, refer to the history requirements in Section 5303.1(d), below.

(ii) Secondary employment

In most instances, the Borrower should have at least a two-year history of secondary employment for the employment to be considered stable. When a Borrower has less than a two-year secondary employment history but has at least a 12-month history, the Seller may be able to justify and determine the employment is stable.

Examples that may support less than a two-year history:

- **Example 1:** The Borrower previously held a job with base non-fluctuating earnings working 40 hours per week for multiple years; however, due to reasons such as position elimination, work force reduction, or illness, the Borrower is no longer employed at this job and now works at multiple part-time jobs that are similar in hours and pay, when combined, to the previous full-time job. Since the Borrower's full-time employment ended 18 months ago, the length of employment at each part-time job is in the range of 13 to 15 months. In this scenario, the Seller may be able to justify an employment history of less than two years for the secondary and additional jobs provided the earnings are consistent and the Borrower has exhibited the ability to repay obligations.

- **Example 2:** The Borrower is employed as a school teacher. During the previous summer, the Borrower taught summer school and is now starting summer school teaching for the current year. Although the two-year history is not yet fully developed, given the job type and current employment situation, the Seller may be able to justify including the summer school income, provided an accurate qualifying amount can be established and documented based on the previous and current earnings. Additional documentation to determine the stable monthly income may be appropriate (e.g., how many classes, how much, is it similar to prior year).

(c) Non-fluctuating employment earnings (base, military, additional fixed earnings)

History, continuance, calculation and documentation requirements for non-fluctuating employment earnings are outlined in the tables below. Additional documentation may be required to determine the stable monthly income amount. Refer to Section 5303.1(e) for additional documentation that may be required based on employment characteristics.

(i) Base non-fluctuating employment earnings

Earnings type description: Base non-fluctuating employment earnings are considered to be earnings with a pre-determined and agreed upon pay rate and number of hours worked each pay period.

The pay rate and number of hours worked must be reflected on an ongoing consistent basis for each pay period and be supported by the year-to-date (YTD) income. In addition, if the annual salary is reported on the income verification documentation, that may be considered additional confirmation of base non-fluctuating earnings.

Base non-fluctuating earnings may include:

- Exempt (salaried) and non-exempt (hourly) earnings provided the pay rate and number of hours worked do not fluctuate between pay periods.

  Example: The Borrower is a non-exempt (hourly) employee and receives overtime income. The written VOE includes a breakdown of base and overtime pay over the prior year and YTD, which supports consistent base hours of 37.5 per pay period.

- Military base (basic) pay. For members of the United States Armed Forces, active-duty pay is considered base non-fluctuating earnings.

- Part-time earnings, provided the number of hours worked each pay period are pre-determined and the same, as described above

Base non-fluctuating employment earnings – primary and secondary employment	
Topic	**Stable monthly income requirements**
Employment history	Refer to the employment history requirements in Section 5303.1(b), above.
Continuance	Must be likely to continue for at least the next three years

Base non-fluctuating employment earnings – primary and secondary employment	
Topic	**Stable monthly income requirements**
Documentation	■ **Primary employment earnings: base non-fluctuating earnings** **All of the following:** ❑ YTD paystub(s) documenting all YTD earnings ❑ W-2 form(s) for the most recent calendar year ❑ 10-day pre-closing verification (10-day PCV) **Or all of the following:** ❑ Written verification of employment (VOE) documenting all YTD earnings and the earnings for the most recent calendar year ❑ 10-day PCV ■ **Secondary employment earnings: base non-fluctuating earnings** **All of the following:** ❑ YTD paystub(s) documenting all YTD earnings ❑ W-2 forms for the most recent two calendar years ❑ 10-day PCV **Or all of the following:** ❑ Written VOE documenting all YTD earnings and the earnings for the most recent two calendar years ❑ 10-day PCV
Calculation	For all income used to qualify the Borrower, the Seller must determine the pay frequency (weekly, bi-

<table>
<tr><th colspan="2">Base non-fluctuating employment earnings – primary and secondary employment</th></tr>
<tr><th>Topic</th><th>Stable monthly income requirements</th></tr>
<tr><td></td><td>
weekly, semi-monthly, monthly, quarterly, annually) to accurately analyze and calculate the stable monthly income. All documentation in the Mortgage file must support the Seller's income analysis and calculation.

The following table describes the calculation methods the Seller must use to determine stable monthly income for base non-fluctuating employment earnings, taking into consideration the typical pay periods of weekly, bi-weekly, semi-monthly and monthly.
<table>
<tr><th colspan="2">Calculation of base non-fluctuating employment earnings</th></tr>
<tr><th>Pay period type</th><th>Calculation</th></tr>
<tr><td>Weekly</td><td>Multiply the weekly gross pay by 52 and divide by 12.</td></tr>
<tr><td>Bi-weekly (every two weeks)</td><td>Multiply the biweekly gross pay by 26 and divide by 12.</td></tr>
<tr><td>Semi-monthly (twice per month)</td><td>Multiply the semi-monthly gross pay by 24 and divide by 12.</td></tr>
<tr><td>Monthly</td><td>Use the monthly gross pay.</td></tr>
<tr><td>Annual base non-fluctuating salary paid out over less than 12 months per year (e.g., teachers)</td><td>Divide annual gross pay by 12

Example: If the annual salary is paid out over 10 months of the year, multiply the monthly base salary amount by 10 months and divide by 12.</td></tr>
</table>
</td></tr>
</table>

(ii) Military earnings (base, entitlements, reserve, National Guard)

(A) Military base (basic) pay

Base non-fluctuating earnings include military base (basic) pay. For members of the U.S. Armed Forces, active-duty pay is considered base non-fluctuating earnings.

Military base (basic) pay	
Topic	**Stable monthly income requirements**
Employment history	For Borrowers who are active-duty members of the U.S. Armed Forces, a history of military employment is not required for the employment to be considered stable.
Continuance	Must be likely to continue for at least the next three years
Documentation	**All of the following:** ■ YTD Military Leave and Earnings Statement ■ W-2 form(s) for the most recent calendar year **Or all of the following:** ■ Written VOE documenting all YTD earnings and the earnings for the most recent calendar year ■ 10-day PCV
Calculation	Refer to calculation guidance and requirements for base non-fluctuating employment earnings in Section 5303.1(c)(i), directly above.

(B) Military entitlements (e.g., flight or hazard duty, rations, clothing allowance or quarters allowance)

Military entitlements (e.g., flight or hazard duty, rations, clothing allowance or quarters allowance)	
Topic	**Stable monthly income requirements**
History of receipt	A history of receipt is not required for the income to be considered stable
Continuance	Must be likely to continue for at least the next three years
Documentation	**All of the following:** ■ YTD Military Leave and Earnings Statement ■ W-2 form for the most recent calendar year **Or all of the following:** ■ Written VOE documenting the current monthly fixed entitlement amount(s) and type(s) and the earnings for the most recent calendar year ■ 10-day PCV
Calculation	Current fixed monthly amount

(C) Military reserve and National Guard income

Military reserve and National Guard income

Topic	Stable monthly income requirements
History of receipt	One year
Continuance	Must be likely to continue for at least the next three years
Documentation	**All of the following:** ■ YTD Military Leave and Earnings Statement ■ W-2 form for the most recent calendar year **Or all of the following:** ■ Written VOE documenting all YTD earnings and the earnings for the most recent calendar year ■ 10-day PCV
Calculation	12-month average

(iii) Additional fixed employment earnings (automobile allowance, mortgage differential)

For the purposes of determining stable monthly income, additional fixed employment earnings are considered to be earnings that are based on a pre-determined and agreed upon fixed amount of pay that is fully documented, such as an automobile allowance or mortgage differential. Generally, additional employment earnings are received in connection with the primary or secondary employment.

For additional fixed employment earnings used to qualify the Borrower, the Seller must determine that the amount of income used to qualify the Borrower is stable and complies with the requirements below for each income type. All income must be expected to continue or have documented continuance for at least three years as described in this section.

(A) Automobile allowance

Automobile allowance	
Topic	**Stable monthly income requirements**
History of receipt	Two years, consecutive
Continuance	Must be likely to continue for at least the next three years
Documentation	**All of the following:** ■ YTD paystub(s) documenting all YTD earnings ■ W-2 forms for the most recent two calendar years ■ 10-day PCV **Or all of the following:** ■ Written VOE documenting all YTD earnings and the earnings for the most recent two calendar years ■ 10-day PCV
Calculation	Add the full amount of the allowance to the qualifying income. Note: The Seller may not subtract the automobile allowance from the monthly automobile financing expense.

(B) Mortgage differential

Mortgage differential	
Topic	**Stable monthly income requirements**
History of receipt	A history of receipt is not required for the income to be considered stable.
Continuance	Must continue for at least the next three years
Documentation	Agreement from the employer stating the terms including the scheduled amount and duration of the payments. The documentation must show that the payments are pursuant to an established, ongoing and documented employer program. The employer must not be an interested party to the transaction.
Calculation	Payments from the Borrower's employer for all or part of the housing payment differential between the Borrower's present and proposed Mortgage payment may be added to the qualifying income. Note: The payments may not be used to offset the monthly housing payment amount used for qualification.

(d) Fluctuating employment earnings (Base fluctuating hourly earnings, additional fluctuating earnings)

History, continuance, calculation and documentation requirements for fluctuating employment earnings are outlined in the tables below. Additional documentation may be required to determine the stable monthly income amount. Refer to Section 5303.1(e) for additional documentation that may be required based on employment characteristics.

(i) Base fluctuating hourly employment earnings

Earnings type description: Base fluctuating hourly employment earnings are considered to be earnings that are based on a pre-determined and agreed upon hourly rate of pay. The hours worked are not pre-determined and may fluctuate each pay period. Fluctuating hourly employment earnings are typically representative of non-exempt earnings.

The determination of whether the hours fluctuate is based on the review of the YTD and prior year income documentation, including the reported number of hours worked and YTD earnings in relation to base hours worked.

- **Example 1:** The pay frequency is bi-weekly. The current YTD paystub shows 77 hours worked. The prior pay period YTD paystub shows 74 hours worked. The base earnings are fluctuating hourly.

- **Example 2:** The pay frequency is weekly. The paystub reflects six months of YTD income showing 37 hours worked at a pay rate of $30 per hour. If the Borrower worked 37 hours every week, the YTD earnings are approximately $28,860. However, the YTD base earnings on the paystub are $20,240. This income documentation shows fluctuating hourly earnings and additional documentation is necessary to determine otherwise.

Base fluctuating hourly employment earnings	
Topic	**Stable monthly income requirements**
Employment history	Refer to employment history requirements in Section 5303.1(b), above. In addition, when the Borrower's employed income is derived from base fluctuating hourly employment earnings, the Borrower must have at least a 12-month history of employment. The required minimum 12-month history must be derived from one of the following: ■ The Borrower's current fluctuating hourly employment ■ A combination of current and prior fluctuating hourly employment ■ A combination of current fluctuating hourly employment and prior salaried employment in a similar industry or job type that had an income level consistent with the current income level

Base fluctuating hourly employment earnings	
Topic	**Stable monthly income requirements**
	based on trend analysis described in this table in the row labeled "calculation method and trend analysis for consistent and increasing income trends" below.
Continuance	Must be likely to continue for at least the next three years
Documentation	■ **Primary employment earnings: Base fluctuating hourly earnings** **All of the following:** ❑ YTD paystub(s) documenting all YTD earnings ❑ W-2 form(s) for the most recent calendar year ❑ 10-day PCV **Or all of the following:** ❑ VOE documenting all YTD earnings and the earnings for the most recent calendar year ❑ 10-day PCV ■ **Secondary employment earnings: Base fluctuating hourly earnings** **All of the following:** ❑ YTD paystub(s) documenting all YTD earnings ❑ W-2 forms for the most recent two calendar years ❑ 10-day PCV **Or all of the following:** ❑ Written VOE documenting all YTD earnings and the earnings for the most recent two

Base fluctuating hourly employment earnings	
Topic	**Stable monthly income requirements**
	calendar years ❑ 10-day PCV
General requirements for calculating income	**When calculating qualifying income, the Seller must:** ■ Determine and consider the pay frequency (weekly, bi-weekly, semi-monthly, monthly, quarterly, annually) to accurately analyze and calculate the stable monthly income ■ Determine if the income trend is consistent, increasing or declining by comparing the YTD income to prior year(s) income and taking into consideration the length of receipt and degree of fluctuation ■ Evaluate the income trend and use the amount that is most likely to continue for the next three years ■ Ensure that all documentation in the Mortgage file supports the Seller's income analysis and calculation
Calculation method and trend analysis for consistent and increasing income trends	**Calculation method: consistent and increasing income trends** The Seller must average the most recent year and YTD income over the applicable number of months of required history and documentation. In certain instances, the calculation may be based off a shorter number of months if the Seller provides a written justification and/or documentation to support the applicable months used in the calculation. The total number of months used in the calculation must be at least 12 months. Note: If the increasing income is due to a pay raise, the Seller may use the calculation method as described in this table in the row labeled "pay raises" below.

Base fluctuating hourly employment earnings	
Topic	**Stable monthly income requirements**
	Trend analysis: c **onsistent and increasing income trends:** ■ **Degree of fluctuation ≤ 10%** Income trend is considered consistent. No additional analysis or documentation is required when calculating the qualifying income. ■ **Degree of fluctuation > 10% – ≤ 30%** No additional analysis or documentation is required when the increase is supported by the verification of pay raise described in this table in the row labeled "pay raises," below, and/or the documented income breakdown described in the row labeled "documented income breakdown" in the table for bonus, commission, overtime and tips in Section 5303.1(d)(ii)(A), below. Otherwise, additional analysis is required, and additional documentation may be necessary to determine income stability and develop an accurate calculation of qualifying income. The analysis and documentation must support the amount of income used to qualify the Borrower. ■ **Degree of fluctuation > 30%** Additional analysis is required, and additional documentation will likely be necessary to determine income stability and develop an accurate calculation of qualifying income. The analysis and documentation must support the amount of income used to qualify the Borrower. When using an average with the YTD and most recent year, the degree of fluctuation is based on the increase between the YTD and the prior year When using an average with the YTD and the prior two years, the degree of fluctuation is based

Base fluctuating hourly employment earnings	
Topic	**Stable monthly income requirements**
	on the increase between the YTD and the prior two years
Calculation method and trend analysis for declining trend	**Calculation method and trend analysis: declining trend** The Seller must use the YTD income and must not include the previous higher level unless there is documentation of a one-time occurrence (e.g., injury) that prevented the Borrower from working or earning full income for a period of time and evidence that the Borrower is back to the income amount that was previously earned. If the decline between the prior year(s) and/or YTD earnings exceeds 10%, the Seller must conduct further analysis and additional documentation may be necessary to determine whether the income is currently stable. This analysis must include the reason for the declining trend, and support that the current income has stabilized.
Pay raises	**Verification of pay raises and using pay increase in calculation of income** Merit, promotional or other types of increases in pay may justify using different averaging methods for fluctuating hourly earnings based on the application of the new pay rate to the average hours worked for the prior year and YTD. While documentation to verify pay raises is not always required, it may be used to support a higher amount of qualifying income and/or support fluctuating hourly earnings when the degree of fluctuation exceeds 10%. **Verification method:** Use employed income documentation outlined in Chapter 5302, such as written VOEs and paystubs. Paystubs from the current or prior year that show the new and old rates of pay when the raise occurred and/or year-end paystubs will likely be necessary to complete this verification. **Calculation method**

Base fluctuating hourly employment earnings	
Topic	**Stable monthly income requirements**
	For consistent and increasing income trends, use one of the options below: ■ **Option 1**: Average the most recent year and YTD income over the applicable number of months of required history and documentation, as described in this table in the row labeled "calculation method and trend analysis for consistent and increasing income trends" above ■ **Option 2:** Apply the current pay rate to the average number of hours worked during the prior year and the current year, provided the hours worked during the prior year and the current year are consistent or increasing, and documented

(ii) Additional fluctuating employment earnings (e.g., bonus, commission, overtime, tips, unemployment)

For the purposes of determining stable monthly income, additional fluctuating employment earnings are considered to be earnings that fluctuate on a regular basis, often based on factors such as hours worked, job type and performance. Fluctuating earnings may include, but are not limited to, income types such as commissions, overtime, bonus, tips, and unemployment compensation associated with seasonal employment. For additional fluctuating employment earnings to qualify the Borrower, the Seller must determine that the amount of income used to qualify the Borrower is stable and complies with the requirements below for each income type. All income must be expected to continue or have documented continuance for at least three years as described in this section.

Income history and stability – requirements and guidance

The stability of fluctuating income is primarily determined based on historical earnings, so it is imperative that a sufficient income history has been established. For this reason, most income types that fluctuate have a history requirement of two years. In certain instances, a shorter history may still be considered stable if the Seller provides a written analysis and sufficient supporting documentation justifying the determination of stability. When making this determination, the Seller must take into consideration factors such as income and/or employment characteristics and the overall layering of risk factors, including the Borrower's demonstrated ability to repay obligations. The income history must be at least 12 months.

(A) Bonus, commission, overtime, tips (reported by the employer)

Bonus, commission, overtime, tips (reported by the employer)	
Topic	**Stable monthly income requirements**
History of receipt	Two years, consecutive Exception: A history of less than two years, but not less than one year, may be acceptable. Refer to income history and stability requirements and guidance in Section 5303.1(d)(ii), above.
Continuance	Must be likely to continue for at least the next three years
Documentation	**All of the following:** ■ YTD paystub(s) documenting all YTD earnings ■ W-2 forms for the most recent two calendar years ■ 10-day PCV **Or all of the following:** ■ Written VOE documenting all YTD earnings and the earnings for the most recent two calendar years ■ 10-day PCV
General requirements for calculating income	**When calculating qualifying income, the Seller must:** ■ Determine and consider the pay frequency (weekly, bi-weekly, semi-monthly, monthly, quarterly, annually) to accurately analyze and calculate the stable monthly income ■ Determine if the income trend is consistent, increasing or declining by comparing the YTD

Bonus, commission, overtime, tips (reported by the employer)	
Topic	**Stable monthly income requirements**
	income to prior year(s) income and taking into consideration the length of receipt and degree of fluctuation ■ Evaluate the income trend and use the amount that is most likely to continue for the next three years ■ Ensure that all documentation in the Mortgage file supports the Seller's income analysis and calculation **Example (pay frequency):** The Borrower received an annual bonus in February in both the prior year and current year as evidenced by the written VOE dated in March of the current year. The bonus amounts are consistent based on the income trend analysis. Because the bonus is paid on an annual basis, the amounts received in the current and prior year must be averaged over a 2-year period. It is inaccurate to average the prior year and YTD number of months on the income documentation (e.g., 15-month average).
Calculation method and trend analysis for consistent and increasing income trends	**Calculation method: consistent and increasing trends** The Seller must average the most recent years and YTD income over the applicable number of months of required history and documentation. In certain instances, the calculation may be based off a shorter number of months if the Seller provides a written justification and/or documentation to support the applicable months used in the calculation. The total number of months used in the calculation must be at least 12 months.
	Trend analysis: consistent and increasing trends Refer to the row labeled "Calculation method and trend analysis for consistent and increasing income trends" in the table for base fluctuating hourly earnings type in Section 5303.1(d)(i), above.

Bonus, commission, overtime, tips (reported by the employer)	
Topic	**Stable monthly income requirements**
Calculation method and trend analysis for declining trends	**Calculation method and trend analysis: declining trend** Refer to the row labeled "Calculation method and trend analysis for declining trends" in the table for base fluctuating hourly earnings type in Section 5303.1(d)(i), above.
Documented income breakdown	**Documented income breakdown (e.g., bonus, overtime, commissions)** A documented breakdown between the base non-fluctuating earnings or base fluctuating hourly earnings and the additional fluctuating employment earnings (e.g., bonus, overtime, commission, tips) ensures the most accurate analysis and calculation of stable monthly income. While a documented breakdown is not always required, one may be used to support a higher amount of qualifying income, verify bonus pay frequency, and/or support fluctuating income when the degree of fluctuation exceeds 10%. **Verification method:** Use employed income documentation outlined in Chapter 5302 such as written VOEs and/or year-end and current YTD paystubs that show the breakdown between the earnings type and additional employment earnings (e.g., overtime, bonus, commissions).

(B) Tip income – cash and charge tips reported on Internal Revenue Service (IRS) Form 4137

Tip income – Cash and charge tips reported on IRS Form 4137	
Topic	**Stable monthly income requirements**

Tip income – Cash and charge tips reported on IRS Form 4137	
Topic	**Stable monthly income requirements**
History of receipt	Two years, consecutive Exception: A history of less than two years, but not less than one year, may be acceptable. Refer to income history and stability requirements and guidance in Section 5303.1(d)(ii), above.
Continuance	Must be likely to continue for at least the next three years
Documentation	The Mortgage file must contain all of the following: ■ IRS Form 4137 for the most recent two years ■ Complete federal individual income tax returns covering the most recent two-year period ■ 10-day PCV
Calculation	Refer to requirements for calculating income in the table for bonus, commission, overtime and tips in Section 5303.1(d)(ii)(A), above.

(C) Unemployment compensation associated with seasonal employment

Unemployment compensation associated with seasonal employment	
Topic	**Stable monthly income requirements**
History of	Two years, consecutive

Unemployment compensation associated with seasonal employment	
Topic	**Stable monthly income requirements**
receipt	Exception: A history of less than two years, but not less than one year, may be acceptable. Refer to income history and stability requirements and guidance in Section 5303.1(d)(ii), above.
Continuance	Must be likely to continue for at least the next three years
Documentation	Proof of receipt of unemployment compensation for the most recent two-year period (e.g., IRS Form 1099-G(s) and/or equivalent documentation)
Calculation	Refer to requirements for calculating income in the table for bonus, commission, overtime and tips in Section 5303.1(d)(ii)(A), above.

(D) Restricted stock (RS) and restricted stock units (RSUs)

(I) RS and RSU subject to performance- based vesting provisions

RS and RSU subject to performance-based vesting provisions	
Topic	**Stable monthly income requirements**
History of receipt	■ Two years, consecutive Exception: A history of less than two years, but not less than one year, may be acceptable. Refer to income history and stability requirements and guidance in Section 5303.1(d)(ii), above.

RS and RSU subject to performance-based vesting provisions	
Topic	**Stable monthly income requirements**
	■ To be considered for history of receipt, RS and RSU used for qualifying must have vested and been distributed to the Borrower from their current employer, without restriction
Continuance	Must be likely to continue for at least the next three years
Documentation	**All of the following:** ■ YTD paystub(s) documenting all YTD earnings, including payout(s) of RS or RSU ■ W-2 forms for the most recent two calendar years ■ 10-day PCV **Or all of the following:** ■ Written VOE documenting all YTD earnings (including payout(s) of RS or RSU) as well as earnings for the most recent two calendar years ■ 10-day PCV Employment and income verifications obtained through a third-party verification service provider as described in Section 5302.3 are permitted, provided that the documentation clearly identifies and distinguishes the payout(s) of RS/RSU. **The Mortgage file must also include the following additional documentation:** ■ Evidence the stock is publicly traded ■ Documentation verifying that the vesting provisions are performance-based (e.g., RS and/or RSU agreement, offer letter) ■ Vesting schedule(s) currently in effect detailing past and future vesting

RS and RSU subject to performance-based vesting provisions	
Topic	**Stable monthly income requirements**
	■ Evidence of receipt of previous year(s) payout(s) of RS/RSU (e.g., year-end paystub, employer-provided statement paired with a brokerage or bank statement showing transfer of shares or funds) that must, at a minimum, include the number of vested shares or its cash equivalent distributed to the Borrower (pre-tax)
Calculation	Based on the form in which vested RS or RSU are distributed to the Borrower (i.e., as shares or its cash equivalent), the Seller must use the applicable method(s) below to calculate the monthly income: ■ **RS or RSU distributed as shares** Multiply the 52-week average stock price as of the Application Received Date by the total number of vested shares distributed (pre-tax) to the Borrower in the past two years, then divide by 24. **Example:** If 200 vested shares were distributed (pre-tax) in the past two years and the 52-week average stock price as of the Application Received Date is $10, multiply 200 x $10 then divide by 24= $83.33 monthly income. ■ **RS or RSU distributed as cash equivalent** Use the total dollar amount distributed (pre-tax) from the cash equivalent of vested shares in the past two years and divide by 24.

(II) RS and RSU subject to time-based vesting provisions

RS and RSU subject to time-based vesting provisions

Topic	Stable monthly income requirements
History of receipt	■ One year ■ To be considered for history of receipt, RS and RSU used for qualifying must have vested and been distributed to the Borrower from their current employer, without restriction
Continuance	Must continue for at least the next 3 years
Documentation	**All of the following:** ■ YTD paystub(s) documenting all YTD earnings, including payout(s) of RS or RSU ■ W-2 form for the most recent calendar year ■ 10-day PCV **Or all of the following:** ■ Written VOE documenting all YTD earnings (including payout(s) of RS or RSU) as well as earnings for the most recent calendar year ■ 10-day PCV Employment and income verifications obtained through a third-party verification service provider as described in Section 5302.3 are permitted, provided that the documentation clearly identifies and distinguishes the payout(s) of RS/RSU. **The Mortgage file must also include the following additional documentation:** ■ Evidence the stock is publicly traded ■ Documentation verifying that the vesting provisions are time-based (e.g., RS and/or RSU agreement, offer letter) ■ Vesting schedule(s) currently in effect detailing past and future vesting ■ Evidence of receipt of previous year's payout(s) of RS/RSU (e.g., year-end paystub,

RS and RSU subject to time-based vesting provisions	
Topic	**Stable monthly income requirements**
	employer-provided statement paired with a brokerage or bank statement showing transfer of shares or funds) that must, at a minimum, include the number of vested shares or its cash equivalent distributed to the Borrower (pre-tax)
Calculation	Based on the form in which vested RS or RSU are distributed to the Borrower (i.e., as shares or its cash equivalent), the Seller must use the applicable method(s) below to calculate the monthly income: ■ **RS or RSU distributed as shares** Multiply the 52-week average stock price as of the Application Received Date by the number of vested shares distributed (pre-tax) to the Borrower in the past year, then divide by 12. **Example:** If 50 vested shares were distributed (pre-tax) in the past year and the 52-week average stock price as of the Application Received Date is $10, multiply 50 x $10 then divide by 12 = $41.67 monthly income. ■ **RS or RSU distributed as cash equivalent** Use the total dollar amount distributed (pre-tax) from the cash equivalent of vested shares in the past year and divide by 12.

(e) Employment/income characteristics requirements and guidance

For all employment and/or income characteristics below, the Seller must determine whether the employment and/or income represents primary or secondary employment and/or income and use the applicable requirements for history, continuance, earnings type, documentation and calculation in this chapter and in conjunction with Chapters 5301 and 5302, unless specifically stated otherwise. For certain employment and/or income characteristics, additional documentation and/or analysis may be needed, as described below.

Employment/income characteristics		Additional requirements
Full-time and part-time employment	Full-time and part-time employment may be either primary or secondary employment, and may consist of base non-fluctuating earnings, base fluctuating hourly earnings and/or additional employment earnings.	None
Seasonal employment	Seasonal employment may be primary employment (e.g., highway construction and road work in colder regions) or secondary employment (e.g., educators teaching summer school). The earnings may include base non-fluctuating earnings, base fluctuating hourly earnings and/or additional employment earnings.	When using unemployment income associated with the seasonal employment as stable monthly income: ■ A documented two-year history of seasonal employment and income receipt is required, and ■ The requirements for unemployment income associated with seasonal employment in Section 5303.1(d)(ii)(C) must be met

Employment/income characteristics		Additional requirements
Union members	Certain union members may work in industries where they may switch employers frequently and the union facilitates the next position. In that case, the Borrower may have multiple YTD paystubs and W-2s, all of which can be used for the verification and calculation of stable monthly income. The Borrower's earnings may be comprised of base non-fluctuating earnings, base fluctuating hourly earnings and/or additional employment earnings. A Borrower may exhibit a stable and consistent employment and income history, regardless of the number of employers. The Borrower may or may not be in between employers at the time of closing. If the Seller determines that the Borrower's employment and income history is stable and it is documented that the Borrower has multiple jobs as described above, it may be acceptable to obtain the 10-day PCV (refer to Section 5302.2(d)) from the union. The Seller must make this determination based on a review of all employment	None

Employment/income characteristics		Additional requirements
	and income characteristics.	
Borrower employed by a family member or by the property seller, real estate broker or other interested party to the transaction	When a Borrower is employed by a family member or by an interested party to the transaction, the employment and income is not arm's length. Due to the increased layering of risk inherent in non-arm's length employment, additional third-party validation supporting the current income level is necessary.	Complete signed federal individual income tax return or IRS wage and income transcripts for the most recent year. This documentation must validate the prior year earnings from current employment and support the current income level. If the current income level is not supported, the Seller may use the validated income amount from the prior year as qualifying income.
Employed income from a foreign source	When a Borrower receives employed income from a foreign source, the income may be considered for qualifying income if the income is reported on the Borrower's U.S. federal individual income tax return for the most recent year, in addition to meeting the requirements in this chapter. Refer to Chapter 5305 for all other non-employment/non-self-employment income from a foreign source.	Complete signed U.S. federal individual income tax return for the most recent year

Employment/income characteristics		Additional requirements
Employment contracts	**Employment contracts in the educational industry:** It is common for Borrowers who work in the educational industry, such as teachers, to be employed under renewable or term employment contracts. For the educational field, if the Borrower provides an annually renewable or term contract, it is reasonable to consider continuance of receipt, provided the Seller does not have knowledge or documentation to the contrary.	None
	Employment contracts in other industries: If an employment contract is provided, it may be considered for the purposes of determining stable monthly income. When making the determination of employment history, income stability and the monthly income amount, the Seller must take into consideration factors such as the following: ■ Whether employment contracts are reasonably common to the particular employment field and/or	A documented two-year history of income and employment in the same or a similar employment field or industry when the terms of the employment contract do not include a base non-fluctuating pay structure

Employment/income characteristics		Additional requirements
	region ■ The pay structure outlined within the terms of the contract ■ Whether the Borrower has demonstrated the ability to maintain consistent employment and income with this form or a similar form of pay structure over the most recent two years	
Temporary help services employment	Some contract firms and temporary staffing firms contract out the services of their employees to other employers. When making the determination of employment history, income stability and the monthly income amount, the Seller must take into consideration factors such as whether the Borrower has demonstrated the ability to maintain steady and continuous employment and income with this employment structure over the most recent two-year period.	W-2 forms from the contract and/or temporary staffing firm for the most recent two-year period
Income reported on IRS Form 1099 for services performed	At times, Borrowers receive IRS Form 1099(s) for services performed; this pay structure is often referred to in terms such as contractor or contingent worker.	**Minimum documentation – all of the following:** ■ All IRS Form 1099s for services performed for the most recent two-year period, and ■ YTD paystubs and/or other equivalent and reasonably reliable third-party documentation (e.g., YTD

<table>
<tr><th colspan="2">Employment/income characteristics</th><th>Additional requirements</th></tr>
<tr><td></td><td>Income received on IRS Form 1099 for services performed may be reported on Schedule C and may represent a sole proprietorship. The Seller must treat this income as either:
■ Self-employed income in accordance with the requirements and guidance in Chapter 5304,
OR
■ Non-self-employed income in accordance with the requirements in this section if the IRS Schedule C from the most recent calendar year tax return evidences all of the following:
❑ Gross receipts or sales = total amount(s) reported on the IRS Form 1099(s)
❑ Total expenses are < 5% of gross receipts or sales, after deducting non-cash expenses (e.g., depreciation)
❑ Cost of goods sold = $0
❑ 12-month history of 1099 income and reported expenses is present
Exception: If the above expense factor is not met but expenses are within a</td><td>earnings statements or evidence of payments for services performed) documenting YTD income received by the Borrower
■ Pages 1 and 2 of the Borrower’s federal individual income tax returns, and the applicable schedules (i.e., Schedule C, Schedule 1), covering the most recent one-year period
History of receipt: Most recent two years; however, in certain instances, a shorter history of income with this pay structure may still be considered stable if the Seller provides a written analysis and sufficient supporting documentation justifying the determination of stability (e.g., a prior history of employment earnings at a similar level). In no event may the history of receipt for this pay structure documented on the tax returns be less than 12 months.
Continuance: Must be likely to continue for at least the next three years
Calculation: Average must be based on the required and documented history of receipt and support a consistent level of income in accordance with the requirements of Section 5301.1(c). The 1099 income must be reduced by the expenses (excluding non-cash items) reported on Schedule C. Apply an average of the verified expenses to the 1099 income without verified expenses.
Calculation example
Scenario: Borrower has an 18-month history of</td></tr>
</table>

<table>
<tr><th colspan="2">Employment/income characteristics</th><th>Additional requirements</th></tr>
<tr><td></td><td>close range (e.g., 6%), the Seller may perform additional analysis to determine whether income reported on Schedule C remains characteristic of non-self-employed income. Factors the Seller may consider when making this determination include, but are not limited to:
■ The principal business or profession,
■ Gross receipts or sales,
■ Cost of goods sold, and
■ The type and level of expenses reported
If the Seller determines that the Borrower is a sole proprietor, refer to the self-employed income requirements and guidance in Chapter 5304.</td><td>documented 1099 income, with 12 months of income and expenses reflected on the most recent Schedule C and reasonably reliable verification of YTD income for the most recent 6 months. Prior employment (W-2) for 5 years with similar income level and employment field.
<table>
<tr><td>1099(s) reported as gross receipts/sales:</td><td>(+) $100,000</td></tr>
<tr><td>Less: Schedule C Expenses (less non-cash expenses)</td><td>(-) $4,000 (4%)</td></tr>
<tr><td>Subtotal (most recent year Schedule C)</td><td>$96,000</td></tr>
<tr><td>Verified YTD 1099 income (6 months):</td><td>(+) $50,000</td></tr>
<tr><td>Less: 4% expense rate (based on most recent year Schedule C)</td><td>(-) $2,000 (4%)</td></tr>
<tr><td>Subtotal (Current YTD)</td><td>$48,000</td></tr>
<tr><td>Income calculation: $144,000 (combined subtotals) / 18 months</td><td>$8,000/month</td></tr>
</table>
Stable monthly income: The Seller must determine if more information and/or documentation is needed to support and justify the stable monthly income based on</td></tr>
</table>

Employment/income characteristics		Additional requirements
		the individual circumstances. **Pre-closing verification:** Sellers are encouraged to complete a pre-closing verification confirming that the Borrower continues to perform services for the provider(s) of the 1099 income as close to the Note Date as possible.
Borrowers with business ownership interest(s) less than 25%	For use of ordinary income (loss) or guaranteed payments for services reported on IRS Schedule K-1 as stable monthly qualifying income, the Seller must meet either: ■ The self-employed requirements in Chapter 5304, or ■ All requirements in this section in conjunction with the general requirements and guidance in Section 5301.1 and Chapter 5302 The Borrower should not have an ownership interest of 25% or more in any business. When using ordinary business income for qualification, the historical cash distributions must be reasonably consistent with the ordinary business income reported on the K-1s. Note: For use of W-2 income, the Seller must meet the requirements of this chapter or Chapter 5304 for self-	**Schedule K-1 income from partnerships and S corporations** **Minimum documentation – all of the following:** ■ Schedule K-1s for the most recent two calendar years for partnerships and S corporations ■ Documentation of all YTD income must be obtained if available (e.g., most recent YTD paystub or equivalent). If YTD information is not attainable (e.g., due to year-end payment structures), the Seller may document and justify the income stability without this information. ■ The Schedule K-1(s) must evidence less than 25% ownership interest for the individual Borrower ■ Verification of current existence of business in accordance with Section 5304.1(g) **History of receipt:** ■ **Ordinary business income:** Most recent two years ■ **Guaranteed payments for services:** Most recent two years; however, in certain instances, a shorter history may still be considered stable if the Seller provides a

Employment/income characteristics		Additional requirements
	employed income; the additional requirements in this row do not apply.	written analysis and sufficient supporting documentation justifying the determination of stability (e.g., recently changed from an employee of the same firm to a partner with a nominal ownership interest). In no event may the history be less than 12 months. **Continuance:** Must be likely to continue for at least the next three years **Calculation:** Average must be based on the required and documented history of receipt and support a consistent level of income in accordance with the requirements of Section 5301.1(c). **Stable monthly income:** The Seller must determine if more information and/or documentation is needed to support and justify the stable monthly income based on the individual circumstances.

5303.2: Income commencing after the Note Date (10/02/24)

For Borrowers starting new employment or receiving a future salary increase from their current employer, income commencing after the Note Date may be considered a stable source of qualifying income if either all requirements for option one, or all requirements for option two in the following table are met.

Topic	Option one	Option two
Eligible employment and income	Employment and income must meet the following requirements: ■ Income must be from new primary	Employment and income must meet the following requirements: ■ Income must be from new primary employment ■ Income must be non-fluctuating and salaried (e.g., hourly

Topic	Option one	Option two
	employment or a future salary increase with the current primary employer ■ Income must be non-fluctuating and salaried (e.g., hourly earnings are not permitted), and ■ The employer must not be a family member or an interested party to the real estate or Mortgage transaction	earnings are not permitted) ■ The employer must not be a family member or an interested party to the real estate or Mortgage transaction ■ As of the Delivery Date, the income must be no less than that used to qualify the Borrower for the Mortgage
Start date of the new employment or future salary increase, as applicable	■ Must be no later than 90 days after the Note Date ■ May be before or after the Delivery Date	■ No limit on the number of days after the Note Date ■ Must be before the Delivery Date
Eligible Mortgage purpose	■ Purchase transaction ■ "No cash-out" refinance	■ Purchase transaction ■ "No cash-out" refinance ■ Cash-out refinance
Eligible Mortgaged Premises	1-unit Primary Residence	■ 1- to 4-unit Primary Residence ■ Second home ■ 1- to 4-unit Investment Property

Topic	Option one	Option two
Verification of additional funds	■ In addition to funds required to be paid by the Borrower and Borrower reserves, the Seller must verify additional funds in the Borrower's depository and/or securities account(s) that equal no less than the sum of the monthly housing expense, as described in Section 5401.1, and other monthly liabilities, as described in Section 5401.2, multiplied by the number of months between the Note Date and the start date of the new employment/future salary increase, plus one additional month. A partial month is counted as one month for the purpose of this calculation. ■ The amount of the required additional funds, as described above, may be reduced by the amount of verified gross income that any Borrower on the Mortgage is expected to receive between the Note Date and the start date of the new employment, whether or not this income is used to qualify for the Mortgage or is expected to continue after the start date of the new employment/future salary increase.	The following requirements apply when there are more than 15 calendar days between the Note Date and the start date of the new employment: ■ In addition to funds required to be paid by the Borrower and Borrower reserves, the Seller must verify additional funds in the Borrower's depository and/or securities account(s) that equal no less than the sum of the monthly housing expense, as described in Section 5401.1, and other monthly liabilities, as described in Section 5401.2, multiplied by the number of months between the Note Date and the start date of the new employment, plus one additional month. A partial month is counted as one month for the purpose of this calculation. ■ The amount of the required additional funds, as described above, may be reduced by the amount of verified gross income that any Borrower on the Mortgage is expected to receive between the Note Date and the start date of the new employment, whether or not this income is used to qualify for the Mortgage or is expected to continue after the start date of the new employment.

<table>
<tr><th>Topic</th><th>Option one</th><th>Option two</th></tr>
<tr><td></td><td colspan="2">Sellers may use the following worksheet to assist with the additional funds calculation:
<table>
<tr><th colspan="3">Calculation for verification of additional funds worksheet</th></tr>
<tr><td>1</td><td>Total monthly housing expense (Section 5401.1)</td><td>$ _____</td></tr>
<tr><td>2</td><td>Monthly debt payment (Section 5401.2)</td><td>$ _____</td></tr>
<tr><td>3</td><td>Line 1 + Line 2</td><td>$ _____</td></tr>
<tr><td>4</td><td>Number of months between Note Date and start date of new employment/future salary increase (a partial month = 1 month) + 1 month</td><td>_____</td></tr>
<tr><td>5</td><td>(Line 3) x (Line 4)</td><td>$ _____</td></tr>
<tr><td>6</td><td>Borrower’s verified gross income expected between Note Date and start date of new employment</td><td>$ _____</td></tr>
<tr><td>7</td><td>Line 5 – Line 6</td><td>$ _____ (This is the amount of additional funds the Seller must verify)</td></tr>
</table></td></tr>
</table>

Topic	Option one	Option two
Required documentation	■ Copy of the employment offer letter, employment contract or other evidence of the future salary increase from the current employer that meets all of the following requirements: ❑ Fully executed and accepted by the Borrower ❑ Non-contingent or provide documentation, such as a letter or e-mails from the employer verifying all contingencies have been cleared ❑ Includes the terms of employment, including employment start date and annual income based on non-fluctuating earnings ■ For a future salary increase with the Borrower's current employer, the above documentation must indicate the increase is fully approved and is explicitly granted to the Borrower ■ 10-day pre-closing verification (PCV) verifying the terms of the employment offer letter, contract or future salary increase have not changed (refer to Section 5302.2(d)) ■ Documentation of additional funds, as required above	■ Copy of the employment offer letter or employment contract that meets all of the following requirements: ❑ Fully executed and accepted by the Borrower ❑ Includes the terms of employment, including, but not limited to, employment start date and annual income based on non-fluctuating earnings ■ Paystub, written verification of employment (VOE) or a third-party employment verification supporting the income used for qualifying the Borrower ■ Documentation of additional funds, as required above

5303.3: Income while on temporary leave (10/02/24)

This section contains requirements and guidance related to:

- Temporary leave from current employment – general requirements and guidance
- Determining qualifying income and Borrower capacity to meet obligations while on temporary leave
- Documentation requirements

(a) Temporary leave from current employment – general requirements and guidance

Temporary leave from an employer may encompass various circumstances (e.g., family and medical, short-term disability, maternity, other temporary leaves with or without pay). Temporary leave is generally short in duration. The period of time that a Borrower is on temporary leave may be determined by various factors such as applicable law, employer policies and short-term insurance policy and/or benefit terms. Leave ceases being considered temporary when the Borrower does not intend to return to the current employer or does not have a commitment from the current employer to return to employment.

The requirements and guidance for income while on temporary leave do not extend to employer-initiated actions such as furloughs and layoffs.

Refer to Chapter 5305 regarding long-term disability income if the Seller has knowledge the Borrower has applied for, is receiving or will be receiving long-term disability benefits or long-term insurance benefits.

(b) Determining qualifying income and Borrower capacity to meet obligations while on temporary leave

During a temporary leave, a Borrower's income may be reduced and/or completely interrupted. The Seller must determine that during and after the temporary leave the Borrower has capacity to repay the Mortgage and all other monthly obligations in accordance with Topics 5100 through 5500. The Seller's determination must be based on required documentation, Seller knowledge and available information.

(i) For Borrowers returning to their current employer prior to or on the first Mortgage payment due date

For Borrowers returning to their current employer prior to or on the first Mortgage payment due date, the Seller may use for qualifying income the Borrower's pre-leave gross monthly income.

(ii) For Borrowers returning to their current employer after the first Mortgage payment due date

- For Borrowers returning to their current employer after the first Mortgage payment due date, the Seller may use for qualifying income the Borrower's gross monthly income amount being received for the duration of the temporary leave

- For Borrowers returning to their current employer after the first Mortgage payment due date, in the event that the income has been reduced or interrupted, the Seller may use for qualifying income the monthly reduced income amount (this amount may be zero) being received for the duration of the leave combined with the Borrower's available liquid assets, as necessary. Available liquid assets may be used as a partial or complete income supplement up to the amount of the income reduction.

  The "Asset calculation for establishing the debt payment-to-income ratio" described in Section 5307.1(b) does not apply to the calculation of assets as an income supplement when determining qualifying income and Borrower capacity to meet obligations while on temporary leave.

  Assets that are required for the transaction (e.g., Down Payment, Closing Costs and reserves) may not be considered as available assets.

- The total qualifying income must not exceed the Borrower's pre-leave gross monthly income amount

(c) Documentation requirements

The following documentation is required for all Borrowers on temporary leave:

- Documentation to verify the Borrower's pre-leave income and employment in accordance with Topic 5300, regardless of leave status

- Written statement, in the form of a signed letter or an e-mail directly from the Borrower, confirming the Borrower's intent to return to the current employer and the intended date of return

- Documentation generated by current employer confirming the Borrower's eligibility to return to the current employer after temporary leave. Acceptable forms of employer documentation that the Seller may obtain from the Borrower include but are not limited to:

  - an employer-approved leave request,

  - a Family and Medical Leave Act document or other documentation generated by the employer or

  - a third-party verifier on behalf of the employer

In addition, the following documentation is required for Borrowers returning to the current employer after the first Mortgage payment due date:

- Documentation evidencing amount and duration of all temporary leave income being used to qualify the Borrower (e.g., short-term disability benefits or insurance, sick leave benefits, temporarily reduced income from employer) that are being received during the temporary leave

- All available liquid assets used to supplement the reduced income for the duration of the temporary leave must meet the requirements of and be verified in accordance with the Streamlined Accept Documentation or Standard Documentation requirements, as applicable, listed in Section 5501.3

- A written rationale explaining the analysis used to determine the qualifying income, regardless of the underwriting path

Chapter 5304: Self-Employed Income

5304.1: Stable monthly income and documentation requirements for self-employed Borrowers (10/02/24)

This chapter provides the requirements to determine the appropriate qualifying income for a self-employed Borrower.

- Self-employed Borrower definition and verification of ownership interest percentage (Section 5304.1(a))
- Loan Product Advisor® (Section 5304.1(b))
- Self-employment history requirements (Section 5304.1(c))
- Business and income analysis (Section 5304.1(d))
- Self-employment income not used for qualification (Section 5304.1(e))
- Business assets used for closing (Section 5304.1(f))
- Verification of the current existence of the business (Section 5304.1(g))
- Documentation requirements (Section 5304.1(h))

Refer to Section 5301.1 for additional information with respect to income stability and continuance.

(a) Self-employed Borrower definition and verification of ownership interest percentage

The business structure determines the reporting method of the business and self-employment income to the Internal Revenue Service (IRS). The federal income tax returns for the business usually document the percentage of ownership interest in the business.

The following chart contains requirements and guidance for determining self-employment and verifying the Borrower's business ownership percentage:

Business structure	Self-employment definition and verification of ownership interest percentage
Partnerships, S Corporations and Corporations	■ A Borrower who has an ownership interest of 25% or more in a Partnership (general or limited), S Corporation and/or Corporation is considered to be self-employed ■ The ownership interest percentage must be verified by a review of the federal income tax returns for the business, including the IRS Schedule K-1(s) or IRS Form 1125-E, Compensation of Officers. If these documents do not provide this information, the ownership interest percentage must be verified with a letter from the accountant for the business or similar documents. ■ If the Borrower has ownership interest in one or more businesses, but the ownership interest is not 25% or more for any business, refer to the requirements and guidance in Section 5303.1(e) for employment/income characteristics or use the requirements in this chapter
Sole Proprietorships and Schedule C	Sole proprietorships are unincorporated businesses. A sole proprietor owns 100% of the business and reports the income and expenses from that business on Schedule C of the federal individual income tax return. There is no associated federal business tax return. **Note:** For IRS Form 1099 income received for services performed and reported on Schedule C, Sellers may refer to Section 5303.1(e) for additional information with respect to determining whether this income may be treated as non-self-employed income.

(b) Loan Product Advisor

The Seller must indicate to Loan Product Advisor that a Borrower is self-employed when the Borrower meets Freddie Mac's definition of self-employed as stated in Section 5304.1(a). This is required in all cases where the self-employment income and/or loss is used to determine the Borrower's stable monthly income for qualifying.

For Borrowers with self-employed income assessed using automated income assessment with Loan Product Advisor using tax data, refer to Chapter 5903.

(c) Self-employment history requirements

The following chart contains requirements and guidance pertaining to self-employment history:

Self-employment history	
Subject	**Requirements and guidance**
Length of history requirement	A two-year history of current self-employment is required in most instances to ensure that income is stable. The self-employment must be documented on Form 65, Uniform Residential Loan Application and verified in accordance with this chapter.
Self-employment less than two years	In certain instances, a Borrower may not have a current two-year history of self-employment; however, the income and employment may still be considered stable if the Seller provides a written analysis justifying the determination of stability, and sufficient supporting documentation is obtained. When making this determination, the Seller must take into consideration the overall layering of risk, including the Borrower's demonstrated ability to repay obligations. When the Borrower has been self-employed for less than two years, prior to considering the income for qualifying purposes, at a minimum the Seller must: ■ Document that the Borrower has a two-year history of receipt of income at the same or greater level in the same or similar occupation ■ Consider and evaluate the Borrower's experience in the business ■ Consider and evaluate the acceptance of the company's service or products in the marketplace Analysis of current business activity through a review of the year-to date (YTD) financial statement and/or the most recent three months of business bank statements may provide support to this evaluation.
Minimum history of receipt of income	The Borrower's federal income tax returns must reflect at least one year of self-employment income

Self-employment history	
Subject	**Requirements and guidance**
Geographical relocation	If the Borrower is relocating to a different geographic area, prior to considering the income for qualifying purposes, at a minimum the Seller must: ■ Consider and evaluate the acceptance of the company's service or products in the marketplace. Additional information, such as market studies or relevant industry research, may support this evaluation. ■ Provide a written analysis justifying the Borrower's income will continue at the same level in the new location

(d) Business and income analysis

The following chart contains requirements and guidance pertaining to business and income analysis:

Analysis	
Topic	**Requirements and guidance**
Business and income analysis	**Business review and analysis:** The Seller's analysis of the business must support that the business has sufficient liquidity and is financially capable of producing stable monthly income for the Borrower. ■ The analysis must include a review of the business tax returns ■ The Seller's review must include, at a minimum, an analysis of gross receipts or sales, cost of goods sold and gross profits. All should be typical for the type of business and reflect consistent year over year trends. In addition, the business expenses should be reasonable for the type of business activity and level of business income. Business tenure should be considered. ■ The Seller may determine that review and analysis of the business financial statements, business asset statements, and in the case of Partnerships and S corporations, an analysis of the historical cash distributions, is necessary to establish the financial and liquidity standing of the business. In addition, the Seller may calculate and consider the liquidity ratios of the business using generally accepted accounting practices when analyzing the liquidity of the business. **Use of business income reported on the Borrower's federal individual income tax returns** ■ For sole proprietorships, stable monthly income must be based on the income reported on Schedule C of the Borrower's federal individual income tax returns ■ For Partnerships and S corporations, stable monthly income may be based on the Borrower's proportionate share of income (e.g., ordinary income, guaranteed payments) carried from the Form 1065 or 1120 S, through the Schedule K-1 and onto the Borrower's federal individual income tax returns. Although cash distributions reported on the Schedule K-1 may not be used as qualifying income, they may be used to establish business liquidity and access to business funds,

Analysis	
Topic	**Requirements and guidance**
	provided they are reasonably consistent with the ordinary income. ■ For S corporations and corporations, stable monthly income may be based on the income reported on the Borrower's W-2 from the business. The corporate tax returns and Form 1125-E if applicable, must be reviewed for confirmation of the Borrower's W-2 income from the business. **Use of business income not reported on the Borrower's federal individual income tax returns** ■ Income reported on the business tax returns but not on the personal tax returns may be considered as stable monthly income, provided the Seller's analysis confirms that based on the financial strength of the business, the use of these funds as personal income would not have a detrimental impact on the business **Access to business income** Documentation is not required to verify access to business income for the following: ■ Sole proprietorships ■ Ordinary income, net rental real estate income, other net rental income and guaranteed payments received from partnerships and S corporations ■ W-2 income received from S corporations and corporations, ■ Corporations, if the Borrower holds 100% ownership interest If business income not reported on the Borrower's federal individual income tax returns is being used to qualify and none of the categories above apply, then the Seller must verify that the Borrower's legal right to the business income that is used as stable monthly income is not encumbered, restricted or prevented by the corporate resolution, partnership agreement, or other comparable document. **Income calculation** The Seller's calculation of a self-employed Borrower's average monthly income must be based on a review of the Borrower's complete federal individual income tax returns (Form 1040) including W-2's and Schedule K-1's (if applicable) and the Borrower's complete federal income tax returns for the business

Analysis	
Topic	**Requirements and guidance**
	(Forms 1120, 1120 S and 1065), when applicable. The Seller must analyze the tax returns and document the calculation of the Borrower's self-employed income on Form 91, Income Calculations, or a similar alternative form. **Income fluctuation** ■ As part of the analysis, the Seller must consider whether the Borrower's self-employed income has increased or decreased over the previous two years when the Seller's analysis includes a review of documentation covering a history greater than one year ■ If the analysis reflects that the Borrower's income has significantly increased or decreased, the Seller must provide sufficient documentation and justification to support the determination that the income used to qualify the Borrower is stable and likely to continue for the next three years ■ It may be necessary to obtain additional years' tax returns when the Borrower's self-employment income fluctuates in order to determine the stability of the income
Business financial statements	Business financial statements typically consist of a profit and loss statement and a balance sheet for the business that cover a specified period of time (e.g., YTD, quarterly, annual). ■ Financial statements for the business may be prepared by multiple parties, including but not limited to, the Certified Public Accountant (CPA), accountant or tax preparer that prepares the tax returns for the business, or the Borrower ■ Financial statements may not be used for the calculation of stable monthly income (unless audited); however, they may provide additional support for the Seller's business and income analysis ■ Financial statements for the business may be used to assist in evaluating and determining various components of self-employment analysis, including, but not limited to, business liquidity, income stability when tax returns are on extension, evaluating a newer business and the impact of business fund withdrawals
Business and/or	If the Borrower's federal individual and/or business income tax

Analysis	
Topic	**Requirements and guidance**
individual tax return(s) - most recent calendar year not yet available	returns for the most recent calendar year, or fiscal year as applicable, are not available (e.g., Borrower and/or Borrower's business filed an IRS extension, tax returns are not yet filed with the IRS), examples of factors and documentation to consider when using older tax returns to determine continued income stability include, but are not limited to, the following: ■ Business review and analysis of current business activity through a review of the most recent financial statement(s) that cover the period since the last tax return filing(s) ■ Business review and analysis of current business activity through a review of at least the most recent three months of business bank statements ■ Signed IRS Form 941, Employer's Quarterly Federal Tax Return, for the prior calendar year and current calendar year quarter(s) that supports wages and other compensation documented on the most recent business tax return ■ Review of tax liability reported with IRS tax filing extension(s) (e.g., IRS Form 4868, IRS Form 7004) to determine consistency with tax liability reported on prior year(s) tax return(s) ■ Review of W-2s, 1099s and/or K-1s from the most recent calendar year, if available If the continued stability of the income cannot be determined, then the Borrower's federal individual and/or business income tax returns from the most recent calendar year may need to be obtained to make the determination. Refer to Section 5302.4(b) for additional information about age of tax return requirements, including, but not limited to, the requirement to document evidence of continued income stability using at least one of the examples listed above when the Seller has not obtained the IRS confirmation verifying tax transcript(s) are not yet available for the business tax return(s).
Income analysis – adjustments (examples)	The following list includes common examples of items that may be considered for inclusion in income when performing the self-employed income calculations on Form 91, or a similar alternative form.

Analysis	
Topic	**Requirements and guidance**
	Non-cash deductions Non-cash items such as depreciation, depletion and amortization
	Non-recurring losses Documented nonrecurring losses, such as casualty losses and loss carry-overs from previous tax years
	Mortgages and notes payable in less than one year ■ The Seller must analyze the terms of the Mortgages and notes payable in less than one year and determine whether the income should be reduced by the debt when performing the income analysis ■ The analysis must include factors such as whether the business has sufficient liquidity to pay off the debt without a negative impact to the business, if the business type is indicative of debt that would continually roll over, and/or if the debt is a line of credit that is consistently renewable. If these factors are present, the income does not need to be reduced by the debt when performing the income analysis.
Borrower debt paid by business	Refer to Section 5401.2(c)(v) for requirements for self-employed Borrower's debt paid by the Borrower's business.
IRS Form 8825, Rental Real Estate Income and Expenses of a Partnership or an S Corporation	**Rental real estate income and expenses reported on Form 8825** All rental real estate income and expenses reported on IRS Form 8825 for partnerships and S corporations are to be treated as self-employment income, regardless of whether or not the Borrower is personally obligated on the Note and regardless of the Borrower's percentage of ownership interest in the partnership or S corporation. The requirements of Section 5401.2(c)(v) are not applicable. Refer to Form 91 for the appropriate treatment and calculation of the Borrower's proportionate share of the net rental real estate income or loss.

(e) Self-employment income not used for qualification

The following chart contains requirements and guidance pertaining to self-employment income not used for qualification:

Self-employment income not used for qualification	
Subject	**Requirements and guidance**
Self-employment disclosed on Form 65, Uniform Residential Loan Application (or other documentation) but not used to qualify	The Seller is not required to obtain any additional documentation or evaluate the income or loss from the self-employment for each Borrower on the Mortgage who: ■ Has a primary source of income, other than self-employment, used for qualifying for the Mortgage (e.g., salaried income from primary employment), and ■ Is self-employed and self-employment income is a secondary source of income For each Borrower on the Mortgage who is self-employed and does not have another source of income that is used in qualifying for the Mortgage, the following requirements apply: ■ The Seller must obtain pages 1 and 2 of the Borrower's federal individual income tax returns, and the applicable schedules (e.g., Schedule C, Schedule E), to determine if there is a business loss that may have an impact on the stable monthly income. Refer to Section 5302.4(b) for information about using IRS tax transcripts to meet certain portions of this requirement. ❒ If a business loss is reported and the Borrower qualifies with the loss, then the Seller is not required to obtain any additional documentation relating to the business loss ❒ If a business loss is reported and the Borrower does not qualify with the loss, then the Seller must perform a business and income analysis to determine whether depreciation adjustments or other factors such as business closure or evidence of a one-time non-recurring event justify a reduction of the reported loss when calculating the stable monthly income. The Seller must obtain additional documentation needed in order to fully evaluate the loss and support the analysis (e.g., business tax returns (final or otherwise), evidence of a one-time non-recurring event). ■ If the tax returns or other documentation in the Mortgage file (e.g., IRS tax transcripts, additional Schedule K-1's) reflect positive income from self-employment but that

Self-employment income not used for qualification	
Subject	**Requirements and guidance**
	income is not used to qualify, additional documentation (e.g., complete business or federal individual income tax return(s)) is not required

(f) Business assets used for closing

The following chart contains requirements and guidance pertaining to business assets used for closing:

Subject	Requirements and guidance
Business assets used for closing	■ Withdrawals of assets from the business may have a negative impact on the ability of the business to continue operating. When business assets are being used for the Down Payment, Closing Costs and/or reserves, the Seller must determine that the withdrawal of the funds will not have a detrimental effect on the business. In addition to a review and analysis of the personal and business tax returns, the Seller may review and analyze the current financial statement and/or the last three months of the business bank statements to confirm the deposits, withdrawals and balances are supportive of a viable business and are aligned with the level and type of income and expenses reported on the business tax returns. ■ The factors contributing to the determination that the withdrawal will not negatively impact the business must be included on the Seller's written analysis of the income source and amount The business assets must be verified in accordance with the documentation requirements in Sections 5102.3, 5102.4 and 5501.3.

(g) Verification of current existence of the business

The following chart contains requirements and guidance pertaining to verification of current existence of the business:

Topic	Requirements and guidance
Verification of current existence of business	Verification of the current existence of the business is required when positive income from the business is used as stable monthly income
Acceptable third party sources	Acceptable third party sources include, but are not limited to: ■ Regulatory agency ■ Phone directory ■ Internet source (e.g., Better Business Bureau) ■ Directory assistance ■ Applicable licensing bureau Verification of current existence of the business obtained verbally from an acceptable third party source must be documented and include all of the following: ■ Name and address of the business ■ Name of individual and entity contacted to obtain the verification ■ Date information verified ■ Name and title of the individual who completed the verification for the Seller
Alternative sources	The Seller may consider alternative sources if the above are not available, such as: ■ Preparer of the tax returns for the business (e.g., accountant), provided the preparer has an arm's length relationship with the Borrower ■ At least one months' business bank statement that supports the current existence of the business and the level and type of income and expenses reported on the business tax returns
Date requirements	The verification must be completed prior to the Delivery Date, but no more than 120 days prior to the Note Date

(h) Documentation requirements

The Seller must establish and calculate the stable monthly income using at least the following required documentation. Additional documentation may be needed to support income stability, as described within this chapter.

- Form 91, Income Calculations, or a similar alternative form (e.g., Income Calculation Report as described in Chapter 5903)
- Verification of the current existence of the business as described in Section 5304.1(g)
- Federal income tax returns, as required in the chart below, including all applicable schedules and forms must reflect at least 12 months of self-employed income
- Verification of how long the business has been in existence:
  - For partnerships, S corporations and corporations, the federal income tax return(s) for the business must indicate the number of years that the business has been in existence
  - For sole proprietorships, the federal individual income tax return(s) and any other documentation or information received must not contradict the number of years that the business has been in existence as documented on Form 65, Uniform Residential Loan Application

Business structure	Streamlined Accept and Standard Documentation Levels	
	Business in existence greater than or equal to five years[1]	**Business in existence less than five years**
Sole Proprietorship	Complete signed federal individual (Form 1040) income tax return for the most recent year.	Complete signed federal individual (Form 1040) income tax returns for the most recent two years.
Partnership	Complete signed federal individual and partnership (Form 1065) income tax returns, including the Schedule K-1(s) for the most recent year.	Complete signed federal individual and partnership (Form 1065) income tax returns, including the Schedule K-1(s) for the most recent two years.
S Corporation	Complete signed federal individual and S corporation (Form 1120S) income tax returns, including the Schedule K-1(s), Form 1125-E and W-2(s) if applicable, for the most recent year.	Complete signed federal individual and S corporation (Form 1120S) income tax returns, including the Schedule K-1(s), Form 1125-E and W-2(s) if applicable, for the most recent two years.
Corporation	Complete signed federal individual and corporation (Form 1120) income tax returns, including Form 1125-E and W-2(s) as applicable, for the most recent year.	Complete signed federal individual and corporation (Form 1120) income tax returns, including Form 1125-E and W-2(s) as applicable, for the most recent two years.

[1] The Borrower must be self-employed (i.e., have an ownership interest of 25% or more) in the same business for at least five years

5304.1: Stable monthly income and documentation requirements for self-employed Borrowers (Future effective date 11/08/24)

This chapter provides the requirements to determine the appropriate qualifying income for a self-employed Borrower.

This section contains requirements and guidance related to:

- Self-employed Borrower definition, business structure and verification of ownership interest percentage
- Loan Product Advisor®
- Self-employment history requirements
- Business review and analysis
- Business income: access and use
- Income calculation and fluctuation analysis
- Additional supporting documentation for business and income analysis
- Borrower debt paid by business
- Business structure change
- Internal Revenue Service (IRS) Form 8825, Rental Real Estate Income and Expenses of a Partnership or an S Corporation
- Self-employment income not used for qualification
- Business assets used for closing
- Verification of current existence of the business
- Documentation requirements

Refer to Section 5301.1 for additional information with respect to income stability and continuance.

(a) Self-employed Borrower definition, business structure and verification of ownership interest percentage

The business structure determines the reporting method of both the business and self-employment income to the IRS. The federal income tax returns for the business usually document the percentage of ownership interest in the business.

The following table contains requirements and guidance for determining self-employment and verifying the Borrower's business ownership percentage:

Business structure[1]	Self-employment definition and verification of ownership interest percentage
Partnerships, S-corporations and corporations	■ A Borrower who has an ownership interest of 25% or more in a Partnership (general or limited), S-corporation and/or corporation is considered to be self-employed ■ The ownership interest percentage must be verified by a review of the federal income tax returns for the business, including the IRS Schedule K-1(s) or IRS Form 1125-E, Compensation of Officers. If these documents do not provide this information, the ownership interest percentage must be verified with a letter from the accountant for the business or similar documents. ■ If the Borrower has ownership interest in one or more businesses, but the ownership interest is not 25% or more for any business, refer to the requirements and guidance in Section 5303.1(e) for employment/income characteristics or use the requirements in this chapter
Sole proprietorships and Schedule C	Sole proprietorships are unincorporated businesses. A sole proprietor owns 100% of the business and reports the income and expenses from that business on Schedule C of the federal individual income tax return. There is no associated federal business tax return. Note: For IRS Form 1099 income received for services performed and reported on Schedule C, Sellers may refer to Section 5303.1(e) for additional information with respect to determining whether this income may be treated as non-self-employed income.

[1]If the Seller is aware of a business structure change in the past five years (e.g., sole proprietorship to S-Corporation), refer to the business structure change requirements in Section 5304.1(i).

(b) Loan Product Advisor

The Seller must indicate to Loan Product Advisor that a Borrower is self-employed when the Borrower meets Freddie Mac's definition of self-employed as stated above in Section 5304.1(a). This is required in all cases where the self-employment income and/or loss is used to determine the Borrower's stable monthly income for qualifying.

For Borrowers with self-employed income assessed using automated income assessment with Loan Product Advisor using tax data, refer to Chapter 5903.

(c) Self-employment history requirements

The following table contains requirements and guidance pertaining to self-employment history:

Self-employment history	
Topic	**Requirements and guidance**
Length of history requirement	In most cases, a two-year history of current self-employment is required to ensure income stability. The self-employment must be documented on Form 65, Uniform Residential Loan Application, and verified in accordance with this chapter.
Self-employment less than two years	In certain instances, a Borrower may not have a current two-year history of self-employment; yet, the income and employment may still be considered stable. When the Borrower has been self-employed for less than two years, the Seller must obtain supporting documentation sufficient to determine whether the income is stable. At a minimum, the Seller must: ■ Consider and evaluate the Borrower's experience in the business ■ Document that the Borrower has a combined two-year history of receipt of income from the current self-employment and the prior job in the same or similar occupation or industry ■ Determine qualifying income by using the lesser of: ❒ The stable monthly income from the new business, or ❒ The stable monthly income earned in the previous occupation ■ Include a written analysis justifying the determination of stability of the income in the Mortgage file ■ Consider the overall layering of risk, including the Borrower's demonstrated ability to repay obligations Analysis of current business activity through a review of the year-to date (YTD) financial statement and/or the most recent three months of business bank statements may provide support to this evaluation.

Self-employment history	
Topic	**Requirements and guidance**
Minimum history of receipt of income	The Borrower's federal income tax returns must reflect at least one year of self-employment income
Geographical relocation	If the Borrower is relocating to a different geographic area, at a minimum the Seller must: ■ Consider and evaluate the acceptance of the company's service or products in the marketplace. Additional information, such as market studies or relevant industry research, may support this evaluation. ■ Provide a written analysis justifying the Borrower's income will continue at the same level in the new location

(d) Business review and analysis

The following table contains requirements and guidance pertaining to review and analysis of the business that produces the stable monthly income for the Borrower.

Business review and analysis	
Topic	**Requirements and guidance**
Business review and analysis	The Seller's analysis of the business must support that the business has sufficient liquidity and is financially capable of producing stable monthly income for the Borrower. ■ The analysis must include a review of the business tax returns ■ The Seller's review must include, at a minimum, an analysis of gross receipts or sales, cost of goods sold and gross profits. All should be typical for the type of business and reflect consistent year over year trends. In addition, the business expenses should be reasonable for the type of business activity and level of business income. Business tenure should be considered. ■ The Seller may determine that review and analysis of the business financial statements, business asset statements, and in the case of Partnerships and S-corporations, an analysis of the historical cash distributions, is necessary to establish the financial and liquidity standing of the business. In addition, the Seller may calculate and consider the liquidity ratios of the business using generally accepted accounting practices when analyzing the liquidity of the business.

(e) Business income: access and use

The following table contains requirements and guidance pertaining to verification of access to and use of business income:

Business income: access and use	
Topic	**Requirements and guidance**
Access to business income	**Documentation is not required to verify access to business income for the following:** ■ Sole proprietorships ■ Ordinary income, net rental real estate income, other net rental income and guaranteed payments received from partnerships and S-corporations ■ W-2 income received from S-corporations and corporations, ■ Corporations, if the Borrower holds 100% ownership interest
	Documentation is required to verify access to business income as follows: If business income not reported on the Borrower's federal individual income tax returns is being used to qualify and none of the categories above apply for when documentation is not required, then the Seller must verify that the Borrower's legal right to the business income that is used as stable monthly income is not encumbered, restricted or prevented by the corporate resolution, partnership agreement, or other comparable document.
Use of business income	**Use of business income reported on the Borrower's federal individual income tax returns** ■ For sole proprietorships, stable monthly income must be based on the income reported on Schedule C of the Borrower's federal individual income tax returns ■ For partnerships and S-corporations, stable monthly income may be based on the Borrower's proportionate share of income (e.g., ordinary income, guaranteed payments) carried from the Form 1065 or 1120 S, through the Schedule K-1 and onto the Borrower's federal individual income tax returns. Although cash distributions reported on the Schedule K-1 may not be used as qualifying income, they may be used to establish business liquidity and access to business funds, provided they are reasonably consistent with the ordinary

	income. ■ For S-corporations and corporations, stable monthly income may be based on the income reported on the Borrower's W-2 from the business. The corporate tax returns and Form 1125-E if applicable, must be reviewed for confirmation of the Borrower's W-2 income from the business.
	Use of business income not reported on the Borrower's federal individual income tax returns Income reported on the business tax returns but not on the personal tax returns may be considered as stable monthly income, provided the Seller's analysis confirms that based on the financial strength of the business, the use of these funds as personal income would not have a detrimental impact on the business

(f) Income calculation and fluctuation analysis

The following table contains requirements and guidance pertaining to self-employed income calculation and fluctuation analysis:

Income calculation and fluctuation analysis	
Topic	**Requirements and guidance**
Income calculation	The Seller's calculation of a self-employed Borrower's average monthly income must be based on a review of the Borrower's complete federal individual income tax returns (Form 1040), including W-2s and Schedule K-1's (if applicable), and the Borrower's complete federal income tax returns for the business (Forms 1120, 1120 S and 1065), when applicable. The Seller must analyze the tax returns and document the calculation of the Borrower's self-employed income on Form 91, Income Calculations, or a similar alternative form. **If the self-employment history is less than two years:** Refer to Section 5304.1(c) for additional requirements.
Income calculation adjustments (examples)	The following list includes common examples of items that may be considered for inclusion in income when performing the self-employed income calculations on Form 91, or a similar alternative form. ■ **Non-cash deductions** (e.g., depreciation, depletion, amortization) ■ **Non-recurring losses** (e.g., casualty loss) ■ **Loss carry-over(s)** from previous tax years ■ **Mortgages and notes payable in less than one year** ❒ The Seller must analyze the terms of the Mortgages and notes payable in less than one year and determine whether the income should be reduced by the debt when performing the income analysis ❒ The analysis must include factors such as whether the business has sufficient liquidity to pay off the debt without a negative impact to the business, if the business type is indicative of debt that would continually roll over, and/or if the debt is a line of credit that is consistently renewable. If these factors are present, the income does not need to be reduced by the debt when performing the income analysis.

Income calculation and fluctuation analysis	
Topic	**Requirements and guidance**
Income fluctuation	As part of the analysis, the Seller must consider whether the Borrower's self-employed income has increased or decreased over the previous two years when the Seller's analysis includes a review of documentation covering a history greater than one year If the analysis reflects that the Borrower's income has significantly increased or decreased: ■ The Seller must provide sufficient documentation and justification to support the determination that the income used to qualify the Borrower is stable and likely to continue for the next three years ■ It may be necessary to obtain additional years' tax returns when the Borrower's self-employment income fluctuates in order to determine the stability of the income. Refer to Section 5304.1(g) for more information about additional supporting documentation for business and income analysis.

(g) Additional supporting documentation for business and income analysis

The following table contains requirements and guidance pertaining to additional supporting documentation that may be used to determine whether a borrower has stable monthly income when evaluating and determining various components of self-employment analysis, including, but not limited to, business liquidity, continued income stability when tax returns are on extension or are over 120 days old, evaluating a newer business and the impact of business fund withdrawals.

Additional supporting documentation for business and income analysis	
Topic	**Requirements and guidance**
Business financial statements	Business financial statements typically consist of a profit and loss statement and a balance sheet for the business that cover a specified period of time (e.g., YTD, quarterly, annual). ■ Financial statements for the business may be prepared by multiple parties, including but not limited to, the Certified Public Accountant, accountant or tax preparer that prepares the tax returns for the business, or the Borrower ■ Financial statements may not be used for the calculation of stable monthly income (unless audited); however, they may provide additional support for the Seller's business and income analysis ■ Financial statements for the business may be used to assist in evaluating and determining various components of self-employment analysis, including, but not limited to, business liquidity, continued income stability when tax returns are on extension or are over 120 days old, evaluating a newer business and the impact of business fund withdrawals
Business and/or individual tax return(s) - most recent calendar year not yet available	If the Borrower's federal individual and/or business income tax returns for the most recent calendar year, or fiscal year as applicable, are not available (e.g., Borrower and/or Borrower's business filed an IRS extension, tax returns are not yet filed with the IRS), examples of factors and documentation to consider when using older tax returns to determine continued income stability include, but are not limited to, the following: ■ Business review and analysis of current business activity through a review of the most recent financial statement(s) that cover the period since the last tax return filing(s) ■ Business review and analysis of current business activity through a review of at least the most recent three months of business bank statements ■ Signed IRS Form 941, Employer's Quarterly Federal Tax Return, for the prior calendar year and current calendar year quarter(s) that supports wages and other compensation documented on the most recent business tax return ■ Review of tax liability reported with IRS tax filing extension(s) (e.g., IRS Form 4868, IRS Form 7004) to determine consistency with tax liability reported on prior year(s) tax return(s) ■ Review of W-2s, 1099s and/or K-1s from the most recent calendar

	year, if available If the continued stability of the income cannot be determined, then the Borrower's federal individual and/or business income tax returns from the most recent calendar year may need to be obtained to make the determination. Note: Refer to Section 5302.4(b) for additional information about age of tax return requirements, including, but not limited to, the requirement to document evidence of continued income stability using at least one of the examples listed above when the Seller has not obtained the IRS confirmation verifying tax transcript(s) are not yet available for the business tax return(s).

(h) Borrower debt paid by business

Refer to Section 5401.2(c)(v) for requirements for self-employed Borrower's debt paid by the Borrower's business.

(i) Business structure change

The following table contains requirements and guidance pertaining to a business structure change:

Business structure change	
Topic	**Requirements and guidance**
Business structure change	If the Borrower changed their business structure (e.g., sole proprietorship to S-corporation, S-corporation to corporation), the Borrower's ownership interest percentage must not change in order for the current and prior business structures to be considered the same business. Additionally, the Seller must not have knowledge, information or documentation that other changes occurred (e.g., change of products and/or services, location), and there must be no indication the change had a negative impact on business revenue or expenses. The Seller must document their evaluation in the written income analysis. If any of these requirements are not met, then the current and prior business structures must be treated as different businesses.

(j) IRS Form 8825, Rental Real Estate Income and Expenses of a Partnership or an S Corporation

The following table contains requirements and guidance pertaining to rental real estate income and expenses reported on IRS Form 8825:

Rental real estate income and expenses reported on IRS Form 8825	
Topic	**Requirements and guidance**
IRS Form 8825, Rental Real Estate Income and Expenses of a Partnership or an S Corporation	All rental real estate income and expenses reported on IRS Form 8825 for partnerships and S-corporations are to be treated as self-employment income, regardless of whether or not the Borrower is personally obligated on the Note and regardless of the Borrower's percentage of ownership interest in the partnership or S-corporation. The requirements of Section 5401.2(c)(v) are not applicable. Refer to Form 91 for the appropriate treatment and calculation of the Borrower's proportionate share of the net rental real estate income or loss.

(k) Self-employment income not used for qualification

The following table contains requirements and guidance pertaining to self-employment income not used for qualification:

Self-employment income not used for qualification	
Topic	**Requirements and guidance**
Self-employment disclosed on Form 65 (or other documentation) but not used to qualify	The Seller is not required to obtain any additional documentation or evaluate the income or loss from the self-employment for each Borrower on the Mortgage who: ■ Has a primary source of income, other than self-employment, used for qualifying for the Mortgage (e.g., salaried income from primary employment), and ■ Is self-employed and self-employment income is a secondary source of income For each Borrower on the Mortgage who is self-employed and does not have another source of income that is used in qualifying for the Mortgage, the following requirements apply: ■ The Seller must obtain pages 1 and 2 of the Borrower's federal individual income tax returns, and the applicable schedules (e.g., Schedule C, Schedule E), to determine if there is a business loss that may have an impact on the stable monthly income. Refer to Section 5302.4(b) for information about using IRS tax transcripts to meet certain portions of this requirement. ❒ If a business loss is reported and the Borrower qualifies with the loss, then the Seller is not required to obtain any additional documentation relating to the business loss ❒ If a business loss is reported and the Borrower does not qualify with the loss, then the Seller must perform a business and income analysis to determine whether depreciation adjustments or other factors such as business closure or evidence of a one-time non-recurring event justify a reduction of the reported loss when calculating the stable monthly income. The Seller must obtain additional documentation needed in order to fully evaluate the loss and support the analysis (e.g., business tax returns (final or otherwise), evidence of a one-time non-recurring event). ■ If the tax returns or other documentation in the Mortgage file (e.g., IRS tax transcripts, additional Schedule K-1's) reflect positive income from self-employment but that

Self-employment income not used for qualification	
Topic	**Requirements and guidance**
	income is not used to qualify, additional documentation (e.g., complete business or federal individual income tax return(s)) is not required

(l) Business assets used for closing

The following table contains requirements and guidance pertaining to business assets used for closing:

Business assets used for closing	
Subject	**Requirements and guidance**
Business assets used for closing	■ Withdrawals of assets from the business may have a negative impact on the ability of the business to continue operating. When business assets are being used for the Down Payment, Closing Costs and/or reserves, the Seller must determine that the withdrawal of the funds will not have a detrimental effect on the business. In addition to a review and analysis of the personal and business tax returns, the Seller may review and analyze the current financial statement and/or the last three months of the business bank statements to confirm the deposits, withdrawals and balances are supportive of a viable business and are aligned with the level and type of income and expenses reported on the business tax returns. ■ The factors contributing to the determination that the withdrawal will not negatively impact the business must be included on the Seller's written analysis of the income source and amount The business assets must be verified in accordance with the documentation requirements in Sections 5102.3, 5102.4 and 5501.3.

(m)Verification of current existence of the business

The following table contains requirements and guidance pertaining to verification of current existence of the business:

Verification of current existence of the business	
Topic	**Requirements and guidance**
Verification of current existence of business	Verification of the current existence of the business is required when positive income from the business is used as stable monthly income.
Acceptable third-party sources	Acceptable third-party sources include, but are not limited to: ■ Regulatory agency ■ Phone directory ■ Internet source (e.g., Better Business Bureau) ■ Directory assistance ■ Applicable licensing bureau Verification of current existence of the business obtained verbally from an acceptable third-party source must be documented and include all of the following: ■ Name and address of the business ■ Name of individual and entity contacted to obtain the verification ■ Date information verified ■ Name and title of the individual who completed the verification for the Seller
Alternative sources	The Seller may consider alternative sources if the above are not available, such as: ■ Preparer of the tax returns for the business (e.g., accountant), provided the preparer has an arm's length relationship with the Borrower ■ At least one months' business bank statement that supports the current existence of the business and the level and type of income and expenses reported on the business tax returns
Date requirements	The verification must be completed prior to the Delivery Date, but no more than 120 days prior to the Note Date.

(n) Documentation requirements

The Seller must establish and calculate the stable monthly income using at least the following required documentation. Additional documentation may be needed to support income stability, as described within this chapter.

- Form 91 or a similar alternative form (e.g., Income Calculation Report as described in Chapter 5903)
- Verification of the current existence of the business as described in Section 5304.1(m)
- Federal income tax returns, as required in the table below, including all applicable schedules and forms must reflect at least 12 months of self-employed income
- Verification of how long the business has been in existence:
  - For partnerships, S-corporations and corporations, the federal income tax return(s) for the business must indicate the number of years that the business has been in existence
  - For sole proprietorships, the federal individual income tax return(s) and any other documentation or information received must not contradict the number of years that the business has been in existence as documented on Form 65

Business structure	Streamlined Accept and Standard Documentation levels	
	Business in existence greater than or equal to five years[1]	**Business in existence less than five years**
Sole proprietorship	Complete signed federal individual (Form 1040) income tax return for the most recent year	Complete signed federal individual (Form 1040) income tax returns for the most recent two years
Partnership	Complete signed federal individual and partnership (Form 1065) income tax returns, including the Schedule K-1(s) for the most recent year	Complete signed federal individual and partnership (Form 1065) income tax returns, including the Schedule K-1(s) for the most recent two years
S-corporation	Complete signed federal individual and S-corporation (Form 1120S) income tax returns, including the Schedule K-1(s), Form 1125-E and W-2(s) if applicable, for the most recent year	Complete signed federal individual and S-corporation (Form 1120S) income tax returns, including the Schedule K-1(s), Form 1125-E and W-2(s) if applicable, for the most recent two years
Corporation	Complete signed federal individual and corporation (Form 1120) income tax returns, including Form 1125-E and W-2(s) as applicable, for the most recent year	Complete signed federal individual and corporation (Form 1120) income tax returns, including Form 1125-E and W-2(s) as applicable, for the most recent two years

[1] The Borrower must be self-employed (i.e., have an ownership interest of 25% or more) in the same business for at least five years

Chapter 5305: Other Income

5305.1: General requirements for all other income (non-employment/non-self-employment) (07/06/17)

The Seller must evaluate the stability and consistency of receipt of all other non-employment/non self-employment income in accordance with the requirements of Topic 5300.

Factors that must be considered in determining the likelihood of continued consistent receipt of all other non-employment/non-self-employment income below include, but are not limited to, the following:

1. Whether the payments are received pursuant to a written agreement, court decree, government program, law and/or regulation
2. The length of time the payments have been received
3. The regularity of receipt of the income
4. The consistency of the amount of income
5. The availability of procedures to compel payment
6. Whether full or partial payments have been made
7. The age of each child for which support and/or benefit payments are made (if applicable)
8. Applicable eligibility criteria governing the continued receipt of the income

For general requirements with respect to income history, stability and continuance, refer to Section 5301.1.

5305.2: Specific requirements for other income types (10/02/24)

This section contains stable monthly income and documentation requirements for the following income types:

- Notes receivable
- Dividend and interest
- Capital gains
- Royalty payments
- Trust income
- Retirement income
- Retirement account distributions as income
- Survivor and dependent benefit income
- Long-term disability income
- Social Security Supplemental Security Income
- Public assistance income
- Homeownership Voucher Program
- Foster-care income
- Alimony, child support or separate maintenance payments
- Housing or parsonage allowance

- Income from a foreign source
- Mortgage Credit Certificates
- Tax-exempt income

For income types that require evidence of sufficient remaining assets to establish likely continuance, those assets may not be in the form of cryptocurrency.

Income type	Stable monthly income requirements	Documentation requirements
		Streamlined Accept and Standard Documentation Levels
Notes receivable	**History of receipt:** Receipt of payments for the most recent 12 months on a regular monthly basis **Continuance:** Note must have a remaining term of at least three years **Calculation:** Use the full scheduled payment amount documented on the note	Copy of the note evidencing the terms including, but not limited to, the scheduled amount and duration of payments, and proof of receipt of payments for the most recent 12 months
Dividend and interest	**History of receipt:** Most recent two-years **Continuance:** Document that sufficient assets remain after closing to support continuance of the dividend and interest income, at the level used for qualifying, for at least the next three years **Calculation:** 24-month average	Copy of either: ■ Complete federal individual income tax returns for the most recent two-year period or ■ Year-end asset account statements for the most recent two years evidencing all dividend and interest income for each year for the income producing asset(s), **and**

Income type	Stable monthly income requirements	Documentation requirements
		Streamlined Accept and Standard Documentation Levels
		■ Evidence of sufficient assets to support the qualifying income
Capital gains	**History of receipt:** Most recent two-years of realized capital gains **Continuance:** Document that sufficient assets remain after closing to support continuance of the capital gain income, at the level used for qualifying, for at least the next three years **Calculation:** 24-month average	■ Copy of complete federal individual income tax returns for the most recent two-year period reflecting capital gain income, and, ■ Evidence of sufficient assets to support the qualifying income
Royalty payments	**For Borrowers who have less than a two-year history:** **History of receipt:** Most recent one-year receipt of payments on a regular basis **Continuance:** Royalty contract(s) and/or lease agreements must evidence eligibility for payment continuance for at least the next three years **Calculation:** 12-month average **For Borrowers who have a history of two years or more:** **History of receipt:** Most recent two-years receipt of payments on a regular basis **Continuance:** Must be likely to continue for at least	**For Borrowers who have less than a two-year history:** ■ Copy of complete federal individual income tax return for the most recent one-year period, and ■ Copy of royalty contract(s) or lease agreement(s) evidencing the terms including, but not limited to, the duration of payment eligibility **For Borrowers who have a history of two years or more:** ■ Copy of complete federal individual income tax returns for the most recent two-year period

Income type	Stable monthly income requirements	Documentation requirements
		Streamlined Accept and Standard Documentation Levels
	the next three years **Calculation:** 24-month average	
Trust income	**History of receipt:** ■ Most recent two-years when the income is based on historical fluctuating payments from a trust asset (e.g., dividends and interest) ■ Most recent one-year when the trust specifies pre-determined fixed payment amounts occurring at regular intervals for a duration of at least three years **Continuance:** Document that sufficient assets remain after closing to support continuance of the trust income for at least the next three years **Calculation:** ■ **For fluctuating payments:** 24-month average ■ **For pre-determined fixed payments:** Use the fixed payment amount documented in the trust agreement	**For trust income based on historical fluctuating payments from a trust asset:** ■ Copy of fully executed trust agreement outlining payment terms, and ■ Copy of complete federal individual income tax returns for the most recent two-year period verifying receipt of income for the most recent two years, and ■ Evidence of sufficient assets to support the qualifying income (e.g., bank statements, letter from trustee). When the Borrower is the trustee, a letter from the trustee is not acceptable documentation. **or** **For trust income based on a pre-determined fixed payment amount:** ■ Copy of fully executed trust agreement specifying fixed payment amount occurring at set intervals (e.g., monthly, quarterly) and duration of payments, and ■ Copy of bank statements or equivalent documentation verifying receipt of pre-determined fixed payments for the most recent one year, and ■ Evidence of sufficient assets to support the qualifying

Income type	Stable monthly income requirements	Documentation requirements
		Streamlined Accept and Standard Documentation Levels
		income (e.g., bank statements, letter from trustee). When the Borrower is the trustee, a letter from the trustee is not acceptable documentation.
Retirement income (e.g., Social Security, pension, annuity, other similar benefits; not including retirement account distributions as income)	**Existing and established retirement income:** Evidence of the type, source, pre-determined payment amount, payment frequency and current receipt must be obtained ■ **History of receipt:** A history of receipt is not required for the income to be considered stable ■ **Continuance:** Must be likely to continue for at least the next three years ■ **Calculation:** Use the documented fixed monthly payment amount **Newly established retirement income:** If the retirement income is newly established, verification of current receipt is not required; however, the finalized terms of the new income must be documented. The income must commence prior to or on the first Mortgage payment due date. The terms that must be verified include, but are not limited to, the source, type, effective date of income commencement, payment frequency and pre-determined payment amount that will commence prior to or on the first Mortgage payment due date.	**For existing and established sources of retirement income:** ■ Document income type, source, payment frequency, pre-determined payment amount and current receipt with one or more of the following documents, as needed: a copy of a benefit verification letter, award letter, pay statement, 1099, bank statement(s) or other equivalent documentation. ■ Age of documentation requirements as described in Section 5102.4 do not have to be met for verification of income type, source, payment frequency or pre-determined payment amount. ■ **For Social Security retirement benefits,** the Seller must obtain one of the following: (i) A copy of the Social Security Administration benefit verification letter (ii) Form 1099-SSA for the most recent calendar year (iii) Pages 1 and 2 of the Borrower's most recent federal individual income tax returns (or pages 1–3 if filing Form 1040-SR). If the tax returns were filed jointly with an individual who is not a Borrower on the transaction, the Seller must obtain

Income type	Stable monthly income requirements	Documentation requirements
		Streamlined Accept and Standard Documentation Levels
		additional documentation supporting the amount of Social Security income used for qualifying. (iv) Documentation evidencing current receipt **For newly established sources of retirement income:** ■ Document the finalized terms of the newly established income including, but not limited to, the source, type, effective date of income commencement, payment frequency and pre-determined payment amount with a copy of the benefit verification letter, notice of award letter or other equivalent documentation from the payor that provides and establishes these terms. The income must commence prior to or on the first Mortgage payment due date. The documentation must be dated no more than 120 days prior to the Note Date. Verification of current receipt is not required.
Retirement account distributions as income (e.g., 401(k), IRA)	**Eligibility requirements:** Distributions from retirement accounts recognized by the Internal Revenue Service (IRS) (e.g., 401(k), IRA) that are not subject to penalty (e.g., early withdrawal penalty) may be considered stable monthly qualifying income. Evidence of the income source, type, distribution frequency, distribution amount(s), current receipt (as applicable) and history of receipt (as applicable), must be documented. **Required Minimum Distributions:**	■ Copy of most recent retirement account statement(s), documentation from financial institution holding retirement account that verifies regularly scheduled distribution arrangements, 1099(s) and/or other equivalent documentation showing income source, type, distribution frequency, distribution amounts and history of receipt (as applicable), and ■ Copy of bank statement(s) or other equivalent documentation evidencing current receipt (as applicable), and

Income type	Stable monthly income requirements	Documentation requirements
		Streamlined Accept and Standard Documentation Levels
	If distributions are being taken in accordance with certain IRS rules, such as the Required Minimum Distributions (RMD) rule (i.e., excise tax penalty applies if distributions are not taken), and evidence of current receipt of the required minimum distribution amount is obtained, history of receipt is not required for the income to be considered stable. **History and stability requirements and guidance:** Due to the multiple variables inherent with distributions from retirement accounts, including, but not limited to, fixed and fluctuating income amounts, the history of receipt necessary to justify a stable monthly qualifying income amount may vary. This may include a range of history from zero to 24 months, depending upon the individual circumstances. As with all income, the Seller must determine that the source and amount of the income are stable. Factors that the Seller must consider when determining that the income used to qualify the Borrower is stable, and when determining the history of receipt necessary to justify a stable monthly qualifying income amount include, but are not limited to the following: ■ Frequency and regularity of receipt of the distributions ■ Length of time the distributions have been taken and whether or not they establish a stable pattern	■ Evidence of sufficient assets among all retirement accounts used to support the qualifying income amount and continuance If the retirement distributions are not scheduled monthly payments (e.g., annual, semi-annual, quarterly), the most recent distribution verified through a copy of the retirement account statement, 1099 and/or other equivalent documentation, as applicable, is sufficient in lieu of current receipt; however, verification of receipt of multiple distributions may be necessary to determine frequency of distributions, history of receipt and amount of stable monthly qualifying income.

Income type	Stable monthly income requirements	Documentation requirements
		Streamlined Accept and Standard Documentation Levels
	of receipt over a given period of time. For example, consider whether or not the distributions are fixed amounts occurring with regular frequency or are fluctuating amounts occurring with or without regular frequency. For fixed amounts occurring with regular frequency, a lesser history of receipt may be needed in order to determine the amount and stability of the qualifying income than would be needed for fluctuating amounts. For fluctuating amounts, it may be necessary to obtain a longer history of receipt in order to determine the amount and stability of the qualifying income while taking into consideration whether or not the overall payments are similar when viewed year over year or with another similar measure, such as quarter over quarter. ▪ Rules governing distributions (e.g., IRS rules governing exceptions to early withdrawal penalties and Required Minimum Distributions (RMD), employer retirement plan rules and designs governing scheduled distribution terms). Certain rules may provide support for the frequency and regularity of receipt as well as continued receipt, thereby enabling a lesser amount of history to justify a stable monthly qualifying income amount. A written rationale explaining the analysis used to	

Income type	Stable monthly income requirements	Documentation requirements
		Streamlined Accept and Standard Documentation Levels
	determine the qualifying income must be provided, regardless of the underwriting path. **Continuance:** Document that sufficient assets remain in the retirement account(s) after closing to support continuance of the retirement account distributions as income for at least the next three years. If the retirement account(s) from which the Borrower is currently taking distribution is projected to be depleted within three years, the Borrower's additional retirement accounts may be considered when determining continuance of income used for qualifying. The Seller must verify that the Borrower has sufficient eligible retirement assets in aggregate to support the amount of qualifying income for at least three years after the Note Date. The additional retirement assets used to verify continuance may not be used as a source of funds for closing or reserves, as a current source of income for the Borrower, or for the calculation of assets as a basis for repayment of obligations described in Section 5307.1.	

Income type	Stable monthly income requirements	Documentation requirements
		Streamlined Accept and Standard Documentation Levels
Survivor and dependent benefit income (e.g., Social Security Survivor benefits, Survivors' Department of Veterans Affairs (VA) benefits, other similar benefits)	**Existing and established survivor and dependent benefit income:** Evidence of the type, source, pre-determined payment amount, payment frequency and current receipt must be obtained ■ **History of receipt:** A history of receipt is not required for the income to be considered stable ■ **Continuance:** Must be likely to continue for at least the next three years ■ **Calculation:** Use the documented fixed monthly payment amount **Newly established survivor and dependent benefit income:** Verification of current receipt is not required; however, the finalized terms of the new income must be documented. The income must commence prior to or on the first Mortgage payment due date. The terms that must be verified include, but are not limited to, the source, type, effective date of income commencement, payment frequency and pre-determined payment amount that will commence prior to or on the first Mortgage payment due date.	**Existing and established sources of survivor and/or dependent benefit income:** ■ Document income type, source, payment frequency, pre-determined payment amount and current receipt with one or more of the following documents, as needed: a copy of the benefit verification letter, award letter, 1099, bank statement(s) or other equivalent documentation. ■ Age of documentation requirements as described in Section 5102.4 do not have to be met for verification of income type, source, payment frequency or pre-determined payment amount. **Newly established sources of survivor and/or dependent benefit income:** ■ Document the finalized terms of the newly established income including, but not limited to, the source, type, effective date of income commencement, payment frequency and pre-determined payment amount with a copy of the benefit verification letter, notice of award letter or other equivalent documentation from the payor that provides and establishes these terms. The income must commence prior to or on the first Mortgage payment due date. The documentation must be dated no more than 120 days prior to the Note Date. Verification of current receipt is not required.

Income type	Stable monthly income requirements	Documentation requirements Streamlined Accept and Standard Documentation Levels
Long-term disability income (e.g., Social Security disability benefits, VA disability compensation, worker's compensation, private disability insurance)	**For all long-term disability income:** ■ **History of receipt:** A history of receipt is not required for the income to be considered stable. ■ **Continuance:** Long-term disability income may be considered to have a reasonable expectation of continuance without obtaining any additional documentation unless there is a pre-determined insurance and/or benefit expiration date that is less than three years (e.g., stated termination of a private disability insurance policy). Pending or current re-evaluation of medical eligibility for insurance and/or benefit payments is not considered an indication that the insurance and/or benefit payment will not continue. ■ **Calculation:** Use the documented fixed monthly payment amount **Newly established long-term disability income:** Verification of current receipt is not required; however, the finalized terms of the new income must be documented. The income must commence prior to or on the first Mortgage payment due date. The terms that must be verified include, but are not limited to, the source, type, effective date of income commencement, payment frequency and pre-determined payment amount that will commence	**Existing and established sources of long-term disability income:** ■ Document income type, source, payment frequency, pre-determined payment amount and current receipt with one or more of the following documents, as needed: a copy of the benefit verification letter, award letter, pay statement, 1099, W-2, bank statement(s) or other equivalent documentation. ■ Age of documentation requirements as described in Section 5102.4 do not have to be met for verification of income type, source, payment frequency or pre-determined payment amount. ■ **For Social Security long-term disability benefits**, the Seller must obtain one of the following: (i) A copy of the Social Security Administration benefit verification letter, (ii) Form 1099-SSA for the most recent calendar year, (iii) Pages 1 and 2 of the Borrower's most recent federal individual income tax returns (or pages 1–3 if filing 1040-SR). If the tax returns were filed jointly with an individual who is not a Borrower on the transaction, the Seller must obtain additional documentation supporting the amount of Social Security income used for qualifying. (iv) Documentation evidencing current receipt

Income type	Stable monthly income requirements	Documentation requirements
		Streamlined Accept and Standard Documentation Levels
	prior to or on the first Mortgage payment due date. The documentation must be dated no more than 120 days prior to the Note Date. **Future long-term disability income:** Long-term disability income that will commence after the first Mortgage payment due date is acceptable for qualifying the Borrower only if the Borrower is currently receiving short-term disability benefits that will subsequently convert to long-term benefits. The Borrower must be qualified on the lesser amount of either the long-term or short-term disability payments.	If the disability policy has a pre-determined expiration date (e.g., certain disability policies provided by employers and private insurers), obtain a copy of the certificate of coverage, or other equivalent documentation evidencing the policy term. **Newly established sources of long-term disability income:** ■ Document the finalized terms of the newly established income including, but not limited to, the source, type, effective date of income commencement, payment frequency and pre-determined payment amount with a copy of the benefit verification letter, notice of award letter or other equivalent documentation from the payor that provides and establishes these terms. ■ The income must commence prior to or on the first Mortgage payment due date. The documentation must be dated no more than 120 days prior to the Note Date. Verification of current receipt is not required. If the disability policy has a pre-determined expiration date (e.g., certain disability policies provided by employers, private insurers), obtain a copy of the certificate of coverage, or other equivalent documentation evidencing the policy term. **Future long-term disability income:** For Borrowers who are currently receiving short-term disability income that will be converted to long-term

Income type	Stable monthly income requirements	Documentation requirements
		Streamlined Accept and Standard Documentation Levels
		disability income after the first Mortgage payment due date: ■ Document the source, type, amount, and payment frequency of both the short-term and long-term payments ■ Obtain verification of current receipt of the short-term disability payments and verification that the Borrower will continue to receive the payments until the date of conversion to long-term disability The documentation must be dated no more than 120 days prior to the Note Date. If the long-term disability policy has a pre-determined expiration date (e.g., certain disability policies provided by employers, private insurers), obtain a copy of the certificate of coverage, or other equivalent documentation evidencing the policy term.
Social Security Supplemental Security Income (SSI)	**Existing and established SSI benefits:** Evidence of the source, benefit type, pre-determined payment amount, payment frequency and current receipt must be obtained ■ **History of receipt:** A history of receipt is not required for the income to be considered stable. ■ **Continuance:** SSI may be considered to have a reasonable expectation of continuance unless there is evidence that the benefits will not	**Existing and established SSI benefits:** ■ Document source, benefit type, payment frequency, pre-determined payment amount and current receipt with one or more of the following documents, as needed: a copy of the benefit verification letter, award letter, 1099, bank statement(s) or other equivalent documentation. ■ Age of documentation requirements as described in Section 5102.4 do not have to be met for verification

Income type	Stable monthly income requirements	Documentation requirements
		Streamlined Accept and Standard Documentation Levels
	continue. Pending or current re-evaluation of medical eligibility for benefit payments is not considered an indication that the insurance and/or benefit payment will not continue. ■ **Calculation:** Use the documented SSI benefit amount **Newly established SSI benefits:** Verification of current receipt is not required; however, the finalized terms of the new income must be documented. The income must commence prior to or on the first Mortgage payment due date. The terms that must be verified include, but are not limited to, the source, benefit type, effective date of income commencement, payment frequency and pre-determined payment amount that will commence prior to or on the first Mortgage payment due date.	of income type, source, payment frequency or pre-determined payment amount. **Newly established SSI benefits:** ■ Document the finalized terms of the newly established income including, but not limited to, the source, benefit type, effective date of income commencement, payment frequency and pre-determined payment amount with a copy of the benefit verification letter, notice of award letter or other equivalent documentation from the payor that provides and establishes these terms. ■ The income must commence prior to or on the first Mortgage payment due date. The documentation must be dated no more than 120 days prior to the Note Date. Verification of current receipt is not required.

Income type	Stable monthly income requirements	Documentation requirements
		Streamlined Accept and Standard Documentation Levels
Public assistance income (e.g., Temporary Assistance for Needy Families (TANF))	**Existing and established public assistance income:** Evidence of the source, benefit type, payment frequency, amount, duration of benefit eligibility and current receipt must be obtained ■ **History of receipt:** A history of receipt is not required for the income to be considered stable ■ **Continuance:** All public assistance income must be likely to continue for the next three years ■ **Calculation:** Use the documented public assistance benefit amount **Newly established public assistance income:** Verification of current receipt is not required; however, the finalized terms of the new income must be documented. The income must commence prior to or on the first Mortgage payment due date. The terms that must be verified include, but are not limited to, the source, benefit type, duration of benefit eligibility, effective date of income commencement, payment frequency and pre-determined payment amount that will commence prior to or on the first Mortgage payment due date.	**Existing and established sources of public assistance benefits:** ■ Document income source, benefit type, payment frequency, pre-determined payment amount and duration of benefit eligibility with a copy of the benefit verification letter or other equivalent documentation from applicable agency. Age of documentation requirements as described in Section 5102.4 do not have to be met. ■ Document current receipt with a copy of the bank statement, benefit verification letter from applicable agency or other equivalent documentation. Age of documentation requirements as described in Section 5102.4 must be met. **or** **Newly established sources of public assistance benefits:** ■ Document the finalized terms of the newly established income including, but not limited to, the source, benefit type, duration of benefit eligibility, effective date of income commencement, payment frequency and pre-determined payment amount with a copy of the benefit verification letter or other equivalent documentation from the applicable agency that provides and establishes these terms. ■ The income must commence prior to or on the first

Income type	Stable monthly income requirements	Documentation requirements
		Streamlined Accept and Standard Documentation Levels
		Mortgage payment due date. The documentation must be dated no more than 120 days prior to the Note Date. Verification of current receipt is not required.
Homeownership Voucher Program payments (formerly referred to as Section 8 homeownership assistance payments)	**History of receipt:** A history of receipt is not required for the income to be considered stable **Continuance:** Homeownership Voucher Program assistance term limit must have a remaining term of at least three years **Calculation:** Use the fixed monthly payment amount documented by the public housing agency that issued the voucher. The payments may not be used to offset the monthly housing payment amount used for qualification.	Copy of documentation from the public housing agency that issued the homeownership voucher verifying the terms including, but not limited to, the source, benefit type, payment frequency, payment amount and duration of the term limit for assistance
Foster-care income received from a state- or county-sponsored organization	**History of receipt:** Most recent two-years **Continuance:** Must be likely to continue for at least the next three years **Calculation:** 24-month average	Documentation to evidence receipt of foster-care income for the most recent two-year period
Alimony, child support or separate maintenance payments	**History of receipt:** Most recent six months The income must not be considered for qualifying if: ■ The payor has been obligated to make payments for less than six months, or	■ Copy of legally binding documentation verifying the payor's obligation (i.e., signed court order, final divorce decree, legally binding separation agreement, legally binding child support agreement or other legally binding documentation) for the previous six months, including the amount and the duration of the

Income type	Stable monthly income requirements	Documentation requirements
		Streamlined Accept and Standard Documentation Levels
	■ The payments are not for the full amount, or ■ The payments are not received on a consistent basis **Continuance:** Document and verify the payor is obligated to make payment to the Borrower for at least the next three years **Calculation:** Use the documented fixed monthly payment amount	obligation ❑ For child support income, evidence of the ages of the children for which child support is received ■ Documentation to evidence receipt of the alimony, child support and/or separate maintenance payments for the most recent six months: ❑ Evidence that the payments were cashed or deposited into the Borrower's depository account at a financial institution, or ❑ Evidence that the payments were transferred into a third-party money transfer application account owned by the Borrower, or ❑ Statement from a government agency (i.e., child support agency) reflecting the Borrower's name as the recipient and the amounts paid
Housing or parsonage allowance (for military housing entitlements refer to Section 5303.1(c)(ii)). For housing allowance received	**History of receipt:** Most recent 12 months **Continuance:** Must be likely to continue for at least the next three years **Calculation:** Use the documented monthly payment amount The housing allowance may not be used to offset the monthly housing payment.	■ Written verification of employment (VOE), a letter from the employer or paystubs documenting the amount of the housing or parsonage allowance and the terms under which it is paid, and ■ Documented evidence of the most recent 12 months' receipt of the housing or parsonage allowance

Income type	Stable monthly income requirements	Documentation requirements
		Streamlined Accept and Standard Documentation Levels
pursuant to an employee relocation program, refer to Section 4408.3(c))		
Income from a foreign source (i.e., non-employment/non-self-employment income)	**Requirements:** The income must be reported on the Borrower's most recent U.S. federal individual income tax return Refer to the income type(s) listed in this chapter for the requirements applicable to the income type received from the foreign source (e.g., history of receipt, continuance, calculation, documentation).	■ Copy of the Borrower's most recent complete signed U.S. federal individual income tax return, and ■ Documentation for the applicable income type in accordance with the requirements of this chapter
Mortgage Credit Certificates (MCCs)	**History of receipt:** A history of receipt is not required **Calculation:** ■ The amount used as qualifying income must be calculated as follows: (Mortgage amount) x (Note Rate) x (Mortgage Credit Certificate rate %) divided by 12 ■ The amount used as qualifying income cannot exceed the maximum Mortgage interest credit permitted by the IRS	Copy of the MCC
Tax-exempt	**History of receipt:** A history of receipt is not	Copy of complete federal individual income tax return for

Income type	Stable monthly income requirements	Documentation requirements
		Streamlined Accept and Standard Documentation Levels
income	required **Continuance:** Must be likely to continue to remain tax exempt **Calculation:** To determine the amount to adjust (i.e., "gross-up") the Borrower's income, use: ■ 25% of the tax exempt portion of the income or ■ The current federal and state income tax withholding tables	the most recent one-year period or other documentation evidencing that the income, or a portion of the income, is tax exempt. For Social Security income (i.e., retirement income, disability benefits, survivor benefits and Supplemental Security Income), the Seller may gross up 15% of the income without obtaining additional documentation. For example, if the Borrower's Social Security income is $1,000/month, the Seller can gross up $150 (i.e., 15% of $1,000) without obtaining documentation that this portion of the income is tax exempt. Using 25% as the income adjustment factor, the income is calculated as follows: $150 x 25% = $37.50 $1,000 + $37.50 = $1,037.50 $1,037.50 can be used for qualifying without obtaining tax returns or other documentation evidencing that the income is tax exempt. The Seller must obtain additional documentation in order to gross up the entire amount of income (i.e., $1,000) for use in qualifying the Borrower.

Chapter 5306: Rental Income

5306.1: Rental income overview (09/04/24)

This chapter contains requirements and guidance for the use of rental income:

- General eligibility requirements (Refer to Section 5306.1(a))
- Rental income from a live-in aide residing in the Borrower's 1-unit Primary Residence, regardless of the type of housing provided (Refer to Section 5306.2)
- Rental income generated from an ADU on a subject 1-unit Primary Residence (Refer to Section 5306.3)
- Rental income from the Borrower's 2- to 4-unit Primary Residence, subject 1- to 4-unit Investment Property and non-subject investment property (Refer to Section 5306.4)
- Establishing the debt payment-to-income ratio (Refer to Section 5306.4(b))
- IRS Form 8825, Rental Real Estate Income and Expenses of a Partnership or an S Corporation (Refer to Section 5306.4(c))
- Data delivery requirements for rental income from a 2- to 4-unit Primary Residence, subject 1- to 4-unit investment property and non-subject investment property (Refer to Section 5306.4(d))
- Other Guide provisions related to rental income (Refer to Section 5306.4(e))

(a) General eligibility requirements

Stable monthly rental income must be generated from acceptable and verifiable sources and must be reasonably expected to continue for at least the next three years. For each income source used to qualify the Borrower, the Seller must determine that both the source and the amount of the income are stable. Refer to Section 5301.1 for additional information about income stability and continuance.

(i) Rental income eligibility

Rental income generated from the following property and occupancy types may be considered when determining the stable monthly income:

- 1-unit Primary Residence:
  - Rental income from a live-in aide, regardless of the type of housing provided, or

- ❑ Rental income from an ADU

- 2- to 4-unit Primary Residence (rental income is eligible from units that are not occupied by the Borrower)

- Subject 1- to 4-unit Investment Property

- Non-subject investment property owned by the Borrower (not restricted to residential property (e.g., commercial permitted))

(ii) ADUs

When determining stable monthly income, rental income generated from an ADU may be considered for:

- Subject 1-unit Primary Residence

- Subject 1-unit Investment Property

In addition, rental income generated from any ADU(s) on a non-subject investment property may be considered when determining stable monthly income.

The rental income requirements in this chapter must be met. Refer to Sections 5306.3 and 4501.6(a) for information relating to additional rental income eligibility for a 1-unit Primary Residence with an ADU. Refer to Chapter 5601 for the property eligibility and appraisal requirements related to the subject property with an ADU.

(iii) Second homes

Rental income generated from the Borrower's second home may not be used as stable monthly income.

5306.2: Rental income from live-in aide residing in a 1-unit Primary Residence (09/04/24)

The following chart contains requirements related to rental income from a Borrower's 1-unit Primary Residence:

1-unit Primary Residence rental income eligibility requirements	
Eligibility	Rental income generated from the Borrower's 1-unit Primary Residence, including rental income from an ADU may be used to qualify a Borrower with a disability provided the rental income is from a live-in aide. Typically, a live-in aide will receive room and board payments through Medicaid waiver funds from which rental payments are made to the Borrower.
Documentation	Evidence that the Borrower has received stable rental income from a live-in aide for the most recent 12 months
Qualification	The rental income may be considered in an amount up to 30% of the total stable monthly income that is used to qualify the Borrower for the Mortgage

Refer to Section 4501.6(a) for use of rental income generated from the Borrower's 1-unit Primary Residence securing a Home Possible® Mortgage.

5306.3: Rental income generated from an ADU on a subject 1-unit Primary Residence (09/04/24)

Rental income from a subject 1-unit Primary Residence that does not meet the requirements in Sections 4501.6(a) or 5306.2 and is generated from an ADU is eligible for use in qualifying the Borrower provided it meets the requirements of this section.

(a) Eligible loan purpose

The Mortgage must be a purchase or "no cash-out" refinance transaction.

(b) Documentation requirements

(i) Minimum income documentation requirements

The following chart contains minimum documentation required to establish net rental income from an ADU on a 1-unit Primary Residence.

Purchase transactions	"No cash-out" refinance transactions
The Seller must make reasonable efforts to determine lease availability, including review of the appraisal, comparable rent data, purchase contract, a discussion	■ The Borrower's complete federal income tax returns (IRS Form 1040), including Schedule E, for the most recent year must be used to

with the Borrower and/or any other applicable and reasonable method. If a lease is available, then: ■ The lease must be used to determine the net rental income and ■ ADU rental analysis, as described in Section 5306.3(b)(iii), must support the income reflected on the lease If a lease is not available, the ADU rental analysis must be used to determine the net rental income.	determine the net rental income, except as stated below ■ A lease and ADU rental analysis, as described in Section 5306.3(b)(iii), may be used if the ADU rental analysis supports the rental income reflected on the lease and one of the following are met: ❑ The property was out of service for any time period in the prior year and the Mortgage file contains a documented event such as a renovation and the Schedule E supports this by a reduced number of days in use and reflects repair costs; or ❑ The property was purchased later in the calendar year and the Schedule E supports this by a reduced number of days in use; or ❑ The property was placed in service in the current calendar year as documented in the Mortgage file

(ii) Lease requirements

When a lease is obtained in accordance with the minimum income documentation requirements above, the lease must be current and fully executed. For newly executed leases, the first rental payment due date must be no later than the first payment due date of the Mortgage.

(iii) Additional appraisal requirements

The following information on the ADU is required within the appraisal report:

- Information on the ADU must include the:
  - ❑ General condition of unit
  - ❑ Square feet of finished area
  - ❑ Total number of rooms including number of bedrooms and baths

- The appraisal report must indicate the ADU is allowed per zoning and land use requirements (i.e., legal, legal non-conforming, no zoning)

- Comparable sales within the *Sales Comparison Approach* section must include at least one comparable sale with an ADU

- The ADU rental analysis must include a minimum of three comparable rentals to support the opinion of market rent applicable to the ADU. At least one of the comparable rentals must include a rented ADU to support the market rent for ADUs. The appraiser may provide this rental analysis data in narrative form within the appraisal report or by attaching a separate rent schedule to the appraisal report.

See Section 5601.2 for additional requirements for a property with an ADU.

(c) Net rental income calculation requirements

The following chart contains requirements for calculating net rental income used for qualifying the Borrower.

Rental income documentation	Net rental income calculation requirements
Lease	75% of the gross monthly rent or gross monthly market rent. The 25% adjustment is made to compensate for vacancies, operating and maintenance costs and any other unexpected expenses.
ADU rental analysis	
Schedule E	Calculate the net rental income from Schedule E using Form 92, Net Rental Income Calculations – Schedule E, or a similar alternative form.

The rental income generated from an ADU may be considered in an amount up to 30% of the total stable monthly income that is used to qualify the Borrower for the Mortgage.

(d) Landlord education

For purchase transactions, at least one qualifying Borrower must participate in a landlord education program prior to the Note Date, or the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages, unless the Borrower has a minimum of one-year Investment Property management experience or ADU rental management experience. Landlord education must not be provided by an interested party to the transaction, the originating lender or the Seller. A copy of a certificate evidencing successful completion of the landlord education program must be retained in the Mortgage file.

(e) Delivery requirements

Refer to Section 6302.8(a) for delivery requirements for each Mortgage where rental income from an ADU on a 1-unit Primary Residence is used to qualify the Borrower.

5306.4: Rental income from a 2- to 4-unit Primary Residence, subject 1- to 4-unit Investment Property and non-subject Investment Property (09/04/24)

(a) Rental income from the Borrower's 2- to 4-unit Primary Residence, subject 1- to 4-unit Investment Property and non-subject Investment Property

This section contains requirements and guidance for the calculation, documentation, analysis, history and determination of stable monthly net rental income.

(i) Net rental income calculation requirements

The following chart contains requirements pertaining to net rental income calculation.

Net rental income	
Rental income documentation	**Calculation requirements**
Lease	75% of the gross monthly rent or gross monthly market rent. The 25% adjustment is made to compensate for vacancies, operating and maintenance costs and any other unexpected expenses.
Forms 72 or 1000	
Schedule E	The net rental income for each individual property is determined based on the history of income and expenses reported on Schedule E. Calculate the net rental income from Schedule E using Form 92, Net Rental Income Calculations – Schedule E, or a similar alternative form, as follows: **Rents received** - **Less total expenses** *Add back the following expenses:* + Insurance + Mortgage interest paid to banks, etc. + Taxes (real estate taxes only) + Depreciation and/or depletion + Homeowners association dues (if specifically reported as an expense) + One-time losses (e.g., casualty loss due to documented catastrophic event); + Non-cash deductions (e.g., amortization); **Result: Net rental income (calculated to a monthly amount)** When calculating the net rental income for each individual property, the following expenses reported on Schedule E (and noted above) can only be added back if they are included in the payment amount being used to establish the debt payment-to-income ratio for that property: insurance, mortgage interest paid to banks, real estate taxes, homeowners association dues.

(ii) Appraisal form requirements documentation and analysis

The following chart contains requirements related to appraisal form documentation and analysis:

Appraisal forms – comparable rent data	
Topic	**Requirements**[1]
Documentation	**Subject 1-unit Investment Properties:** Form 1000, Single Family Comparable Rent Schedule
	Subject 2- to 4-unit Primary Residences and Subject 2- to 4-unit Investment Properties: Form 72, Small Residential Income Property Appraisal Report
Analysis	The Seller's analysis of the rental information must include, at a minimum, the following factors: ■ Rental market viability and income producing potential for subject property ■ Whether the current market rents reasonably support the gross rents reported on Schedule E or the gross monthly lease income, if applicable If the current market rents do not reasonably support the gross rents reported on Schedule E or the gross monthly lease income, the Seller must: ❑ Determine if additional documentation is necessary to support income stability, and ❑ Provide a written analysis explaining the discrepancy and justifying the determination that the rental income used to qualify the Borrower is stable and reasonably expected to continue

[1]Appraisal form requirements may also apply to a non-subject property, as described in Section 5306.4(a)(iii)

(iii) Documentation, history and analysis

The following charts contain requirements and guidance for documentation, analysis and history.

Rental income from purchases and property acquired or placed in service in the current calendar year		
Topic	**Subject property purchase transaction**	**Subject property refinance transaction or non-subject property:** ■ **Purchased in the current calendar year; or** ■ **Placed in service as a rental property in the current calendar year**

Documentation and analysis **Streamlined Accept and Standard Documentation levels**	■ An existing lease, if available, must be used to determine the net rental income. The Seller must make reasonable efforts to determine lease availability, including review of the appraisal, comparable rent data, purchase contract, a discussion with the Borrower and/or any other applicable and reasonable method. **or** ■ If a lease is not available, Forms 72 or 1000, as applicable, may be used to determine the net rental income	■ Lease must be used to determine the net rental income; and ❑ Form 72 or 1000 supporting the income reflected on the lease; **or** ❑ Documentation verifying receipt of two months of rental payments or receipt of the security deposit and the first month's rental payment[1]. Documentation must include: ■ Evidence that the payments were cashed or deposited into the Borrower's depository account at a financial institution (e.g., bank statements evidencing deposit or canceled checks), or ■ Evidence that the payments were transferred into a third-party money transfer application account that is owned by the Borrower (e.g., a screen shot or monthly account statement evidencing transfer of the payments and the Borrower's name, a screen shot that evidences transfer of the payments and ties the account to the Borrowers bank account), or ■ For security deposits, evidence of deposit into an escrow or business account established for this purpose, or evidence payment was cashed or

		deposited into the Borrower's personal depository account at a financial institution ■ Purchase date or conversion date, as applicable, must be documented
Lease requirements	The existing lease must be current and fully executed in the property seller's name as the landlord.	The lease must be current and fully executed. For newly executed leases, the first rental payment due date must be no later than the first payment due date of the subject Mortgage.

Limitations on use of net rental income to qualify for certain transaction types	**For subject Investment Property purchase transactions**: ■ To use rental income to qualify, each Borrower must currently own a Primary Residence or have a current rental housing payment documented in accordance with Section 5401.1(a)(iv). Exception: Borrowers currently residing in the same property, provided at least one Borrower owns a Primary Residence or has a current rental housing payment. ■ Net rental income can only offset the principal, interest, taxes and insurance (PITI) and, when applicable, mortgage insurance premiums, leasehold payments, homeowners association dues (excluding unit utility charges) and payments on secondary financing on the subject Investment Property unless documentation in the Mortgage file demonstrates that at least one Borrower has a minimum of one year of investment property management experience. If the investment property management experience requirement is met, the full amount of the net rental income can be used for qualifying.	**For a Primary Residence that is being converted to an Investment Property**: Net rental income can only offset the principal, interest, taxes and insurance (PITI) and, when applicable, mortgage insurance premiums, leasehold payments, homeowners association dues (excluding unit utility charges) and payments on secondary financing on the converted Primary Residence unless documentation in the Mortgage file demonstrates that at least one Borrower has a minimum of one year of investment property management experience. If the investment property management experience requirement is met, then the full amount of the net rental income can be used for qualifying.

[1]Form 72 or 1000 is always required for the subject property, as described in Section 5306.4(a)(ii)

Topic	Rental income from property owned in the prior calendar year
Documentation **Streamlined Accept and Standard Documentation levels**	The Seller must obtain the Borrower's complete federal income tax returns (Internal Revenue Service (IRS) Form 1040), including the Schedule E for the most recent year as described in Section 5302.4(b). In addition, if the property was purchased or converted to a rental property in the prior calendar year, the purchase or conversion date, as applicable, must be documented in the Mortgage file. Rental income used for qualifying must be calculated using Schedule E, except as stated below for when a signed lease may be used in lieu of Schedule E. **Calculating qualifying income using Schedule E:** ■ If the property was owned as a rental property during the entire calendar year, **t**he rental income or loss used in qualifying must be annualized by dividing by 12. Exception: The qualifying income may be established based on the number of days in service provided that the property was out of service for any time period in the prior year, and the Mortgage file contains documentation of an event such as a renovation, as supported by a reduced number of days in use and repair costs on Schedule E. ■ If the property was purchased or converted to a rental property later in the prior calendar year, the rental income used for qualifying must be based on the purchase or conversion date. Exception: The qualifying income may be established based on the number of days in service on Schedule E, provided that the property was out of service for a period of time after the purchase or conversion, and the Mortgage file contains documentation of an event such as a renovation, as supported by a reduced number of days in use and repair costs on Schedule E. **Using a signed lease in lieu of Schedule E:** A signed lease may be used when: ■ The most recent tax return filed with the IRS does not include the rental property on Schedule E (e.g., the tax return for the year during which the property was purchased or converted is on extension), or ■ The property was out of service for any time period during the prior year, and the Mortgage file contains documentation of an event such as a renovation, as supported by a reduced number of days in use and repair costs on the Schedule E When a lease is used to calculate rental income, the Mortgage file must include the following additional documentation:

	■ Form 72 or 1000 supporting the income reflected on the lease, or ■ Documentation verifying two months of receipt of rental payments or the security deposit and receipt of the first month's rental payment[1]. Documentation must include: ❑ Evidence that the payments were cashed or deposited into the Borrower's depository account at a financial institution (e.g., bank statements evidencing deposit or canceled checks), or ❑ Evidence that the payments were transferred into a third-party money transfer application account that is owned by the Borrower (e.g., a screen shot or monthly account statement evidencing transfer of the payments and the Borrower's name, a screen shot that evidences transfer of the payments and ties the account to the Borrowers bank account), or ❑ For security deposits, evidence of deposit into an escrow or business account established for this purpose, or evidence payment was cashed or deposited into the Borrower's personal depository account at a financial institution
Lease requirements	Leases must be current and fully executed. For newly executed leases, the first rental payment due date must be no later than the first payment due date of the subject Mortgage.

[1]Form 72 or 1000 is always required for the subject property, as described in Section 5306.4(a)(ii)

(b) Establishing the debt payment-to-income ratio

The following chart contains requirements pertaining to establishing the debt payment-to-income ("DTI") ratio.

DTI ratio using net rental income	
Topic	**Requirements**
Net rental income amount and usage	When establishing the DTI ratio, refer to Section 5306.4(a)(i) for the net rental income calculation requirements. Refer to Section 5306.4(a)(i) for maximum eligible amount of net rental income.
2- to 4-unit Primary Residence	■ The monthly housing expense (as described in Section 5401.1) must be calculated without the use of rental income ■ The net rental income may be added to the stable monthly income
Subject 1- to 4-unit Investment Property	Subtract the monthly payment amount (as described in Section 5401.2(b)(8)) from the net rental income: ■ If the result is positive, add it to the stable monthly income ■ If the result is negative, add it to the monthly liabilities
Rental income from non-subject investment property owned by the Borrower	Subtract the monthly payment amount (as described in Section 5401.2(b)(8)) from the net rental income: ■ If the result is positive, add it to the stable monthly income ■ If the result is negative, add it to the monthly liabilities For multiple non-subject investment properties, apply the calculation above to each property, and: ■ If the combined result is positive, add it to the stable monthly income ■ If the combined result is negative, add it to the monthly liabilities

(c) IRS Form 8825, Rental Real Estate Income and Expenses of a Partnership or an S Corporation

Refer to Chapter 5304 for the treatment of all rental real estate income or loss reported on the IRS Form 8825, which reflects all income and expenses for the rental property and the IRS Schedule K-1, which reflects the Borrower's proportionate share of the net rental income or loss. The requirements of Chapter 5304 are applicable regardless of the Borrower's percentage of ownership interest in the partnership or S corporation and regardless of whether the Borrower is personally obligated on the Note.

(d) Data delivery requirements for rental income

Refer to Section 6302.8 for delivery requirements for rental income. Regardless of whether rental income from the subject Investment Property is being used to qualify the Borrower, the Seller must deliver the ULDD Data Point *Property Dwelling Unit Eligible Rent Amount* for:

- Subject 1-unit Investment Property
- Each non-owner occupied unit in a 2- to 4-unit Primary Residence
- Each unit in a subject 2- to 4-unit Investment Property

(e) Other Guide provisions related to rental income

Refer to the following Guide provisions for additional information related to the rental income topic:

Guide Provision	Guide Location
Appraisal form rental information	Section 3401.12
Investment Property Mortgages	Section 4201.16
Home Possible® Mortgages	Section 4501.6(a)
General requirements for verifying documents	Section 5102.3
Age of documentation	Section 5102.4
General requirements for all stable monthly income	Section 5301.1
General requirements for documentation used to verify employment and income	Chapter 5302
IRS Form 8825, Rental Real Estate Income and Expenses of a Partnership or an S Corporation	Section 5304.1(d)
Monthly housing expense	Section 5401.1
Monthly payment amount	Section 5401.2(b)(8)
Reserves	Section 5501.2
Property eligibility and appraisal requirements	Topic 5600
Property data required for all Mortgages	Section 6302.8

5306.4: Rental income from a 2- to 4-unit Primary Residence, subject 1- to 4-unit Investment Property and non-subject Investment Property (Future effective date 11/08/24)

(a) Rental income from the Borrower's 2- to 4-unit Primary Residence, subject 1- to 4-unit Investment Property and non-subject Investment Property

This section contains requirements and guidance for the calculation, documentation, analysis, history and determination of stable monthly net rental income.

(i) Net rental income calculation requirements

The following chart contains requirements pertaining to net rental income calculation.

Net rental income	
Rental income documentation	**Calculation requirements**
Lease	75% of the gross monthly rent or gross monthly market rent. The 25% adjustment is made to compensate for vacancies, operating and maintenance costs and any other unexpected expenses.
Forms 72 or 1000	
Schedule E	The net rental income for each individual property is determined based on the history of income and expenses reported on Schedule E. Calculate the net rental income from Schedule E using Form 92, Net Rental Income Calculations – Schedule E, or a similar alternative form, as follows: **Rents received** - **Less total expenses** *Add back the following expenses:* + Insurance + Mortgage interest paid to banks, etc. + Taxes (real estate taxes only) + Depreciation and/or depletion + Homeowners association dues (if specifically reported as an expense) + One-time losses (e.g., casualty loss due to documented catastrophic event); + Non-cash deductions (e.g., amortization); **Result: Net rental income (calculated to a monthly amount)** When calculating the net rental income for each individual property, the following expenses reported on Schedule E (and noted above) can only be added back if they are included in the payment amount being used to establish the debt payment-to-income ratio for that property: insurance, mortgage interest paid to banks, real estate taxes, homeowners association dues.

(ii) Appraisal form requirements documentation and analysis

The following chart contains requirements related to appraisal form documentation and analysis:

Appraisal forms – comparable rent data	
Topic	**Requirements**[1]
Documentation	**Subject 1-unit Investment Properties:** Form 1000, Single Family Comparable Rent Schedule
	Subject 2- to 4-unit Primary Residences and Subject 2- to 4-unit Investment Properties: Form 72, Small Residential Income Property Appraisal Report
Analysis	The Seller's analysis of the rental information must include, at a minimum, the following factors: ■ Rental market viability and income producing potential for subject property ■ Whether the current market rents reasonably support the gross rents reported on Schedule E or the gross monthly lease income, if applicable If the current market rents do not reasonably support the gross rents reported on Schedule E or the gross monthly lease income, the Seller must: ❑ Determine if additional documentation is necessary to support income stability, and ❑ Provide a written analysis explaining the discrepancy and justifying the determination that the rental income used to qualify the Borrower is stable and reasonably expected to continue

[1]Appraisal form requirements may also apply to a non-subject property, as described in Section 5306.4(a)(iii)

(iii) Documentation, history and analysis

The following charts contain requirements and guidance for documentation, analysis and history.

Rental income from purchases and property acquired or placed in service in the current calendar year		
Topic	**Subject property purchase transaction**	**Subject property refinance transaction or non-subject property:** ■ **Purchased in the current calendar year; or** ■ **Placed in service as a rental property in the current calendar year**

Documentation and analysis **Streamlined Accept and Standard Documentation levels**	■ An existing lease, if available, must be used to determine the net rental income. The Seller must make reasonable efforts to determine lease availability, including review of the appraisal, comparable rent data, purchase contract, a discussion with the Borrower and/or any other applicable and reasonable method. **or** ■ If a lease is not available, Forms 72 or 1000, as applicable, may be used to determine the net rental income	■ Lease must be used to determine the net rental income; and ❑ Form 72 or 1000 supporting the income reflected on the lease; **or** ❑ Documentation verifying receipt of two months of rental payments or receipt of the security deposit and the first month's rental payment[1]. Documentation must include: ■ Evidence that the payments were cashed or deposited into the Borrower's depository account at a financial institution (e.g., bank statements evidencing deposit or canceled checks), or ■ Evidence that the payments were transferred into a third-party money transfer application account that is owned by the Borrower (e.g., a screen shot or monthly account statement evidencing transfer of the payments and the Borrower's name, a screen shot that evidences transfer of the payments and ties the account to the Borrowers bank account), or ■ For security deposits, evidence of deposit into an escrow or business account established for this purpose, or evidence payment was cashed or

		deposited into the Borrower's personal depository account at a financial institution ■ Purchase date or conversion date, as applicable, must be documented
Lease requirements	The existing lease must be current and fully executed in the property seller's name as the landlord.	The lease must be current and fully executed. For newly executed leases, the first rental payment due date must be no later than the first payment due date of the subject Mortgage.

Limitations on use of net rental income to qualify for certain transaction types	**For subject Investment Property purchase transactions**: ■ To use rental income to qualify, each Borrower must currently own a Primary Residence or have a current rental housing payment documented in accordance with Section 5401.1(a)(iv). Exception: Borrowers currently residing in the same property, provided at least one Borrower owns a Primary Residence or has a current rental housing payment. ■ Net rental income can only offset the principal, interest, taxes and insurance (PITI) and, when applicable, mortgage insurance premiums, leasehold payments, homeowners association dues (excluding unit utility charges) and payments on secondary financing on the subject Investment Property unless documentation in the Mortgage file demonstrates that at least one Borrower has a minimum of one year of investment property management experience. If the investment property management experience requirement is met, the full amount of the net rental income can be used for qualifying.	**For a Primary Residence that is being converted to an Investment Property**: Net rental income can only offset the principal, interest, taxes and insurance (PITI) and, when applicable, mortgage insurance premiums, leasehold payments, homeowners association dues (excluding unit utility charges) and payments on secondary financing on the converted Primary Residence unless documentation in the Mortgage file demonstrates that at least one Borrower has a minimum of one year of investment property management experience. If the investment property management experience requirement is met, then the full amount of the net rental income can be used for qualifying.

[1]Form 72 or 1000 is always required for the subject property, as described in Section 5306.4(a)(ii)

Topic	Rental income from property owned in the prior calendar year
Documentation **Streamlined Accept and Standard Documentation levels**	The Seller must obtain the Borrower's complete federal income tax returns (Internal Revenue Service (IRS) Form 1040), including the Schedule E for the most recent year as described in Section 5302.4(b). In addition, if the property was purchased or converted to a rental property in the prior calendar year, the purchase or conversion date, as applicable, must be documented in the Mortgage file. Rental income used for qualifying must be calculated using Schedule E, except as stated below for when a signed lease may be used in lieu of Schedule E. **Calculating qualifying income using Schedule E:** ■ If the property was owned as a rental property during the entire calendar year, **t**he rental income or loss used in qualifying must be annualized by dividing by 12. Exception: The qualifying income may be established based on the number of days in service provided that the property was out of service for any time period in the prior year, and the Mortgage file contains documentation of an event such as a renovation, as supported by a reduced number of days in use and repair costs on Schedule E. ■ If the property was purchased or converted to a rental property later in the prior calendar year, the rental income used for qualifying must be based on the purchase or conversion date. Exception: The qualifying income may be established based on the number of days in service on Schedule E, provided that the property was out of service for a period of time after the purchase or conversion, and the Mortgage file contains documentation of an event such as a renovation, as supported by a reduced number of days in use and repair costs on Schedule E. **Using a signed lease in lieu of Schedule E:** A signed lease may be used when: ■ The most recent tax return filed with the IRS does not include the rental property on Schedule E (e.g., the tax return for the year during which the property was purchased or converted is on extension), or ■ The property was out of service for any time period during the prior year, and the Mortgage file contains documentation of an event such as a renovation, as supported by a reduced number of days in use and repair costs on the Schedule E When a lease is used to calculate rental income, the Mortgage file must include the following additional documentation:

	■ Form 72 or 1000 supporting the income reflected on the lease, or ■ Documentation verifying two months of receipt of rental payments or the security deposit and receipt of the first month's rental payment[1]. Documentation must include: ❑ Evidence that the payments were cashed or deposited into the Borrower's depository account at a financial institution (e.g., bank statements evidencing deposit or canceled checks), or ❑ Evidence that the payments were transferred into a third-party money transfer application account that is owned by the Borrower (e.g., a screen shot or monthly account statement evidencing transfer of the payments and the Borrower's name, a screen shot that evidences transfer of the payments and ties the account to the Borrowers bank account), or ❑ For security deposits, evidence of deposit into an escrow or business account established for this purpose, or evidence payment was cashed or deposited into the Borrower's personal depository account at a financial institution
Lease requirements	Leases must be current and fully executed. For newly executed leases, the first rental payment due date must be no later than the first payment due date of the subject Mortgage.

[1]Form 72 or 1000 is always required for the subject property, as described in Section 5306.4(a)(ii)

(b) Establishing the debt payment-to-income ratio

The following chart contains requirements pertaining to establishing the debt payment-to-income ("DTI") ratio.

DTI ratio using net rental income	
Topic	**Requirements**
Net rental income amount and usage	When establishing the DTI ratio, refer to Section 5306.4(a)(i) for the net rental income calculation requirements. Refer to Section 5306.4(a)(i) for maximum eligible amount of net rental income.
2- to 4-unit Primary Residence	■ The monthly housing expense (as described in Section 5401.1) must be calculated without the use of rental income ■ The net rental income may be added to the stable monthly income
Subject 1- to 4-unit Investment Property	Subtract the monthly payment amount (as described in Section 5401.2(b)(8)) from the net rental income: ■ If the result is positive, add it to the stable monthly income ■ If the result is negative, add it to the monthly liabilities
Rental income from non-subject investment property owned by the Borrower	Subtract the monthly payment amount (as described in Section 5401.2(b)(8)) from the net rental income: ■ If the result is positive, add it to the stable monthly income ■ If the result is negative, add it to the monthly liabilities For multiple non-subject investment properties, apply the calculation above to each property, and: ■ If the combined result is positive, add it to the stable monthly income ■ If the combined result is negative, add it to the monthly liabilities

(c) IRS Form 8825, Rental Real Estate Income and Expenses of a Partnership or an S Corporation

Refer to Chapter 5304 for the treatment of all rental real estate income or loss reported on the IRS Form 8825, which reflects all income and expenses for the rental property and the IRS Schedule K-1, which reflects the Borrower's proportionate share of the net rental income or loss. The requirements of Chapter 5304 are applicable regardless of the Borrower's percentage of ownership interest in the partnership or S corporation and regardless of whether the Borrower is personally obligated on the Note.

(d) Data delivery requirements for rental income

Refer to Section 6302.8 for delivery requirements for rental income. Regardless of whether rental income from the subject Investment Property is being used to qualify the Borrower, the Seller must deliver the ULDD Data Point *Property Dwelling Unit Eligible Rent Amount* for:

- Subject 1-unit Investment Property
- Each non-owner occupied unit in a 2- to 4-unit Primary Residence
- Each unit in a subject 2- to 4-unit Investment Property

(e) Other Guide provisions related to rental income

Refer to the following Guide provisions for additional information related to the rental income topic:

Guide Provision	Guide Location
Appraisal form rental information	Section 3401.12
Investment Property Mortgages	Section 4201.16
Home Possible® Mortgages	Section 4501.6(a)
General requirements for verifying documents	Section 5102.3
Age of documentation	Section 5102.4
General requirements for all stable monthly income	Section 5301.1
General requirements for documentation used to verify employment and income	Chapter 5302
IRS Form 8825, Rental Real Estate Income and Expenses of a Partnership or an S Corporation	Section 5304.1(i)
Monthly housing expense	Section 5401.1
Monthly payment amount	Section 5401.2(b)(8)
Reserves	Section 5501.2
Property eligibility and appraisal requirements	Topic 5600
Property data required for all Mortgages	Section 6302.8

Chapter 5307: Asset Qualification Sources

5307.1: Assets as a basis for repayment of obligations (12/01/21)

Assets that will be used by the Borrower for the repayment of their monthly obligations may be used to qualify the Borrower for the Mortgage, provided that, regardless of the underwriting path of the Mortgage, the requirements of this section are met. Form 65, Uniform Residential Loan Application, should include information pertaining to the Borrower's employment and income, even if the Borrower qualifies for the Mortgage solely based on assets.

(a) Mortgage eligibility requirements

The assets described in this Section 5307.1 may only be used to qualify the Borrower if the Mortgage meets all of the following requirements:

- The Mortgage is secured by a 1- or 2-unit Primary Residence or a second home
- The Mortgage is either a purchase transaction Mortgage, "no cash-out" refinance Mortgage or Freddie Mac Enhanced Relief Refinance® Mortgage
- The Mortgage has a maximum loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratio of 80%, unless the Mortgage is an Enhanced Relief Refinance Mortgage, in which case the maximum ratios in Section 4304.3 apply

(b) Asset calculation for establishing the debt payment-to-income ratio

To determine the amount used to establish the debt payment-to-income ratio, the Seller must use the net eligible assets (as described below), divided by 240.

The amount of net eligible assets is calculated by subtracting the following from the total eligible assets:

- Any funds required to be paid by the Borrower to complete the transaction (e.g., Down Payment and Closing Costs),
- Any gift funds and borrowed funds, and
- Any portion of assets pledged as collateral for a loan or otherwise encumbered

(c) Asset eligibility and documentation requirements

The assets described below may be used to qualify the Borrower for the Mortgage, provided that the assets meet the following requirements:

Asset type	Asset eligibility requirements	Streamlined Accept and Standard Documentation requirements
Retirement Assets	■ The retirement assets must be in a retirement account recognized by the Internal Revenue Service (IRS) (e.g., 401(k), IRA) ■ Borrower must be the sole owner ■ The asset must not currently be used as a source of income by the Borrower ■ As of the Note Date, the Borrower must have access to withdraw the funds in their entirety, less any portion pledged as collateral for a loan or otherwise encumbered, without being subject to a penalty or an additional early distribution tax ■ The Borrower's rights to the funds in the account must be fully vested ■ Cryptocurrency may not be considered in the calculation of net eligible assets for establishing the debt payment-to-income ratio described in Section 5307.1(b)	■ Most recent retirement asset account statement ■ Documentation evidencing asset eligibility requirements are met

Asset type	Asset eligibility requirements	Streamlined Accept and Standard Documentation requirements
Lump-sum distribution funds not deposited to an eligible retirement asset	If the lump-sum distribution funds have been deposited to an eligible retirement asset, follow the requirements for retirement assets described above. ■ Lump-sum distribution funds must be derived from a retirement account recognized by the IRS (e.g., 401(k), IRA) and must be deposited to a depository or non-retirement securities account ■ A Borrower must have been the recipient of the lump-sum distribution funds ■ Parties not obligated on the Mortgage may not have an ownership interest in the account that holds the funds from the lump-sum distribution ■ The proceeds from the lump-sum distribution must be immediately accessible in their entirety ■ The proceeds from the lump-sum distribution must not have been or currently be subject to a penalty or early distribution tax	■ Employer distribution letter(s) and/or check-stub(s) evidencing receipt and type of lump-sum distribution funds; IRS 1099-R (if it has been received) ■ Satisfactorily documented evidence of the following: ❑ Funds verified in the non-retirement account and used for qualification must have been derived from eligible retirement assets ❑ Lump-sum distribution funds must not have been or currently be subject to a penalty or early distribution tax
Depository accounts and Securities (as described in Section	■ The Borrower must solely own assets or, if asset is owned jointly, each asset owner must be a Borrower on the Mortgage and /or	■ *Streamlined Accept:* Provide an account statement covering a one-month period or a direct account verification (i.e., VOD) ■ *Standard Documentation:*

Asset type	Asset eligibility requirements	Streamlined Accept and Standard Documentation requirements
5501.3(b)(ii)	on the title to the subject property ■ At least one Borrower who is an account owner must be at least 62 years old ■ As of the Note Date, the Borrower must have access to withdraw the funds in their entirety, less any portion pledged as collateral for a loan or otherwise encumbered, without being subject to a penalty ■ Account funds must be located in a United States- or State-regulated financial institution and verified in U.S. dollars ■ Cryptocurrency may not be considered in the calculation of net eligible assets for establishing the debt payment-to-income ratio described in Section 5307.1(b)	Provide account statement(s) covering a two-month period or a direct account verification (i.e., VOD) OR, regardless of the Documentation Level: For securities only, if the Borrower does not receive a stock/security account statement ❑ Provide evidence the security is owned by the Borrower, and ❑ Verify value using stock prices from a financial publication or web site ■ Documentation evidencing asset eligibility requirements are met ■ Sourcing deposits: ❑ The Seller must document the source of funds for any deposit exceeding 10% of the Borrower's total eligible assets in depository accounts and securities, and verify the deposit does not include gifts or borrowed funds, or reduce the eligible assets used to qualify the Borrower by the amount of the deposit ❑ When the source of funds can be clearly identified from the deposit information on the account statement (e.g., direct payroll deposits) or other documented income or asset source in the Mortgage file, the Seller is not required to obtain additional documentation

Asset type	Asset eligibility requirements	Streamlined Accept and Standard Documentation requirements
Assets from the sale of the Borrower's business	■ The Borrower(s) must be the sole owner(s) of the proceeds from the sale of the business that were deposited to the depository or non-retirement securities account ■ Parties not obligated on the Mortgage may not have an ownership interest in the account that holds the proceeds from the sale of the Borrower's business ■ The proceeds from the sale of the business must be immediately accessible in their entirety ■ The sale of the business must not have resulted in the following: retention of business assets, existing secured or unsecured debt, ownership interest or seller-held notes to buyer of business	■ Most recent three months' depository or securities account statements ■ Fully executed closing documents evidencing final sale of business to include sales price and net proceeds ■ Contract for sale of business ■ Most recent business tax return prior to sale of business ■ Satisfactorily documented evidence of the following: ❑ Funds verified in the non-retirement account and used for qualification must have been derived from the sale of the Borrower's business

(d) Data delivery requirements

Refer to Section 6302.33 for special delivery requirements for Mortgages using assets as a basis for repayment of obligations.

Chapter 5401: Evaluation of Monthly Obligations

5401.1: Monthly housing expense-to-income ratio (09/04/24)

Refer to Bulletins 2024-7 and 2024-12, which announced updates to the requirements for flood insurance premium included in housing expense-to-income ratio effective for Mortgages with Note Dates on or after April 1, 2025. Sellers may implement the new requirements prior to the mandatory effective April 1, 2025 version of this section.

This section contains requirements related to:

- Establishing the monthly housing expense for Mortgages secured by Primary Residences
- Establishing the monthly housing expense for Mortgages secured by second homes and Investment Properties
- Establishing the monthly housing expense for Mortgages with a non-occupying Borrower
- Rental payment documentation requirements
- Housing expense-to-income ratio requirements based on underwriting method
- Other Guide provisions related to the monthly housing expense-to-income ratio

The housing expense-to-income ratio is determined by dividing the Borrower's monthly housing expense by the Borrower's stable monthly income. The monthly housing expense must be documented in the Mortgage file and established as described below.

(a) Establishing the monthly housing expense for Mortgages secured by Primary Residences

- **For Mortgages secured by a Primary Residence, the following expenses must be included in the calculation of the monthly housing expense-to-income ratio**:
  - Principal and interest payments on the Mortgage
  - Property hazard insurance premiums
  - Real estate taxes
    - New construction: When the actual real estate tax amount is not yet available, the real estate tax amount included in the monthly housing expense must be based on the value of the improvements and the land

- Transfer of ownership: If the Mortgaged Premises is in a jurisdiction where transfer of ownership causes or results in a recalculation of the amount of real estate tax, the monthly housing expense must include an estimate of the recalculated tax amount

- Tax abatements or exemptions: The real estate tax amount may be reduced or excluded from the monthly housing expense calculation, as applicable.

  The Mortgage file must contain evidence of its continuance for at least five years after the Note Date and evidence of:

  - The tax abatement for a reduced real estate tax amount, or

  - The exemption for an excluded real estate tax amount

  If the tax exemption is due to the Borrower's age or disability, documentation verifying five years' continuance is not required. However, the exemption must not have a predetermined expiration date within five years of the Note Date.

- **The following additional expenses must be included when applicable:**

  - Mortgage insurance premiums

  - Flood insurance premiums

  - Leasehold payments

  - Special assessments with more than 10 monthly payments remaining

  - Homeowners association dues (excluding unit utility charges)

  - Maintenance Fees (excluding unit utility charges)

  - Payments on secondary financing, including a Home Equity Line of Credit (HELOC).

    HELOC payments must be included when there is an outstanding balance on the account. In the absence of a monthly payment on the credit report for the HELOC, and if there is no documentation in the Mortgage file indicating a monthly payment amount, 1.5% of the outstanding balance is considered the monthly payment amount. Refer to Section 4204.1 for when documentation of HELOC terms is required and to Section 5501.3 when HELOC proceeds are used for the transaction.

  - For properties subject to resale restrictions, recurring monthly payments associated with the financial subsidy provided when the property was purchased. See Section 4406.5 for additional requirements related to such payments.

(b) Establishing the monthly housing expense for Mortgages secured by second homes and Investment Properties

For Mortgages secured by second homes and Investment Properties, the monthly housing expense is the sum of the monthly charges described above in Section 5401.1(a) for **each** Borrower's Primary Residence.

If the Borrower does not own but rents their principal domicile, the Borrower's rental payment for that principal domicile must be included in the calculation of the monthly housing expense-to-income ratio.

(c) Establishing the monthly housing expense for Mortgages with a non-occupying Borrower

For Mortgages with a non-occupying Borrower, the monthly housing expense is the sum of the monthly charges described above in Section 5401.1(a) for **each** Borrower's Primary Residence.

If the Borrower does not own but rents their principal domicile, the Borrower's rental payment for that principal domicile must be included in the calculation of the monthly housing expense-to-income ratio.

(d) Rental payment documentation requirements

When the Borrower rents their principal domicile, one of the following is required to verify the monthly rental payment amount:

- Direct verification of rent from a management company
- Direct verification of rent from an individual landlord supported by two months of canceled checks or other evidence of two months' payments
- A copy of the current, fully executed lease agreement supported by two months of canceled checks or other evidence of two months' payments
- Six months of canceled checks or bank statements supporting consistent payments in the amount used in qualifying

(e) Housing expense-to-income ratio requirements based on underwriting method

(i) Mortgages underwritten with Loan Product Advisor®

For Loan Product Advisor Mortgages, Loan Product Advisor calculates and assesses the Borrower's qualifying ratios based on submitted data.

For Accept Mortgages, Loan Product Advisor has determined that the Borrower's qualifying ratios are acceptable.

(ii) Manually Underwritten Mortgages

(A) For all Manually Underwritten Mortgages

For Manually Underwritten Mortgages, the Seller must evaluate the Borrower's ability to pay the monthly housing expense and other obligations. As a guideline, the monthly housing expense-to-income ratio should **not be greater than 28%** of the Borrower's stable monthly income.

An exception can be made only with an offset documented in the Mortgage file. Examples of offsets that might support the use of higher monthly payment ratios are found in Section 5401.2(d).

Generally, more flexibility is appropriate for the monthly housing expense-to-income ratio than for the monthly debt payment-to-income ratio. Less flexibility is appropriate for situations involving additional layers of risk (i.e., ARMs, a marginal credit reputation, minimal reserves or maximum financing).

For any Manually Underwritten Mortgage for which either of the ratio guidelines is exceeded, the Seller must prepare and retain in the Mortgage file a written explanation justifying its underwriting decision.

(B) Additional requirements for GreenCHOICE Mortgages® that are Manually Underwritten Mortgages

For **GreenCHOICE Mortgages** that are Manually Underwritten Mortgages, higher qualifying ratios may be appropriate, considering the impact energy efficiency has on the Borrower's utility charges (i.e., an energy-efficient property results in lower utility charges, allowing the homeowner to apply more income to housing expense).

If one or both of the higher qualifying ratios are used for a GreenCHOICE Mortgage, the Seller must provide one of the following to the appraiser, as well as maintain a copy in the Mortgage file, to evidence that the property has a level of energy efficiency greater than that of a "standard" (i.e., non-energy-efficient) property:

- **Home Energy Rating Systems (HERS) report** completed by a certified Residential Energy Services Network (RESNET®) Home Energy Rater reflecting a HERS Index of 90 or below (**http://www.resnet.us/directory/search**)

- **Department of Energy (DOE) Home Energy Score Report** completed by an independent Home Energy Score Certified Assessor™ reflecting a DOE Home Energy Score of six or greater (**https://betterbuildingssolutioncenter.energy.gov/home-energy-score/home-energy-score-map**)

See Section 5601.4 for detailed appraisal requirements for properties with energy-efficient improvements.

(f) Other Guide provisions related to the monthly housing expense-to-income ratio

Refer to the following Guide sections for details on:

Topic	Guide section
ARM qualifying rates	Section 4401.8
Temporary subsidy buydown plans	Sections 4204.4(b) and 4204.4(c)
Special underwriting requirements for second home Mortgages	Section 4201.15(b)
Special underwriting requirements for Investment Property Mortgages	Section 4201.16(b)
Mortgages including a non-occupying Borrower	Section 5103.1

5401.1: Monthly housing expense-to-income ratio (Future effective date 04/01/25)

This section is effective for Mortgages with Note Dates on or after April 1, 2025.

This section contains requirements related to:

- Establishing the monthly housing expense for Mortgages secured by Primary Residences
- Establishing the monthly housing expense for Mortgages secured by second homes and Investment Properties

- Establishing the monthly housing expense for Mortgages with a non-occupying Borrower
- Rental payment documentation requirements
- Housing expense-to-income ratio requirements based on underwriting method
- Other Guide provisions related to the monthly housing expense-to-income ratio

The housing expense-to-income ratio is determined by dividing the Borrower's monthly housing expense by the Borrower's stable monthly income. The monthly housing expense must be documented in the Mortgage file and established as described below.

(a) Establishing the monthly housing expense for Mortgages secured by Primary Residences

- **For Mortgages secured by a Primary Residence, the following expenses must be included in the calculation of the monthly housing expense-to-income ratio:**
  - Principal and interest payments on the Mortgage
  - Property hazard insurance premiums
  - Real estate taxes
    - New construction: When the actual real estate tax amount is not yet available, the real estate tax amount included in the monthly housing expense must be based on the value of the improvements and the land
    - Transfer of ownership: If the Mortgaged Premises is in a jurisdiction where transfer of ownership causes or results in a recalculation of the amount of real estate tax, the monthly housing expense must include an estimate of the recalculated tax amount
    - Tax abatements or exemptions: The real estate tax amount may be reduced or excluded from the monthly housing expense calculation, as applicable.

      The Mortgage file must contain evidence of its continuance for at least five years after the Note Date and evidence of:
      - The tax abatement for a reduced real estate tax amount, or
      - The exemption for an excluded real estate tax amount

If the tax exemption is due to the Borrower's age or disability, documentation verifying five years' continuance is not required. However, the exemption must not have a predetermined expiration date within five years of the Note Date.

- **The following additional expenses must be included when applicable:**

  - Mortgage insurance premiums

  - Flood insurance premiums plus all fees and surcharges, when flood insurance is required. The full risk premium must be used for qualification when the flood insurance policy on the subject property shows a full risk premium and a discounted premium.

  - Leasehold payments

  - Special assessments with more than 10 monthly payments remaining

  - Homeowners association dues (excluding unit utility charges)

  - Maintenance Fees (excluding unit utility charges)

  - Payments on secondary financing, including a Home Equity Line of Credit (HELOC).

    HELOC payments must be included when there is an outstanding balance on the account. In the absence of a monthly payment on the credit report for the HELOC, and if there is no documentation in the Mortgage file indicating a monthly payment amount, 1.5% of the outstanding balance is considered the monthly payment amount. Refer to Section 4204.1 for when documentation of HELOC terms is required and to Section 5501.3 when HELOC proceeds are used for the transaction.

  - For properties subject to resale restrictions, recurring monthly payments associated with the financial subsidy provided when the property was purchased. See Section 4406.5 for additional requirements related to such payments.

(b) Establishing the monthly housing expense for Mortgages secured by second homes and Investment Properties

For Mortgages secured by second homes and Investment Properties, the monthly housing expense is the sum of the monthly charges described above in Section 5401.1(a) for **each** Borrower's Primary Residence.

If the Borrower does not own but rents their principal domicile, the Borrower's rental payment for that principal domicile must be included in the calculation of the monthly housing expense-to-income ratio.

(c) Establishing the monthly housing expense for Mortgages with a non-occupying Borrower

For Mortgages with a non-occupying Borrower, the monthly housing expense is the sum of the monthly charges described above in Section 5401.1(a) for **each** Borrower's Primary Residence.

If the Borrower does not own but rents their principal domicile, the Borrower's rental payment for that principal domicile must be included in the calculation of the monthly housing expense-to-income ratio.

(d) Rental payment documentation requirements

When the Borrower rents their principal domicile, one of the following is required to verify the monthly rental payment amount:

- Direct verification of rent from a management company
- Direct verification of rent from an individual landlord supported by two months of canceled checks or other evidence of two months' payments
- A copy of the current, fully executed lease agreement supported by two months of canceled checks or other evidence of two months' payments
- Six months of canceled checks or bank statements supporting consistent payments in the amount used in qualifying

(e) Housing expense-to-income ratio requirements based on underwriting method

(i) Mortgages underwritten with Loan Product Advisor®

For Loan Product Advisor Mortgages, Loan Product Advisor calculates and assesses the Borrower's qualifying ratios based on submitted data.

For Accept Mortgages, Loan Product Advisor has determined that the Borrower's qualifying ratios are acceptable.

(ii) Manually Underwritten Mortgages

(A) For all Manually Underwritten Mortgages

For Manually Underwritten Mortgages, the Seller must evaluate the Borrower's ability to pay the monthly housing expense and other obligations. As a guideline, the

monthly housing expense-to-income ratio should **not be greater than 28%** of the Borrower's stable monthly income.

An exception can be made only with an offset documented in the Mortgage file. Examples of offsets that might support the use of higher monthly payment ratios are found in Section 5401.2(d).

Generally, more flexibility is appropriate for the monthly housing expense-to-income ratio than for the monthly debt payment-to-income ratio. Less flexibility is appropriate for situations involving additional layers of risk (i.e., ARMs, a marginal credit reputation, minimal reserves or maximum financing).

For any Manually Underwritten Mortgage for which either of the ratio guidelines is exceeded, the Seller must prepare and retain in the Mortgage file a written explanation justifying its underwriting decision.

(B) Additional requirements for GreenCHOICE Mortgages® that are Manually Underwritten Mortgages

For **GreenCHOICE Mortgages** that are Manually Underwritten Mortgages, higher qualifying ratios may be appropriate, considering the impact energy efficiency has on the Borrower's utility charges (i.e., an energy-efficient property results in lower utility charges, allowing the homeowner to apply more income to housing expense).

If one or both of the higher qualifying ratios are used for a GreenCHOICE Mortgage, the Seller must provide one of the following to the appraiser, as well as maintain a copy in the Mortgage file, to evidence that the property has a level of energy efficiency greater than that of a "standard" (i.e., non-energy-efficient) property:

- **Home Energy Rating Systems (HERS) report** completed by a certified Residential Energy Services Network (RESNET®) Home Energy Rater reflecting a HERS Index of 90 or below (**http://www.resnet.us/directory/search**)

- **Department of Energy (DOE) Home Energy Score Report** completed by an independent Home Energy Score Certified Assessor™ reflecting a DOE Home Energy Score of six or greater (**https://betterbuildingssolutioncenter.energy.gov/home-energy-score/home-energy-score-map**)

See Section 5601.4 for detailed appraisal requirements for properties with energy-efficient improvements.

(f) Other Guide provisions related to the monthly housing expense-to-income ratio

Refer to the following Guide sections for details on:

Topic	Guide section
ARM qualifying rates	Section 4401.8
Temporary subsidy buydown plans	Sections 4204.4(b) and 4204.4(c)
Special underwriting requirements for second home Mortgages	Section 4201.15(b)
Special underwriting requirements for Investment Property Mortgages	Section 4201.16(b)
Mortgages including a non-occupying Borrower	Section 5103.1

5401.2: Monthly debt payment-to-income (DTI) ratio (09/04/24)

Refer to Bulletins 2024-7 and 2024-12, which announced updates to the requirements for flood insurance premium included in housing expense-to-income ratio effective for Mortgages with Note Dates on or after April 1, 2025. Sellers may implement the new requirements prior to the mandatory effective April 1, 2025 version of this section.

This section contains requirements related to:

- General requirements
- Liabilities included in the monthly debt payment-to-income (DTI) ratio
- Liabilities that may be excluded from the monthly DTI ratio
- Evaluating debt ratios

The DTI ratio is determined by dividing the total of the Borrower's monthly housing expense described in Section 5401.1(a) plus all monthly payments on the Borrower's liabilities described in Section 5401.2(b) by the Borrower's stable monthly income.

(a) General requirements

The Borrower's liabilities must be reflected on the Mortgage application (Form 65, *Uniform Residential Loan Application*) and considered when qualifying the Borrower. Sellers must

review the Mortgage application, credit report, Borrower's paystubs (if provided) and other file documentation for Borrower liabilities.

All of the Borrower's debts incurred through the Note Date must be considered when qualifying the Borrower.

When the Borrower pays off or pays down an existing debt to qualify for the Mortgage, the Seller must document the source of funds used. The source of funds must meet the asset eligibility and documentation requirements in Section 5501.3.

(b) Liabilities included in the monthly DTI ratio

Documentation of all monthly payment amounts for the following liabilities must be included in the Mortgage file, and the monthly payment amount must be included in the DTI ratio:

1. **Monthly housing expense** (see Section 5401.1)

2. **Payments on all installment debts with more than 10 months of payments remaining**, including debts that are in a period of either deferment or forbearance.

   Installment debt may be excluded if the information on the credit report or other Mortgage file documentation verifies that there are 10 or fewer months of payments remaining.

   (i) Student loans

   For student loans, the Seller must comply with the requirements in the table below.

Requirements for student loans	
Student loans in deferment, forbearance or repayment, including income-driven repayment plans	**Student loan forgiveness, cancelation, discharge and employment-contingent repayment programs**

In all cases, **an amount greater than zero must be included** in the monthly DTI ratio for all student loans, as described below: ■ If the monthly payment amount reported on the credit report is greater than zero, the Seller must use the amount reported on the credit report, unless other documentation in the Mortgage file supports a different current payment amount greater than zero, or ■ If the monthly payment amount reported on the credit report is zero, the Seller must use 0.5% of the outstanding loan balance, as reported on the credit report, unless other documentation in the Mortgage file supports a different current payment amount greater than zero For student loans in **income-driven repayment plans** when documentation in the Mortgage file indicates the Borrower must recertify their income and/or that the Borrower's payment will increase prior to or on the first Mortgage payment due date, the Seller may not use the monthly payment amount described above in the DTI ratio and must instead use: ■ The greater of the current payment or 0.5% of the outstanding loan balance, or ■ The documented future payment amount if greater than the current payment, or ■ The future payment amount that is less than or equal to the current payment, provided that the Mortgage file contains documentation that the Borrower has recertified their income and the	The student loan **payment may be excluded** from the monthly DTI ratio provided the Mortgage file contains documentation that indicates the Borrower is eligible or approved, as applicable, for the student loan forgiveness, cancelation, discharge or employment-contingent repayment program, and the Seller is not aware of any circumstances that will make the Borrower ineligible in the future. Evidence of eligibility or approval must come from the student loan program or the employer, as applicable. Additionally, the Mortgage file documentation must indicate: ■ There are 10 or fewer monthly payments remaining until the full balance of the student loan is forgiven, canceled, discharged or in the case of an employment-contingent repayment program, paid, or ■ The monthly payment is deferred or is in forbearance and the full balance of the student loan will be forgiven, canceled, discharged or in the case of an employment-contingent repayment program, paid, at the end of the deferment or forbearance period

future payment amount has been approved. The future payment amount must be greater than zero.	

(ii) Internal Revenue Service (IRS) installment agreements

For IRS installment agreements, the Seller must comply with the requirements in the table below.

Requirements for IRS installment agreements	
Approved IRS installment agreements	**Installment agreements pending IRS approval**
When the Borrower is obligated on an installment agreement **approved by the IRS** for payment of past-due federal taxes, all of the following requirements must be met: ■ The Seller must obtain and retain in the Mortgage file a copy of the installment agreement approved by the IRS reflecting the payment terms and verifying the monthly payment amount and balance ■ The monthly payment must be included in the Borrower's DTI ratio if there are more than 10 months of payments remaining ■ The Seller must document in the Mortgage file that the Borrower is not past due under the terms of the installment agreement	When the Borrower has applied for an installment agreement with the IRS that is **pending IRS approval,** all of the following requirements must be met: ■ A copy of the application for the installment agreement reflecting the amount of taxes owed and requested payment terms must be included in the Mortgage file ■ The greater of the monthly payment amount requested by the Borrower or the amount of taxes owed divided by 72 must be included in the Borrower's monthly DTI ratio
There must be no indication, and the Seller must have no knowledge, that the IRS has filed a Notice of Federal Tax Lien for the taxes owed by the Borrower.	

(iii) Timeshare loans

Timeshare loans are considered installment debts, regardless of how they are reported on the Borrower's credit report. Associated maintenance fees are not required to be included in the monthly DTI ratio.

(iv) Other installment debt

For other installment debts not reported on the credit report, or listed as deferred or in forbearance, the Seller must maintain in the Mortgage file documentation verifying the monthly payment amount.

3. **Alimony or maintenance payments with more than 10 months of payments remaining**

The monthly payment amount must be documented in the Mortgage file with a copy of the signed court order, legally binding separation agreement and/or final divorce decree or equivalent documentation.

Instead of including these payments in the calculation of the debt, they must be deducted from the Borrower's stable monthly income, and the reduced stable monthly income must be used to qualify the Borrower.

When entering an alimony obligation in Loan Product Advisor®, select "Alimony" under "Income Type" and enter it as a negative number. If the Borrower also receives alimony income, select "Alimony" under "Income Type" and enter the amount received.

Note: If the Mortgage file documentation supports that there are 10 or fewer months of payments remaining, the payment may be omitted from the DTI ratio.

4. **Child support payments with more than 10 months of payments remaining**

The monthly payment amount must be documented with a copy of the signed court order, legally binding separation agreement and/or final divorce decree or equivalent documentation.

Note: If the Mortgage file documentation supports that there are 10 or fewer months of payments remaining, the payment may be omitted from the DTI ratio.

5. **Monthly payments on revolving or 30-day accounts**

(i) Revolving accounts

If there is no monthly payment reported on the credit report and no documentation in the Mortgage file indicating the monthly payment amount, 5% of the outstanding balance will be considered the required monthly payment.

(ii) 30-day accounts

For 30-day accounts (i.e., accounts that require the balance to be paid in full monthly), the Seller must include the full amount of the outstanding account balance in the DTI ratio.

Exception: The debt may be excluded if the Borrower has sufficient funds to pay off the outstanding account balance. These funds must be verified, in addition to any funds used to qualify the Borrower for the Mortgage transaction, and the source of funds must be an eligible source as described in Section 5501.3.

6. **Monthly lease payments** regardless of the number of payments remaining

   Exception: Payments for solar panels subject to a lease agreement, power purchase agreement (PPA) or similar type of agreement that meet the requirements of Section 5401.2(c)(vi) below may be excluded from the DTI ratio.

7. **Monthly payment amounts for properties for which rental income is being considered for qualification purposes**

   Refer to Chapter 5306 for requirements with respect to treatment of debt when using rental income.

   Refer to Chapter 5304 for requirements with respect to treatment of debt when all rental income and expenses are reported on IRS Form 8825, Rental Real Estate Income and Expenses of a Partnership or an S Corporation.

8. **Monthly payment amounts for other properties**

   - The monthly payment amount must include all of the following:
     - Principal and interest on the First Lien.

       For additional information about qualifying rates for the Mortgage secured by the subject property, refer to Section 4401.8 for ARM requirements and Section 4204.4 for temporary subsidy buydown plans.

     - Taxes
     - Insurance (e.g., hazard and flood insurance premiums)
   - The following additional expenses must be included when applicable:
     - Bridge loan payment
     - Mortgage insurance premiums

- ❑ Leasehold payments
- ❑ Homeowners association dues (excluding unit utility charges)
- ❑ Special assessments with more than 10 monthly payments remaining
- ❑ Maintenance Fees (excluding unit utility charges)
- ❑ Payment on any secondary financing (including a Home Equity Line of Credit (HELOC).

  HELOC payments must be included in the monthly DTI ratio when there is an outstanding balance on the account.

  In the absence of a monthly payment on the credit report for the HELOC, and if there's no documentation in the Mortgage file indicating a monthly payment amount, 1.5% of the outstanding balance will be considered to be the HELOC monthly payment amount.

  Refer to Section 4204.1 for when documentation of HELOC terms is required and to Section 5501.3 when HELOC proceeds are used for the transaction.

(c) Liabilities that may be excluded from the monthly DTI ratio

(i) Contingent liabilities

A contingent liability may be excluded from the monthly DTI ratio when meeting the requirements in the table below. The documentation used to exclude the liability must meet the age of documentation requirements in Section 5102.4.

Requirements for excluding contingent liabilities	
Debt type	**Eligibility and documentation requirements**
■ **Installment (not including Mortgages)** ■ **Revolving** ■ **Monthly lease payment**	Documentation in the Mortgage file must indicate the following: ■ A party other than the Borrower has been making timely payments for the most recent 12 months (regardless of whether the party is obligated on the debt) ■ The party making the payments is not an interested party to the subject real estate or Mortgage transaction*
■ **Mortgage payment** ■ **Other property-related expenses (e.g., taxes, insurance, homeowners association dues, etc.)**	Documentation in the Mortgage file must indicate the following: ■ A party other than the Borrower has been making timely payments for the most recent 12 months ■ When a Mortgage payment is being excluded, the party making the Mortgage payments must be obligated on the Note ■ The party making the payments is not an interested party to the subject real estate or Mortgage transaction*

* For examples of an interested party, see Section 5501.5.

Note: The Seller must evaluate the validity of circumstances under which the payments are being made by another party. For example, payments on multiple student loans made by the Borrower's parent represent a common situation. However, additional investigation and documentation might be necessary when a Borrower's multiple installment and revolving debts are being paid by the Borrower's spouse who is not on the subject Mortgage.

(ii) Assumed Mortgage

A Mortgage may be excluded from the monthly DTI ratio when the Borrower is listed as the Borrower on a Mortgage that has been assumed by another party.

If the Borrower has not been legally released from liability on the assumed Mortgage by the Servicer or owner of the Mortgage, the monthly payment may only be excluded from the monthly DTI ratio when:

- The Mortgage file contains documentation of the property transfer, evidencing that the Borrower no longer owns the property, and

- The assignee (the party who assumed the Mortgage) has made timely payments for at least the most recent 12 months, as documented by:

  - A copy of the fully executed Mortgage assumption agreement, and

  - Evidence of timely payments on the assumed Mortgage for the most recent 12 months as documented on the Borrower's credit report

(iii) Current Primary Residence pending sale

If the Borrower's current Primary Residence is pending sale and the sale will not close before the Note Date of the Mortgage or the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages, the monthly payment amount for the property pending sale may be excluded from the monthly DTI ratio if the Mortgage file contains an executed sales contract for the property pending sale.

If the executed sales contract includes a financing contingency, the Mortgage file must also contain evidence that the financing contingency has been cleared or a lender's commitment to the buyer of the property pending sale.

Employee relocation programs: For Borrowers being relocated pursuant to an employee relocation program, the monthly payment amount for the property pending sale may be excluded from the monthly DTI ratio if the Mortgage meets the requirements in Chapter 4408 for Mortgages made pursuant to employee relocation programs.

(iv) Assigned debt

A liability on a debt, including a Mortgage, may be excluded from the monthly DTI ratio if the following requirements are met:

- The obligation to make the payments has been assigned to another by court order, such as a divorce decree, regardless of whether the Borrower is legally released from liability by the creditor, and

- The Seller documents the order (e.g., provides appropriate pages from the separation agreement or divorce decree) in the Mortgage file

(v) Self-employed Borrower's debt paid by the Borrower's business

When a self-employed Borrower is obligated on a debt that has been paid by the Borrower's business for 12 months or longer, the monthly payment for the debt may be excluded from the monthly DTI ratio if the following requirements are met:

- The Mortgage file contains evidence that the debt has been paid timely by the Borrower's business for no less than the most recent 12 months, and

- The tax returns evidence that business expenses associated with the debt (e.g., interest, lease payments, taxes, insurance) have been reported and support that the debt has been paid by the business

(vi) Payments for solar panels subject to a lease agreement, PPA or similar type of agreement

Lease payments for solar panels may be excluded from the monthly DTI ratio if the lease:

- Provides for delivery of a specific amount of energy for an agreed-upon payment during a given period; and

- Includes a production guarantee compensating the Borrower on a prorated basis when the energy produced by the solar panels is less than the level required in the lease agreement

Payments for solar panels subject to a PPA or similar type of agreement may be excluded from the monthly DTI ratio if the payment is calculated based only on the generated energy. A copy of the lease agreement, PPA or similar type of agreement, as applicable, must be maintained in the Mortgage file.

(vii) Payments on installment debts secured by financial assets

Payments on installment debts secured by financial assets, other than cryptocurrencies, in which repayment may be obtained by liquidating the asset may be excluded from the monthly DTI ratio when qualifying the Borrower, regardless of the payment amount or number of payments remaining.

The loan secured by the financial asset must have been made by a financial institution. The Seller may consider only the portion of the funds that exceeds the loan balance as funds used to qualify the Borrower for the Mortgage transaction. See Chapter 5501 for more information.

(d) Evaluating debt ratios

(i) Mortgages underwritten with Loan Product Advisor

Loan Product Advisor calculates and assesses the Borrower's qualifying ratios based on submitted data.

For Accept Mortgages, Loan Product Advisor has determined that the Borrower's qualifying ratios are acceptable.

(ii) Manually Underwritten Mortgages

For Manually Underwritten Mortgages, the Seller must evaluate the Borrower's ability to pay the monthly housing expense and other obligations.

If the Borrower's monthly DTI ratio exceeds 45%, the Mortgage is ineligible for sale to Freddie Mac.

As a guideline, the monthly DTI ratio should not be greater than 36% of the Borrower's stable monthly income.

When the Borrower's monthly DTI ratio exceeds 36%, the Seller must document in the Mortgage file justification for the higher qualifying ratio.

Except in rare circumstances, the Borrower's DTI ratio should not exceed 36% for the following Mortgages:

- Cash-out refinance Mortgages
- Mortgages secured by 2- to 4-unit properties
- Mortgages where there is evidence that the Borrower increases debt and then periodically uses refinance or debt consolidation loans to reduce payments to a manageable level

The following factors may be considered in justifying a DTI ratio that exceeds 36% but is not greater than 45%:

- Energy-efficient property: The Mortgage is secured by an energy-efficient property, as described in Section 5401.1(e)
- Increased earnings probability: The Borrower's probability for increased earnings based on education, job training or time employed or practiced in a profession
- Rent paid by Related Person: Documented rent paid by Related Persons living in the property
- Ability to carry higher expenses: The Borrower demonstrated ability to carry a higher housing expense or higher debt level while maintaining a good credit history for at least 12 months
- Expectation of decreased expenses: The existence of verified income that is not included within the definition of "stable monthly income" in Section 5301.1 when there is an expectation that future expenses will be lower (such as child-support income scheduled to cease in one year when a child becomes an adult with the expectation of either lower future household expenses or additional income provided by the new adult)

In addition, the examples listed below may be used to justify higher qualifying ratios for Non-Loan Product Advisor Mortgages. However, they may not be used to justify higher qualifying ratios for Caution Mortgages because they have already been considered by Loan Product Advisor.

1. The Borrower's verified liquid assets are substantial enough to evidence an ability to repay the Mortgage regardless of income

2. There is a Down Payment on the purchase of the property of at least 25%

3. The Borrower has a strong Credit Score (for example, a 740 or higher FICO® score), and the Seller can confirm that the Borrower's credit reputation is excellent

For any Manually Underwritten Mortgage for which either of the ratio guidelines is exceeded, the Seller must prepare and retain in the Mortgage file a written explanation justifying its underwriting decision.

See Section 5103.1 for special ratio requirements when a non-occupying Borrower is present.

See Section 4302.5 for maximum DTI ratio requirements for Refi Possible® Mortgages.

5401.2: Monthly debt payment-to-income (DTI) ratio (Future effective date 04/01/25)

This section is effective for Mortgages with Note Dates on or after April 1, 2025.

This section contains requirements related to:

- General requirements
- Liabilities included in the monthly debt payment-to-income (DTI) ratio
- Liabilities that may be excluded from the monthly DTI ratio
- Evaluating debt ratios

The DTI ratio is determined by dividing the total of the Borrower's monthly housing expense described in Section 5401.1(a) plus all monthly payments on the Borrower's liabilities described in Section 5401.2(b) by the Borrower's stable monthly income.

(a) General requirements

The Borrower's liabilities must be reflected on the Mortgage application (Form 65, *Uniform Residential Loan Application*) and considered when qualifying the Borrower. Sellers must review the Mortgage application, credit report, Borrower's paystubs (if provided) and other file documentation for Borrower liabilities.

All of the Borrower's debts incurred through the Note Date must be considered when qualifying the Borrower.

When the Borrower pays off or pays down an existing debt to qualify for the Mortgage, the Seller must document the source of funds used. The source of funds must meet the asset eligibility and documentation requirements in Section 5501.3.

(b) Liabilities included in the monthly DTI ratio

Documentation of all monthly payment amounts for the following liabilities must be included in the Mortgage file, and the monthly payment amount must be included in the DTI ratio:

1. **Monthly housing expense** (see Section 5401.1)

2. **Payments on all installment debts with more than 10 months of payments remaining**, including debts that are in a period of either deferment or forbearance.

   Installment debt may be excluded if the information on the credit report or other Mortgage file documentation verifies that there are 10 or fewer months of payments remaining.

(i) Student loans

For student loans, the Seller must comply with the requirements in the table below.

Requirements for student loans	
Student loans in deferment, forbearance or repayment, including income-driven repayment plans	**Student loan forgiveness, cancelation, discharge and employment-contingent repayment programs**

In all cases, **an amount greater than zero must be included** in the monthly DTI ratio for all student loans, as described below: ■ If the monthly payment amount reported on the credit report is greater than zero, the Seller must use the amount reported on the credit report, unless other documentation in the Mortgage file supports a different current payment amount greater than zero, or ■ If the monthly payment amount reported on the credit report is zero, the Seller must use 0.5% of the outstanding loan balance, as reported on the credit report, unless other documentation in the Mortgage file supports a different current payment amount greater than zero For student loans in **income-driven repayment plans** when documentation in the Mortgage file indicates the Borrower must recertify their income and/or that the Borrower's payment will increase prior to or on the first Mortgage payment due date, the Seller may not use the monthly payment amount described above in the DTI ratio and must instead use: ■ The greater of the current payment or 0.5% of the outstanding loan balance, or ■ The documented future payment amount if greater than the current payment, or ■ The future payment amount that is less than or equal to the current payment, provided that the Mortgage file contains documentation that the Borrower has recertified their income and the	The student loan **payment may be excluded** from the monthly DTI ratio provided the Mortgage file contains documentation that indicates the Borrower is eligible or approved, as applicable, for the student loan forgiveness, cancelation, discharge or employment-contingent repayment program, and the Seller is not aware of any circumstances that will make the Borrower ineligible in the future. Evidence of eligibility or approval must come from the student loan program or the employer, as applicable. Additionally, the Mortgage file documentation must indicate: ■ There are 10 or fewer monthly payments remaining until the full balance of the student loan is forgiven, canceled, discharged or in the case of an employment-contingent repayment program, paid, or ■ The monthly payment is deferred or is in forbearance and the full balance of the student loan will be forgiven, canceled, discharged or in the case of an employment-contingent repayment program, paid, at the end of the deferment or forbearance period

future payment amount has been approved. The future payment amount must be greater than zero.	

(ii) Internal Revenue Service (IRS) installment agreements

For IRS installment agreements, the Seller must comply with the requirements in the table below.

Requirements for IRS installment agreements	
Approved IRS installment agreements	**Installment agreements pending IRS approval**
When the Borrower is obligated on an installment agreement **approved by the IRS** for payment of past-due federal taxes, all of the following requirements must be met: ■ The Seller must obtain and retain in the Mortgage file a copy of the installment agreement approved by the IRS reflecting the payment terms and verifying the monthly payment amount and balance ■ The monthly payment must be included in the Borrower's DTI ratio if there are more than 10 months of payments remaining ■ The Seller must document in the Mortgage file that the Borrower is not past due under the terms of the installment agreement	When the Borrower has applied for an installment agreement with the IRS that is **pending IRS approval,** all of the following requirements must be met: ■ A copy of the application for the installment agreement reflecting the amount of taxes owed and requested payment terms must be included in the Mortgage file ■ The greater of the monthly payment amount requested by the Borrower or the amount of taxes owed divided by 72 must be included in the Borrower's monthly DTI ratio
There must be no indication, and the Seller must have no knowledge, that the IRS has filed a Notice of Federal Tax Lien for the taxes owed by the Borrower.	

(iii) Timeshare loans

Timeshare loans are considered installment debts, regardless of how they are reported on the Borrower's credit report. Associated maintenance fees are not required to be included in the monthly DTI ratio.

(iv) Other installment debt

For other installment debts not reported on the credit report, or listed as deferred or in forbearance, the Seller must maintain in the Mortgage file documentation verifying the monthly payment amount.

3. **Alimony or maintenance payments with more than 10 months of payments remaining**

   The monthly payment amount must be documented in the Mortgage file with a copy of the signed court order, legally binding separation agreement and/or final divorce decree or equivalent documentation.

   Instead of including these payments in the calculation of the debt, they must be deducted from the Borrower's stable monthly income, and the reduced stable monthly income must be used to qualify the Borrower.

   When entering an alimony obligation in Loan Product Advisor®, select "Alimony" under "Income Type" and enter it as a negative number. If the Borrower also receives alimony income, select "Alimony" under "Income Type" and enter the amount received.

   Note: If the Mortgage file documentation supports that there are 10 or fewer months of payments remaining, the payment may be omitted from the DTI ratio.

4. **Child support payments with more than 10 months of payments remaining**

   The monthly payment amount must be documented with a copy of the signed court order, legally binding separation agreement and/or final divorce decree or equivalent documentation.

   Note: If the Mortgage file documentation supports that there are 10 or fewer months of payments remaining, the payment may be omitted from the DTI ratio.

5. **Monthly payments on revolving or 30-day accounts**

   (i) Revolving accounts

   If there is no monthly payment reported on the credit report and no documentation in the Mortgage file indicating the monthly payment amount, 5% of the outstanding balance will be considered the required monthly payment.

(ii) 30-day accounts

For 30-day accounts (i.e., accounts that require the balance to be paid in full monthly), the Seller must include the full amount of the outstanding account balance in the DTI ratio.

Exception: The debt may be excluded if the Borrower has sufficient funds to pay off the outstanding account balance. These funds must be verified, in addition to any funds used to qualify the Borrower for the Mortgage transaction, and the source of funds must be an eligible source as described in Section 5501.3.

6. **Monthly lease payments** regardless of the number of payments remaining

   Exception: Payments for solar panels subject to a lease agreement, power purchase agreement (PPA) or similar type of agreement that meet the requirements of Section 5401.2(c)(vi) below may be excluded from the DTI ratio.

7. **Monthly payment amounts for properties for which rental income is being considered for qualification purposes**

   Refer to Chapter 5306 for requirements with respect to treatment of debt when using rental income.

   Refer to Chapter 5304 for requirements with respect to treatment of debt when all rental income and expenses are reported on IRS Form 8825, Rental Real Estate Income and Expenses of a Partnership or an S Corporation.

8. **Monthly payment amounts for other properties**

   - The monthly payment amount must include all of the following:

     - Principal and interest on the First Lien.

       For additional information about qualifying rates for the Mortgage secured by the subject property, refer to Section 4401.8 for ARM requirements and Section 4204.4 for temporary subsidy buydown plans.

     - Taxes

     - Insurance (e.g., hazard insurance premium and flood insurance premium plus all fees and surcharges (when flood insurance is required)).

       When flood insurance is required on the subject property, the full risk premium must be included in the DTI ratio when the policy shows a full risk premium and a discounted premium.

- The following additional expenses must be included when applicable:
  - Bridge loan payment
  - Mortgage insurance premiums
  - Leasehold payments
  - Homeowners association dues (excluding unit utility charges)
  - Special assessments with more than 10 monthly payments remaining
  - Maintenance Fees (excluding unit utility charges)
  - Payment on any secondary financing (including a Home Equity Line of Credit (HELOC).

    HELOC payments must be included in the monthly DTI ratio when there is an outstanding balance on the account.

    In the absence of a monthly payment on the credit report for the HELOC, and if there's no documentation in the Mortgage file indicating a monthly payment amount, 1.5% of the outstanding balance will be considered to be the HELOC monthly payment amount.

    Refer to Section 4204.1 for when documentation of HELOC terms is required and to Section 5501.3 when HELOC proceeds are used for the transaction.

(c) Liabilities that may be excluded from the monthly DTI ratio

(i) Contingent liabilities

A contingent liability may be excluded from the monthly DTI ratio when meeting the requirements in the table below. The documentation used to exclude the liability must meet the age of documentation requirements in Section 5102.4.

Requirements for excluding contingent liabilities	
Debt type	**Eligibility and documentation requirements**
■ **Installment (not including Mortgages)** ■ **Revolving** ■ **Monthly lease payment**	Documentation in the Mortgage file must indicate the following: ■ A party other than the Borrower has been making timely payments for the most recent 12 months (regardless of whether the party is obligated on the debt) ■ The party making the payments is not an interested party to the subject real estate or Mortgage transaction*
■ **Mortgage payment** ■ **Other property-related expenses (e.g., taxes, insurance, homeowners association dues, etc.)**	Documentation in the Mortgage file must indicate the following: ■ A party other than the Borrower has been making timely payments for the most recent 12 months ■ When a Mortgage payment is being excluded, the party making the Mortgage payments must be obligated on the Note ■ The party making the payments is not an interested party to the subject real estate or Mortgage transaction*

* For examples of an interested party, see Section 5501.5.

Note: The Seller must evaluate the validity of circumstances under which the payments are being made by another party. For example, payments on multiple student loans made by the Borrower's parent represent a common situation. However, additional investigation and documentation might be necessary when a Borrower's multiple installment and revolving debts are being paid by the Borrower's spouse who is not on the subject Mortgage.

(ii) Assumed Mortgage

A Mortgage may be excluded from the monthly DTI ratio when the Borrower is listed as the Borrower on a Mortgage that has been assumed by another party.

If the Borrower has not been legally released from liability on the assumed Mortgage by the Servicer or owner of the Mortgage, the monthly payment may only be excluded from the monthly DTI ratio when:

- The Mortgage file contains documentation of the property transfer, evidencing that the Borrower no longer owns the property, and

- The assignee (the party who assumed the Mortgage) has made timely payments for at least the most recent 12 months, as documented by:

  - A copy of the fully executed Mortgage assumption agreement, and

  - Evidence of timely payments on the assumed Mortgage for the most recent 12 months as documented on the Borrower's credit report

(iii) Current Primary Residence pending sale

If the Borrower's current Primary Residence is pending sale and the sale will not close before the Note Date of the Mortgage or the Effective Date of Permanent Financing for Construction Conversion and Renovation Mortgages, the monthly payment amount for the property pending sale may be excluded from the monthly DTI ratio if the Mortgage file contains an executed sales contract for the property pending sale.

If the executed sales contract includes a financing contingency, the Mortgage file must also contain evidence that the financing contingency has been cleared or a lender's commitment to the buyer of the property pending sale.

Employee relocation programs: For Borrowers being relocated pursuant to an employee relocation program, the monthly payment amount for the property pending sale may be excluded from the monthly DTI ratio if the Mortgage meets the requirements in Chapter 4408 for Mortgages made pursuant to employee relocation programs.

(iv) Assigned debt

A liability on a debt, including a Mortgage, may be excluded from the monthly DTI ratio if the following requirements are met:

- The obligation to make the payments has been assigned to another by court order, such as a divorce decree, regardless of whether the Borrower is legally released from liability by the creditor, and

- The Seller documents the order (e.g., provides appropriate pages from the separation agreement or divorce decree) in the Mortgage file

(v) Self-employed Borrower's debt paid by the Borrower's business

When a self-employed Borrower is obligated on a debt that has been paid by the Borrower's business for 12 months or longer, the monthly payment for the debt may be excluded from the monthly DTI ratio if the following requirements are met:

- The Mortgage file contains evidence that the debt has been paid timely by the Borrower's business for no less than the most recent 12 months, and

- The tax returns evidence that business expenses associated with the debt (e.g., interest, lease payments, taxes, insurance) have been reported and support that the debt has been paid by the business

(vi) Payments for solar panels subject to a lease agreement, PPA or similar type of agreement

Lease payments for solar panels may be excluded from the monthly DTI ratio if the lease:

- Provides for delivery of a specific amount of energy for an agreed-upon payment during a given period; and

- Includes a production guarantee compensating the Borrower on a prorated basis when the energy produced by the solar panels is less than the level required in the lease agreement

Payments for solar panels subject to a PPA or similar type of agreement may be excluded from the monthly DTI ratio if the payment is calculated based only on the generated energy. A copy of the lease agreement, PPA or similar type of agreement, as applicable, must be maintained in the Mortgage file.

(vii) Payments on installment debts secured by financial assets

Payments on installment debts secured by financial assets, other than cryptocurrencies, in which repayment may be obtained by liquidating the asset may be excluded from the monthly DTI ratio when qualifying the Borrower, regardless of the payment amount or number of payments remaining.

The loan secured by the financial asset must have been made by a financial institution. The Seller may consider only the portion of the funds that exceeds the loan balance as funds used to qualify the Borrower for the Mortgage transaction. See Chapter 5501 for more information.

(d) Evaluating debt ratios

(i) Mortgages underwritten with Loan Product Advisor

Loan Product Advisor calculates and assesses the Borrower's qualifying ratios based on submitted data.

For Accept Mortgages, Loan Product Advisor has determined that the Borrower's qualifying ratios are acceptable.

(ii) Manually Underwritten Mortgages

For Manually Underwritten Mortgages, the Seller must evaluate the Borrower's ability to pay the monthly housing expense and other obligations.

If the Borrower's monthly DTI ratio exceeds 45%, the Mortgage is ineligible for sale to Freddie Mac.

As a guideline, the monthly DTI ratio should not be greater than 36% of the Borrower's stable monthly income.

When the Borrower's monthly DTI ratio exceeds 36%, the Seller must document in the Mortgage file justification for the higher qualifying ratio.

Except in rare circumstances, the Borrower's DTI ratio should not exceed 36% for the following Mortgages:

- Cash-out refinance Mortgages
- Mortgages secured by 2- to 4-unit properties
- Mortgages where there is evidence that the Borrower increases debt and then periodically uses refinance or debt consolidation loans to reduce payments to a manageable level

The following factors may be considered in justifying a DTI ratio that exceeds 36% but is not greater than 45%:

- Energy-efficient property: The Mortgage is secured by an energy-efficient property, as described in Section 5401.1(e)
- Increased earnings probability: The Borrower's probability for increased earnings based on education, job training or time employed or practiced in a profession
- Rent paid by Related Person: Documented rent paid by Related Persons living in the property
- Ability to carry higher expenses: The Borrower demonstrated ability to carry a higher housing expense or higher debt level while maintaining a good credit history for at least 12 months
- Expectation of decreased expenses: The existence of verified income that is not included within the definition of "stable monthly income" in Section 5301.1 when there is an expectation that future expenses will be lower (such as child-support income scheduled to cease in one year when a child becomes an adult with the expectation of either lower future household expenses or additional income provided by the new adult)

In addition, the examples listed below may be used to justify higher qualifying ratios for Non-Loan Product Advisor Mortgages. However, they may not be used to justify higher qualifying ratios for Caution Mortgages because they have already been considered by Loan Product Advisor.

1. The Borrower's verified liquid assets are substantial enough to evidence an ability to repay the Mortgage regardless of income

2. There is a Down Payment on the purchase of the property of at least 25%

3. The Borrower has a strong Credit Score (for example, a 740 or higher FICO® score), and the Seller can confirm that the Borrower's credit reputation is excellent

For any Manually Underwritten Mortgage for which either of the ratio guidelines is exceeded, the Seller must prepare and retain in the Mortgage file a written explanation justifying its underwriting decision.

See Section 5103.1 for special ratio requirements when a non-occupying Borrower is present.

See Section 4302.5 for maximum DTI ratio requirements for Refi Possible® Mortgages.

Chapter 5501: Assets

5501.1: Funds required for the Mortgage transaction (05/04/22)

The Seller must verify that the Borrower has sufficient funds to qualify for the Mortgage transaction (i.e., any funds required to be paid by the Borrower and Borrower reserves) except as follows:

- The transaction is a refinance transaction, and
- Funds required to be paid by the Borrower are $500 or less, and
- No reserves are required for the transaction (i.e., as specified in Section 5501.2 or required by the Feedback Certificate), and
- The Mortgage is a Loan Product Advisor® Mortgage with a Risk Class of Accept

All funds used to qualify the Borrower for the Mortgage transaction, including, but not limited to, funds for Down Payment, Closing Costs and reserves, must come from the eligible sources described in Section 5501.3.

When an interested party is contributing to the Mortgage transaction, the requirements in Section 5501.5 must be met.

Prorated real estate tax credits contributed by the property seller in areas where real estate taxes are paid in arrears may not be considered when determining the funds required to be verified for the Mortgage transaction, except when the Settlement/Closing Disclosure Statement indicates that an Escrow account is established and includes the portion of real estate taxes owed by the property seller for the period they owned the property. In such cases, a prorated tax credit from the property seller offsets that portion of the charge for the establishment of the Escrow account.

When lender credit is being used for the Mortgage transaction, the requirements in Section 5501.6(a) must be met.

5501.2: Reserves (09/04/24)

(a) Calculation of reserves

Reserves are Borrower's assets remaining after the Mortgage closing. The source of funds used for reserves, when needed to qualify the Borrower for the Mortgage transaction, must meet the eligibility and documentation requirements in Section 5501.3. Reserves are

measured by the number of months of the monthly payment amount for the property. The monthly payment amount is the sum of the following monthly charges:

- Principal and interest payments on the Mortgage
- Property hazard insurance premiums
- Real estate taxes
- When applicable:
  - Mortgage insurance premiums
  - Leasehold payments
  - Homeowners association dues (excluding unit utility charges)
  - Payments on secondary financing

When calculating reserves for the subject property, the principal and interest payment of the monthly payment amount must be based, at a minimum, on the Note Rate. When calculating reserves for other properties, the monthly payment amount for the property must be no less than the current monthly payment amount.

(b) Minimum required reserves

The minimum reserves requirements, as described below, must be met.

(i) For Loan Product Advisor® Mortgages

The Seller must verify all reserves required by Loan Product Advisor, as stated on the Feedback Certificate. The amount of reserves stated on the Feedback Certificate and required to be verified for Loan Product Advisor Mortgages secured by second homes and Investment Properties includes the following additional reserves:

Number of financed properties	Additional required reserves for second home or Investment Property Mortgages
When each Borrower individually, and all Borrowers collectively, are obligated on **one to six** financed properties, including the subject property and the Borrower's Primary Residence	Two months of the monthly payment amount (as described in Section 5501.2(a)) on each additional second home and/or 1- to 4-unit Investment Property that is financed and on which the Borrower is obligated
When each Borrower individually, and all Borrowers collectively, are obligated on **seven to 10** financed properties, including the subject property and the Borrower's Primary Residence	Eight months of the monthly payment amount (as described in Section 5501.2(a)) on each additional second home and/or 1- to 4-unit Investment Property that is financed and on which the Borrower is obligated

(ii) For Manually Underwritten Mortgages

The verified reserves must equal or exceed the following reserves requirements:

Subject property	Required reserves
Primary Residence - 1-unit	None
Primary Residence - 2- to 4-unit	Six months for the subject property

For Home Possible® and HeritageOne℠ Mortgages, refer to Sections 4501.7(b) and 4504.7(b), respectively, for minimum reserves requirements.

(iii)When the Seller is processing multiple Mortgage applications for the same Borrower

The same assets may be used to meet the reserve requirements for each Mortgage transaction.

5501.3: Asset eligibility and documentation requirements (09/30/24)

This section describes eligibility and documentation requirements for sources of funds used to qualify the Borrower for the Mortgage transaction (i.e., any funds required to be paid by the Borrower and Borrower reserves). Eligible sources of funds are listed in the charts in Sections 5501.3(b)(ii) and 5501.3(c) below.

(a) General documentation requirements

All documentation of funds used to qualify the Borrower for the Mortgage transaction must meet the requirements of this section and Sections 5102.3 and 5102.4.

(i) Requirements for direct account verifications and asset account statements

Direct account verifications and asset account statements used to verify the Borrower's accounts held in financial institutions must meet the following additional requirements:

- Direct account verifications (i.e., verification of deposit form (VOD)) must:
  - Identify the financial institution
  - Identify the account owner(s)
  - Identify the account number, which at a minimum must include the last four digits
  - Identify the type of account
  - Identify account open date
  - Identify the current account balance
  - Identify the average balance for the previous two months
  - Identify any outstanding loans secured by the asset
  - Include the title, signature and phone number of the depository representative who completed the verification, unless the direct account verification is generated electronically by the financial institution

For purchase transactions, when using a direct account verification, the Seller must include documentation of the source of funds when an account is opened within 90 days of verification and/or when the current balance in an account exceeds the average balance by more than 50% of the sum of:

- ❒ The total monthly qualifying income for the Mortgage, and

- ❒ The amount derived from the asset calculation for establishing the debt payment-to-income ratio in accordance with the requirements of Section 5307.1, if applicable

■ Asset account statements must:

- ❒ Identify the financial institution

- ❒ Identify the account owner(s)

- ❒ Identify the account number, which at a minimum must include the last four digits

- ❒ Show all transactions

- ❒ Show the period covered

- ❒ Show the ending balance

- ❒ Show any outstanding loans secured by the asset

A transaction history that is computer-generated and downloaded by the Borrower from the internet or by a financial institution representative from the institution's system is acceptable. The transaction history must identify the name of the institution and the source, and includes the information required above for asset account statements, unless:

- ❒ It is used in combination with other asset verifications containing the missing information, and

- ❒ It can clearly establish that the transaction history pertains to the same account

(ii) Third-party asset verifications

Asset verifications obtained through third-party verification service providers are acceptable. The verifications must be received by the originator directly from the third-party verification service provider and must contain the same information as required for direct account verifications or asset account statements above except as follows for verifications that are generated electronically and are not completed or provided by a representative of the employer or the depository institution, as applicable:

■ The representative's information is not required

■ The verification may identify the account with a minimum of the last two digits of the account number

If any required information is missing, the Seller must obtain additional documentation to supplement the third-party verification. The Seller is responsible for ensuring the accuracy and integrity of the information provided by the third-party verification services.

In lieu of the requirements above for third-party asset verifications, see Section 5902.3 for requirements for Mortgages using automated asset assessment with Loan Product Advisor® using account data that receive a result of "Eligible for Asset Representation and Warranty Relief" or "Eligible for Partial Asset Representation and Warranty Relief" on the Last Feedback Certificate.

(iii) Evaluation of deposits in the Borrower's accounts

(A) Deposits requiring verification

Except as stated below, the Seller is not required to document the sources of unverified deposits for purchase or refinance transactions. However, when qualifying the Borrower, the Seller must consider any liabilities resulting from all borrowed funds.

For all transactions, when an unverified deposit is used to pay off or pay down an existing debt in order to qualify for the Mortgage, the source of funds must be documented.

For purchase transactions, when evaluating deposits in the Borrower's accounts, the following requirements apply:

- The Seller must document the source of funds for any "large deposit," as described below, if the deposit is needed to qualify the Borrower for the Mortgage transaction (i.e., any funds required to be paid by the Borrower and Borrower reserves)

  A "large deposit" is any single deposit exceeding 50% of the sum of:

  - The total monthly qualifying income for the Mortgage and
  - The amount derived from the asset calculation for establishing the debt payment-to-income ratio in accordance with the requirements of Section 5307.1, if applicable

- When a single deposit consists of both verified and unverified portions, the Seller may use just the unverified amount when determining whether the deposit is a large deposit as described above

- When a large deposit is not verified and is not needed to qualify the Borrower for the Mortgage transaction (i.e., any funds required to be paid by the Borrower and

Borrower reserves), the Seller must reduce the funds used for qualification purposes by the amount of the unverified deposit. For Loan Product Advisor® Mortgages, the Seller must enter the reduced amount of the asset into Loan Product Advisor.

- When the source of funds can be clearly identified from the deposit information on the account statement (e.g., direct payroll deposits) or other documented income or asset source in the Mortgage file (e.g., tax refund amounts appearing on the tax returns in the file), the Seller is not required to obtain additional documentation.

(B) Acceptable sources of deposit

When a deposit requires verification as stated above, the Seller must determine:

- Whether the source of the deposit is acceptable, as described below,
- That the funds belong to the Borrower, and
- That the funds are eligible for the transaction

The only acceptable sources of deposit are the following:

- The Borrower's income
- Funds awarded to the Borrower (e.g., disaster relief funds, lottery winnings, court-awarded settlement) provided the source is not an interested party to the real estate or Mortgage transaction
- Funds derived from eligible asset types stated in Sections 5501.3(b) and 5501.3(c) below

(b) Special requirements for Borrower personal funds

(i) Minimum Borrower contribution

For a purchase transaction Mortgage, the Borrower must make a minimum contribution from Borrower personal funds when specifically required in the Guide, as summarized in the chart below.

Minimum contribution from Borrower personal funds			
Mortgage type	**Guide section number**	**Mortgages with LTV/TLTV/HTLTV ratios ≤ 80%**	**Mortgages with LTV/TLTV/HTLTV ratios > 80%**
Mortgage secured by a 1- and 2-unit Primary Residence	N/A	None	
Mortgage secured by a 3- and 4-unit Primary Residence	N/A	None	N/A
Mortgage secured by a second home	5501.3(c)	None	5% of value, when gift funds or grants are used for the transaction
Mortgage secured by an Investment Property	4201.16	All funds used for the transaction must be Borrower personal funds	
Mortgages with shared equity plans	4204.5	5% of value (must be Owner-Occupant's personal funds)	

See Sections 4501.7(a)(ii) and 4504.7(a) for requirements for minimum contribution from Borrower personal funds for Home Possible® and HeritageOne℠ Mortgages, respectively.

(ii) Eligible asset types and documentation requirements for Borrower personal funds

Asset types that are considered Borrower personal funds and the applicable documentation requirements are described in the chart below. The eligibility and documentation requirements apply to all funds used to qualify the Borrower for the Mortgage transaction, including reserves. Any limitations on the use of an asset type are specified in the chart.

All accounts held in financial institutions must be owned by the Borrower and the Borrower must have access to the funds. Funds in accounts that are owned jointly by the Borrower and a non-Borrower are considered Borrower personal funds. Accounts held in the name of a Living Trust are considered to be owned by the Borrower when the Borrower is the Settlor of the Living Trust. When the Borrower is a Living Trust, the Underwritten Settlor is considered to be the owner of accounts held in the name of the trust.

For Loan Product Advisor Mortgages, the Documentation Level shown on the Feedback Certificate indicates the minimum level of documentation acceptable for a Loan Product Advisor Mortgage. The Seller must provide the documentation required in this chapter for the Documentation Level returned.

All Manually Underwritten Mortgages must at least be documented according to Standard Documentation.

Asset type and eligibility requirements	**Streamlined Accept documentation requirements**	**Standard documentation requirements**
1. Depository accounts Depository accounts used to deposit and withdraw cash, such as: ■ Checking ■ Savings ■ Money market ■ Certificate of deposit (CD) ■ Other depository accounts	Provide an account statement covering a **one-month period** or a direct account verification (i.e., VOD)	Provide account statement(s) covering a **two-month period** or a direct account verification (i.e., VOD)

<table>
<tr><th>Asset type and eligibility requirements</th><th>Streamlined Accept documentation requirements</th><th>Standard documentation requirements</th></tr>
<tr><td rowspan="2">2. Securities
Securities that are traded on an exchange or marketplace, generally available to the public such as:
■ Stocks
■ Vested stock options
■ Bonds
■ Mutual funds
■ United States government securities
■ Other securities*
Value must not include margin accounts.
Stock with limitations on its accessibility (e.g., restricted stock which has not vested and been distributed to the recipient) is not eligible.</td><td>Provide an account statement covering a one-month period or a direct account verification (i.e., VOD)</td><td>Provide account statement(s) covering a two-month period or a direct account verification (i.e., VOD)</td></tr>
<tr><td colspan="2">If the Borrower does not receive a stock/security account statement:
■ Provide evidence the security is owned by the Borrower, and
■ Verify value using current stock prices from a financial publication or website
See below for when evidence of liquidation is required*</td></tr>
</table>

<table>
<tr><th>Asset type and eligibility requirements</th><th>Streamlined Accept documentation requirements</th><th>Standard documentation requirements</th></tr>
<tr><td rowspan="2">3. Retirement accounts
Independent retirement accounts and Internal Revenue Service (IRS)-qualified employer retirement plan accounts such as:
■ 401K
■ 403b
■ IRAs (traditional and Roth)
■ SEP-IRA
■ SIMPLE-IRA
■ KEOGH
■ State retirement savings plans
■ Other independent and IRS-qualified employer retirement plan accounts</td><td>Provide an account statement covering a one-month period or a direct account verification (i.e., VOD)</td><td>Provide account statement(s) covering a two-month period or a direct account verification (i.e., VOD)</td></tr>
<tr><td colspan="2">See below for when evidence of liquidation is required*
When evidence of liquidation is not obtained:
In order to use the vested amount of an IRS-qualified employer retirement account to qualify the Borrower for the Mortgage transaction, the Mortgage file must include documentation confirming that the Borrower is permitted to make withdrawals, and severance from the Borrower’s current employment is not required.</td></tr>
<tr><td>4. Government bonds (federal, state or municipal)
The value used must be based on the lower of the purchase price or current redeemable value.</td><td colspan="2">Provide documentation verifying the ownership and the value.
See below for when evidence of liquidation is required.*</td></tr>
<tr><td>5. Proceeds from a loan fully secured by the Borrower’s assets other than real property
The loan must not be provided by an interested party to the real estate or Mortgage transaction. When the loan is secured by a financial asset used to qualify the Borrower for the</td><td colspan="2">Provide the following:
■ Documentation verifying the value and ownership of the asset and which supports that the loan is secured by that asset
■ Evidence of receipt of the loan proceeds</td></tr>
</table>

Asset type and eligibility requirements	Streamlined Accept documentation requirements	Standard documentation requirements
Mortgage transaction, the value of the asset must be reduced by the amount of the loan proceeds and any associated fees. See Section 5401.2(c)(vii) for when the monthly payment on a loan secured by the Borrower's financial asset may be excluded from the monthly debt payment-to-income ratio.		
6. Proceeds from the sale of the Borrower's real property or proceeds from a loan secured by the Borrower's real property (including proceeds from a 1031 exchange, a Home Equity Line of Credit (HELOC) or a bridge loan) For refinance Mortgages, the cash-out proceeds from the subject cash-out refinance transaction and any cash back received on the subject "no cash-out" refinance transaction are not eligible sources of funds for **reserves**.	Provide the following: ■ The Settlement/Closing Disclosure Statement or an alternative form required by law verifying the proceeds from the sale or refinance of the Borrower's real property, and/or ■ An executed buy-out agreement that is part of an employer relocation plan that takes responsibility for the outstanding Mortgage(s) ■ For HELOCs, provide the following: ❑ Evidence the HELOC is secured by the Borrower's real property, and ❑ Evidence of the Borrower's receipt of the disbursed HELOC proceeds	
7. Proceeds from the sale of the Borrower's assets other than real property or exchange-traded securities The purchaser of the Borrower's asset must not be an interested party to the real estate or Mortgage transaction.	Provide the following: ■ A signed bill of sale documenting the asset and transfer of ownership ■ Evidence of receipt of the proceeds	
8. Borrower's real estate commission Borrower's real estate commission is an eligible source of funds for Down	The Settlement/Closing Disclosure Statement must reflect the commission	

Asset type and eligibility requirements	Streamlined Accept documentation requirements	Standard documentation requirements
Payment and/or Closing Costs when the Borrower is a licensed real estate agent that is due to receive a sales commission from their purchase of the subject property.	earned by the Borrower and credited toward the Mortgage transaction.	
9. Funds from a trust The Borrower must be the beneficiary and have access to the funds as of the date of the loan closing. The Borrower's portion of undistributed trust funds may be used as **reserves** only.	Provide a copy of the trust agreement or a signed statement from the trustee or trust manager that documents the following information: ■ Identifies the Borrower as the beneficiary ■ Confirms that the Borrower has access to all or a certain specific amount of the funds ■ Confirms that the trust has sufficient assets to disburse funds needed by the Borrower When trust funds are needed for closing, evidence of receipt of the disbursed funds from the trust is required.	
10. Individual Development Account (IDA) – Agency matching funds not subject to Recapture ■ With respect to the subject Mortgage, the Agency must not: ❑ Be the Seller or have participated in any aspect of the Mortgage origination process ❑ Be affiliated with, under contract to, or financed (directly or indirectly) by the Seller or any party that participated in the Mortgage origination process For these purposes, "affiliated with" means	Provide documentation of the IDA program verifying: ■ The matching funds are not subject to Recapture ■ The ratio of matching funds by the Agency ■ Regular payments made to the IDA by the Borrower and the matching organization ■ The vested balance or the percentage of vesting	

Asset type and eligibility requirements	Streamlined Accept documentation requirements	Standard documentation requirements
that the Agency and the Seller or other party are related to each other as a consequence of one entity directly or indirectly controlling the other party, being controlled by the other party or being under common control with that party. ■ Any matching funds may be considered Borrower personal funds ■ A maximum of a 4 to 1 match by an Agency's funds is permitted ■ The Borrower must satisfy any vesting requirements of the matching IDA program		
11. Community Savings System accounts – Borrower contributions Funds on deposit in a Community Savings System that are deposited by the Borrower. A non-profit community organization must administer the savings system.	Provide Community Savings Systems account statements or a direct account verification identifying the non-profit community organization as the administrator and showing all Borrower contributions.	
12. Pooled funds Pooled funds are funds on deposit provided by the Borrower and other member(s) of a group of Related Persons who: Have resided together for at least one year, and Will continue residing together in the new residence, and	Provide the following: ■ Evidence that the Borrower and the Related Person have resided together for at least one year ■ Documentation verifying the pooled funds per the requirements for the applicable asset type contained in this chart or the chart in Section 5501.3(c), as applicable	

Asset type and eligibility requirements	Streamlined Accept documentation requirements	Standard documentation requirements
Are "pooling" their funds to buy a home Funds provided by Related Persons who do not reside with the Borrower are subject to the requirements of the chart in Section 5501.3(c) for gift funds	■ A written statement, in the form of a signed letter or an e-mail directly from the Borrower, executed at application attesting to all of the following: ❒ The source of the pooled funds ❒ The fact that the pooled funds were not borrowed by the contributing Related Person ❒ The relationship between the contributing Related Person and the Borrower. (For example, the affidavit might state that the Related Person is the Borrower's uncle or that the Related Person is the cousin of the Borrower's spouse.) ❒ That the Related Person has resided with the Borrower for the past year and intends to continue residing with the Borrower in the new residence for the foreseeable future The written statement need not be notarized or acknowledged but must be kept in the Mortgage file.	

13. Borrower's revolving credit card (charges/cash advances) or unsecured line of credit Borrower's revolving credit card (charges/cash advances) or unsecured line of credit used to pay fees associated with the Mortgage application process (e.g., origination fees, commitment fees, lock-in fees, appraisal, credit report and flood certifications) are subject to the following requirements: ■ The maximum amount charged or advanced may not exceed the greater of 2% of the Mortgage amount or $1,500 **And** ■ The Borrower must have sufficient verified funds to pay these fees (in addition to the funds needed to qualify for the Mortgage transaction; however, the Borrower is not required to pay off these charges at closing; **or** ■ The amount charged or advanced must be included in the Borrower's total outstanding debt and the repayment of such amount must be included when determining the Borrower's monthly debt payment-to-income ratio as described in Section 5401.2 Refer to Section 4408.3(c) when the Borrower uses a revolving credit card or unsecured line of credit to pay fees that will be reimbursed pursuant to an employee relocation program. Refer to Section 6302.30 for instructions on delivering Mortgages where the Borrower uses a credit card, cash advance or	Provide the following: ■ A copy of the account statement or receipt showing the amount charged or advanced, and ■ Verification of sufficient funds to pay the amount charged or advanced if the amount charged or advanced is not included in the monthly debt payment-to-income ratio

Asset type and eligibility requirements	Streamlined Accept documentation requirements	Standard documentation requirements
unsecured line of credit to pay fees associated with the Mortgage application process.		
14. Credit card reward points The reward points must be redeemed for cash.	Provide the following for reward points that are not yet deposited in the Borrower's account: ■ Evidence of the Borrower's ownership of the reward points and their cash value, and ■ Evidence that the reward points are redeemed for cash prior to closing, which may include a direct transfer of the cash to the settlement or closing agent For reward points redeemed for cash and deposited in the Borrower's account, refer to the requirements for evaluation of deposits in the Borrower's accounts in Section 5501.3(a)(iii).	
15. Cash value of a life insurance policy (not the face value) The Borrower must be the owner of the policy and not the beneficiary.	Provide documentation from the life insurance company verifying the following information: ■ Policy owner(s) ■ Period covered and current cash value, and ■ Any outstanding loans When cash value of the life insurance policy is needed for closing, evidence of liquidation is required.	
16. Rent credits The portion of rental payments paid by the Borrower credited towards the Down Payment and/or Closing Costs under a documented rental/purchase agreement. The credit must not exceed the	Provide the following: ■ A copy of the rental/purchase agreement ■ Evidence of rental payments (see Section 5202.2(b) for acceptable documentation for rental verification)	

Asset type and eligibility requirements	Streamlined Accept documentation requirements	Standard documentation requirements
difference between the market rent and actual rent paid. The rental/purchase agreement must have an original term of at least 12 months and the rent must be based on a minimum of 12 months rental payments.	■ Appraiser's determination of the market rent for the subject property	
17. Trade equity: Net proceeds of the trade-in of the Borrower's previously owned residence The Borrower's equity in the previously-owned residence is determined by subtracting any outstanding liens on the previously-owned residence, plus any transfer costs, from the lesser of the appraised value of the previously-owned residence or its trade-in price as shown in the trade-in contract.	Provide the following: ■ The appraisal of the Borrower's previously-owned residence ■ A copy of the trade-in contract	

*When assets that are invested in stocks, bonds, mutual funds, U.S. government securities, retirement accounts or other securities are needed for closing, evidence of liquidation is required unless the combined value of the assets is at least 20% greater than the amount from these assets needed for closing. Any amount of cryptocurrency must be exchanged for U.S. dollars if it will be used as a source of funds for the Mortgage transaction (i.e., any funds required to be paid by the Borrower and Borrower reserves).

See Sections 4501.7(c)(i) and 4504.7(c)(i) for additional sources of Borrower personal funds for Home Possible and HeritageOne Mortgages, respectively.

(iii) Earnest money deposit (EMD)

When an EMD for a purchase transaction is used to qualify the Borrower for the Mortgage transaction, the Seller must obtain evidence that the EMD check cleared the Borrower's account (e.g., copy of the canceled check, asset account statement or written statement from the EMD holder verifying receipt of the funds).

When the EMD is needed to meet the minimum contribution from Borrower personal funds, the Seller must:

- Verify that the source of the EMD is an eligible asset type and document it in accordance with the applicable requirements in this section

- Provide account statement(s) (based on Streamlined Accept or Standard documentation requirements, as applicable) or a direct account verification (i.e., VOD) that covers the period up to and including the date the EMD funds cleared the account

The EMD must not be counted twice in the evaluation of the Mortgage (i.e., deducted from the funds to close and counted in assets).

If the source of the Borrower's EMD is gift funds, see Section 5501.3(c)(1) below.

(iv) Business assets

Funds from a Borrower's business account may be used to qualify the Borrower for the Mortgage transaction, provided they meet the requirements of this chapter, except as stated below.

Documentation of large deposits, as described in Section 5501.3(a)(iii), is not required provided that the Seller:

- Reviews a minimum of the most recent two months of the business account statements, and

- Determines the deposits are typical for the Borrower's business

See Section 5304.1(f) for additional requirements when self-employed income from the business is used for qualifying.

(v) Source of funds from outside the United States and its territories

When the source of funds needed for closing is, or otherwise originates from, asset(s) located outside the United States and its territories:

- Funds must be transferred into a United States or State regulated financial institution and verified in U.S. dollars prior to the closing of the Mortgage transaction, or

- Combined value of the assets must be at least 20% greater than the amount from these assets needed for closing

See Section 5102.3(b) for additional requirements when funds from outside the United States and its territories are used to qualify the Borrower for the Mortgage transaction.

(c) Special requirements for other eligible sources of funds

Other sources of funds eligible to be used to qualify the Borrower for the Mortgage transaction and the applicable documentation requirements are described in the chart below. The eligibility and documentation requirements apply to all funds used to qualify the Borrower of the Mortgage transaction including reserves. Any limitations on the use of an asset type are specified in the chart.

For Loan Product Advisor Mortgages, the Documentation Level shown on the Feedback Certificate indicates the minimum level of documentation acceptable for a Loan Product Advisor Mortgage. The Seller must provide the documentation required in this chapter for the Documentation Level returned.

All Manually Underwritten Mortgages must at least be documented according to Standard Documentation.

Asset type and eligibility requirements	Streamlined Accept and Standard Documentation requirements
1. Gift funds or a gift of equity Gift funds or a gift of equity are an eligible source of funds for a Mortgage secured by a Primary Residence or second home provided that funds do not have to be repaid and the donor is: ■ A Related Person,, or ■ A trust established by a Related Person, or ■ The estate of a Related Person When a Mortgage is secured by a second home and the LTV/TLTV/HTLTV ratio is greater than 80%, the gift is permitted only if the Borrower has made a Down Payment of at least 5% from Borrower personal funds as described in Section 5501.3(b). Gift funds or gift of equity are not an eligible source of funds for Investment Property Mortgages. Except as stated below for earnest money deposits, gift funds must be transferred directly from the donor's account in a financial institution to the Borrower's account or to the settlement or closing agent. For earnest money deposits, the donor may	Provide a gift letter signed by the donor. When the gift is provided by a trust or an estate, the gift letter must be signed by the trustee or the authorized representative of the estate, as applicable. Information provided in the gift letter must: ■ State the donor's name and that the funds are given by a Related Person, a trust established by a Related Person or the estate of a Related Person, as applicable ■ Include the donor's mailing address and telephone number. When the donor is a trust or an estate, provide the mailing address and telephone number of the trustee or authorized representative, as applicable. ■ State the actual or the maximum amount of the gift funds or gift of equity

Asset type and eligibility requirements	Streamlined Accept and Standard Documentation requirements
also provide the gift funds directly to a builder or real estate agent.	■ Establish that the gift funds or gift of equity are a gift that does not have to be repaid Gift funds: The Seller must provide evidence of one of the following: 1. Transfer of funds from the donor's account in a financial institution to the Borrower's account. For example, copies of bank statements from both the donor and the Borrower's accounts, a copy of a canceled gift check or a copy of a donor's withdrawal slip and the Borrower's deposit slip, or 2. Transfer of the funds from the donor's account in a financial institution to the settlement or closing agent. For example, a copy of a cashier's check or wire transfer confirmation. 3. For an earnest money deposit paid by the donor directly to the builder or real estate agent, transfer of funds from the donor's account in a financial institution to the earnest money deposit holder. For example, a copy of a canceled gift check, a copy of a cashier's check or wire transfer confirmation. Funds transferred using a third-party money transfer application or service are acceptable only when the documentation included in the Mortgage file evidences that the funds were transferred using the application or service directly from the donor's bank account to the Borrower's bank account or to the settlement or closing agent.

Asset type and eligibility requirements	Streamlined Accept and Standard Documentation requirements
	Gift of equity: A gift of equity must be reflected on the Settlement/Closing Disclosure Statement.
2. Gift funds received as a wedding gift Gift funds received as a wedding gift from unrelated persons and/or Related Persons are an eligible source of funds for a Mortgage secured by Primary Residence. The gift funds must be on deposit in the Borrower's depository account within 90 days of the date of the marriage license or certificate.	Provide the following: ■ A copy of the marriage license or certificate ■ A verification of the gift funds in the Borrower's depository account
3. Gift funds received as a graduation gift Gift funds received as a graduation gift from unrelated persons and/or Related Persons are an eligible source of funds for a Mortgage secured by a Primary Residence. The gift funds must be on deposit in the Borrower's depository account within 90 days of the date of graduation.	Provide the following: ■ Evidence of graduation from an educational institution (e.g., diploma or transcripts) that supports the date of graduation ■ A verification of the gift funds in the Borrower's depository account
4. A gift or grant from an Agency A gift or grant from an Agency that does not have to be repaid is an eligible source of funds provided that: ■ The gift or grant is given pursuant to an established program ■ The Agency is not an interested party (as described in Section 5501.5) ■ The funds were not obtained from an interested party either directly or through a third party; and ■ With respect to the subject Mortgage, the Agency must not:	Provide documentation supporting a gift or grant from an Agency. Examples of acceptable documentation include copies of grant program materials, award letters or terms and conditions provided to the Borrower. The documentation must: ■ Establish that the funds were provided by an Agency ■ Establish that the organization has an established gift or grant program ■ Establish that the funds are a gift or grant that does not have to be repaid

Asset type and eligibility requirements	Streamlined Accept and Standard Documentation requirements
❑ Be the Seller or have participated in any aspect of the Mortgage origination process ❑ Be affiliated with, under contract to, or financed (directly or indirectly) by the Seller or any party that participated in the Mortgage origination process For these purposes, "affiliated with" means that the Agency and the Seller or other party are related to each other as a consequence of one entity directly or indirectly controlling the other party, being controlled by the other party or being under common control with that party. Gifts and grants from Agencies are not eligible sources of funds for second home and Investment Property Mortgages. For special requirements for gifts or grants from Agencies for HeritageOne Mortgages, see Section 4504.7(c)(ii).	■ Provide evidence that the funds were received by the Borrower or by the Seller on the Borrower's behalf ■ Identify the donor's mailing address

Asset type and eligibility requirements	Streamlined Accept and Standard Documentation requirements
5. Individual Development Account (IDA) – Agency matching funds subject to Recapture Agency matching funds subject to Recapture are an eligible source of funds provided that: ■ The matching funds must be considered a gift or grant from an Agency as described in this chart ■ A maximum of a 3-to-1 match by an Agency's funds is permitted ■ The Borrower must satisfy any vesting requirements of the matching IDA program	Provide documentation of the IDA program verifying: ■ The matching funds are subject to Recapture ■ The ratio of matching funds by the Agency ■ Regular payments made by the Borrower and the matching organization ■ The vested balance or the percentage of vesting Documentation of matching funds subject to a Recapture provision must also meet the requirements of this chart for a gift or grant from an Agency, except that the Seller does not have to establish that the funds do not have to be repaid.
6. Proceeds from an unsecured loan that is an Employer Assisted Homeownership (EAH) Benefit Proceeds from an unsecured loan that is an EAH Benefit are an eligible source of funds provided that the eligibility and documentation requirements in Section 5501.4 are met.	

See Sections 4501.7(c)(ii) and 4504.7(c)(ii) for other eligible sources of funds for Home Possible and HeritageOne Mortgages, respectively.

5501.3: Asset eligibility and documentation requirements (Future effective date 11/08/24)

This section describes eligibility and documentation requirements for sources of funds used to qualify the Borrower for the Mortgage transaction (i.e., any funds required to be paid by the Borrower and Borrower reserves). Eligible sources of funds are listed in the charts in Sections 5501.3(b)(ii) and 5501.3(c) below.

(a) General documentation requirements

All documentation of funds used to qualify the Borrower for the Mortgage transaction must meet the requirements of this section and Sections 5102.3 and 5102.4.

(i) Requirements for direct account verifications and asset account statements

Direct account verifications and asset account statements used to verify the Borrower's accounts held in financial institutions must meet the following additional requirements:

- Direct account verifications (i.e., verification of deposit form (VOD)) must:
  - Identify the financial institution
  - Identify the account owner(s)
  - Identify the account number, which at a minimum must include the last four digits
  - Identify the type of account
  - Identify account open date
  - Identify the current account balance
  - Identify the average balance for the previous two months
  - Identify any outstanding loans secured by the asset
  - Include the title, signature and phone number of the depository representative who completed the verification, unless the direct account verification is generated electronically by the financial institution

For purchase transactions, when using a direct account verification, the Seller must include documentation of the source of funds when an account is opened within 90 days of verification and/or when the current balance in an account exceeds the average balance by more than 50% of the sum of:

- ❒ The total monthly qualifying income for the Mortgage, and

- ❒ The amount derived from the asset calculation for establishing the debt payment-to-income ratio in accordance with the requirements of Section 5307.1, if applicable

■ Asset account statements must:

- ❒ Identify the financial institution

- ❒ Identify the account owner(s)

- ❒ Identify the account number, which at a minimum must include the last four digits

- ❒ Show all transactions

- ❒ Show the period covered

- ❒ Show the ending balance

- ❒ Show any outstanding loans secured by the asset

A transaction history that is computer-generated and downloaded by the Borrower from the internet or by a financial institution representative from the institution's system is acceptable. The transaction history must identify the name of the institution and the source, and includes the information required above for asset account statements, unless:

- ❒ It is used in combination with other asset verifications containing the missing information, and

- ❒ It can clearly establish that the transaction history pertains to the same account

(ii) Third-party asset verifications

Asset verifications obtained through third-party verification service providers are acceptable. The verifications must be received by the originator directly from the third-party verification service provider and must contain the same information as required for direct account verifications or asset account statements above except as follows for verifications that are generated electronically and are not completed or provided by a representative of the employer or the depository institution, as applicable:

■ The representative's information is not required

■ The verification may identify the account with a minimum of the last two digits of the account number

If any required information is missing, the Seller must obtain additional documentation to supplement the third-party verification. The Seller is responsible for ensuring the accuracy and integrity of the information provided by the third-party verification services.

In lieu of the requirements above for third-party asset verifications, see Section 5902.3 for requirements for Mortgages using automated asset assessment with Loan Product Advisor® using account data that receive a result of "Eligible for Asset Representation and Warranty Relief" or "Eligible for Partial Asset Representation and Warranty Relief" on the Last Feedback Certificate.

(iii) Evaluation of deposits in the Borrower's accounts

(A) Deposits requiring verification

Except as stated below, the Seller is not required to document the sources of unverified deposits for purchase or refinance transactions. However, when qualifying the Borrower, the Seller must consider any liabilities resulting from all borrowed funds.

For all transactions, when an unverified deposit is used to pay off or pay down an existing debt in order to qualify for the Mortgage, the source of funds must be documented.

For purchase transactions, when evaluating deposits in the Borrower's accounts, the following requirements apply:

- The Seller must document the source of funds for any "large deposit," as described below, if the deposit is needed to qualify the Borrower for the Mortgage transaction (i.e., any funds required to be paid by the Borrower and Borrower reserves)

  A "large deposit" is any single deposit exceeding 50% of the sum of:

  - The total monthly qualifying income for the Mortgage and
  - The amount derived from the asset calculation for establishing the debt payment-to-income ratio in accordance with the requirements of Section 5307.1, if applicable

- When a single deposit consists of both verified and unverified portions, the Seller may use just the unverified amount when determining whether the deposit is a large deposit as described above

- When a large deposit is not verified and is not needed to qualify the Borrower for the Mortgage transaction (i.e., any funds required to be paid by the Borrower and

Borrower reserves), the Seller must reduce the funds used for qualification purposes by the amount of the unverified deposit. For Loan Product Advisor® Mortgages, the Seller must enter the reduced amount of the asset into Loan Product Advisor.

- When the source of funds can be clearly identified from the deposit information on the account statement (e.g., direct payroll deposits) or other documented income or asset source in the Mortgage file (e.g., tax refund amounts appearing on the tax returns in the file), the Seller is not required to obtain additional documentation.

(B) Acceptable sources of deposit

When a deposit requires verification as stated above, the Seller must determine:

- Whether the source of the deposit is acceptable, as described below,
- That the funds belong to the Borrower, and
- That the funds are eligible for the transaction

The only acceptable sources of deposit are the following:

- The Borrower's income
- Funds awarded to the Borrower (e.g., disaster relief funds, lottery winnings, court-awarded settlement) provided the source is not an interested party to the real estate or Mortgage transaction
- Funds derived from eligible asset types stated in Sections 5501.3(b) and 5501.3(c) below

(b) Special requirements for Borrower personal funds

(i) Minimum Borrower contribution

For a purchase transaction Mortgage, the Borrower must make a minimum contribution from Borrower personal funds when specifically required in the Guide, as summarized in the chart below.

Minimum contribution from Borrower personal funds			
Mortgage type	**Guide section number**	**Mortgages with LTV/TLTV/HTLTV ratios ≤ 80%**	**Mortgages with LTV/TLTV/HTLTV ratios > 80%**
Mortgage secured by a 1- and 2-unit Primary Residence	N/A	None	
Mortgage secured by a 3- and 4-unit Primary Residence	N/A	None	N/A
Mortgage secured by a second home	5501.3(c)	None	5% of value, when gift funds or grants are used for the transaction
Mortgage secured by an Investment Property	4201.16	All funds used for the transaction must be Borrower personal funds	
Mortgages with shared equity plans	4204.5	5% of value (must be Owner-Occupant's personal funds)	

See Sections 4501.7(a)(ii) and 4504.7(a) for requirements for minimum contribution from Borrower personal funds for Home Possible® and HeritageOne℠ Mortgages, respectively.

(ii) Eligible asset types and documentation requirements for Borrower personal funds

Asset types that are considered Borrower personal funds and the applicable documentation requirements are described in the chart below. The eligibility and documentation requirements apply to all funds used to qualify the Borrower for the Mortgage transaction, including reserves. Any limitations on the use of an asset type are specified in the chart.

All accounts held in financial institutions must be owned by the Borrower and the Borrower must have access to the funds. Funds in accounts that are owned jointly by the Borrower and a non-Borrower are considered Borrower personal funds. Accounts held in the name of a Living Trust are considered to be owned by the Borrower when the Borrower is the Settlor of the Living Trust. When the Borrower is a Living Trust, the Underwritten Settlor is considered to be the owner of accounts held in the name of the trust.

For Loan Product Advisor Mortgages, the Documentation Level shown on the Feedback Certificate indicates the minimum level of documentation acceptable for a Loan Product Advisor Mortgage. The Seller must provide the documentation required in this chapter for the Documentation Level returned.

All Manually Underwritten Mortgages must at least be documented according to Standard Documentation.

Asset type and eligibility requirements	**Streamlined Accept documentation requirements**	**Standard documentation requirements**
1. Depository accounts Depository accounts used to deposit and withdraw cash, such as: ■ Checking ■ Savings ■ Money market ■ Certificate of deposit (CD) ■ Other depository accounts	Provide an account statement covering a **one-month period** or a direct account verification (i.e., VOD)	Provide account statement(s) covering a **two-month period** or a direct account verification (i.e., VOD)

<table>
<tr><th>Asset type and eligibility requirements</th><th>Streamlined Accept documentation requirements</th><th>Standard documentation requirements</th></tr>
<tr><td rowspan="2">2. Securities
Securities that are traded on an exchange or marketplace, generally available to the public such as:
■ Stocks
■ Vested stock options
■ Bonds
■ Mutual funds
■ United States government securities
■ Other securities*
Value must not include margin accounts.
Stock with limitations on its accessibility (e.g., restricted stock which has not vested and been distributed to the recipient) is not eligible.</td><td>Provide an account statement covering a one-month period or a direct account verification (i.e., VOD)</td><td>Provide account statement(s) covering a two-month period or a direct account verification (i.e., VOD)</td></tr>
<tr><td colspan="2">If the Borrower does not receive a stock/security account statement:
■ Provide evidence the security is owned by the Borrower, and
■ Verify value using current stock prices from a financial publication or website
See below for when evidence of liquidation is required*</td></tr>
</table>

<table>
<tr><th>Asset type and eligibility requirements</th><th>Streamlined Accept documentation requirements</th><th>Standard documentation requirements</th></tr>
<tr><td rowspan="2">3. Retirement accounts
Independent retirement accounts and Internal Revenue Service (IRS)-qualified employer retirement plan accounts such as:
■ 401K
■ 403b
■ IRAs (traditional and Roth)
■ SEP-IRA
■ SIMPLE-IRA
■ KEOGH
■ State retirement savings plans
■ Other independent and IRS-qualified employer retirement plan accounts</td><td>Provide an account statement covering a one-month period or a direct account verification (i.e., VOD)</td><td>Provide account statement(s) covering a two-month period or a direct account verification (i.e., VOD)</td></tr>
<tr><td colspan="2">See below for when evidence of liquidation is required*
When evidence of liquidation is not obtained:
In order to use the vested amount of an IRS-qualified employer retirement account to qualify the Borrower for the Mortgage transaction, the Mortgage file must include documentation confirming that the Borrower is permitted to make withdrawals, and severance from the Borrower’s current employment is not required.</td></tr>
<tr><td>4. Government bonds (federal, state or municipal)
The value used must be based on the lower of the purchase price or current redeemable value.</td><td colspan="2">Provide documentation verifying the ownership and the value.
See below for when evidence of liquidation is required.*</td></tr>
<tr><td>5. Proceeds from a loan fully secured by the Borrower’s assets other than real property
The loan must not be provided by an interested party to the real estate or Mortgage transaction. When the loan is secured by a financial asset used to qualify the Borrower for the</td><td colspan="2">Provide the following:
■ Documentation verifying the value and ownership of the asset and which supports that the loan is secured by that asset
■ Evidence of receipt of the loan proceeds</td></tr>
</table>

Asset type and eligibility requirements	Streamlined Accept documentation requirements	Standard documentation requirements
Mortgage transaction, the value of the asset must be reduced by the amount of the loan proceeds and any associated fees. See Section 5401.2(c)(vii) for when the monthly payment on a loan secured by the Borrower's financial asset may be excluded from the monthly debt payment-to-income ratio.		
6. Proceeds from the sale of the Borrower's real property or proceeds from a loan secured by the Borrower's real property (including proceeds from a 1031 exchange, a Home Equity Line of Credit (HELOC) or a bridge loan) For refinance Mortgages, the cash-out proceeds from the subject cash-out refinance transaction and any cash back received on the subject "no cash-out" refinance transaction are not eligible sources of funds for **reserves**.	Provide the following: ■ The Settlement/Closing Disclosure Statement or an alternative form required by law verifying the proceeds from the sale or refinance of the Borrower's real property, and/or ■ An executed buy-out agreement that is part of an employer relocation plan that takes responsibility for the outstanding Mortgage(s) ■ For HELOCs, provide the following: ❑ Evidence the HELOC is secured by the Borrower's real property, and ❑ Evidence of the Borrower's receipt of the disbursed HELOC proceeds	
7. Proceeds from the sale of the Borrower's assets other than real property or exchange-traded securities The purchaser of the Borrower's asset must not be an interested party to the real estate or Mortgage transaction.	Provide the following: ■ A signed bill of sale documenting the asset and transfer of ownership ■ Evidence of receipt of the proceeds	
8. Borrower's real estate commission Borrower's real estate commission is an eligible source of funds for Down	The Settlement/Closing Disclosure Statement must reflect the commission	

Asset type and eligibility requirements	Streamlined Accept documentation requirements	Standard documentation requirements
Payment and/or Closing Costs when the Borrower is a licensed real estate agent that is due to receive a sales commission from their purchase of the subject property.	earned by the Borrower and credited toward the Mortgage transaction.	
9. Funds from a trust The Borrower must be the beneficiary and have access to the funds as of the date of the loan closing. The Borrower's portion of undistributed trust funds may be used as **reserves** only.	Provide a copy of the trust agreement or a signed statement from the trustee or trust manager that documents the following information: ■ Identifies the Borrower as the beneficiary ■ Confirms that the Borrower has access to all or a certain specific amount of the funds ■ Confirms that the trust has sufficient assets to disburse funds needed by the Borrower When trust funds are needed for closing, evidence of receipt of the disbursed funds from the trust is required.	
10. Individual Development Account (IDA) – Agency matching funds not subject to Recapture ■ With respect to the subject Mortgage, the Agency must not: ❑ Be the Seller or have participated in any aspect of the Mortgage origination process ❑ Be affiliated with, under contract to, or financed (directly or indirectly) by the Seller or any party that participated in the Mortgage origination process For these purposes, "affiliated with" means	Provide documentation of the IDA program verifying: ■ The matching funds are not subject to Recapture ■ The ratio of matching funds by the Agency ■ Regular payments made to the IDA by the Borrower and the matching organization ■ The vested balance or the percentage of vesting	

Asset type and eligibility requirements	Streamlined Accept documentation requirements	Standard documentation requirements
that the Agency and the Seller or other party are related to each other as a consequence of one entity directly or indirectly controlling the other party, being controlled by the other party or being under common control with that party. ■ Any matching funds may be considered Borrower personal funds ■ A maximum of a 4 to 1 match by an Agency's funds is permitted ■ The Borrower must satisfy any vesting requirements of the matching IDA program		
11. Community Savings System accounts – Borrower contributions Funds on deposit in a Community Savings System that are deposited by the Borrower. A non-profit community organization must administer the savings system.	Provide Community Savings Systems account statements or a direct account verification identifying the non-profit community organization as the administrator and showing all Borrower contributions.	
12. Pooled funds Pooled funds are funds on deposit provided by the Borrower and other member(s) of a group of Related Persons who: Have resided together for at least one year, and Will continue residing together in the new residence, and	Provide the following: ■ Evidence that the Borrower and the Related Person have resided together for at least one year ■ Documentation verifying the pooled funds per the requirements for the applicable asset type contained in this chart or the chart in Section 5501.3(c), as applicable	

Asset type and eligibility requirements	Streamlined Accept documentation requirements	Standard documentation requirements
Are "pooling" their funds to buy a home Funds provided by Related Persons who do not reside with the Borrower are subject to the requirements of the chart in Section 5501.3(c) for gift funds	■ A written statement, in the form of a signed letter or an e-mail directly from the Borrower, executed at application attesting to all of the following: ❒ The source of the pooled funds ❒ The fact that the pooled funds were not borrowed by the contributing Related Person ❒ The relationship between the contributing Related Person and the Borrower. (For example, the affidavit might state that the Related Person is the Borrower's uncle or that the Related Person is the cousin of the Borrower's spouse.) ❒ That the Related Person has resided with the Borrower for the past year and intends to continue residing with the Borrower in the new residence for the foreseeable future The written statement need not be notarized or acknowledged but must be kept in the Mortgage file.	

13. Borrower's revolving credit card (charges/cash advances) or unsecured line of credit Borrower's revolving credit card (charges/cash advances) or unsecured line of credit used to pay fees associated with the Mortgage application process (e.g., origination fees, commitment fees, lock-in fees, appraisal, credit report and flood certifications) are subject to the following requirements: ■ The maximum amount charged or advanced may not exceed the greater of 2% of the Mortgage amount or $1,500 **And** ■ The Borrower must have sufficient verified funds to pay these fees (in addition to the funds needed to qualify for the Mortgage transaction; however, the Borrower is not required to pay off these charges at closing; **or** ■ The amount charged or advanced must be included in the Borrower's total outstanding debt and the repayment of such amount must be included when determining the Borrower's monthly debt payment-to-income ratio as described in Section 5401.2 Refer to Section 4408.3(c) when the Borrower uses a revolving credit card or unsecured line of credit to pay fees that will be reimbursed pursuant to an employee relocation program. Refer to Section 6302.30 for instructions on delivering Mortgages where the Borrower uses a credit card, cash advance or	Provide the following: ■ A copy of the account statement or receipt showing the amount charged or advanced, and ■ Verification of sufficient funds to pay the amount charged or advanced if the amount charged or advanced is not included in the monthly debt payment-to-income ratio

Asset type and eligibility requirements	Streamlined Accept documentation requirements	Standard documentation requirements
unsecured line of credit to pay fees associated with the Mortgage application process.		
14. Credit card reward points The reward points must be redeemed for cash.	Provide the following for reward points that are not yet deposited in the Borrower's account: ■ Evidence of the Borrower's ownership of the reward points and their cash value, and ■ Evidence that the reward points are redeemed for cash prior to closing, which may include a direct transfer of the cash to the settlement or closing agent For reward points redeemed for cash and deposited in the Borrower's account, refer to the requirements for evaluation of deposits in the Borrower's accounts in Section 5501.3(a)(iii).	
15. Cash value of a life insurance policy (not the face value) The Borrower must be the owner of the policy and not the beneficiary.	Provide documentation from the life insurance company verifying the following information: ■ Policy owner(s) ■ Period covered and current cash value, and ■ Any outstanding loans When cash value of the life insurance policy is needed for closing, evidence of liquidation is required.	
16. Rent credits The portion of rental payments paid by the Borrower credited towards the Down Payment and/or Closing Costs under a documented rental/purchase agreement. The credit must not exceed the	Provide the following: ■ A copy of the rental/purchase agreement ■ Evidence of rental payments (see Section 5202.2(b) for acceptable documentation for rental verification)	

Asset type and eligibility requirements	Streamlined Accept documentation requirements	Standard documentation requirements
difference between the market rent and actual rent paid. The rental/purchase agreement must have an original term of at least 12 months and the rent must be based on a minimum of 12 months rental payments.	■ Appraiser's determination of the market rent for the subject property	
17. Trade equity: Net proceeds of the trade-in of the Borrower's previously owned residence The Borrower's equity in the previously-owned residence is determined by subtracting any outstanding liens on the previously-owned residence, plus any transfer costs, from the lesser of the appraised value of the previously-owned residence or its trade-in price as shown in the trade-in contract.	Provide the following: ■ The appraisal of the Borrower's previously-owned residence ■ A copy of the trade-in contract	

*When assets that are invested in stocks, bonds, mutual funds, U.S. government securities, retirement accounts or other securities are needed for closing, evidence of liquidation is required unless the combined value of the assets is at least 20% greater than the amount from these assets needed for closing. Any amount of cryptocurrency must be exchanged for U.S. dollars if it will be used as a source of funds for the Mortgage transaction (i.e., any funds required to be paid by the Borrower and Borrower reserves).

See Sections 4501.7(c)(i) and 4504.7(c)(i) for additional sources of Borrower personal funds for Home Possible and HeritageOne Mortgages, respectively.

(iii) Earnest money deposit (EMD)

When an EMD for a purchase transaction is used to qualify the Borrower for the Mortgage transaction, the Seller must obtain evidence that the EMD check cleared the Borrower's account (e.g., copy of the canceled check, asset account statement or written statement from the EMD holder verifying receipt of the funds).

When the EMD is needed to meet the minimum contribution from Borrower personal funds, the Seller must:

- Verify that the source of the EMD is an eligible asset type and document it in accordance with the applicable requirements in this section

- Provide account statement(s) (based on Streamlined Accept or Standard documentation requirements, as applicable) or a direct account verification (i.e., VOD) that covers the period up to and including the date the EMD funds cleared the account

The EMD must not be counted twice in the evaluation of the Mortgage (i.e., deducted from the funds to close and counted in assets).

If the source of the Borrower's EMD is gift funds, see Section 5501.3(c)(1) below.

(iv) Business assets

Funds from a Borrower's business account may be used to qualify the Borrower for the Mortgage transaction, provided they meet the requirements of this chapter, except as stated below.

Documentation of large deposits, as described in Section 5501.3(a)(iii), is not required provided that the Seller:

- Reviews a minimum of the most recent two months of the business account statements, and

- Determines the deposits are typical for the Borrower's business

See Section 5304.1(l) for additional requirements when self-employed income from the business is used for qualifying.

(v) Source of funds from outside the United States and its territories

When the source of funds needed for closing is, or otherwise originates from, asset(s) located outside the United States and its territories:

- Funds must be transferred into a United States or State regulated financial institution and verified in U.S. dollars prior to the closing of the Mortgage transaction, or

- Combined value of the assets must be at least 20% greater than the amount from these assets needed for closing

See Section 5102.3(b) for additional requirements when funds from outside the United States and its territories are used to qualify the Borrower for the Mortgage transaction.

(c) Special requirements for other eligible sources of funds

Other sources of funds eligible to be used to qualify the Borrower for the Mortgage transaction and the applicable documentation requirements are described in the chart below. The eligibility and documentation requirements apply to all funds used to qualify the Borrower of the Mortgage transaction including reserves. Any limitations on the use of an asset type are specified in the chart.

For Loan Product Advisor Mortgages, the Documentation Level shown on the Feedback Certificate indicates the minimum level of documentation acceptable for a Loan Product Advisor Mortgage. The Seller must provide the documentation required in this chapter for the Documentation Level returned.

All Manually Underwritten Mortgages must at least be documented according to Standard Documentation.

Asset type and eligibility requirements	Streamlined Accept and Standard Documentation requirements
1. Gift funds or a gift of equity Gift funds or a gift of equity are an eligible source of funds for a Mortgage secured by a Primary Residence or second home provided that funds do not have to be repaid and the donor is: ■ A Related Person,, or ■ A trust established by a Related Person, or ■ The estate of a Related Person When a Mortgage is secured by a second home and the LTV/TLTV/HTLTV ratio is greater than 80%, the gift is permitted only if the Borrower has made a Down Payment of at least 5% from Borrower personal funds as described in Section 5501.3(b). Gift funds or gift of equity are not an eligible source of funds for Investment Property Mortgages. Except as stated below for earnest money deposits, gift funds must be transferred directly from the donor's account in a financial institution to the Borrower's account or to the settlement or closing agent. For earnest money deposits, the donor may	Provide a gift letter signed by the donor. When the gift is provided by a trust or an estate, the gift letter must be signed by the trustee or the authorized representative of the estate, as applicable. Information provided in the gift letter must: ■ State the donor's name and that the funds are given by a Related Person, a trust established by a Related Person or the estate of a Related Person, as applicable ■ Include the donor's mailing address and telephone number. When the donor is a trust or an estate, provide the mailing address and telephone number of the trustee or authorized representative, as applicable. ■ State the actual or the maximum amount of the gift funds or gift of equity

Asset type and eligibility requirements	Streamlined Accept and Standard Documentation requirements
also provide the gift funds directly to a builder or real estate agent.	■ Establish that the gift funds or gift of equity are a gift that does not have to be repaid Gift funds: The Seller must provide evidence of one of the following: 1. Transfer of funds from the donor's account in a financial institution to the Borrower's account. For example, copies of bank statements from both the donor and the Borrower's accounts, a copy of a canceled gift check or a copy of a donor's withdrawal slip and the Borrower's deposit slip, or 2. Transfer of the funds from the donor's account in a financial institution to the settlement or closing agent. For example, a copy of a cashier's check or wire transfer confirmation. 3. For an earnest money deposit paid by the donor directly to the builder or real estate agent, transfer of funds from the donor's account in a financial institution to the earnest money deposit holder. For example, a copy of a canceled gift check, a copy of a cashier's check or wire transfer confirmation. Funds transferred using a third-party money transfer application or service are acceptable only when the documentation included in the Mortgage file evidences that the funds were transferred using the application or service directly from the donor's bank account to the Borrower's bank account or to the settlement or closing agent.

Asset type and eligibility requirements	Streamlined Accept and Standard Documentation requirements
	Gift of equity: A gift of equity must be reflected on the Settlement/Closing Disclosure Statement.
2. Gift funds received as a wedding gift Gift funds received as a wedding gift from unrelated persons and/or Related Persons are an eligible source of funds for a Mortgage secured by Primary Residence. The gift funds must be on deposit in the Borrower's depository account within 90 days of the date of the marriage license or certificate.	Provide the following: ■ A copy of the marriage license or certificate ■ A verification of the gift funds in the Borrower's depository account
3. Gift funds received as a graduation gift Gift funds received as a graduation gift from unrelated persons and/or Related Persons are an eligible source of funds for a Mortgage secured by a Primary Residence. The gift funds must be on deposit in the Borrower's depository account within 90 days of the date of graduation.	Provide the following: ■ Evidence of graduation from an educational institution (e.g., diploma or transcripts) that supports the date of graduation ■ A verification of the gift funds in the Borrower's depository account
4. A gift or grant from an Agency A gift or grant from an Agency that does not have to be repaid is an eligible source of funds provided that: ■ The gift or grant is given pursuant to an established program ■ The Agency is not an interested party (as described in Section 5501.5) ■ The funds were not obtained from an interested party either directly or through a third party; and ■ With respect to the subject Mortgage, the Agency must not:	Provide documentation supporting a gift or grant from an Agency. Examples of acceptable documentation include copies of grant program materials, award letters or terms and conditions provided to the Borrower. The documentation must: ■ Establish that the funds were provided by an Agency ■ Establish that the organization has an established gift or grant program ■ Establish that the funds are a gift or grant that does not have to be repaid

Asset type and eligibility requirements	Streamlined Accept and Standard Documentation requirements
❑ Be the Seller or have participated in any aspect of the Mortgage origination process ❑ Be affiliated with, under contract to, or financed (directly or indirectly) by the Seller or any party that participated in the Mortgage origination process For these purposes, "affiliated with" means that the Agency and the Seller or other party are related to each other as a consequence of one entity directly or indirectly controlling the other party, being controlled by the other party or being under common control with that party. Gifts and grants from Agencies are not eligible sources of funds for second home and Investment Property Mortgages. For special requirements for gifts or grants from Agencies for HeritageOne Mortgages, see Section 4504.7(c)(ii).	■ Provide evidence that the funds were received by the Borrower or by the Seller on the Borrower's behalf ■ Identify the donor's mailing address

Asset type and eligibility requirements	Streamlined Accept and Standard Documentation requirements
5. Individual Development Account (IDA) – Agency matching funds subject to Recapture Agency matching funds subject to Recapture are an eligible source of funds provided that: ■ The matching funds must be considered a gift or grant from an Agency as described in this chart ■ A maximum of a 3-to-1 match by an Agency's funds is permitted ■ The Borrower must satisfy any vesting requirements of the matching IDA program	Provide documentation of the IDA program verifying: ■ The matching funds are subject to Recapture ■ The ratio of matching funds by the Agency ■ Regular payments made by the Borrower and the matching organization ■ The vested balance or the percentage of vesting Documentation of matching funds subject to a Recapture provision must also meet the requirements of this chart for a gift or grant from an Agency, except that the Seller does not have to establish that the funds do not have to be repaid.
6. Proceeds from an unsecured loan that is an Employer Assisted Homeownership (EAH) Benefit Proceeds from an unsecured loan that is an EAH Benefit are an eligible source of funds provided that the eligibility and documentation requirements in Section 5501.4 are met.	

See Sections 4501.7(c)(ii) and 4504.7(c)(ii) for other eligible sources of funds for Home Possible and HeritageOne Mortgages, respectively.

5501.4: Employer Assisted Homeownership (EAH) Benefit (10/02/19)

(a) General requirements

An Employer Assisted Homeownership (EAH) Benefit may be used as a source of funds to qualify the Borrower for the Mortgage transaction if the terms of the EAH Benefit comply with the following:

1. The EAH Benefit is provided to an employee from the employer pursuant to an established, ongoing and documented employer benefit program, provided (i) the employer is not an interested party (as described in Section 5501.5) and (ii) the funds were not obtained from an interested party either directly or through a third party

2. The Mortgage is secured by a 1- to 4-unit Primary Residence

(b) Types of benefits

The EAH Benefit may be any of the following structures meeting the applicable requirements:

Type of benefit	Requirements
Grant	See requirements for gift or grant from an Agency in Section 5501.3(c). With respect to the subject Mortgage, the requirement that the Agency must not be the Seller or have participated in any aspect of the Mortgage origination process, and must not be affiliated with, under contract to, or financed (directly or indirectly) by the Seller or any party that participated in the Mortgage origination process, does not apply.
Individual Development Account (IDA)	See requirements for matching funds for IDAs in Sections 5501.3(b) and 5501.3(c). With respect to the subject Mortgage, the requirement that the Agency must not be the Seller or have participated in any aspect of the Mortgage origination process, and must not be affiliated with, under contract to, or financed (directly or indirectly) by the Seller or any party that participated in the Mortgage origination process, does not apply.

Type of benefit	Requirements
Unsecured loan	An unsecured loan may be fully repayable, deferred payment or forgivable. The source, terms and conditions must be documented on Form 65, Uniform Residential Loan Application. The proceeds from an unsecured loan that is an EAH Benefit may be used to fund all or part of the Down Payment or Closing Costs. The terms of the EAH Benefit may not require repayment in full unless: ■ The Borrower terminates his or her employment for any reason, or ■ The employer terminates the Borrower's employment for any reason other than long-term disability, the elimination of the employee's position or reduction-in-force If the EAH Benefit is fully repayable, the required monthly payment must be included when calculating the monthly debt payment-to-income ratio. If the monthly payment of principal and interest or interest only begins on or after the 61st monthly payment under the First Lien Mortgage or if repayment of the loan is due only upon sale or default, the amount of the monthly payment may be excluded from the monthly debt payment-to-income ratio. Refer to Section 4408.3(c) for requirements when an EAH Benefit is used as a source of funds to qualify for a Mortgage made pursuant to an employee relocation program.
Secondary financing	Secondary financing may be fully repayable, deferred payment or forgivable, and must meet the requirements in Section 4204.1(a) and Section 4204.1(b). The terms of the EAH Benefit may not require repayment in full unless: ■ The Borrower terminates his or her employment for any reason, or ■ The employer terminates the Borrower's employment for any reason other than long-

Type of benefit	Requirements
	term disability, the elimination of the employee's position or reduction-in-force If the monthly payment of principal and interest or interest only begins on or after the 61st monthly payment under the First Lien Mortgage or if repayment of the loan is due only upon sale or default, the amount of the monthly payment may be excluded from the monthly debt payment-to-income ratio; otherwise, the required monthly payments must be included in calculating the monthly housing expense-to-income ratio. Refer to Section 4408.3(c) for requirements when an EAH Benefit is used as a source of funds to qualify for a Mortgage made pursuant to an employee relocation program.
Affordable Second	An Affordable Second may be fully repayable, deferred payment or forgivable, and must meet the requirements of Section 4204.2. With respect to the subject Mortgage, the requirement that the Agency must not be the Seller or have participated in any aspect of the Mortgage origination process, and must not be affiliated with, under contract to, or financed (directly or indirectly) by the Seller or any party that participated in the Mortgage origination process, does not apply. The terms of the EAH Benefit may not require repayment in full unless: ■ The Borrower terminates his or her employment for any reason, or ■ The employer terminates the Borrower's employment for any reason other than long-term disability, the elimination of the employee's position or reduction-in-force If the monthly payment of principal and interest or interest only begins on or after the 61st monthly payment under the First Lien Mortgage or if repayment of the loan is due only upon sale or default, the amount of the monthly payment may be excluded from the monthly debt payment-to-income ratio; otherwise, the required monthly

Type of benefit	Requirements
	payments must be included in calculating the monthly housing expense-to-income ratio.

(c) Documentation requirements

In addition to the documentation requirements for specific benefit types, the following requirements must be met:

- EAH Benefits must be documented with a copy of the employer benefit program that provides the amount of the benefit and the terms of the program
- Evidence of receipt of the EAH Benefit must be provided (e.g., funds on deposit in Borrower's account or funds reflected on the Settlement/Closing Disclosure Statement)

(d) Related provisions

Delivery requirements related to EAH Benefits are described in Section 6302.29.

5501.5: Interested party contributions (09/04/24)

(a) Types of interested party contributions and eligibility requirements

Freddie Mac will purchase Mortgages that include interested party contributions under the terms of the Purchase Documents and this section.

Interested parties include, but are not limited to:

- Builder
- Developer
- Seller of the property
- Real estate agent

Interested party contributions may include either financing and/or sales concessions. Freddie Mac considers the following to be interested party contributions:

- Funds from the Seller, originating lender, an employer, a municipality, a non-profit organization and a Related Person, are subject to the interested party contributions requirements if the contributing party is affiliated with any of the interested parties as stated in the paragraph above, except as stated below for gifts from a Related Person and lender credit.

- Funds from an interested party that flow through a third-party organization or a non-profit agency to the Borrower

- Funds from an interested party, including a third-party organization or a non-profit agency, used to pay costs associated with the Mortgage transaction on the Borrower's behalf

- Funds that are donated to a third party, which in turn provides the funds to pay some or all of the Borrower's Closing Costs

Gift funds or gift of equity from a Related Person who is also the seller of the subject property is not subject to the requirements of this section, provided that:

- The donor has no affiliation with the builder, real estate agent or any other interested party to the transaction, and

- All of the requirements pertaining to gift funds or gift of equity from a Related Person as stated in Section 5501.3 are met

When a Seller or originating lender is affiliated with an interested party to the transaction, a lender credit is not considered an interested party contribution when it is derived from an increase in the interest rate.

When a builder, prior to entering into a contract with the Borrower, obtains a forward commitment from a lender to offer future buyers Mortgages at a specific interest rate, the costs associated with obtaining the commitment are not considered interested party contributions. Refer to Section 6302.53 for delivery requirements for Mortgages with rates provided based on builder forward commitments.

Mortgages with abatements (that are funds provided to a lender or third party by an interested party to pay or reimburse in whole or in part a certain number of monthly payments of principal, interest, taxes, insurance and/or other assessments on the Borrower's behalf in excess of Prepaid/Escrows associated with the Mortgage closing) are not eligible for sale to Freddie Mac.

The payment of no more than 12 months of homeowners association (HOA) dues by an interested party is not considered an abatement but is considered an interested party contribution, subject to the requirements of this section. The funds for the payment of the HOA dues must be collected at closing and transferred directly to the HOA, as documented on the Settlement/Closing Disclosure Statement.

(b) Financing concessions

(i) Acceptable use of financing concessions

Financing concessions are funds that originate from an interested party to the transaction, as described in Section 5501.5(a), that are used to:

- Reduce permanently the interest rate on the Mortgage
- Fund a buydown plan to temporarily subsidize the Borrower's monthly payment on the Mortgage (see Section 4204.4)
- Make contributions in any way related to the Borrower's Closing Costs, including up to 12 months of HOA dues

(ii) Maximum limit

Based on "value," as defined in Section 4203.1, the maximum permitted financing concessions are as follows:

Occupancy	LTV/TLTV ratios >90%	LTV/TLTV ratios > 75% and ≤ 90%	LTV/TLTV ratios ≤ 75%
Primary Residences and second homes	3%	6%	9%
Investment Properties	2%	2%	2%

The amount of any financing concessions in excess of the limitations set forth above will be considered a sales concession, except as follows: the maximum financing concession limits above do not apply to the concessions contributed by Freddie Mac as the property seller for Mortgages originated for the purchase of Freddie Mac REO properties. In all cases, financing concessions must be used as described in Section 5501.5(b)(i).

Funds paid by the property seller that are fees or costs customarily paid by the property seller according to local convention are not subject to the maximum financing concession limitations above.

In areas where real estate taxes are paid in arrears, prorated real estate tax credits contributed by the property seller are not considered interested party contributions and are not subject to the financing concession limits stated above.

(c) Sales concessions

Sales concessions include:

- Financing concessions in excess of the maximum financing concession limitations in Section 5501.5(b)

- Any contributions such as vacations, furniture, automobiles, securities or other giveaways granted by any interested party to the transaction

- Interested party contributions used to reimburse the Borrower for payment of fees charged to process or negotiate a short sale (commonly referred to as short sale processing fees, short sale negotiation fees, buyer discount fees, or short sale buyer fees)

For purposes of determining the value of the Mortgaged Premises pursuant to Section 4203.1, the dollar amount of any excess financing concessions, the value of any contributions and/or the dollar amount of any short sale fee reimbursements granted by an interested party to the transaction must be deducted from the purchase price. The LTV ratio is then calculated using the lower of the reduced purchase price (after the reduction for all sales concessions has been made) or the appraised value of the Mortgaged Premises.

(d) Special documentation requirements

The amount and the source of all interested party contributions must be documented in the Mortgage file and be clearly shown on the Settlement/Closing Disclosure Statement.

Mortgages with interested party contributions paid outside of closing and not disclosed on the Settlement/Closing Disclosure Statement are not eligible for sale to Freddie Mac.

For Loan Product Advisor® Mortgages, the Seller must ensure that the data submitted to Loan Product Advisor accurately reflects the presence of any financing and sales concessions.

5501.6: Seller contributions (06/06/19)

(a) Lender credit

Lender credit may be used for the Mortgage transaction provided it meets all of the following requirements:

- The amount of the lender credit must:
  - Be derived from an increase in the interest rate (i.e., premium pricing), or
  - Be funded directly by the Seller
- The lender credit must not require repayment
- The Seller must not use funds from a third party to provide a lender credit

- Lender credit may only be used as a credit towards the Borrower's Closing Costs. In the event the lender credit exceeds the amount of the Borrower's Closing Costs, the following requirements apply:

  - The lender credit must be reduced so it does not exceed the amount of the Borrower's Closing Costs, or

  - The amount of the lender credit that exceeds the Borrower's Closing Costs must be applied as a principal curtailment to the Mortgage, and must be clearly reflected on the Settlement/Closing Disclosure Statement. (See Section 6302.32 for delivery requirements for Mortgages with principal curtailments.)

- Lender credit derived from an increase in the interest rate (i.e., premium pricing) must not be used as a credit towards funding a temporary subsidy buydown plan on a "no cash-out" refinance Mortgage

(b) Lender incentives

The Seller may provide the Borrower with a cash or a cash-like (e.g., a gift card) incentive that is not lender credit toward the Mortgage transaction as described in Section 5501.6(a), provided that:

- The amount of the incentive does not exceed $500.00

- No repayment is required, and

- The amount is documented in the Mortgage file

The incentive is not considered cash out to the Borrower and does not have to be included in the calculation of the Mortgage proceeds, including the calculation of cash back to the Borrower.

These requirements apply regardless of whether the incentive is provided before, at or after the Mortgage closing.

Chapter 5601: Property Eligibility

5601.1: Property eligibility requirements (08/07/24)

This section contains requirements related to:

- Eligible properties
- Ineligible properties

Freddie Mac expects the Seller to place as much emphasis on the adequacy of the property as collateral as it does on underwriting the Borrower's creditworthiness. The conclusion that a Mortgage is eligible for sale to Freddie Mac must be based on the determination that the Borrower is creditworthy (acceptable credit reputation and capacity) and the Mortgaged Premises is adequate and acceptable collateral for the Mortgage transaction. The Seller is responsible for determining the eligibility of the property and the acceptability of the appraisal report.

(a) Eligible properties

Freddie Mac will purchase eligible Mortgages secured by residential properties in urban, suburban and rural market areas provided the Mortgaged Premises is adequate collateral for the Mortgage transaction based on the value, condition and marketability of the property.

The Mortgaged Premises must:

- Be located in a State
- Be primarily residential in nature based on the characteristics of the property
- Be an attached, semi detached or detached dwelling unit(s) located on an individual lot, in a Planned Unit Development (PUD), in a Condominium Project or in a Cooperative Project. See Chapter 5701 for special requirements for condominiums. See Chapter 5705 for special requirements for cooperatives.
- Be safe, sound and structurally secure. See Section 5605.5 for acceptable overall condition ratings and indications of unacceptable collateral conditions.
- Be complete or comply with the conditions in Section 5601.3 for eligible incomplete improvements
- Represent the highest and best use of the property as improved (or as proposed per plans and specifications)

- Have an eligible zoning compliance in accordance with Section 5605.4(a)(i)
- Have legal access (ingress and egress) (see Section 5605.4(a)(iv))
- Be suitable for year-round occupancy regardless of the location, except as specifically permitted otherwise in Section 4201.15 for certain second homes
- Have utilities that meet community standards (see Section 5605.4(a)(iii))
- Have mechanical systems that meet community standards
- Have adequate property insurance coverage that meets Freddie Mac's requirements, including coverage for hazards specific to the location of the property
- Not be subject to a pending legal proceeding for condemnation in whole or in part

(b) Ineligible properties

Freddie Mac does not purchase Mortgages secured by:

- Vacant land, undeveloped land or land development properties
- Properties used primarily for agriculture or farming
- Properties used primarily for commercial enterprises (including, but not limited to, bed and breakfasts, boarding houses, Condominium Hotels and units located in a PUD operating as a hotel or similar type of transient housing that includes hotel type services and characteristics)

A property being used as a group home for individuals with disabilities is not considered an ineligible property. A Mortgage secured by such a property may be eligible for sale to Freddie Mac, provided it meets the requirements of the Guide, including but not limited to the residential requirements described above in Section 5601.1(a) and the occupancy requirements identified in Sections 4201.14 and 4201.16.

Note: See Section 5701.3 for a list of ineligible condominium project types and Section 5705.3 for a list of ineligible cooperative project types.

5601.1: Property eligibility requirements (Future effective date 02/04/25)

This section contains requirements related to:

- Eligible properties

- Ineligible properties

Freddie Mac expects the Seller to place as much emphasis on the adequacy of the property as collateral as it does on underwriting the Borrower's creditworthiness. The conclusion that a Mortgage is eligible for sale to Freddie Mac must be based on the determination that the Borrower is creditworthy (acceptable credit reputation and capacity) and the Mortgaged Premises is adequate and acceptable collateral for the Mortgage transaction. The Seller is responsible for determining the eligibility of the property and the acceptability of the appraisal report.

(a) Eligible properties

Freddie Mac will purchase eligible Mortgages secured by residential properties in urban, suburban and rural Market Areas provided the Mortgaged Premises is adequate collateral for the Mortgage transaction based on the value, condition and marketability of the property.

The Mortgaged Premises must:

- Be located in a State
- Be primarily residential in nature based on the characteristics of the property
- Be an attached, semi detached or detached dwelling unit(s) located on an individual lot, in a Planned Unit Development (PUD), in a Condominium Project or in a Cooperative Project. See Chapter 5701 for special requirements for condominiums. See Chapter 5705 for special requirements for cooperatives.
- Be safe, sound and structurally secure. See Section 5605.5 for acceptable overall condition ratings and indications of unacceptable collateral conditions.
- Be complete or comply with the conditions in Section 5601.3 for eligible incomplete improvements
- Represent the highest and best use of the property as improved (or as proposed per plans and specifications)
- Have an eligible zoning compliance in accordance with Section 5605.4(a)(i)
- Have legal access (ingress and egress) (see Section 5605.4(a)(iv))
- Be suitable for year-round occupancy regardless of the location, except as specifically permitted otherwise in Section 4201.15 for certain second homes
- Have utilities that meet community standards (see Section 5605.4(a)(iii))

- Have mechanical systems that meet community standards
- Have adequate property insurance coverage that meets Freddie Mac's requirements, including coverage for hazards specific to the location of the property
- Not be subject to a pending legal proceeding for condemnation in whole or in part

(b) Ineligible properties

Freddie Mac does not purchase Mortgages secured by:

- Vacant land, undeveloped land or land development properties
- Properties used primarily for agriculture or farming
- Properties used primarily for commercial enterprises (including, but not limited to, bed and breakfasts, boarding houses, Condominium Hotels and units located in a PUD operating as a hotel or similar type of transient housing that includes hotel type services and characteristics)

A property being used as a group home for individuals with disabilities is not considered an ineligible property. A Mortgage secured by such a property may be eligible for sale to Freddie Mac, provided it meets the requirements of the Guide, including but not limited to the residential requirements described above in Section 5601.1(a) and the occupancy requirements identified in Sections 4201.14 and 4201.16.

Note: See Section 5701.3 for a list of ineligible condominium project types and Section 5705.3 for a list of ineligible cooperative project types.

5601.2: Eligibility of a property with an ADU (08/07/24)

This section contains requirements related to:

- Eligible properties with ADUs
- Ineligible properties with ADUs
- Appraisal requirements
- Manufactured Home ADUs

(a) Eligible properties with ADUs

Freddie Mac will purchase an eligible Mortgage secured by a 1-, 2- or 3-unit property that has one ADU.

An ADU is an additional finished area that:

- Includes a kitchen, bathroom and separate entrance
- Is independent of the primary dwelling unit
- Is smaller in size than the primary dwelling unit (i.e., the ADU's finished area is less than the primary dwelling unit's finished area) and
- Contributes less to the value of the property than the primary dwelling unit

Examples of eligible ADU configurations include:

- A 1-, 2-, or 3-unit dwelling with an ADU above a garage or outbuilding,
- A dwelling with an attached or detached ADU, or
- A dwelling with an ADU in the basement

(b) Ineligible properties with ADUs

Mortgages secured by the following ADU configurations are not eligible for purchase by Freddie Mac:

- A 2- or 3-unit property with an ADU that does not comply with zoning and land use requirements (illegal zoning)
- A 1-, 2- or 3-unit property with two or more ADUs
- A 4-unit property with an ADU

(c) Appraisal requirements

The appraiser must determine whether the subject property has an ADU and report the appraisal on the appropriate form. When determining whether the subject property has an ADU, the appraiser must consider zoning and land use requirements and all property characteristics, specifically the unit's utility and the property's highest and best use.

If the appraiser determines the subject property has an ADU, the appraisal report must include:

- A detailed description of the ADU
- Any effect the ADU has on the market value or marketability of the subject property

- Specific information about the ADU, including but not limited to its general condition, its room count (including the number of bedrooms and baths) and the finished square footage area

(i) For properties with legal or legal non-conforming zoning compliance or locations without zoning

If the subject property ADU complies with the zoning and land use requirements (legal or legal non-conforming or locations without zoning), the appraisal report must include the following:

- At least one comparable sale with an ADU, when available, is required to demonstrate the property's conformity and marketability to its market area

  - If a recent comparable sale with an ADU is not available in the subject neighborhood, the appraiser can use an older sale with an ADU from the subject neighborhood or a sale with an ADU from a competing neighborhood as a comparable sale or as supporting market data

  - The appraiser may always use more than three comparable sales, including contract sales (pending sales) and/or current listings, to justify and support his or her adjustments and opinion of market value, as long as at least three are actual closed (settled) sales

- If a comparable sale with an ADU is not available, the appraiser can use a comparable sale in the subject neighborhood without an ADU as long as the appraiser can justify and support such use in the appraisal report. Freddie Mac will purchase eligible Mortgages secured by a property with an ADU if the appraiser can develop a credible opinion of market value for the property.

(ii) Comparable requirements for properties with illegal zoning compliance

If the subject property ADU does not comply with the zoning and land use requirements (illegal zoning), the Mortgage is eligible if:

- The subject property is a 1-unit property with an ADU

- The appraisal contains at least two comparable sales with an ADU that is non-compliant with the zoning and land use requirements (illegal zoning) to demonstrate the marketability of the subject property to its market area; and

- The Seller confirms that the existence of the ADU will not jeopardize future hazard insurance claims

Note: 2- or 3-unit properties with an ADU that do not comply with the zoning and land use requirements (illegal zoning) are not eligible for sale to Freddie Mac.

(d) Manufactured Home ADUs

Freddie Mac will purchase a Mortgage secured by a 1-, 2-, or 3-unit property that contains a Manufactured Home ADU that meets the following additional requirements:

- The Manufactured Home ADU must be legally classified as real property
- The Manufactured Home ADU must have a minimum of 400 square feet of finished area
- The Manufactured Home may not be an ADU for a Mortgage secured by a Manufactured Home unless the Mortgage is secured by a CHOICEHome®
- The Manufactured Home must meet the property eligibility requirements of Sections 5703.3 and 5703.5 and titling and lien requirements of Section 5703.4

5601.2: Eligibility of a property with an ADU (Future effective date 02/04/25)

This section contains requirements related to:

- Eligible properties with ADUs
- Ineligible properties with ADUs
- Appraisal requirements
- Manufactured Home ADUs

(a) Eligible properties with ADUs

Freddie Mac will purchase an eligible Mortgage secured by a 1-, 2- or 3-unit property that has one ADU.

An ADU is an additional finished area that:

- Includes a kitchen, bathroom and separate entrance
- Is independent of the primary dwelling unit
- Is smaller in size than the primary dwelling unit (i.e., the ADU's finished area is less than the primary dwelling unit's finished area) and
- Contributes less to the value of the property than the primary dwelling unit

Examples of eligible ADU configurations include:

- A 1-, 2-, or 3-unit dwelling with an ADU above a garage or outbuilding,
- A dwelling with an attached or detached ADU, or
- A dwelling with an ADU in the basement

(b) Ineligible properties with ADUs

Mortgages secured by the following ADU configurations are not eligible for purchase by Freddie Mac:

- A 2- or 3-unit property with an ADU that does not comply with zoning and land use requirements (illegal zoning)
- A 1-, 2- or 3-unit property with two or more ADUs
- A 4-unit property with an ADU

(c) Appraisal requirements

The appraiser must determine whether the subject property has an ADU and report the appraisal on the appropriate form. When determining whether the subject property has an ADU, the appraiser must consider zoning and land use requirements and all property characteristics, specifically the unit's utility and the property's highest and best use.

If the appraiser determines the subject property has an ADU, the appraisal report must include:

- A detailed description of the ADU
- Any effect the ADU has on the market value or marketability of the subject property
- Specific information about the ADU, including but not limited to its general condition, its room count (including the number of bedrooms and baths) and the finished square footage area

(i) For properties with legal or legal non-conforming zoning compliance or locations without zoning

If the subject property ADU complies with the zoning and land use requirements (legal or legal non-conforming or locations without zoning), the appraisal report must include the following:

- At least one comparable sale with an ADU, when available, is required to demonstrate the property's conformity and marketability to its Market Area

  - If a recent comparable sale with an ADU is not available in the subject's Market Area, the appraiser can use an older sale with an ADU from the subject's Market Area or a sale with an ADU from a competing Market Area as a comparable sale or as supporting market data

  - The appraiser may always use more than three comparable sales, including contract sales (pending sales) and/or current listings, to justify and support his or her adjustments and opinion of market value, as long as at least three are actual closed (settled) sales

- If a comparable sale with an ADU is not available, the appraiser can use a comparable sale in the subject's Market Area without an ADU as long as the appraiser can justify and support such use in the appraisal report. Freddie Mac will purchase eligible Mortgages secured by a property with an ADU if the appraiser can develop a credible opinion of market value for the property.

(ii) Comparable requirements for properties with illegal zoning compliance

If the subject property ADU does not comply with the zoning and land use requirements (illegal zoning), the Mortgage is eligible if:

- The subject property is a 1-unit property with an ADU

- The appraisal contains at least two comparable sales with an ADU that is non-compliant with the zoning and land use requirements (illegal zoning) to demonstrate the marketability of the subject property to its Market Area; and

- The Seller confirms that the existence of the ADU will not jeopardize future hazard insurance claims

Note: 2- or 3-unit properties with an ADU that do not comply with the zoning and land use requirements (illegal zoning) are not eligible for sale to Freddie Mac.

(d) Manufactured Home ADUs

Freddie Mac will purchase a Mortgage secured by a 1-, 2-, or 3-unit property that contains a Manufactured Home ADU that meets the following additional requirements:

- The Manufactured Home ADU must be legally classified as real property

- The Manufactured Home ADU must have a minimum of 400 square feet of finished area

- The Manufactured Home may not be an ADU for a Mortgage secured by a Manufactured Home unless the Mortgage is secured by a CHOICEHome®

- The Manufactured Home must meet the property eligibility requirements of Sections 5703.3 and 5703.5 and titling and lien requirements of Section 5703.4

5601.3: Eligibility of a property with incomplete improvements (08/07/24)

A Mortgage is only eligible for delivery to Freddie Mac prior to the completion of improvements when all of the following conditions are satisfied:

1. The appraiser has provided the "as completed" value as the opinion of market value

2. The appraiser has provided a list of the incomplete items, and the appraiser or a disinterested (but relevant) party has provided a cost to complete the incomplete items

   For example: A contractor/painter who provides an estimate to paint interior walls is a disinterested (but relevant) party. A relevant party also includes, but is not limited to, a representative of a home improvement store or an independent contractor who performs the services needed to complete the improvements.

3. The incomplete items do not adversely affect the safety, soundness or structural integrity of the Mortgaged Premises

4. The Seller determines that the improvements cannot be completed for valid reasons; examples include, but are not limited to, inclement weather or temporary shortages of building materials.

   Exception: This requirement does not apply to GreenCHOICE Mortgages®.

5. The improvements will be satisfactorily completed no more than 180 days after the Note Date

6. The Mortgage is not secured by a Manufactured Home.

   Exceptions: This requirement does not apply to GreenCHOICE Mortgages or CHOICERenovation® Mortgages.

7. The cost to complete the incomplete items does not exceed 10% of the "as completed" value of the Mortgaged Premises; provided, however, if the Mortgage is a GreenCHOICE Mortgage meeting the requirements of Chapter 4606, the cost to complete the incomplete items may not exceed 15% of the "as completed" value of the Mortgaged Premises

8. The Seller has established a completion escrow account for the incomplete improvements. The Seller and the Borrower must execute a written escrow agreement detailing how the funds will be managed and disbursed. A copy of the escrow agreement must be retained in the Mortgage file.

9. The mortgage insurance and title insurance will not be impaired or adversely affected during and after the completion period

10. Upon completion of all improvements, the Seller/Servicer must obtain a completion report documenting that the property has been completed and retain it in the Mortgage file. See Section 5605.8 for more information on completion report requirements.

Third parties may perform certain incomplete improvement functions identified above as obligations or requirements of the Seller or the Servicer. However, the Seller remains responsible for compliance with these and all other requirements of the Purchase Documents. See Section 4201.10 for more details on Wholesale Home Mortgages.

5601.4: Eligibility of properties with energy-efficient improvements and properties with solar panels (08/07/24)

Freddie Mac purchases Mortgages secured by properties with energy-efficient improvements and properties with solar panels as specified below. This section contains requirements related to:

- Properties with energy-efficient improvements
- Properties with solar panels

(a) Properties with energy-efficient improvements

The appraisal report must:

- Identify energy-efficient features (e.g., photovoltaic systems, water efficient improvements, energy-efficient windows) or high-performing energy-efficient homes and any impact to market value

- Assess the contributory value of energy improvements and any premium paid for a high-performing energy-efficient home based on the market reaction, similar to any other property feature

- Consider appropriate valuation methods (e.g., income approach, cost analysis, discounted cash flows, or market surveys or any other applicable methods) when determining contributory value

- Justify and support any adjustments in the appraisal report in an addendum or in supplementary documentation, if necessary

Appraisers must be familiar with energy reports, energy ratings or other new concepts that may be developed to identify the energy efficiency of a home. If relied upon, any reports must be generally acceptable, and, if available, these reports and information must be included in the appraisers' analysis.

Additional due diligence may be necessary if the high-performing energy-efficient home or energy improvements are new to the market and there are a lack of sales with similar features or a lack of data available from traditional data sources.

Note: The Appraisal Institute's Form 820.05, Residential Green and Energy Efficient Addendum, may be used to collect and report energy efficiency data associated with a property.

Resources

Seller resources related to energy-efficient properties and the appraisal of properties with energy-efficient features:

- The Appraisal Institute (including the use of the Residential Green and Energy Efficient Addendum)
- **The Home Energy Rating System (HERS®) Index** provided by the Residential Energy Services Network (RESNET®)
- The **Home Energy Score** provided by the U.S. Department of Energy's Better Buildings® initiative
- **EiValue®** – Tool used in the valuation of photovoltaic systems and/or the energy related efficiency of a property (income and cost approaches)
- **PV Value®** – Tool used in the valuation of photovoltaic systems (income approach)

(b) Properties with solar panels

The Seller must take into consideration ownership of the solar panels and any liens upon the property relating to debt or lease payments used to obtain the solar panels. For example, solar panels not owned by the Borrower can be financed via several types of agreements such as lease agreements or a power purchase agreement (PPA).

The Seller must also review any UCC-1 Financing Statement or lease agreement associated with the solar panels to determine if liens are against the real estate or against the solar panels. The property must maintain access to electrical utilities consistent with community standards.

If solar panels are present on the Mortgaged Premises, the Seller must follow the requirements outlined in the table below:

<table>
<tr><th colspan="6">Properties with solar panels</th></tr>
<tr><th></th><th>PPA</th><th>Solar panel lease</th><th>Solar panels financed as personal property</th><th>Solar panel financed as a fixture to real estate</th><th>Solar panels owned free and clear</th></tr>
<tr><td>Description</td><td>The Borrower purchases power produced by the solar panels but does not own the solar panels.</td><td>The Borrower pays monthly lease payments to access the solar panels but does not own them.</td><td colspan="2">The Borrower owns the solar panels, having purchased them with a note/security agreement and is entitled to power produced by the panels.</td><td>Borrower owns the solar panels and has no related debt.</td></tr>
<tr><td>Title</td><td colspan="3">UCC-1 Financing Statement or lease agreement associated with the solar panels recorded in the applicable land records and claiming an interest in the solar panels but not the real estate; the Seller is not required to obtain a subordination agreement of the UCC-1 Financing Statement.</td><td>UCC-1 Financing Statement recorded against title to the Mortgaged Premises, creating a lien on the real estate itself (i.e., claiming an interest in both the solar panels and the real estate, not just the solar panels); the Seller must either subordinate or release this lien.</td><td>There must be no UCC-1 Financing Statement or notice recorded against the Mortgage Premises.
In the event there is a UCC-1 Financing Statement, it must be released.</td></tr>
</table>

Appraisal	The solar panels must not be included in the appraised value of the property. The appraiser must comment on the marketability of the home with solar panels present and identify the panels and system features.		The solar panels must not be included in the appraised value of the property if the lender may repossess them for default on the financing terms.	Seller must ensure the appraiser has recognized the existence of the solar panels and considered the solar panels in the appraiser's opinion of the market value of the property.
Debt payment-to-income (DTI) ratio	Lease payments for solar panels may be excluded from the monthly DTI ratio if the lease: ■ Provides for delivery of a specific amount of energy for an agreed upon payment during a given period, and ■ Includes a production guarantee under which the Borrower is compensated on a prorated basis when the solar panel energy production falls below the level required by the lease agreement Payments for solar panels subject to a PPA or similar type of agreement may be excluded from the monthly DTI ratio if the payment is calculated based only on the generated energy.	Payment to solar company or lender is included in the DTI ratio.	Payment to solar company or lender is included in the DTI ratio.	N/A – no payment required

Total loan-to-value (TLTV) ratio	Not included in the TLTV ratio	Included in the TLTV ratio	N/A
Obtain a copy of the lease, PPA or note/security agreement	Damage that occurs as a result of installation, malfunction or the removal of the solar panels is the responsibility of the owner of the equipment. The owner must be obligated to repair the damage and return the improvements to their original or prior condition. In the event of foreclosure, the Seller/Servicer may: ■ Terminate the lease agreement or PPA and require the owner of the equipment to remove the panels and supporting equipment ■ Become the beneficiary of the Borrower's lease agreement or PPA without incurring a transfer fee; or ■ Enter into a new lease agreement or PPA with the owner of the equipment under terms no less favorable than the existing agreement ■ The Mortgage file must contain a copy of the lease agreement, PPA or similar type of agreement, as applicable		N/A
Homeowner's insurance	The owner of the solar panels agrees to not be a loss payee (or named insured) on the homeowner's insurance policy covering the property.		N/A

Any title insurance policy exceptions due to the existence of the lease agreement, PPA or similar type of agreement must comply with the acceptable exceptions found in Section 4702.4.

5601.5: Eligibility of a property with mixed-use (08/07/24)

Freddie Mac purchases Mortgages secured by residential properties with mixed-use characteristics. This section contains:

- Eligibility requirements
- Appraiser requirements

(a) Eligibility requirements

A residential property with mixed-use must meet the following requirements:

- The property must be a 1-unit Primary Residence
- The property must be located in a residential neighborhood, be primarily residential and be typical for the properties in the market area
- The mixed-use must represent a legal, permissible use of the property under the local zoning requirements
- If the property has a commercial use, the Borrower must be the owner and the operator of the business
- The dwelling may not be modified in a manner that has an adverse impact on its marketability as a residence
- The commercial use must not have an adverse effect on the habitability and safety of the property or site

(b) Appraiser requirements

The appraiser must provide the following when appraising a mixed-use property:

- An appraisal with an interior and exterior inspection
- A detailed description of any accommodations made for the commercial use of the subject property
- A discussion of any positive or adverse impacts of the commercial use and whether the cost to restore the property to solely residential use will affect its value
- A statement describing any market resistance to the commercial use and adjustments for any commercial features made to the comparable sales
- An opinion of market value based on the property's residential nature

Note: See Section 5701.8(b)(ii) for Condominium Unit live-work requirements.

5601.5: Eligibility of a property with mixed-use (Future effective date 02/04/25)

Freddie Mac purchases Mortgages secured by residential properties with mixed-use characteristics. This section contains:

- Eligibility requirements
- Appraiser requirements

(a) Eligibility requirements

A residential property with mixed-use must meet the following requirements:

- The property must be a 1-unit Primary Residence
- The property must be located in a predominantly residential Neighborhood, be primarily residential in nature based on the characteristics of the property and be typical for the properties in the Market Area
- The mixed-use must represent a legal, permissible use of the property under the local zoning requirements
- If the property has a commercial use, the Borrower must be the owner and the operator of the business
- The dwelling may not be modified in a manner that has an adverse impact on its marketability as a residence
- The commercial use must not have an adverse effect on the habitability and safety of the property or site

(b) Appraiser requirements

The appraiser must provide the following when appraising a mixed-use property:

- An appraisal with an interior and exterior inspection
- A detailed description of any accommodations made for the commercial use of the subject property
- A discussion of any positive or adverse impacts of the commercial use and whether the cost to restore the property to solely residential use will affect its value
- A statement describing any market resistance to the commercial use and adjustments for any commercial features made to the comparable sales
- An opinion of market value based on the property's residential nature

Note: See Section 5701.8(b)(ii) for Condominium Unit live-work requirements.

5601.6: Eligibility of a property with two or more adjoining parcels (08/07/24)

When the Mortgaged Premises includes two or more parcels of real estate, the following requirements apply:

- The parcels must be adjoining.

  Exception: Parcels that would otherwise be adjoined but are separated by a road (e.g., a waterfront property where the parcel without the residence offers access to the water) are eligible if the parcel without the residence is non-buildable but may include non-residential improvements such as a garage or dock and the Seller provides evidence in the Mortgage file that the parcel without the residence cannot be improved with a dwelling.

- The Mortgaged Premises must contain only one residence. (An ADU is allowed only on the parcel that contains the residence if the eligibility requirements of Section 5601.2 are met.)

- The Mortgage must be a valid First Lien on each parcel

- Each parcel must have the same basic zoning (e.g., residential or agricultural)

- Each parcel must be conveyed in its entirety

- The site description must accurately describe the land and any improvements included on each of the parcels

- The residence or improvements may be built across the lot lines

- Non-residential improvements such as garages or outbuildings are acceptable on any parcel

In addition, the appraiser must consider how the existence of two or more parcels, adjoining or not, influence the value use and marketability of the property.

Chapter 5602: Collateral Representations and Warranties, Loan Collateral Advisor® and Automated Collateral Evaluation (ACE and ACE+ PDR)

5602.1: Collateral representations and warranties (09/04/24)

This section contains requirements related to:

- Value warranty
- Condition warranty
- Marketability warranty

In addition to all other representations and warranties specified in the Seller's Purchase Documents, the Seller makes the following representations and warranties:

(a) Value warranty

The Seller represents and warrants that the appraisal accurately reflects the market value of the Mortgaged Premises.

Note: See Section 5604.3 for information regarding requirements for Mortgages with Settlement Dates more than 120 days after the Note Date.

(b) Condition warranty

As of the Settlement Date, the Seller represents and warrants that the Mortgaged Premises is not in C5 or C6 condition. For property types not required to utilize the Uniform Appraisal Dataset condition ratings, the Seller represents that the subject property is in a condition consistent with condition ratings C1 through C4.

(c) Marketability warranty

As of the Settlement Date, the Seller represents and warrants that the Mortgaged Premises is acceptable to typical purchasers in the subject property's market area.

5602.1: Collateral representations and warranties (Future effective date 02/04/25)

This section contains requirements related to:

- Value warranty
- Condition warranty
- Marketability warranty

In addition to all other representations and warranties specified in the Seller's Purchase Documents, the Seller makes the following representations and warranties:

(a) Value warranty

The Seller represents and warrants that the appraisal accurately reflects the market value of the Mortgaged Premises.

Note: See Section 5604.3 for information regarding requirements for Mortgages with Settlement Dates more than 120 days after the Note Date.

(b) Condition warranty

As of the Settlement Date, the Seller represents and warrants that the Mortgaged Premises is not in C5 or C6 condition. For property types not required to utilize the Uniform Appraisal Dataset condition ratings, the Seller represents that the subject property is in a condition consistent with condition ratings C1 through C4.

(c) Marketability warranty

As of the Settlement Date, the Seller represents and warrants that the Mortgaged Premises is acceptable to typical purchasers in the subject property's Market Area.

5602.2: Loan Collateral Advisor® (09/04/24)

This section contains requirements related to:

- Loan Collateral Advisor® overview
- Eligible Mortgages
- Ineligible Mortgages
- Exemptions to appraisal underwriting
- Exceptions to Loan Collateral Advisor appraised value representation and warranty relief

(a) Loan Collateral Advisor overview

For Mortgages with appraisals submitted to the Uniform Collateral Data Portal® (UCDP®) and assessed through Loan Collateral Advisor, Freddie Mac will not exercise its remedies, including the issuance of repurchase requests, in connection with a breach of the Seller's selling representations and warranties related to the appraised value of the Mortgaged Premises, provided the requirements below are met.

(b) Eligible Mortgages

The following requirements must be met for Mortgages to be eligible for appraised value representation and warranty relief:

- The Mortgage must have a loan-to-value (LTV)/total TLTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratio less than or equal to 95%
- The Mortgage must be secured by a 1-unit dwelling (including units in a Condominium Project or a Planned Unit Development (PUD))
- The Borrower must be an individual or a Living Trust
- The UCDP feedback message FRE4000 must be returned, indicating "This appraisal is eligible for representation and warranty relief for property value, pending an assessment of the loan".

  Note: For Sellers using Loan Collateral Advisor, representation and warranty relief eligibility corresponds to an appraisal with a risk score of 2.5 or lower. Loan Collateral Advisor will also display an "eligible" indicator. Upon submission to Loan Product Advisor® and/or Loan Quality Advisor®, a corresponding representation and warranty relief message will also be provided in the Feedback Certificate.

- The final submission to Loan Selling Advisor® must indicate the representation and warranty relief status is "Y" or "Yes"

(c) Ineligible Mortgages

The following Mortgages are ineligible for appraised value representation and warranty relief:

- Mortgages secured by Manufactured Homes
- Mortgages secured by leasehold estates
- Mortgages secured by Mortgaged Premises subject to resale restrictions, excluding those subject to age-based resale restrictions
- Freddie Mac Enhanced Relief Refinance® Mortgages
- Community Land Trust Mortgages
- Cooperative Share Loans

(d) Exemptions to appraisal underwriting

For Mortgages that are eligible for appraised value representation and warranty relief as described above, the Seller/Servicer is not responsible for underwriting the appraisal to ensure compliance with the following requirements:

- Justification and support for the appraiser's opinion of market value and how the final value conclusion was determined. (See applicable language in Section 5605.7.)
- The validity of the appraiser's adjustments in the analysis of comparable sales. (See applicable language in Section 5605.6.)
- Whether the opinion of market value of the subject property is credible and adequately supported. (See applicable language in Section 5605.1.)

(e) Exceptions to Loan Collateral Advisor appraised value representation and warranty relief

Even if a Mortgage meets the eligibility requirements above, the Seller/Servicer remains responsible for compliance with the following requirements. Freddie Mac may still enforce remedies if these requirements are not met, even if such matters are related to appraised value:

- The Mortgaged Premises must meet Freddie Mac's property eligibility requirements (e.g., not vacant, or undeveloped land, not primarily used for agricultural or farming purposes or for a commercial enterprise, etc.). (See Sections 5601.1 and 5701.2 for additional details regarding property eligibility.)

- The Mortgaged Premises must not be subject to a pending legal proceeding for condemnation in whole or in part (see Section 5601.1)

- When applicable, Form 442, Appraisal Update and/or Completion Report, or Form 400, Warranty of Completion of Construction or Repairs/Alterations, must be obtained to verify that any outstanding conditions of the appraisal have been satisfied. (See Section 5605.8 for additional requirements on these forms.)

- The Seller must ensure the appraiser's description of the subject property must be complete and accurate (e.g., accuracy of quality and condition ratings, photographs that support the quality and condition of the property, etc.). (See applicable language for appraisal requirements in Chapter 5605.)

5602.3: Automated collateral evaluation (ACE) – appraisal waiver (09/04/24)

This section contains requirements related to:

- Automated collateral evaluation (ACE) overview
- Process for qualifying for and accepting the appraisal waiver offer
- Eligible Mortgages
- Ineligible Mortgages
- Conditions that prevent the Seller from accepting an appraisal waiver offer
- Acceptable age of the appraisal waiver offer
- Data changes that impact appraisal waiver eligibility
- Appraisal waiver requirements for Settlement Dates more than 120 days after the Note Date
- Appraisal waiver eligibility in disaster areas
- Seller representation of property review or valuation

(a) ACE overview

For certain Loan Product Advisor® Mortgages, the Seller may receive the option to accept an appraisal waiver and originate the Mortgage without an appraisal.

If the Seller accepts the appraisal waiver option, Freddie Mac will:

- Accept the value of the Mortgaged Premises as:
  - The purchase price of the Mortgaged Premises, for purchase transactions, or
  - The estimated value of the Mortgaged Premises, for refinance transactions
- Not exercise its remedies, including the issuance of repurchase requests, in connection with a breach of the Seller's selling representations and warranties related to the value, condition and marketability of the Mortgaged Premises

For refinance transactions, the Sellers must have written procedures in place that prohibit changes to the estimated value in Loan Product Advisor for the purpose of obtaining an appraisal waiver or more favorable mortgage terms (e.g., avoiding mortgage insurance).

The procedures must include a process for establishing the estimated value, which may include, but is not limited to, the using of the Borrower's estimated value, an Automated Valuation Model (AVM) or an online valuation tool or website.

(b) Process for qualifying for and accepting the appraisal waiver offer

For a Mortgage to qualify for an appraisal waiver:

1. The Mortgage must be an Accept Mortgage
2. The Last Feedback Certificate must indicate the Mortgage is eligible for representation and warranty relief with an appraisal waiver. (This represents the "offer.")
3. The final submission of the Mortgage to Loan Selling Advisor® must indicate the representation and warranty relief status is "Y" or "Yes"

To accept the appraisal waiver offer, the Seller must deliver the Mortgage with the ULDD Data Points described in the data delivery instructions in Section 6302.10(c).

(c) Eligible Mortgages

To be eligible for an appraisal waiver offer, the Mortgage must:

- Be secured by a 1-unit dwelling that is not a Manufactured Home
- Be secured by a Primary Residence or second home
- Meet the following occupancy and maximum loan-to-value (LTV)/total LTV (TLTV) ratio requirements:

Mortgage purpose	Occupancy type	Maximum LTV/TLTV ratios
Purchase	Primary Residence or second home	80%
"No cash-out" refinance	Primary Residence or second home	90%
Cash-out refinance	Primary Residence	70%
	Second home	60%

(d) Ineligible Mortgages

The following Mortgages are ineligible for an appraisal waiver:

- Mortgages for which an appraisal has been obtained in connection with the Mortgage
- Mortgages secured by one of the following:
  - A Manufactured Home, or
  - A leasehold estate
- Mortgages secured by Mortgaged Premises subject to resale restrictions (excluding those subject to age-based resale restrictions)
- Mortgages secured by a property acquired in a Non-arm's Length Transaction
- Mortgages secured by a property where the property owner at the time of sale (i.e., the property seller) is a lender or a government entity
- Mortgages with an estimate of value or purchase price greater than $1,000,000
- CHOICERenovation® Mortgages
- Community Land Trust Mortgages
- Construction Conversion Mortgages
- Cooperative Share Loans
- Freddie Mac Enhanced Relief Refinance® Mortgages
- GreenCHOICE Mortgages®

- Renovation Mortgages
- Seller-Owned Modified Mortgages that are Home Possible® Mortgages
- Texas Equity Section 50(a)(6) Mortgages

(e) Conditions that prevent the Seller from accepting an appraisal waiver offer

Sellers may not accept the appraisal waiver offer if:

- An appraisal is required by law or regulation
- Rental income from an ADU on a subject 1-unit Primary Residence is used to qualify the Borrower
- The Seller is aware of conditions that warrant an appraisal being obtained. Examples include, but are not limited to:
  - A contaminated site or hazardous substance affects the property or the neighborhood in which the property is located
  - Adverse physical property conditions that are apparent based on a review of the sales contract, property inspection, disclosure from the Borrower, etc.

(f) Acceptable age of the appraisal waiver offer

The appraisal waiver offer provided through the Loan Product Advisor Feedback Certificate message is valid for 120 days. If the offer is more than 120 days old on the Note Date, resubmission to Loan Product Advisor is required to determine ongoing appraisal waiver eligibility.

(g) Data changes that impact appraisal waiver eligibility

If the Seller changes loan data (e.g., address of the property, loan amount, purchase price, estimate of value, loan type, property type, occupancy of the property, etc.) in a subsequent submission, the original offer will become invalid, and Loan Product Advisor may provide a different appraisal waiver eligibility determination.

(h) Appraisal waiver requirements for Settlement Dates more than 120 days after the Note Date

If the Settlement Date is more than 120 days after the Note Date, the Seller must warrant that the value of the subject property as of the Settlement Date is no less than the estimated value or sales price used to underwrite the Mortgage in Loan Product Advisor.

(i) Appraisal waiver eligibility in disaster areas

Sellers may accept an appraisal waiver offer for properties located in disaster areas if the Seller can represent and warrant that the value and marketability of the Mortgaged Premises has not been adversely impacted. See Section 4407.1 for property condition requirements.

(j) Seller representation of property review or valuation

A Seller that has accepted an appraisal waiver offer must not make any representation that Freddie Mac has performed a property review or obtained a valuation of the Mortgaged Premises.

5602.3: Automated collateral evaluation (ACE) – appraisal waiver (Future effective date 02/04/25)

This section contains requirements related to:

- Automated collateral evaluation (ACE) overview
- Process for qualifying for and accepting the appraisal waiver offer
- Eligible Mortgages
- Ineligible Mortgages
- Conditions that prevent the Seller from accepting an appraisal waiver offer
- Acceptable age of the appraisal waiver offer
- Data changes that impact appraisal waiver eligibility
- Appraisal waiver requirements for Settlement Dates more than 120 days after the Note Date
- Appraisal waiver eligibility in disaster areas
- Seller representation of property review or valuation

(a) ACE overview

For certain Loan Product Advisor® Mortgages, the Seller may receive the option to accept an appraisal waiver and originate the Mortgage without an appraisal.

If the Seller accepts the appraisal waiver option, Freddie Mac will:

- Accept the value of the Mortgaged Premises as:
  - The purchase price of the Mortgaged Premises, for purchase transactions, or
  - The estimated value of the Mortgaged Premises, for refinance transactions
- Not exercise its remedies, including the issuance of repurchase requests, in connection with a breach of the Seller's selling representations and warranties related to the value, condition and marketability of the Mortgaged Premises

For refinance transactions, the Sellers must have written procedures in place that prohibit changes to the estimated value in Loan Product Advisor for the purpose of obtaining an appraisal waiver or more favorable mortgage terms (e.g., avoiding mortgage insurance).

The procedures must include a process for establishing the estimated value, which may include, but is not limited to, the using of the Borrower's estimated value, an Automated Valuation Model (AVM) or an online valuation tool or website.

(b) Process for qualifying for and accepting the appraisal waiver offer

For a Mortgage to qualify for an appraisal waiver:

1. The Mortgage must be an Accept Mortgage
2. The Last Feedback Certificate must indicate the Mortgage is eligible for representation and warranty relief with an appraisal waiver. (This represents the "offer.")
3. The final submission of the Mortgage to Loan Selling Advisor® must indicate the representation and warranty relief status is "Y" or "Yes"

To accept the appraisal waiver offer, the Seller must deliver the Mortgage with the ULDD Data Points described in the data delivery instructions in Section 6302.10(c).

(c) Eligible Mortgages

To be eligible for an appraisal waiver offer, the Mortgage must:

- Be secured by a 1-unit dwelling that is not a Manufactured Home
- Be secured by a Primary Residence or second home
- Meet the following occupancy and maximum loan-to-value (LTV)/total LTV (TLTV) ratio requirements:

Mortgage purpose	Occupancy type	Maximum LTV/TLTV ratios
Purchase	Primary Residence or second home	80%
"No cash-out" refinance	Primary Residence or second home	90%
Cash-out refinance	Primary Residence	70%
	Second home	60%

(d) Ineligible Mortgages

The following Mortgages are ineligible for an appraisal waiver:

- Mortgages for which an appraisal has been obtained in connection with the Mortgage
- Mortgages secured by one of the following:
  - A Manufactured Home, or
  - A leasehold estate
- Mortgages secured by Mortgaged Premises subject to resale restrictions (excluding those subject to age-based resale restrictions)
- Mortgages secured by a property acquired in a Non-arm's Length Transaction
- Mortgages secured by a property where the property owner at the time of sale (i.e., the property seller) is a lender or a government entity
- Mortgages with an estimate of value or purchase price greater than $1,000,000
- CHOICERenovation® Mortgages
- Community Land Trust Mortgages
- Construction Conversion Mortgages
- Cooperative Share Loans
- Freddie Mac Enhanced Relief Refinance® Mortgages
- GreenCHOICE Mortgages®

- Renovation Mortgages
- Seller-Owned Modified Mortgages that are Home Possible® Mortgages
- Texas Equity Section 50(a)(6) Mortgages

(e) Conditions that prevent the Seller from accepting an appraisal waiver offer

Sellers may not accept the appraisal waiver offer if:

- An appraisal is required by law or regulation
- Rental income from an ADU on a subject 1-unit Primary Residence is used to qualify the Borrower
- The Seller is aware of conditions that warrant an appraisal being obtained. Examples include, but are not limited to:
  - A contaminated site or hazardous substance affects the property or the Neighborhood in which the property is located
  - Adverse physical property conditions that are apparent based on a review of the sales contract, property inspection, disclosure from the Borrower, etc.

(f) Acceptable age of the appraisal waiver offer

The appraisal waiver offer provided through the Loan Product Advisor Feedback Certificate message is valid for 120 days. If the offer is more than 120 days old on the Note Date, resubmission to Loan Product Advisor is required to determine ongoing appraisal waiver eligibility.

(g) Data changes that impact appraisal waiver eligibility

If the Seller changes loan data (e.g., address of the property, loan amount, purchase price, estimate of value, loan type, property type, occupancy of the property, etc.) in a subsequent submission, the original offer will become invalid, and Loan Product Advisor may provide a different appraisal waiver eligibility determination.

(h) Appraisal waiver requirements for Settlement Dates more than 120 days after the Note Date

If the Settlement Date is more than 120 days after the Note Date, the Seller must warrant that the value of the subject property as of the Settlement Date is no less than the estimated value or sales price used to underwrite the Mortgage in Loan Product Advisor.

(i) Appraisal waiver eligibility in disaster areas

Sellers may accept an appraisal waiver offer for properties located in disaster areas if the Seller can represent and warrant that the value and marketability of the Mortgaged Premises has not been adversely impacted. See Section 4407.1 for property condition requirements.

(j) Seller representation of property review or valuation

A Seller that has accepted an appraisal waiver offer must not make any representation that Freddie Mac has performed a property review or obtained a valuation of the Mortgaged Premises.

5602.4: ACE+ PDR (09/04/24)

This section contains requirements related to:

- ACE+ PDR overview
- Process for qualifying for and accepting the ACE+ PDR offer
- Eligible Mortgages
- Ineligible Mortgages
- Conditions that prevent the Seller from accepting the ACE+ PDR offer
- Acceptable age of the ACE+ PDR offer
- Data changes that impact ACE+ PDR eligibility
- ACE+ PDR requirements for Settlement Dates more than 120 days after the Note Date
- ACE+ PDR eligibility in disaster areas
- Seller representation of property review or valuation
- ACE+ PDR additional requirements
- Beyond ACE application programming interface (bACE API) submission requirement

(a) ACE+ PDR overview

For certain Loan Product Advisor® Mortgages, the Seller may receive the option to accept ACE+ PDR and originate the Mortgage with a PDR.

If the Seller accepts the ACE+ PDR option, Freddie Mac will:

- Accept as the value of the Mortgaged Premises:
  - The purchase price of the Mortgaged Premises, for purchase transactions, or
  - The estimated value of the Mortgaged Premises, for refinance transactions
- Not exercise its remedies, including the issuance of repurchase requests, in connection with a breach of the Seller's selling representations and warranties related to the value of the Mortgaged Premises

For refinance transactions, the Sellers must have written procedures in place that prohibit changes to the estimated value in Loan Product Advisor for the purpose of obtaining ACE+ PDR or more favorable mortgage terms (e.g., avoiding mortgage insurance).

The procedures must include a process for establishing the estimated value, which may include, but is not limited to, the use of the Borrower's estimated value, an Automated Valuation Model (AVM) or an online valuation tool or website.

(b) Process for qualifying for and accepting the ACE+ PDR offer

For a Mortgage to qualify for ACE+ PDR:

- The Mortgage must be an Accept Mortgage
- The Last Feedback Certificate must indicate the Mortgage is eligible for representation and warranty relief with ACE+ PDR. (This represents the "offer.")
- The final submission of the Mortgage to Loan Selling Advisor® must indicate the representation and warranty relief status is "Y" or "Yes"

For Mortgages that receive an ACE+ PDR offer, to accept the ACE+ PDR offer, the Seller must deliver the Mortgage with the ULDD Data Points identified in the data delivery instructions in Section 6302.10(c).

(c) Eligible Mortgages

To be eligible for an ACE+ PDR offer, the Mortgage must:

- Be secured by a 1-unit dwelling that is not a Manufactured Home
- Be secured by a Primary Residence or second home
- Meet the following occupancy and maximum loan-to-value (LTV)/total LTV (TLTV) ratio requirements:

Mortgage purpose	Occupancy type	Maximum LTV/TLTV ratios
Purchase	Primary Residence or second home	80%
"No cash-out" refinance	Primary Residence or second home	90%
Cash-out refinance	Primary Residence	70%
	Second home	60%

(d) Ineligible Mortgages

The following Mortgages are ineligible for ACE+ PDR:

- Mortgages for which an appraisal has been obtained in connection with the Mortgage
- Mortgages secured by one of the following:
  - A Manufactured Home, or
  - A leasehold estate
- Mortgages secured by Mortgaged Premises subject to resale restrictions, excluding those subject to age-based resale restrictions
- Mortgages secured by a property acquired in a Non-arm's Length Transaction
- Mortgages secured by a property where the property owner at the time of sale (i.e., the property seller) is a lender or government entity
- Mortgages with an estimate of value or purchase price greater than $1,000,000
- CHOICERenovation® Mortgages
- Community Land Trust Mortgages
- Construction Conversion Mortgages
- Cooperative Share Loans
- Freddie Mac Enhanced Relief Refinance® Mortgages
- GreenCHOICE Mortgages®

- Renovation Mortgages
- Seller-Owned Modified Mortgages that are Home Possible® Mortgages
- Texas Equity Section 50(a)(6) Mortgages

(e) Conditions that prevent the Seller from accepting the ACE+ PDR offer

Sellers may not accept the ACE+ PDR offer if:

- An appraisal is required by law or regulation
- Rental income from an ADU on a subject 1-unit Primary Residence is used to qualify the Borrower

(f) Acceptable age of the ACE+ PDR offer

The ACE+ PDR offer provided through the Loan Product Advisor Feedback Certificate message is valid for 120 days. If the offer is more than 120 days old on the Note Date, resubmission to Loan Product Advisor is required to determine ongoing ACE+ PDR eligibility.

(g) Data changes that impact ACE+ PDR eligibility

If the Seller changes loan data (e.g., address of the property, loan amount, purchase price, estimate of value, loan type, property type, occupancy of the property, etc.) in a subsequent submission, the original offer will become invalid, and Loan Product Advisor may provide a different eligibility determination.

(h) ACE+ PDR requirements for Settlement Dates more than 120 days after the Note Date

If the Settlement Date is more than 120 days after the Note Date, the Seller must warrant that the value of the subject property as of the Settlement Date is no less than the estimated value used to underwrite the Mortgage in Loan Product Advisor.

(i) ACE+ PDR eligibility in disaster areas

If the Mortgaged Premises are located in a disaster area, the Seller may accept an ACE+ PDR offer if the Seller can represent and warrant that the value and marketability of the Mortgaged Premises has not been adversely impacted. See Section 4407.1 for property condition requirements.

(j) Seller representation of property review or valuation

A Seller that has accepted an ACE+ PDR offer must not make any representation that Freddie Mac has performed a property review or obtained a valuation of the Mortgaged Premises.

(k) ACE+ PDR additional requirements

Each Mortgage delivered with a PDR must retain the PDR in the Mortgage file and also comply with the additional requirements below:

Additional PDR requirements	
Requirement type	**Section reference**
Qualification and requirements for the property data collector and Seller oversight	Section 5603.6
Exhibits for PDRs	Section 5604.2(i)
Age of the PDR	Section 5604.3(c)
PDRs with required repairs and/or inspections	Section 5605.8
ACE+ PDR upgrade to appraisal requirements	Section 5604.1(c)

(l) bACE API submission requirement

The PDR must be submitted to the **bACE API**.

Chapter 5603: Appraiser Independence Requirements, Property Data Collector Independence Requirements, Appraiser Engagement and Qualifications, Information Disclosure, Unacceptable Appraisal Practices and Property Data Collector Engagement, Qualifications and Oversight

5603.1: Appraiser Independence Requirements, Seller selection of appraisers and appraiser qualifications (11/06/24)

This section contains requirements related to:

- Seller responsibilities
- Appraiser Independence Requirements
- Appraiser and supervisory appraiser qualifications
- Unlicensed and trainee appraisers
- Seller representations and warranties regarding appraisers and appraisal reports
- Representations by appraisers and appraisal management companies

(a) Seller responsibilities

The Seller is responsible for:

- Complying with the Appraiser Independence Requirements
- Selecting the appraiser
- Requiring the appraiser to use the appropriate Freddie Mac appraisal report form
- Complying with the Uniform Appraisal Dataset

Freddie Mac does not select or approve individual appraisers or appraisal management companies. The Seller, or a third party authorized by the Seller, is responsible for approving and selecting the appraiser. The Seller warrants that the appraisal services provided comply with the Uniform Standards of Professional Appraisal Practice, applicable laws and Freddie Mac requirements.

(b) Appraiser Independence Requirements

For each conventional Mortgage sold to Freddie Mac, the Seller represents and warrants that the appraisal was obtained in accordance with Exhibit 35, Appraiser Independence Requirements.

(c) Appraiser and supervisory appraiser qualifications

The appraiser or supervisory appraiser must:

- Be **State-licensed** or **State-certified** in the State in which the subject property is located,
- Have knowledge and experience in appraising the property type in the market area, and
- Have access to applicable data sources

(d) Unlicensed and trainee appraisers

Freddie Mac permits unlicensed and trainee (or similar classification) appraisers to complete an appraisal report in accordance with State law. If an appraisal report is completed by an unlicensed or trainee (or similar classification) appraiser:

- A supervisory appraiser must sign the appraisal report
- A supervisory appraiser is not required to inspect the subject property or comparable sales unless required by State law

(e) Seller representations and warranties regarding appraisers and appraisal reports

In addition to complying with the Appraiser Independence Requirements, with respect to each appraisal report, the Seller represents and warrants that:

- All information known to the Seller that may affect the estimate of market value or marketability has been provided to the appraiser. It has reviewed the appraisal report and has determined the Mortgaged Premises is adequate collateral for the Mortgage transaction, as required by Section 4201.1.
- The appraisal report is of professional quality and supports all of the appraiser's assumptions, data, analyses, rationale and conclusions regarding the opinion of market value of the property and the marketability of the Mortgaged Premises

- The appraisal report is credible, internally consistent, clearly written, fully supported and sufficiently documented

Deficient appraisals will be considered a breach of the Seller's warranty regarding the acceptability of the Mortgage and will subject the Seller to the remedies available to Freddie Mac.

In addition to reviewing the appraisal report submitted by the Seller, Freddie Mac may conduct property inspections and/or other investigations to verify property eligibility and proper underwriting of the Mortgages offered for sale to and sold to Freddie Mac.

Freddie Mac may refuse to accept appraisal reports prepared by a particular appraiser.

Note: See Section 3101.1 for additional requirements on the Freddie Mac Exclusionary List and Section 3101.2 for additional requirements on the FHFA Suspended Counterparty Program.

(f) Representations by appraisers and appraisal management companies

Appraisers and appraisal management companies must not make any representation to third parties as being approved by Freddie Mac.

5603.1: Appraiser Independence Requirements, Seller selection of appraisers and appraiser qualifications (Future effective date 02/04/25)

This section contains requirements related to:

- Seller responsibilities
- Appraiser Independence Requirements
- Appraiser and supervisory appraiser qualifications
- Unlicensed and trainee appraisers
- Seller representations and warranties regarding appraisers and appraisal reports
- Representations by appraisers and appraisal management companies

(a) Seller responsibilities

The Seller is responsible for:

- Complying with the Appraiser Independence Requirements
- Selecting the appraiser
- Requiring the appraiser to use the appropriate Freddie Mac appraisal report form
- Complying with the Uniform Appraisal Dataset

Freddie Mac does not select or approve individual appraisers or appraisal management companies. The Seller, or a third party authorized by the Seller, is responsible for approving and selecting the appraiser. The Seller warrants that the appraisal services provided comply with the Uniform Standards of Professional Appraisal Practice, applicable laws and Freddie Mac requirements.

(b) Appraiser Independence Requirements

For each conventional Mortgage sold to Freddie Mac, the Seller represents and warrants that the appraisal was obtained in accordance with Exhibit 35, Appraiser Independence Requirements.

(c) Appraiser and supervisory appraiser qualifications

The appraiser or supervisory appraiser must:

- Be **State-licensed** or **State-certified** in the State in which the subject property is located,
- Have knowledge and experience in appraising the property type in the Market Area, and
- Have access to applicable data sources

(d) Unlicensed and trainee appraisers

Freddie Mac permits unlicensed and trainee (or similar classification) appraisers to complete an appraisal report in accordance with State law. If an appraisal report is completed by an unlicensed or trainee (or similar classification) appraiser:

- A supervisory appraiser must sign the appraisal report
- A supervisory appraiser is not required to inspect the subject property or comparable sales unless required by State law

(e) Seller representations and warranties regarding appraisers and appraisal reports

In addition to complying with the Appraiser Independence Requirements, with respect to each appraisal report, the Seller represents and warrants that:

- All information known to the Seller that may affect the estimate of market value or marketability has been provided to the appraiser. It has reviewed the appraisal report and has determined the Mortgaged Premises is adequate collateral for the Mortgage transaction, as required by Section 4201.1.

- The appraisal report is of professional quality and supports all of the appraiser's assumptions, data, analyses, rationale and conclusions regarding the opinion of market value of the property and the marketability of the Mortgaged Premises

- The appraisal report is credible, internally consistent, clearly written, fully supported and sufficiently documented

Deficient appraisals will be considered a breach of the Seller's warranty regarding the acceptability of the Mortgage and will subject the Seller to the remedies available to Freddie Mac.

In addition to reviewing the appraisal report submitted by the Seller, Freddie Mac may conduct property inspections and/or other investigations to verify property eligibility and proper underwriting of the Mortgages offered for sale to and sold to Freddie Mac.

Freddie Mac may refuse to accept appraisal reports prepared by a particular appraiser.

Note: See Section 3101.1 for additional requirements on the Freddie Mac Exclusionary List and Section 3101.2 for additional requirements on the FHFA Suspended Counterparty Program.

(f) Representations by appraisers and appraisal management companies

Appraisers and appraisal management companies must not make any representation to third parties as being approved by Freddie Mac.

5603.2: Seller verification of subject property owner of record (11/06/24)

This section contains requirements related to:

- Verifying the Owner of Record

- Investigating and documenting Owner of Record discrepancies

(a) Verifying the Owner of Record

When a new appraisal report is required, the Seller must verify the information outlined in the table below:

Owner of Record verification by transaction type	
Transaction type	**The Seller must verify:**
Purchase	■ The property seller listed on the sales contract is the Owner of Record of the subject property; or ■ If the transaction involves the sale of land separate from the dwelling, the property seller listed on the sales contract for the land is the Owner of Record for the land
Refinance	The Borrower is an Owner of Record of the subject property.
Payoff of a land contract	■ The property seller is the vendor on the recorded land contract and the Owner of Record of the subject property; and ■ The Borrower is a vendee on the recorded land contract

(b) Investigating and documenting Owner of Record discrepancies

If the property seller for purchase transactions or the Borrower for refinance transactions is not the Owner of Record, the Seller must investigate the circumstances of the transaction to ensure the transaction is legitimate.

If the Seller determines the transaction is legitimate, the Seller must retain in the Mortgage file documentation evidencing the verification or legitimacy of the transaction, which may include:

- The appraiser's analysis and conclusions in the appraisal report
- A property sales history report
- A copy of the recorded deed
- A copy of a property tax bill
- Title commitment or binder indicating the legal ownership of the property

5603.3: Information supplied to the appraiser and Borrower (11/06/24)

This section contains requirements related to:

- Information supplied to the appraiser
- Information supplied to the Borrower

(a) Information supplied to the appraiser

For each appraisal report request, the Seller, or an authorized third party, must provide the appraiser with the following information about the subject property:

1. The complete legal description (refer to Section 5605.3)

2. The complete sales contract for purchase transactions, including:

   - All non-realty items
   - Financing terms
   - Financing and sales concessions granted by anyone associated with the transaction, and
   - Any gifts, buydowns or Down Payment assistance provided by anyone on behalf of the Borrowers

   Note: For new construction, the sales contract should state the base price of the house and itemize each option.

   The Seller is not required to provide the appraiser with an updated sales contract unless the updated terms impact the physical description or condition of the property. In such cases, the Seller must obtain an updated appraisal report for the property. Changes to the sales contract that are not required to be provided to the appraiser include, but are not limited to:

   - Changes to the transaction terms such as sales price, financing or sale concessions, and
   - Date revisions, corrections to typographical errors, etc.

3. Any known affiliation between the property seller and the purchaser

4. Income and expense statements and property leases

5. Generally acceptable energy reports such as the Home Energy Rating System report and U.S. Department of Energy Home Energy Score report, if applicable

6. Ground Lease for leasehold properties (refer to Section 5704.3)

7. Any other information known to the Seller that could adversely affect the market value, condition or marketability of the subject property, including the existence of any Contaminated Site, Hazardous Substance or other adverse condition that affects the subject property or the neighborhood in which the subject property is located (refer to Section 5605.4(b))

(b) Information supplied to the Borrower

For purchase transactions, the Seller must provide the Borrower with information regarding environmental hazards that directly impact the subject property and have not been mitigated or remediated, unless the Borrower already has notice of such hazard(s) through the purchase contract or property inspection.

If at any time before the Note Date the Seller becomes aware of a hazard that adversely affects the market value, condition or marketability of the subject property, including the existence of a Contaminated Site, Hazardous Substance or other environmental condition that has not been mitigated or remediated, the Seller must disclose to the Borrower all information known to the Seller about the hazard.

5603.3: Information supplied to the appraiser and Borrower (Future effective date 02/04/25)

This section contains requirements related to:

- Information supplied to the appraiser
- Information supplied to the Borrower

(a) Information supplied to the appraiser

For each appraisal report request, the Seller, or an authorized third party, must provide the appraiser with the following information about the subject property:

1. The complete legal description (refer to Section 5605.3)

2. The complete sales contract for purchase transactions, including:

    - All non-realty items

- Financing terms

- Financing and sales concessions granted by anyone associated with the transaction, and

- Any gifts, buydowns or Down Payment assistance provided by anyone on behalf of the Borrowers

Note: For new construction, the sales contract should state the base price of the house and itemize each option.

The Seller is not required to provide the appraiser with an updated sales contract unless the updated terms impact the physical description or condition of the property. In such cases, the Seller must obtain an updated appraisal report for the property. Changes to the sales contract that are not required to be provided to the appraiser include, but are not limited to:

- Changes to the transaction terms such as sales price, financing or sale concessions, and

- Date revisions, corrections to typographical errors, etc.

3. Any known affiliation between the property seller and the purchaser

4. Income and expense statements and property leases

5. Generally acceptable energy reports such as the Home Energy Rating System report and U.S. Department of Energy Home Energy Score report, if applicable

6. Ground Lease for leasehold properties (refer to Section 5704.3)

7. Any other information known to the Seller that could adversely affect the market value, condition or marketability of the subject property, including the existence of any Contaminated Site, Hazardous Substance or other adverse condition that affects the subject property or the Neighborhood in which the subject property is located (refer to Section 5605.4(b))

(b) Information supplied to the Borrower

For purchase transactions, the Seller must provide the Borrower with information regarding environmental hazards that directly impact the subject property and have not been mitigated or remediated, unless the Borrower already has notice of such hazard(s) through the purchase contract or property inspection.

If at any time before the Note Date the Seller becomes aware of a hazard that adversely affects the market value, condition or marketability of the subject property, including the existence of a Contaminated Site, Hazardous Substance or other environmental condition that has not been mitigated or remediated, the Seller must disclose to the Borrower all information known to the Seller about the hazard.

5603.4: Unacceptable appraisal practices (11/06/24)

The following are examples of unacceptable appraisal practices. Evidence of any of the practices listed in this section will be a breach of Seller's warranty as to the professional quality of the appraisal.

1. Consideration of the race, color, religion, sex, sexual orientation, gender identity, age, marital status, disability, familial status, exercise of any federally protected civil right, receipt of income derived from any public assistance program, birthplaces of residents at the property or in the neighborhood, national origin of the prospective owners or occupants of the subject property or of the present owners or occupants of the properties in the vicinity of the subject property. (See also Section 1301.2 for equal opportunity compliance requirements.)

2. Use of unsupported or subjective terms or statements to assess or rate, such as, but not limited to, "high," "low," "good," "bad," "fair," "poor," "strong," "weak," "rapid," "slow," "fast" or "average" without providing a foundation for analysis and contextual information

3. Incorporating terminology or veiled language that could indicate underlying bias, including but not limited to, "pride of ownership," "crime-ridden area," "desirable neighborhood or location" or "undesirable neighborhood or location," "gentrified," "working class," "inner city," "preferred community," "up and coming," predominantly Hispanic or Black neighborhood, substantial amount of Black or Hispanic residents at the property, diverse school system, amenities specifically geared to a race, ethnic or religious group or using terms such as Millennials, Generation X or Baby Boomers

4. Development of an appraisal using inaccurate or incomplete data about the subject property, the neighborhood, the market area or any comparable property used in the appraisal analysis or report

5. Inclusion of references, statements or comparisons about crime rates or crime statistics, whether objective or subjective, in the appraisal analysis or report

6. Consideration of the age or location of a dwelling, or the age of the neighborhood or census tract where the dwelling is located, in a manner that has a discriminatory effect

7. Basing the development of an opinion of value on factors that local, State or federal law designates as discriminatory

8. Reliance in the appraisal analysis on comparable properties that were not personally inspected by the appraiser when required by the appraisal's scope of work. A personal inspection requires at least a visual inspection of the exterior of the comparable property.

9. Reliance in any appraisal analysis on inappropriate comparable properties, or the failure to use comparable properties that are more similar, or nearer, to the subject property without adequate explanation

10. Use of comparable property data provided by any interested party to the transaction without verification by a disinterested party

11. Use of inordinate adjustments for differences between the subject property and the comparable properties that do not reflect the market's reaction to such differences, or the failure to make proper adjustments when necessary

12. Development of an opinion of value and/or marketability conclusions that is not supported by available market data

13. Breach by the appraiser or supervisory appraiser of a certification or Statement of Assumptions and Limiting Conditions or comparable statements on any Freddie Mac approved appraisal report form or addendum

Note: See Section 5606.3 for additional unacceptable appraisal practices related to electronic appraisal reports.

5603.4: Unacceptable appraisal practices (Future effective date 02/04/25)

The following are examples of unacceptable appraisal practices. Evidence of any of the practices listed in this section will be a breach of Seller's warranty as to the professional quality of the appraisal.

1. Consideration of the race, color, religion, sex, sexual orientation, gender identity, age, marital status, disability, familial status, exercise of any federally protected civil right, receipt of income derived from any public assistance program, birthplaces of residents at the property or in the Neighborhood, national origin of the prospective owners or occupants of the subject property or of the present owners or occupants of the properties in the vicinity of the subject property. (See also Section 1301.2 for equal opportunity compliance requirements.)

2. Use of unsupported or subjective terms or statements to assess or rate, such as, but not limited to, "high," "low," "good," "bad," "fair," "poor," "strong," "weak," "rapid," "slow," "fast" or "average" without providing a foundation for analysis and contextual information

3. Incorporating terminology or veiled language that could indicate underlying bias, including but not limited to, “pride of ownership,” “crime-ridden area,” “desirable neighborhood or location” or “undesirable neighborhood or location,” “gentrified,” “working class,” “inner city,” “preferred community,” “up and coming,” predominantly Hispanic or Black neighborhood, substantial amount of Black or Hispanic residents at the property, diverse school system, amenities specifically geared to a race, ethnic or religious group or using terms such as Millennials, Generation X or Baby Boomers

4. Development of an appraisal using inaccurate or incomplete data about the subject property, the Neighborhood, the Market Area or any comparable property used in the appraisal analysis or report

5. Inclusion of references, statements or comparisons about crime rates or crime statistics, whether objective or subjective, in the appraisal analysis or report

6. Consideration of the age or location of a dwelling, or the age of the Neighborhood or census tract where the dwelling is located, in a manner that has a discriminatory effect

7. Basing the development of an opinion of value on factors that local, State or federal law designates as discriminatory

8. Reliance in the appraisal analysis on comparable properties that were not personally inspected by the appraiser when required by the appraisal’s scope of work. A personal inspection requires at least a visual inspection of the exterior of the comparable property.

9. Reliance in any appraisal analysis on inappropriate comparable properties, or the failure to use comparable properties that are more similar, or nearer, to the subject property without adequate explanation

10. Use of comparable property data provided by any interested party to the transaction without verification by a disinterested party

11. Use of inordinate adjustments for differences between the subject property and the comparable properties that do not reflect the market’s reaction to such differences, or the failure to make proper adjustments when necessary

12. Development of an opinion of value and/or marketability conclusions that is not supported by available market data

13. Breach by the appraiser or supervisory appraiser of a certification or Statement of Assumptions and Limiting Conditions or comparable statements on any Freddie Mac approved appraisal report form or addendum

Note: See Section 5606.3 for additional unacceptable appraisal practices related to electronic appraisal reports.

5603.5: Property Data Collector Independence Requirements and Seller engagement of property data collectors (11/06/24)

This section contains requirements related to:

- Seller responsibilities
- Separation of functions

(a) Seller responsibilities

The Seller is responsible for:

- Complying with the Property Data Collector Independence Requirements
- Selecting the property data collector
- Complying with the **Uniform Property Dataset**

Freddie Mac does not select or approve individual property data collectors or property data collector management companies. The Seller, or a third party authorized by the Seller, is responsible for approving and selecting the property data collector. The Seller represents and warrants that the property data collection complies with Exhibit 42, Property Data Collector Independence Requirements, applicable laws and Freddie Mac requirements.

(b) Separation of functions

The Seller must maintain separation between its sales and Mortgage production functions and its property data collection functions.

5603.6: Property data collector qualifications and Seller oversight (11/06/24)

This section contains requirements related to:

- Property data collectors
- Seller oversight of property data collectors

(a) Property data collectors

The Seller, or its authorized third party, must ensure the property data collector:

- Is independent and unbiased and has no present or prospective interest or bias with respect to the transaction, the property or the participants to the transaction

- Completes training in all aspects of property data collection and the **Uniform Property Dataset (UPD)** and passes an exam that evidences proficiency in property data collection, and

- Performs all aspects of a property data collection including, but not limited to:

    1. Identifying and reporting, with supporting photographs, any:

        - Property characteristics represented in the UPD;

        - Design features that impair the use of the subject property and cannot easily be changed (e.g., access to a bedroom only through another bedroom, etc.); and

        - Factors adjacent to the subject property that are atypical for the location (e.g., power lines, commercial site, industrial site, etc.)

    2. Measuring the dwelling unit(s) and any other structures on the subject property to produce building sketches and floorplans in accordance with the exhibit requirements in Section 5604.2(a)(ii)

    3. Collecting a comprehensive set of photographs of the subject property, as described in the UPD. (See Section 5604.2(h) for photograph requirements.)

(b) Seller oversight of property data collectors

The Seller, or its authorized third party, is responsible for the accuracy and reliability of the PDR and of any data provided by the property data collector to the appraiser. The Seller, or its authorized third party, must have in place policies or procedures that:

- Require property data collectors to undergo periodic background checks that include criminal background checks;

- Require property data collectors to complete comprehensive training on preparing an accurate and thorough PDR;

- Require property data collectors to comply with the same customer service standards or code of conduct with which employees and/or contractors of the Seller, or its authorized third party, must comply;

- Include a process to continuously evaluate property data collectors, including monitoring and documenting performance to identify and remedy any recurring deficiencies and discontinuing the use of chronically underperforming property data collectors; and

- Include a process for providing continuing education when appropriate (e.g., in the event of significant changes to the UPD, the property data collection process, etc.)

The Seller must include a targeted review of PDRs as part of its quality control sampling. Appraisals completed using a hybrid process must also be included in the Seller's quality control sampling.

Chapter 5604: Appraisal Report Forms, Inspection Types, PDRs, Exhibits, Age of Appraisal Reports and PDRs, Appraisal Updates, Appraisal Re-use and Reconciliation of Multiple Opinions of Market Value

5604.1: Appraisal report forms, PDRs and inspection types (06/05/24)

For each Mortgage transaction that requires an appraisal report or a PDR, the Mortgage file must contain an appraisal report or PDR that meets Freddie Mac's requirements to evidence that the Mortgaged Premises is acceptable collateral. All appraisal reports and PDRs require a physical inspection of the property which includes an on-site visual inspection, except for desktop appraisals. The Seller may provide an appraisal report that exceeds the minimum collateral assessment requirement indicated by the Last Feedback Certificate provided the eligibility requirements for the selected appraisal type are met.

(a) Appraisal report forms and the PDR by property type and inspection/data collection type

The following tables list Freddie Mac's appraisal report forms, the PDR and the applicable inspection/data collection types.

Appraisals reported on Forms 70, 70D, 70H, 2055, 465, 465H and 466 must be completed using the Uniform Appraisal Dataset (UAD) in accordance with Appendix D, UAD Field-Specific Standardization Requirements, of the Uniform Appraisal Dataset Specification ("UAD Specification") when reporting an appraisal for a conventional Mortgage. (See Section 5606.1.)

Freddie Mac does not require the UAD to be used for appraisals reported on Forms 70B or 72 or **Fannie Mae Form 2090**. However, these forms may be completed using the standards contained in the UAD Specification to the extent those standards are applicable.

(i) Appraisal report forms, property type and inspection/data collection type

Appraisal Report Forms by Property Type and Inspection/Data Collection Type		
Property Type	**Form Number and Title**	**Type of Inspection/Data Collection and Reporting Considerations**
1-unit property, including: ■ In a Planned Unit Development (PUD) ■ With an ADU And excluding: ■ Manufactured Homes ■ Attached Condominium Units ■ Cooperative Share Loans	Form 70, Uniform Residential Appraisal Report	Interior and exterior inspection. Form 70 may be used for a Detached Condominium Unit if the appraiser includes information about the project and its condition. The form may not be used for an appraisal of a Manufactured Home or an attached Condominium Unit.
	Form 70H, Uniform Residential Appraisal Report (Hybrid)	On-site interior and exterior property data collection using the **Uniform Property Dataset (UPD)**. Form 70H may be used for a Detached Condominium Unit if the appraiser includes information about the project and its condition. The form may not be used for an appraisal of a Manufactured Home or an attached Condominium Unit.
	Form 70D, Uniform Residential Appraisal Report (Desktop)	No physical inspection Note: See (b) below for the detailed requirements with respect to the use of Form 70D.

Appraisal Report Forms by Property Type and Inspection/Data Collection Type		
Property Type	**Form Number and Title**	**Type of Inspection/Data Collection and Reporting Considerations**
	Form 2055, Exterior-Only Inspection Residential Appraisal Report	Exterior-only inspection. The form is only to be used for an appraisal update or a subsequent opinion of market value. The form may not be used for an appraisal of a Manufactured Home or a unit in an attached Condominium Project. Form 2055 may be used for a Detached Condominium Unit if the appraiser includes information about the project and its condition. Note: See (d) below for the conditions when Form 2055 must be upgraded to a Form 70.
Condominium Unit, including: ■ Attached units Detached units	Form 465, Individual Condominium Unit Appraisal Report	Interior and exterior inspection.
	Form 465H, Individual Condominium Unit Appraisal Report (Hybrid)	On-site interior and exterior property data collection using the **UPD**.

Appraisal Report Forms by Property Type and Inspection/Data Collection Type		
Property Type	**Form Number and Title**	**Type of Inspection/Data Collection and Reporting Considerations**
	Form 466, Exterior-Only Inspection Individual Condominium Unit Appraisal Report	Exterior-only inspection. The form is only to be used for an appraisal update or a subsequent opinion of market value. Note: See (d) below for the conditions when Form 466 must be upgraded to a Form 465.
Manufactured Home, including in a: ■ Planned Unit Development (PUD) ■ Condominium Project	Form 70B, Manufactured Home Appraisal Report	Interior and exterior inspection. Form 70B must be used for all Mortgages secured by a Manufactured Home. When Form 70B is utilized for a Manufactured Home located in a Condominium Project the appraiser is required to inspect the project and complete the project information section of Form 465, Individual Condominium Unit Appraisal Report, and attach it as an addendum to Form 70B.
2- to 4-unit property, including a 2- or 3-unit property with an ADU	Form 72, Small Residential Income Property Appraisal Report	Interior and exterior inspection. When Form 72 is utilized for a 2- or 3-unit property with an ADU, the ADU is included as an additional unit.
Cooperative Share Loan, including: ■ Attached units ■ Detached units	**Fannie Mae Form 2090, Individual Cooperative Interest Appraisal Report**	Interior and exterior inspection.

Appraisal Report Forms by Property Type and Inspection/Data Collection Type		
Property Type	**Form Number and Title**	**Type of Inspection/Data Collection and Reporting Considerations**
Any, as required by the original appraisal report	Form 442, Appraisal Update and/or Completion Report	Interior and exterior inspection or exterior-only inspection. Refer to Section 5604.3 for information regarding appraisal updates and Section 5605.8 for information regarding completion reports.
Any, as required by the original appraisal report	Form 400, Warranty of Completion of Construction or Repairs/Alterations	Interior and exterior inspection or exterior-only inspection. Refer to Section 5605.8 for information regarding completion reports.

(ii) PDRs by property type and data collection type

PDR by Property Type and Data Collection Type		
Property Type	**Report Form**	**Type of Data Collection and Reporting Considerations**
1-unit property, excluding: ■ Manufactured Homes ■ Cooperative Share Loans	PDR	On-site interior and exterior property data collection using the **UPD**. Required to complete a hybrid appraisal.

(b) Form 70D, Uniform Residential Appraisal Report (Desktop)

(i) Desktop appraisal requirements

Mortgages that meet the following requirements may be delivered with a desktop appraisal in lieu of an interior and exterior inspection appraisal:

A. The Mortgage must be an Accept Mortgage

B. The Mortgage must be secured by a 1-unit dwelling

C. The Mortgage must comply with the following Mortgage purpose, occupancy type and maximum loan-to-value (LTV) ratio requirements:

Mortgage purpose	Occupancy type	Maximum LTV ratio
Purchase	Primary Residence	90%

Note: Mortgages originated with a desktop appraisal that have an LTV ratio higher than 90% (as calculated using the value obtained from the desktop appraisal) will be eligible for sale to Freddie Mac if the loan amount does not increase and all other eligibility requirements continue to be met, including the requirement that the LTV ratio calculated using the contract sales price is less than or equal to 90%. LTV ratios greater than 90% that occur as a result of loan amount increases require an upgrade to an interior and exterior inspection appraisal (Form 70).

D. Each Mortgage must be delivered with the ULDD Data Points described in the data delivery instructions in Section 6302.8(a)

(ii) Ineligible Mortgages

The following Mortgages are not eligible for a desktop appraisal:

- Mortgages secured by a Condominium Unit
- Mortgages secured by Cooperative Share Loans
- Mortgages secured by a Manufactured Home
- Mortgages secured by a mixed-use property
- Mortgages secured by a property that is undergoing renovation or rehabilitation
- Mortgages secured by a property acquired in a Non-arm's Length Transaction
- Mortgages secured by a property where the property owner at the time of sale (i.e., the property seller) is a lender or a government entity

- Mortgages secured by Mortgaged Premises subject to resale restrictions, excluding those subject to age-based resale restrictions
- Construction Conversion Mortgages
- Renovation Mortgages
- Community Land Trust Mortgages
- GreenCHOICE Mortgages®
- CHOICERenovation® Mortgages

(iii) Form 70D upgrade requirements

The appraisal must be upgraded to Form 70 when one or more of the following conditions exists:

- Third-party data sources do not provide sufficient information about both the interior and exterior physical characteristics of the subject property for the appraiser to develop a credible and adequately supported appraisal
- The appraiser cannot reconcile significant discrepancies (e.g., room count, gross living area, size, condition, etc.) among available data sources to develop a credible and adequately supported appraisal
- The subject property is undergoing renovation or rehabilitation
- The data sources used to develop the appraisal, including the sales contract, reflect the presence of physical deficiencies or adverse conditions that indicate the property has a condition rating of C5 or C6 or the quality rating is Q6. (Refer to Section 5605.5(a) for additional information related to property condition and quality of construction.)

(c) PDR upgrade requirements

The Seller must analyze the information on the PDR and review the photographs. The Seller's review of the PDR may reveal that the subject property is not eligible for ACE+ PDR or has characteristics that require the Seller to upgrade to an appraisal on Forms 70, 70H, 465 or 465H or other appraisal report form applicable to the property type. Property characteristics or conditions that require a PDR to be upgraded to an appraisal include:

- The building status is "Proposed" (not eligible for upgrade to a hybrid appraisal)
- 0 bedrooms above grade and/or 0 bathrooms above grade

- A measured finished area above grade of less than 400 square feet

- The property is mixed use (i.e., altered or modified specifically to support or facilitate a non-residential or income-producing use)

(i) Forms 70H and 465H upgrade requirements

When the PDR must be upgraded to an appraisal, the Seller may obtain an interior and exterior inspection appraisal reported on Form 70H or 465H in lieu of Form 70 or 465. Form 70H or 465H can be used for a hybrid appraisal with a PDR performed by a trained data collector through an on-site property data collection. (See Chapter 5603 for additional PDR requirements.) The PDR must be retained in the Mortgage file and must be submitted to Freddie Mac through the **Beyond ACE application programming interface (bACE API)**.

The appraiser must:

A. Analyze the information on the PDR and review photographs

B. Identify the name of the property data collector in the body of the report

C. Report the effective date of the appraisal as the date the appraiser developed the opinion of market value

D. Complete the Appraisal Assignment Type fields, located in the Additional Comments section of the Form 70H or 465H according to the requirements in the table below:

Appraisal Assignment Type	
Field Label	**Required Entry**
Appraisal Assignment Type	Hybrid
Subject Property Data Collection Type	Physical
Subject Property Data Collection Date	YYYY-MM-DD

Appraisal Assignment Type	
Field Label	**Required Entry**
Subject Property Data Workforce (e.g., select the applicable identifier to describe the data collector who completed the PDR)	Appraiser AppraiserTrainee RealEstateAgent HomeInspector InsInspector (Insurance Inspector) Other

(ii) Form 70 or 465 upgrade requirements

The appraiser must upgrade to a Form 70 or 465 when one or more of the following conditions exists:

- The PDR does not provide sufficient information about both the interior and exterior physical characteristics of the subject property for an appraiser to develop a credible and adequately supported appraisal

- The appraiser cannot reconcile significant discrepancies (e.g., room count, living area, size, condition, etc.) among available data sources, including the PDR, to develop a credible and adequately supported appraisal.

  The appraiser may contact the property data collector to verify any information in the PDR and adjust that information, as necessary, to complete the Form 70H or 465H. (Refer to Section 5603.5 for property data collector requirements and to Section 5604.2 for PDR exhibit requirements.)

(d) Form 2055 and 466 upgrade requirements

An appraisal based on an exterior-only property inspection, reported on either Form 2055 or 466, must be upgraded to a Form 70 or 465, as applicable, when one or more of the following conditions exists:

- Third-party data sources do not provide sufficient information about both the interior and exterior physical characteristics of the subject property for the appraiser to develop a credible and adequately supported appraisal

- The appraiser cannot reconcile all significant discrepancies (e.g., size, condition, room count, gross living area, etc.) among available data sources to develop a credible and adequately supported appraisal

- The appraiser is unable to view the property improvements from the street and/or an exterior-only inspection does not provide sufficient information to develop a credible and adequately supported appraisal

- The subject property is new construction

- The subject property is undergoing renovation or rehabilitation

- The data sources used to develop the appraisal, including the sales contract, reflect the presence of physical deficiencies or adverse conditions that indicate the property has a condition rating of C5 or C6 or the quality rating is Q6. (Refer to Section 5605.5(a) for additional information related to property condition and quality of construction.)

- The exterior-only inspection reveals apparent physical deficiencies or adverse property conditions

(e) Appraisal report review forms by property type and inspection type

The following table lists the Freddie Mac appraisal review report forms and the applicable inspection types.

Appraisal Report Review Forms by Property Type and Inspection Type		
Property Type	**Form Number and Title**	**Type of Inspection**
1-unit property	Form 1032, One-Unit Residential Appraisal Field Review Report	Exterior-only inspection
1-unit property	Form 1033, One-Unit Residential Appraisal Desk Review Report	No inspection
2- to 4-unit property	Form 1072, Two- to Four-Unit Residential Appraisal Field Review Report	Exterior-only inspection

(f) Statement of Assumptions and Limiting Conditions and Certification

Modifications or deletions to the Statement of Assumptions and Limiting Conditions or to the Certification, which are incorporated into each appraisal report form and the PDR, are not permitted; however, additional certifications that do not constitute material alterations to the

report, such as those required by law or those related to the appraiser's continuing education or membership in an appraisal organization, are permitted.

5604.2: Exhibits and addenda for appraisal reports and PDRs (06/06/24)

Each appraisal report must meet the applicable requirements and include the exhibits specified based on the type of property inspection or appraisal form type, as described below.

Each PDR must meet the applicable requirements and include the exhibits specified, as described below.

(a) Exhibit requirements

(i) Photographs

Photographs of the subject property must be original images that are in color and illustrative of the property. The photographs must be clear, appropriately identified and clearly show the improvements, including any physical deterioration of the property, Amenities, conditions or external influences that have a material effect on the market value or marketability of the subject property.

Photographs of the comparable sales must be clear images. Copies of multiple listing service photographs are acceptable.

(ii) Building sketch and floor plan

When required, a building sketch must include perimeter dimensions with calculations that reflect the measured areas of the dwelling unit(s). All levels of the dwelling unit(s) must be represented on the building sketch. A separate building sketch is required for

each additional structure(s) on the subject property. Each building sketch must include exterior dimensions and, when applicable, room labels.

When required, the floor plan must include the following:

- Interior walls
- Doorways
- Staircases
- Exterior ingress/egress
- Labels for each room, and
- The dimensions of all exterior walls

See Section 5605.5(c) for additional guidance on unusual floor plans.

(A) Requirements for building sketches, compliance with ANSI Standard for measuring the subject property and floor plan requirements

Requirements for building sketches, compliance with the American National Standards Institute Standard, Square Footage – Method for Calculating: (ANSI® Z765) (ANSI Standard) for measuring the subject property, and floor plans are in the table below.

When ANSI-compliant measurement is required, the ANSI Standard that is current as of the appraisal report effective date, or the date of the PDR, must be utilized for measuring, calculating and reporting areas outlined in Section 5604.2(a)(ii)(B).

Property type	Appraisal form	Inspection or data collection type	Building sketch and measurement requirements	Floor plan requirements
1-unit property, including: ■ In a PUD ■ With an ADU ■ Detached Condominium Units, if the appraiser includes information about the Condominium Project and its condition And excluding: ■ Manufactured Homes ■ Attached Condominium Units	Form 70	Interior/ exterior	■ Building sketch required ■ ANSI-compliant measurement required[3]	Required when atypical[1]
	Form 70D	None	■ Building sketch required. ■ ANSI-compliant measurement not required.	Required
	Form 70H	Interior/ exterior property data collection with a PDR	■ Building sketch required ■ ANSI-compliant measurement required[3]	Required when atypical[1]
	Form 2055	Exterior	■ Not required	Required when atypical[1]
Condominium Unit, including: ■ Attached Units ■ Detached Units	Form 465	Interior/ exterior	■ Building sketch required ■ ANSI-compliant measurement required for detached units only[2,3]	Required when atypical[1]
	Form 465H	Interior/ exterior property data collection with a PDR	■ Building sketch required ■ ANSI-compliant measurement required[3]	Required when atypical[1]
	Form 466	Exterior	■ Not required	Required when atypical[1]

Manufactured Home, including in a: ■ PUD ■ Condominium Project	Form 70B	Interior/ exterior	■ Building sketch required ■ ANSI-compliant measurement required[3]	Required when atypical[1]
2- to 4-unit property, including a 2- or 3-unit property with an ADU	Form 72	Interior/ exterior	■ Building sketch required and must include: ❑ Square feet of living area per unit and ❑ Gross building area ■ ANSI-compliant measurement not required[2]	Floor plan required for each unit
Cooperative Share Loan, including: ■ Attached Units ■ Detached Units	**FNMA Form 2090**	Interior/ exterior	■ Building sketch required ■ ANSI-compliant measurement required[2,3]	Required when atypical[1]
Any, as required by the original appraisal	Form 442	As required for assignment	■ Not required	Not required

[1] Required if the subject property is atypical or functionally obsolete such that its market appeal is limited in comparison with competitive properties in the market area.

[2] Not required for a Condominium Unit or a Cooperative Unit in a garden, mid-rise or high-rise building or for 2- to 4-unit properties. Instead, the appraiser may measure the unit or building(s) or rely on the dimensions and estimates of square footage as shown on the plat, exhibits of Project Documents, floor plans or individual unit plats that include the dimensions and calculations.

[3] When sketching or 3D scanning software is used, the resulting output must also conform to the ANSI Standard.

(B) Measurement terminology and appraisal reporting

The table below lists the terms that must be used for areas measured and calculated using the ANSI Standard and identifies where those identified areas are reported on the appraisal report forms.

Terms	Description	Appraisal Reporting Requirements[1]
Finished area	Finished above-grade area as defined by the ANSI Standard.	Used for calculating and reporting living area. Rooms in the finished area must be included in the above-grade room count. This area must be reported on the appraisal report on all Gross Living Area fields, including the Improvements Section, Sales Comparison Approach Section and Cost Approach Section, as applicable.
Non-standard finished area (NSFA)	Finished above-grade area that does not meet the ANSI Standard for finished area. An example of NSFA is area that does not meet the ANSI Standard by having a minimum ceiling height of seven feet.	This area must be reported as NSFA on the appraisal report on the first blank line of the Sales Comparison Approach adjustment grid, when applicable. Rooms located in NSFA must be included in the room counts (Total Rooms, Bedrooms, Bath(s)) in the Improvement section and in the Sales Comparison Approach grid of the appraisal report to comply with Uniform Appraisal Dataset requirements, when applicable. The FEATURE column of the Sales Comparison Approach Grid must include "NSFA" when used to report non-standard finished area. There must be no other entries on this Sales Comparison Approach row when it is used to report NSFA.

Terms	Description	Appraisal Reporting Requirements[1]
Below grade/basement area, finished and unfinished area	The ANSI Standard considers a level to be below-grade if any portion of it is below-grade, regardless of the quality of finish or the window area of any room. Therefore, any below-grade area, irrespective of whether the basement has finished area, would not be included in the above-grade finished area or room count.	Below-grade finished and unfinished areas and rooms must be reported on the Basement & Finished Rooms Below Grade lines of the Sales Comparison Approach adjustment grid, when applicable.
Above-grade unfinished area (UA)	Above-grade area that is accessible from the interior finished area of the dwelling and does not meet the ANSI definition of finished area or non-standard finished area. An example of UA is an unfinished/storage area over an attached garage that is accessed from the hallway of the second floor of the dwelling.	These features and their associated finished and unfinished areas should be reported on the Additional Features field on page 1 of the appraisal report, and adjusted for in the Sales Comparison Approach grid, as appropriate. Measured areas must be reported separately from the primary dwelling's measured areas.
Attached and detached ADUs	ADU finished and unfinished areas, as defined by the ANSI Standard, must be measured and calculated using the ANSI Standard.	
Detached structures	Detached structures that are independent of the Primary Residence.	

[1]The requirements for reporting the ANSI measured areas (e.g., finished above-grade area, non-standard finished area, etc.) in prescribed fields on the appraisal report do not apply to the PDR.

(C) ANSI adherence and declarations

If adherence to the ANSI Standard is not possible the appraisal report must include:

- The identifier "GXX001-" at the beginning of the Additional Features field,
- An explanation that addresses the lack of adherence, and
- One of the ANSI prescribed declarations that address departure from the ANSI Standard.

Examples that would require the use of an ANSI departure declaration include:

- Dwelling measurements are made without an interior inspection
- The area calculations for a proposed dwelling are based on plans and specifications
- Direct physical measurement of the dwelling dimensions is not possible

(iii) Location map

The location map must identify the location of the subject property and of any comparable properties identified in the appraisal report, including closed sales, closed rentals and properties listed for sale or rent, as applicable.

(b) Exhibits required for appraisals with interior and exterior inspections (Forms 70, 70B, 72 and 465 and Fannie Mae Form 2090)

The following exhibits that meet the requirements in Section 5604.2(a) are required for appraisal reports with interior and exterior inspections:

(i) Photographs of the subject property

The appraisal report must include at least the following:

- A front view of the subject property
- A rear view of the subject property
- A street scene identifying the location of the subject property and showing neighboring improvements
- The kitchen of the subject property
- All bathrooms of the subject property

- All main living areas of the subject property, including all gathering rooms
- All basement areas of the subject property, including unfinished and finished areas

The appraisal report must include additional photographs, as needed, to show any physical deterioration, improvements, Amenities, observed conditions or external influences that materially impact the market value or marketability of the subject property.

(ii) Photographs of comparable sales

The appraisal report must include at least one clear photograph that shows the front of each comparable sale.

The appraisal report must include additional photographs, as needed, to show the improvements, Amenities or external influences that materially impact the market value or marketability of the subject property.

(iii) Building sketch and floor plan

The appraisal report must include a building sketch and floor plan that meets the requirements in Section 5604.2(a).

(iv) Location map

The appraisal report must include a location map that meets the requirements in Section 5604.2(a).

(c) Exhibits required for desktop appraisal (Form 70D)

A desktop appraisal report must include the following:

(i) Photographs of the subject property

The appraisal report must include at least the following:

- A front view of the subject property
- A rear view of the subject property
- A street scene identifying the location of the subject property and showing neighboring improvements
- The kitchen of the subject property

- All bathrooms of the subject property
- The main living area of the subject property

(ii) Photographs of comparable sales

The appraisal report must include at least one clear photograph that shows the front of each comparable sale.

(iii) Building sketch and floor plan

The appraisal report must include a building sketch and floor plan that meets the requirements in Section 5604.2(a).

(iv) Location map

The appraisal report must include a location map that meets the requirements in Section 5604.2(a).

(d) Exhibits required for hybrid appraisals (Forms 70H and 465H)

The following exhibits that meet the requirements in Section 5604.2(a) are required for hybrid appraisal reports as a result of an upgrade from a PDR:

(i) Photographs of the subject property

The hybrid appraisal report must include at least the following:

- A front view of the subject property
- A rear view of the subject property
- A street scene identifying the location of the subject property and showing neighboring improvements
- The kitchen of the subject property
- All bathrooms of the subject property
- The main living areas of the subject property, including all bedrooms and gathering rooms
- The basement, including all unfinished and finished areas

The appraisal report must include additional photographs, as needed, to show any physical deterioration, improvements, Amenities, observed conditions or external

influences that materially impact the market value or marketability of the subject property.

(ii) Photographs of comparable sales

The appraisal report must include at least one clear photograph that shows the front of each comparable sale. A photograph from a multiple listing service is acceptable, and, notwithstanding the prohibition in Section 5603.4(7), the appraiser may rely on comparable sales that were not personally inspected by the appraiser.

(iii) Building sketch and floor plan

The appraisal report must include a building sketch and floor plan that meets the requirements in Section 5604.2(a).

(iv) Location map

The appraisal report must include a location map that meets the requirements in Section 5604.2(a).

(e) Exhibits required for appraisals with exterior-only inspections (Forms 466 and 2055)

An appraisal report based on an exterior-only inspection must include the following that meet the requirements of Section 5604.2(a):

- At least one photograph that shows the front view of the subject property
- Location map

(f) Exhibits required for appraisal updates (Form 442)

If the photographs in the original appraisal report accurately represent the subject property, new photographs of the subject property are not required.

Photographs of any factors that affect the value, condition or marketability of the subject property should be provided if not already part of the original appraisal report.

(g) Exhibits required for completion reports (Forms 442 and 400)

The completion report must include, at a minimum, the following photographs:

- For an existing property subject to repairs or alterations, photographs that clearly identify the completion of repairs or alterations
- For new or proposed construction subject to completion, photographs including:

- ❑ A front view of the subject property
- ❑ A rear view of the subject property
- ❑ A street scene identifying the location of the subject property and showing neighboring improvements
- ❑ The kitchen of the subject property
- ❑ All bedrooms of the subject property
- ❑ All bathrooms of the subject property
- ❑ All main living areas of the subject property, including all gathering rooms
- ❑ All basement areas, including unfinished and finished areas
- ❑ For an existing Manufactured Home, either the HUD Data Plate or the HUD Certification Label(s). When both are present, the completion report must include both.
- ❑ For a new Manufactured Home, both the HUD Data Plate and HUD Certification Label(s)
- ❑ CHOICEHome® notice, if applicable

If the photographs above are included in the original appraisal report and accurately represent the subject property's completion, new photographs of the subject property are not required.

(h) Other necessary exhibits and addenda for appraisal reports

The appraiser must provide any additional information or data that is needed to provide the lender/client with a credible and adequately supported appraisal. The Seller may request that the appraiser provide additional exhibits or addenda as part of the appraisal scope of work. Any exhibit or addenda must be incorporated into the appraisal report.

(i) Exhibits required for a PDR

The following exhibits must be included in the PDR:

(i) Photographs of the subject property

The PDR must include, at a minimum, the following photographs:

- A front view of the subject property
- A rear view of the subject property
- A view of any sides of the subject property that are not wholly visible in the front or rear photographs
- A street scene (both directions) identifying the location of the subject property and neighboring improvements
- All interior rooms of the subject property including, but not limited to, foyer, kitchen, living room, bedrooms(s), bathroom(s), utility room, laundry room, basement (finished and unfinished areas), attic area accessed via a permanent staircase (finished and unfinished areas), etc.
- Interior and exterior of any significant (permanently affixed) outbuildings on the subject site, including any ADU (not required from small sheds)
- Any physical deterioration, improvements, Amenities and any observed conditions or external influences

(ii) Building sketch and floor plan

The PDR must include a building sketch and floor plan that meets the requirements in Section 5604.2(a).

5604.2: Exhibits and addenda for appraisal reports and PDRs (Future effective date 02/04/25)

Each appraisal report must meet the applicable requirements and include the exhibits specified based on the type of property inspection or appraisal form type, as described below.

Each PDR must meet the applicable requirements and include the exhibits specified, as described below.

(a) Exhibit requirements

(i) Photographs

Photographs of the subject property must be original images that are in color and illustrative of the property. The photographs must be clear, appropriately identified and clearly show the improvements, including any physical deterioration of the property, Amenities, conditions or external influences that have a material effect on the market value or marketability of the subject property.

Photographs of the comparable sales must be clear images. Copies of multiple listing service photographs are acceptable.

(ii) Building sketch and floor plan

When required, a building sketch must include perimeter dimensions with calculations that reflect the measured areas of the dwelling unit(s). All levels of the dwelling unit(s) must be represented on the building sketch. A separate building sketch is required for each additional structure(s) on the subject property. Each building sketch must include exterior dimensions and, when applicable, room labels.

When required, the floor plan must include the following:

- Interior walls
- Doorways
- Staircases
- Exterior ingress/egress
- Labels for each room, and
- The dimensions of all exterior walls

See Section 5605.5(c) for additional guidance on unusual floor plans.

(A) Requirements for building sketches, compliance with ANSI Standard for measuring the subject property and floor plan requirements

Requirements for building sketches, compliance with the American National Standards Institute Standard, Square Footage – Method for Calculating: (ANSI® Z765) (ANSI Standard) for measuring the subject property, and floor plans are in the table below.

When ANSI-compliant measurement is required, the ANSI Standard that is current as of the appraisal report effective date, or the date of the PDR, must be utilized for measuring, calculating and reporting areas outlined in Section 5604.2(a)(ii)(B).

Property type	Appraisal form	Inspection or data collection type	Building sketch and measurement requirements	Floor plan requirements
1-unit property, including: ■ In a PUD ■ With an ADU ■ Detached Condominium Units, if the appraiser includes information about the Condominium Project and its condition And excluding: ■ Manufactured Homes ■ Attached Condominium Units	Form 70	Interior/ exterior	■ Building sketch required ■ ANSI-compliant measurement required[3]	Required when atypical[1]
	Form 70D	None	■ Building sketch required. ■ ANSI-compliant measurement not required.	Required
	Form 70H	Interior/ exterior property data collection with a PDR	■ Building sketch required ■ ANSI-compliant measurement required[3]	Required when atypical[1]
	Form 2055	Exterior	■ Not required	Required when atypical[1]
Condominium Unit, including: ■ Attached Units ■ Detached Units	Form 465	Interior/ exterior	■ Building sketch required ■ ANSI-compliant measurement required for detached units only[2,3]	Required when atypical[1]
	Form 465H	Interior/ exterior property data collection with a PDR	■ Building sketch required ■ ANSI-compliant measurement required[3]	Required when atypical[1]
	Form 466	Exterior	■ Not required	Required when atypical[1]

Manufactured Home, including in a: ■ PUD ■ Condominium Project	Form 70B	Interior/ exterior	■ Building sketch required ■ ANSI-compliant measurement required[3]	Required when atypical[1]
2- to 4-unit property, including a 2- or 3-unit property with an ADU	Form 72	Interior/ exterior	■ Building sketch required and must include: ❑ Square feet of living area per unit and ❑ Gross building area ■ ANSI-compliant measurement not required[2]	Floor plan required for each unit
Cooperative Share Loan, including: ■ Attached Units ■ Detached Units	**FNMA Form 2090**	Interior/ exterior	■ Building sketch required ■ ANSI-compliant measurement required[2,3]	Required when atypical[1]
Any, as required by the original appraisal	Form 442	As required for assignment	■ Not required	Not required

[1] Required if the subject property is atypical or functionally obsolete such that its market appeal is limited in comparison with competitive properties in the Market Area.

[2] Not required for a Condominium Unit or a Cooperative Unit in a garden, mid-rise or high-rise building or for 2- to 4-unit properties. Instead, the appraiser may measure the unit or building(s) or rely on the dimensions and estimates of square footage as shown on the plat, exhibits of Project Documents, floor plans or individual unit plats that include the dimensions and calculations.

[3] When sketching or 3D scanning software is used, the resulting output must also conform to the ANSI Standard.

(B) Measurement terminology and appraisal reporting

The table below lists the terms that must be used for areas measured and calculated using the ANSI Standard and identifies where those identified areas are reported on the appraisal report forms.

Terms	Description	Appraisal Reporting Requirements[1]
Finished area	Finished above-grade area as defined by the ANSI Standard.	Used for calculating and reporting living area. Rooms in the finished area must be included in the above-grade room count. This area must be reported on the appraisal report on all Gross Living Area fields, including the Improvements Section, Sales Comparison Approach Section and Cost Approach Section, as applicable.
Non-standard finished area (NSFA)	Finished above-grade area that does not meet the ANSI Standard for finished area. An example of NSFA is area that does not meet the ANSI Standard by having a minimum ceiling height of seven feet.	This area must be reported as NSFA on the appraisal report on the first blank line of the Sales Comparison Approach adjustment grid, when applicable. Rooms located in NSFA must be included in the room counts (Total Rooms, Bedrooms, Bath(s)) in the Improvement section and in the Sales Comparison Approach grid of the appraisal report to comply with Uniform Appraisal Dataset requirements, when applicable. The FEATURE column of the Sales Comparison Approach Grid must include "NSFA" when used to report non-standard finished area. There must be no other entries on this Sales Comparison Approach row when it is used to report NSFA.

Terms	Description	Appraisal Reporting Requirements[1]
Below grade/basement area, finished and unfinished area	The ANSI Standard considers a level to be below-grade if any portion of it is below-grade, regardless of the quality of finish or the window area of any room. Therefore, any below-grade area, irrespective of whether the basement has finished area, would not be included in the above-grade finished area or room count.	Below-grade finished and unfinished areas and rooms must be reported on the Basement & Finished Rooms Below Grade lines of the Sales Comparison Approach adjustment grid, when applicable.
Above-grade unfinished area (UA)	Above-grade area that is accessible from the interior finished area of the dwelling and does not meet the ANSI definition of finished area or non-standard finished area. An example of UA is an unfinished/storage area over an attached garage that is accessed from the hallway of the second floor of the dwelling.	These features and their associated finished and unfinished areas should be reported on the Additional Features field on page 1 of the appraisal report, and adjusted for in the Sales Comparison Approach grid, as appropriate. Measured areas must be reported separately from the primary dwelling's measured areas.
Attached and detached ADUs	ADU finished and unfinished areas, as defined by the ANSI Standard, must be measured and calculated using the ANSI Standard.	
Detached structures	Detached structures that are independent of the Primary Residence.	

[1]The requirements for reporting the ANSI measured areas (e.g., finished above-grade area, non-standard finished area, etc.) in prescribed fields on the appraisal report do not apply to the PDR.

(C) ANSI adherence and declarations

If adherence to the ANSI Standard is not possible the appraisal report must include:

- The identifier "GXX001-" at the beginning of the Additional Features field,
- An explanation that addresses the lack of adherence, and
- One of the ANSI prescribed declarations that address departure from the ANSI Standard.

Examples that would require the use of an ANSI departure declaration include:

- Dwelling measurements are made without an interior inspection
- The area calculations for a proposed dwelling are based on plans and specifications
- Direct physical measurement of the dwelling dimensions is not possible

(iii) Location map

The location map must identify the location of the subject property and of any comparable properties identified in the appraisal report, including closed sales, closed rentals and properties listed for sale or rent, as applicable.

(b) Exhibits required for appraisals with interior and exterior inspections (Forms 70, 70B, 72 and 465 and Fannie Mae Form 2090)

The following exhibits that meet the requirements in Section 5604.2(a) are required for appraisal reports with interior and exterior inspections:

(i) Photographs of the subject property

The appraisal report must include at least the following:

- A front view of the subject property
- A rear view of the subject property
- A street scene identifying the location of the subject property and showing neighboring improvements
- The kitchen of the subject property
- All bathrooms of the subject property

- All main living areas of the subject property, including all gathering rooms
- All basement areas of the subject property, including unfinished and finished areas

The appraisal report must include additional photographs, as needed, to show any physical deterioration, improvements, Amenities, observed conditions or external influences that materially impact the market value or marketability of the subject property.

(ii) Photographs of comparable sales

The appraisal report must include at least one clear photograph that shows the front of each comparable sale.

The appraisal report must include additional photographs, as needed, to show the improvements, Amenities or external influences that materially impact the market value or marketability of the subject property.

(iii) Building sketch and floor plan

The appraisal report must include a building sketch and floor plan that meets the requirements in Section 5604.2(a).

(iv) Location map

The appraisal report must include a location map that meets the requirements in Section 5604.2(a).

(c) Exhibits required for desktop appraisal (Form 70D)

A desktop appraisal report must include the following:

(i) Photographs of the subject property

The appraisal report must include at least the following:

- A front view of the subject property
- A rear view of the subject property
- A street scene identifying the location of the subject property and showing neighboring improvements
- The kitchen of the subject property

- All bathrooms of the subject property
- The main living area of the subject property

(ii) Photographs of comparable sales

The appraisal report must include at least one clear photograph that shows the front of each comparable sale.

(iii) Building sketch and floor plan

The appraisal report must include a building sketch and floor plan that meets the requirements in Section 5604.2(a).

(iv) Location map

The appraisal report must include a location map that meets the requirements in Section 5604.2(a).

(d) Exhibits required for hybrid appraisals (Forms 70H and 465H)

The following exhibits that meet the requirements in Section 5604.2(a) are required for hybrid appraisal reports as a result of an upgrade from a PDR:

(i) Photographs of the subject property

The hybrid appraisal report must include at least the following:

- A front view of the subject property
- A rear view of the subject property
- A street scene identifying the location of the subject property and showing neighboring improvements
- The kitchen of the subject property
- All bathrooms of the subject property
- The main living areas of the subject property, including all bedrooms and gathering rooms
- The basement, including all unfinished and finished areas

The appraisal report must include additional photographs, as needed, to show any physical deterioration, improvements, Amenities, observed conditions or external

influences that materially impact the market value or marketability of the subject property.

(ii) Photographs of comparable sales

The appraisal report must include at least one clear photograph that shows the front of each comparable sale. A photograph from a multiple listing service is acceptable, and, notwithstanding the prohibition in Section 5603.4(7), the appraiser may rely on comparable sales that were not personally inspected by the appraiser.

(iii) Building sketch and floor plan

The appraisal report must include a building sketch and floor plan that meets the requirements in Section 5604.2(a).

(iv) Location map

The appraisal report must include a location map that meets the requirements in Section 5604.2(a).

(e) Exhibits required for appraisals with exterior-only inspections (Forms 466 and 2055)

An appraisal report based on an exterior-only inspection must include the following that meet the requirements of Section 5604.2(a):

- At least one photograph that shows the front view of the subject property
- Location map

(f) Exhibits required for appraisal updates (Form 442)

If the photographs in the original appraisal report accurately represent the subject property, new photographs of the subject property are not required.

Photographs of any factors that affect the value, condition or marketability of the subject property should be provided if not already part of the original appraisal report.

(g) Exhibits required for completion reports (Forms 442 and 400)

The completion report must include, at a minimum, the following photographs:

- For an existing property subject to repairs or alterations, photographs that clearly identify the completion of repairs or alterations
- For new or proposed construction subject to completion, photographs including:

- ❑ A front view of the subject property
- ❑ A rear view of the subject property
- ❑ A street scene identifying the location of the subject property and showing neighboring improvements
- ❑ The kitchen of the subject property
- ❑ All bedrooms of the subject property
- ❑ All bathrooms of the subject property
- ❑ All main living areas of the subject property, including all gathering rooms
- ❑ All basement areas, including unfinished and finished areas
- ❑ For an existing Manufactured Home, either the HUD Data Plate or the HUD Certification Label(s). When both are present, the completion report must include both.
- ❑ For a new Manufactured Home, both the HUD Data Plate and HUD Certification Label(s)
- ❑ CHOICEHome® notice, if applicable

If the photographs above are included in the original appraisal report and accurately represent the subject property's completion, new photographs of the subject property are not required.

(h) Other necessary exhibits and addenda for appraisal reports

The appraiser must provide any additional information or data that is needed to provide the lender/client with a credible and adequately supported appraisal. The Seller may request that the appraiser provide additional exhibits or addenda as part of the appraisal scope of work. Any exhibit or addenda must be incorporated into the appraisal report.

(i) Exhibits required for a PDR

The following exhibits must be included in the PDR:

(i) Photographs of the subject property

The PDR must include, at a minimum, the following photographs:

- A front view of the subject property
- A rear view of the subject property
- A view of any sides of the subject property that are not wholly visible in the front or rear photographs
- A street scene (both directions) identifying the location of the subject property and neighboring improvements
- All interior rooms of the subject property including, but not limited to, foyer, kitchen, living room, bedrooms(s), bathroom(s), utility room, laundry room, basement (finished and unfinished areas), attic area accessed via a permanent staircase (finished and unfinished areas), etc.
- Interior and exterior of any significant (permanently affixed) outbuildings on the subject site, including any ADU (not required from small sheds)
- Any physical deterioration, improvements, Amenities and any observed conditions or external influences

(ii) Building sketch and floor plan

The PDR must include a building sketch and floor plan that meets the requirements in Section 5604.2(a).

5604.3: Age of appraisal reports, appraisal update requirements, re-use of an appraisal report for a subsequent transaction and age of Property Data Reports (PDRs) (08/02/23)

(a) Age of appraisal reports and appraisal update requirements

(i) Acceptable age of appraisal reports

- If the effective date of the appraisal report is more than 12 months before the Note Date, a new appraisal with an interior and exterior inspection is required

- With the exception of desktop appraisals, if the effective date of the appraisal report is more than 120 days before the Note Date, an appraisal update is required. The effective date of an appraisal update must be no more than 120 days before the Note Date.

  For purposes of Section 5604.3(a), the Note Date is equivalent to the Effective Date of Permanent Financing when the Mortgage is sold to Freddie Mac as a Construction Conversion Mortgage or Renovation Mortgage.

- For desktop appraisals, if the effective date of the appraisal report is more than 120 days before the Note Date, a new desktop appraisal is required

(ii) Appraisal update reporting requirements

Appraisal updates must be reported on Form 442, Appraisal Update and/or Completion Report.

- If the update indicates that the value of the subject property has not declined, a new appraisal is not required

- If the update indicates that the value of the subject property has declined, the Seller must obtain a new appraisal, based on either:

  - An exterior-only inspection reported on the appropriate Freddie Mac form for the property type (Form 2055 or 466, as applicable), or

  - An interior and exterior inspection reported on the appropriate Freddie Mac form for the property type (Form 70, 70B, 70H, 72 465 or 465H, or **Fannie Mae Form 2090**, as applicable)

The original appraiser should perform the appraisal update. If the original appraiser is not available to perform the update, another appraiser may be used. Freddie Mac will accept an appraisal update performed by an unlicensed appraiser or appraiser trainee (or similar classification) if a supervisory appraiser signs the appraisal update.

See Section 5604.2(d) for appraisal update exhibit requirements.

(iii) Appraisal requirements for Settlement Dates more than 120 days after the Note Date

If the Settlement Date is more than 120 days after the Note Date, the Seller must warrant that the value of the subject property as of the Settlement Date is not less than the appraised value of the subject property as of the effective date of the appraisal.

(b) Re-use of an appraisal report for a subsequent transaction

When an appraisal is required for a subsequent transaction secured by the Mortgaged Premises, the original appraisal report may be re-used if the following requirements are met:

(i) The Borrowers on the new transaction must be the Borrowers on the original transaction. The only exception is in the event of a divorce or legal separation. The Borrower for the new transaction must be one of the Borrowers on the original transaction, and the file must document that the Borrower for the new transaction acquired the property through a divorce or legal separation.

(ii) Since the effective date of the original appraisal report, the Mortgaged Premises must not have undergone any substantial rehabilitation or renovation or have been affected by disaster to the extent that the improvement or deterioration of the property would affect the value, condition or marketability

(iii) The new transaction must be a "no cash-out" refinance

(iv) The appraisal report from the original transaction must meet all of the following requirements:

- The effective date of the appraisal report must not be more than 12 months prior to the Note Date of the subsequent transaction
- If the effective date of the appraisal is more than 120 days prior to the Note Date of the subsequent transaction, an appraisal update is required. The appraisal update must meet all requirements in Section 5604.3(a) and reflect the current Borrower(s) and lender/client.
- The lender/client is the Seller or a third party specifically authorized by the Seller of the original transaction

(c) Age of a PDR

The effective date of the PDR is the date the data was collected, and that date must be no more than 12 months prior to the Note Date. If the effective date of the PDR is more than 12 months prior to the Note Date, a new PDR is required.

5604.4: Reviewing appraisal reports, reconsideration of value requested by the Borrower, obtaining subsequent appraisal reports and reconciling multiple opinions of market value (10/31/24)

(a) Reviewing appraisal reports

The Seller is required to evaluate an appraisal report to determine whether or not it meets the requirements of this topic and the Seller's other Purchase Documents, and that the opinion of market value is credible and adequately supported. Freddie Mac expects the Seller to ensure valuation and related staff, inclusive of third parties (e.g., appraisal management companies, fee-appraisers, review appraisers and underwriters) are trained to identify prohibited discriminatory practices and appraisal deficiencies (inclusive of unacceptable appraisal practices as outlined in Section 5603.4) through the valuation review and reconsideration of value (ROV) processes. The Seller must have a process for remediating these deficiencies.

Before rejecting an appraisal report, the Seller must request the appraiser to provide additional information and/or address any deficiencies with the appraisal report. If the appraiser does not address the Seller's concerns and the Seller is unable to conclude that the appraisal report meets the Freddie Mac requirements, then the appraisal report must be rejected, and a new appraisal report must be obtained.

(b) ROV

For Mortgages requiring delivery with an appraisal report, the Seller must have in place policies and procedures that address requests for an ROV that meet, at a minimum, the following requirements and any requirements required under applicable local, State or Federal law. Freddie Mac's ROV requirements are minimum standards. If State law or regulation requires more than Freddie Mac's guidelines, the State law or regulation controls.

The ROV process must include a review and resolution procedure, including steps for the Borrower(s) to appeal an appraisal report's findings when the Borrower(s) believes the appraisal report or the appraiser's opinion of value is unsupported, may be deficient due to an unacceptable appraisal practice, or reflects discriminatory practices. The Seller remains responsible for ensuring that the opinion of market value is credible, and the appraisal report meets the requirements of the Seller's Purchase Documents.

In addition, the Seller's ROV policies and procedures must:

- Provide for a disclosure to the Borrower(s) outlining the ROV process at the time of application and upon the delivery of the appraisal report to the Borrower(s). The disclosure must also include instructions for requesting the ROV:
  - The Borrower requirements for submissions of information are the same as those included in the standardized format for submission to the appraiser as described below
- Ensure the Seller completes its appraisal review before initiating the ROV process
- Provide a standardized format for providing the rationale, requirements and supporting documentation for the ROV to be communicated to the appraiser. This must include:

- ❑ Reporting the Borrower(s) name, property address and the effective date of the appraisal, appraiser's name and date of the ROV submission

- ❑ Identifying specific issues and deficiencies in the appraisal report

- ❑ Providing detailed information, data or alternative comparable properties (maximum of five alternative comparables are permitted), including the source of the data (e.g., multiple listing service listing, publicly available information, etc.) and the rationale for the inclusion of the alternative comparables, information or data, as applicable

- Ensure the ROV request is accurately completed and includes sufficient detail to warrant reengagement of the appraiser. If the ROV request is unclear, deficient or requires additional information, the Seller should remediate with the Borrower(s), as applicable

- Instruct the appraiser to deliver a revised appraisal report that includes specific commentary explaining their conclusions to the ROV request, regardless of whether the appraiser determines that changes are not needed to address the issues identified in the ROV

- Define turn-time expectations for communicating results of the ROV to the Borrower

- Specify that one Borrower-initiated ROV is permitted per appraisal

- Ensure all documentation and communications related to the initiation and outcome of the ROV are retained in the Mortgage file

- Note that once a loan is closed, an ROV request is no longer permitted

- Not conflict with the Appraisal Independence Requirements

If material deficiencies are identified in the appraisal report that are not corrected or addressed by the appraiser upon request, or if there is evidence of unacceptable appraisal practices as outlined in Section 5603.4, the Seller must forward the appraisal report, along with a summary of findings, to the appropriate appraisal licensing agency or regulatory board. Additionally, if there are suspected overt violations of antidiscrimination laws, the lender must report it to the proper local, State or federal agency. In the event of these occurrences, the lender may obtain a second or subsequent appraisal report in adherence to Freddie Mac requirements and local, State and federal laws.

(c) Obtaining subsequent appraisal reports, appraisal desk review reports and appraisal field review reports

Exhibit 35, Appraiser Independence Requirements, provides that the Seller must not order, obtain, use or pay for a subsequent appraisal in connection with a Mortgage financing transaction unless:

- There are indicators that the initial appraisal was inaccurate, not credible or in violation of legal and/or professional standards related to nondiscrimination, and such indicators are clearly and appropriately noted in the Mortgage file;

- Such subsequent appraisal is done pursuant to written, pre-established bona fide pre- or post-funding appraisal review or quality control processes or underwriting guidelines, and so long as the Seller adheres to a policy of selecting the most reliable appraisal, rather than the appraisal that states a particular value; or

- A subsequent appraisal is required by law

(d) Reconciling multiple opinions of market value

If the initial appraisal report was not rejected and a subsequent appraisal report, appraisal desk review report or appraisal field review report is obtained in compliance with the requirements of this chapter, the Seller's other Purchase Documents and the Appraiser Independence Requirements, the Seller must use the most credible opinion of market value.

The Seller must comply with the Appraiser Independence Requirements and must select the most credible appraisal report, rather than the appraisal report that states a particular value. The Seller's review and reconciliation process must result in the Seller relying on the most credible and adequately supported opinion of market value.

(e) Mortgage file documentation and delivery data

The Seller must retain in the Mortgage file copies of all documents used in the valuation analysis, as well as written documentation justifying the Seller's decision as to which appraisal report (or appraisal desk review report or appraisal field review report) was used to underwrite the Mortgage.

The value used to underwrite the Mortgage is the basis for the Seller's value warranty and is the value that must be provided to Freddie Mac as part of the delivery data. As identified in Section 5606.2, if the appraisal report used to underwrite the Mortgage is able to be submitted to the Uniform Collateral Data Portal® (UCDP®), the appraisal report must be submitted to the UCDP and receive a "Successful" status prior to delivery of the Mortgage.

Chapter 5605: Appraisal Requirements

5605.1: Appraisal report requirements, property description and analysis (01/30/24)

Freddie Mac requires that the Seller obtain an appraisal report that accurately reflects the market value, condition and marketability of the property.

Freddie Mac's requirements relating to the appraisal report (including the certifications) convey our expectations for the property valuation and appraisal reporting processes, the appraiser's accountability for the quality of the appraisal report, and the appraiser's compliance with both the Uniform Standards of Professional Appraisal Practice (USPAP) and Freddie Mac's requirements. Freddie Mac's requirements are supplemental to those of USPAP. See Section 5604.1 for more information on appraisal report forms and Section 5605.8 for appraisal completion certification requirements.

The appraiser's description of the subject property must be complete and accurate, and the opinion of the market value of the subject property must be credible and adequately supported. In addition, the appraiser must have knowledge and experience appraising in the market area in which the property is located. This is particularly important when the property is located in a rural area because there are often a variety of different property types and land uses, which may result in a more challenging appraisal assignment.

The appraisal report forms require the appraiser to certify that the appraiser did not base, either partially or completely, their analysis and/or opinion of market value in the appraisal report on the race, color, religion, sex, age, marital status, handicap, familial status, or national origin of either the prospective owners or occupants of the subject property or of the present owners or occupants of the properties in the vicinity of the subject property or on any other basis prohibited by law.

These sections are intended to provide the Seller with information for reviewing the appraisal report and underwriting the property and are organized in the general order that the information is addressed on appraisal reports.

5605.1: Appraisal report requirements, property description and analysis (Future effective date 02/04/25)

Freddie Mac requires that the Seller obtain an appraisal report that accurately reflects the market value, condition and marketability of the property.

Freddie Mac's requirements relating to the appraisal report (including the certifications) convey our expectations for the property valuation and appraisal reporting processes, the appraiser's accountability for the quality of the appraisal report, and the appraiser's compliance with both the Uniform Standards of Professional Appraisal Practice (USPAP) and Freddie Mac's requirements. Freddie Mac's requirements are supplemental to those of USPAP. See Section 5604.1 for more information on appraisal report forms and Section 5605.8 for appraisal completion certification requirements.

The appraiser's description of the subject property must be complete and accurate, and the opinion of the market value of the subject property must be credible and adequately supported. In addition, the appraiser must have knowledge and experience appraising in the Market Area in which the subject property is located. This is particularly important when the property is located in a rural area because there are often a variety of different property types and land uses, which may result in a more challenging appraisal assignment.

The appraisal report forms require the appraiser to certify that the appraiser did not base, either partially or completely, their analysis and/or opinion of market value in the appraisal report on the race, color, religion, sex, age, marital status, handicap, familial status, or national origin of either the prospective owners or occupants of the subject property or of the present owners or occupants of the properties in the vicinity of the subject property or on any other basis prohibited by law.

These sections are intended to provide the Seller with information for reviewing the appraisal report and underwriting the property and are organized in the general order that the information is addressed on appraisal reports.

5605.2: Definition of market value (03/31/22)

An appraisal must be based on the following definition of market value:

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, knowledgeably and assuming the price is not affected by undue stimulus.

Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated

2. Both parties are well informed or well advised, and each acting in what he or she considers his or her own best interest

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, and

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

*Adjustments to the comparables must be made for special or creative financing or sales concessions. No adjustments are necessary for those costs which are normally paid by sellers as a result of tradition or law in a market area; these costs are readily identifiable since the seller pays these costs in virtually all sales transactions. Special or creative financing adjustments can be made to the comparable property by comparisons to financing terms offered by a third-party institutional lender that is not already involved in the property or transaction. Any adjustment should not be calculated on a mechanical dollar-for-dollar cost of the financing or concession, but the dollar amount of any adjustment should approximate the market's reaction to the financing or concessions based on the appraiser's judgment.

The market value estimate of the subject property must not include value assigned to furniture or any other personal property.

5605.2: Definition of market value (Future effective date 02/04/25)

An appraisal must be based on the following definition of market value:

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, knowledgeably and assuming the price is not affected by undue stimulus.

Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated

2. Both parties are well informed or well advised, and each acting in what he or she considers his or her own best interest

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, and

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

*Adjustments to the comparables must be made for special or creative financing or sales concessions. No adjustments are necessary for those costs which are normally paid by sellers as a result of tradition or law in a Market Area; these costs are readily identifiable since the seller pays these costs in virtually all sales transactions. Special or creative financing adjustments can be made to the comparable property by comparisons to financing terms offered by a third-party institutional lender that is not already involved in the property or transaction. Any adjustment should not be calculated on a mechanical dollar-for-dollar cost of the financing or concession, but the dollar amount of any adjustment should approximate the market's reaction to the financing or concessions based on the appraiser's judgment.

The market value estimate of the subject property must not include value assigned to furniture or any other personal property.

5605.3: Subject property, contract and neighborhood description (03/31/22)

(a) Identification of subject property address, legal description, occupancy status, property rights, listing information and lender/client

(i) Subject property address and owner of record

The "Subject" section of the appraisal report must identify the subject property by providing a complete property address and legal description, and by identifying the owner of public record for the property. For appraisal reports that are required to be completed using the Uniform Appraisal Dataset (UAD), the format of the property address must conform to the United States Postal Service (USPS) Address Standards in Publication 28. (Refer to Section 5606.1.)

(ii) Legal description

For each Mortgage purchased by Freddie Mac, the appraisal report must identify the subject property by providing the legal description. If a legal description is lengthy, the appraiser may attach it as an addendum to the report and for each Mortgage purchased by Freddie Mac, the legal description as stated in the Security Instrument and title insurance policy or other evidence of title must be in one of the following forms:

(A) Metes and bounds

A metes and bounds description should comply with the following standards:

- The beginning point should be established by a monument located at the beginning point or by reference to a nearby monument

- The sides of the Mortgaged Premises must be described by the distances and bearings of each. In place of bearings, the interior angle method is acceptable if the beginning point is on a dedicated public street line or a fixed line on other property, or if the course of the first side can be otherwise properly fixed.

- The distances, bearings and angles should be taken from a recent instrument survey or recently recertified instrument survey by a licensed civil engineer or registered surveyor

- Curved courses should be described by data including the length of arc, the radius of circle for the arc and the chord distance and bearing. When a survey course is part of a dedicated public street or road line, the course may be described by indicating the distance and direction the course takes along the street line from the end of the previous course, if commonly accepted by private institutional Mortgage investors in the area where the Mortgaged Premises is located.

- The legal description should be a single perimeter description of the entire plot. Division into parcels must be avoided unless serving a special purpose of the Mortgage. Division is necessary, however, if the plot is located on two sides of a public way. It is also customary in many areas to describe an easement appurtenant to a fee parcel by using a separate parcel description.

(B) Lot and block

A description composed of lots and/or blocks including a reference to a recorded map or plat that shows the lots or blocks is usually adequate.

When all of the lots or blocks in the description do not appear on the same recorded map or plat; however, a reference to the location of the apparently identical sides of lots or blocks in different recorded maps or plats, fixed in both maps or plats by the same monuments (a rare situation) is usually adequate.

(C) Additional acceptable forms

Although encountered in only a few cases, a description of a parcel bounded on all sides by dedicated streets or alleys can acceptably refer only to the bounding lines of the streets or alleys.

A description of registered property is acceptable if in the form required by the local Torrens Act.

(D) Consistency of legal description

The Mortgage, title insurance policy (or substitute evidence of title), survey, lease, mortgage insurance policy, property insurance policies and all other documents pertaining to the Mortgage or the Mortgaged Premises must each have a legal description consistent with that in the other documents.

(iii) Occupancy status, property rights and listing information

The occupancy status of the property must be identified as either owner, tenant or vacant as of the effective date of the appraisal. The property rights appraised must be reported as either fee simple or leasehold, and the report also must indicate whether the property is currently offered for sale or was offered for sale within the 12 months prior to the effective date of the appraisal. The appraisal report must also state the data source(s) used, offering price(s), date(s) and the days on market for the subject property.

(iv) Lender/client identification

The appraisal report must include the name of the lender on the lender/client line. Any applicable appraisal management company should be reported in the appraiser's certification section of the appraisal report form.

(b) Contract analysis

Freddie Mac requires the contract for sale to include the sale or contract price, date of contract and loan charges to be paid by the property seller, and the financing and sales concessions to be paid by the property seller or any other interested party to the transaction.

The Seller is responsible for the appraiser being provided the complete contract for sale for the subject property with the appraisal request regardless of whether the appraisal is ordered by the Seller or another lender.

The "Contract" section of the appraisal report must include the results of the appraiser's analysis of the contract for sale, the contract price, the date of contract and to acknowledge if the property seller is the owner of public record, and the data source(s) used. The appraiser must have the necessary and appropriate data sources for the area in which the subject property is located. The appraisal report must also include the total dollar amount and description of any financial assistance (loan charges, sales concessions, gift or Down Payment assistance, etc.) to be paid by any party on behalf of the Borrower.

For appraisal reports that are required to be completed using the UAD, the "Contract" section of the appraisal report must also indicate the type of sale for the transaction. Valid UAD sale

types include REO sale, short sale, court ordered sale, estate sale, relocation sale, non-arms length sale and arms length sale. (Refer to Section 5606.1.)

(c) Neighborhood description and analysis

The "Neighborhood" section of the appraisal report requires the appraiser to: identify the neighborhood boundaries; describe the neighborhood characteristics as either "Urban," "Suburban" or "Rural"; describe the percent built-up as either "Over 75%," "25-75%" or "Under 25%"; describe the growth rate as either "Rapid," "Stable" or "Slow"; and to report on market conditions, one-unit housing trends, price and age ranges and present land uses for the properties in the neighborhood.

Mortgages secured by residential properties in urban, suburban and rural market areas are eligible for delivery to Freddie Mac as long as the Mortgaged Premises is adequate collateral for the transaction based on the value, condition and marketability of the property. Market conditions and neighborhood or market area characteristics vary based on property location.

Freddie Mac will purchase eligible Mortgages in all markets whether market values are increasing, stable, or declining. The appraiser must perform an analysis of listings and contract sales in addition to closed sales to determine the trend of neighborhood property values and marketing times. Appraisers must pay particular attention to the use of sales or financing concessions in a neighborhood or market area as they may be an indication of over-supply, extended marketing times, and declining market values. The appraiser must include an explanation of their conclusions in the appraisal report.

Neighborhood or market area characteristics that are typical in certain locations may not exist in other locations; therefore, they must be viewed in the context of the location of the property.

For example:

Urban locations often consist of a variety of different property types that have different uses. It is not unusual to find properties with mixed-uses such as residential properties that also have a commercial use in urban neighborhoods. Additionally, rural locations may have agricultural zoning and/or consist of a variety of different property types and land uses, such as large sites with an outbuilding(s), farms, ranches and undeveloped land, etc.

A mixed-use property or the existence of non-residential property types or land uses such as agricultural properties, undeveloped land and land development properties within the neighborhood or market area are characteristics that the appraiser considers when performing the neighborhood or market area analysis. These non-residential properties or land uses in the neighborhood or market area do not make the residential properties in those locations ineligible. For example, a property located in a rural area where agricultural activities are prevalent may be eligible if it is determined the subject property is residential based on the subject property's characteristics and land use.

5605.3: Subject property, contract and Neighborhood description (Future effective date 02/04/25)

(a) Identification of subject property address, legal description, occupancy status, property rights, listing information and lender/client

(i) Subject property address and owner of record

The "Subject" section of the appraisal report must identify the subject property by providing a complete property address and legal description, and by identifying the owner of public record for the property. For appraisal reports that are required to be completed using the Uniform Appraisal Dataset (UAD), the format of the property address must conform to the United States Postal Service (USPS) Address Standards in Publication 28. (Refer to Section 5606.1.)

(ii) Legal description

For each Mortgage purchased by Freddie Mac, the appraisal report must identify the subject property by providing the legal description. If a legal description is lengthy, the appraiser may attach it as an addendum to the report and for each Mortgage purchased by Freddie Mac, the legal description as stated in the Security Instrument and title insurance policy or other evidence of title must be in one of the following forms:

(A) Metes and bounds

A metes and bounds description should comply with the following standards:

- The beginning point should be established by a monument located at the beginning point or by reference to a nearby monument
- The sides of the Mortgaged Premises must be described by the distances and bearings of each. In place of bearings, the interior angle method is acceptable if the beginning point is on a dedicated public street line or a fixed line on other property, or if the course of the first side can be otherwise properly fixed.
- The distances, bearings and angles should be taken from a recent instrument survey or recently recertified instrument survey by a licensed civil engineer or registered surveyor
- Curved courses should be described by data including the length of arc, the radius of circle for the arc and the chord distance and bearing. When a survey course is part of a dedicated public street or road line, the course may be described by indicating the distance and direction the course takes along the street line from the end of the previous course, if commonly accepted by private institutional Mortgage investors in the area where the Mortgaged Premises is located.

- The legal description should be a single perimeter description of the entire plot. Division into parcels must be avoided unless serving a special purpose of the Mortgage. Division is necessary, however, if the plot is located on two sides of a public way. It is also customary in many areas to describe an easement appurtenant to a fee parcel by using a separate parcel description.

(B) Lot and block

A description composed of lots and/or blocks including a reference to a recorded map or plat that shows the lots or blocks is usually adequate.

When all of the lots or blocks in the description do not appear on the same recorded map or plat; however, a reference to the location of the apparently identical sides of lots or blocks in different recorded maps or plats, fixed in both maps or plats by the same monuments (a rare situation) is usually adequate.

(C) Additional acceptable forms

Although encountered in only a few cases, a description of a parcel bounded on all sides by dedicated streets or alleys can acceptably refer only to the bounding lines of the streets or alleys.

A description of registered property is acceptable if in the form required by the local Torrens Act.

(D) Consistency of legal description

The Mortgage, title insurance policy (or substitute evidence of title), survey, lease, mortgage insurance policy, property insurance policies and all other documents pertaining to the Mortgage or the Mortgaged Premises must each have a legal description consistent with that in the other documents.

(iii) Occupancy status, property rights and listing information

The occupancy status of the property must be identified as either owner, tenant or vacant as of the effective date of the appraisal. The property rights appraised must be reported as either fee simple or leasehold, and the report also must indicate whether the property is currently offered for sale or was offered for sale within the 12 months prior to the effective date of the appraisal. The appraisal report must also state the data source(s) used, offering price(s), date(s) and the days on market for the subject property.

(iv) Lender/client identification

The appraisal report must include the name of the lender on the lender/client line. Any applicable appraisal management company should be reported in the appraiser's certification section of the appraisal report form.

(b) Contract analysis

Freddie Mac requires the contract for sale to include the sale or contract price, date of contract and loan charges to be paid by the property seller, and the financing and sales concessions to be paid by the property seller or any other interested party to the transaction.

The Seller is responsible for the appraiser being provided the complete contract for sale for the subject property with the appraisal request regardless of whether the appraisal is ordered by the Seller or another lender.

The "Contract" section of the appraisal report must include the results of the appraiser's analysis of the contract for sale, the contract price, the date of contract and to acknowledge if the property seller is the owner of public record, and the data source(s) used. The appraiser must have the necessary and appropriate data sources for the area in which the subject property is located. The appraisal report must also include the total dollar amount and description of any financial assistance (loan charges, sales concessions, gift or Down Payment assistance, etc.) to be paid by any party on behalf of the Borrower.

For appraisal reports that are required to be completed using the UAD, the "Contract" section of the appraisal report must also indicate the type of sale for the transaction. Valid UAD sale types include REO sale, short sale, court ordered sale, estate sale, relocation sale, non-arms length sale and arms length sale. (Refer to Section 5606.1.)

(c) Neighborhood description and analysis

The "Neighborhood" section of the appraisal report requires the appraiser to: identify the Neighborhood boundaries; describe the Neighborhood characteristics as either "Urban," "Suburban" or "Rural"; describe the percent built-up as either "Over 75%," "25-75%" or "Under 25%"; describe the growth rate as either "Rapid," "Stable" or "Slow"; and to report on market conditions, one-unit housing trends, price and age ranges and present land uses for the properties in the Neighborhood.

Mortgages secured by residential properties in urban, suburban and rural Market Areas are eligible for delivery to Freddie Mac as long as the Mortgaged Premises is adequate collateral for the transaction based on the value, condition and marketability of the property. Market conditions and Neighborhood or Market Area characteristics vary based on property location.

Freddie Mac will purchase eligible Mortgages in all markets whether market values are increasing, stable, or declining. The appraiser must perform an analysis of listings and contract sales in addition to closed sales to determine the trend of Neighborhood property

values and marketing times. Appraisers must pay particular attention to the use of sales or financing concessions in a Neighborhood or Market Area as they may be an indication of over-supply, extended marketing times, and declining market values. The appraiser must include an explanation of their conclusions in the appraisal report.

Neighborhood or Market Area characteristics that are typical in certain locations may not exist in other locations; therefore, they must be viewed in the context of the location of the property.

For example:

Urban locations often consist of a variety of different property types that have different uses. It is not unusual to find properties with mixed-uses such as residential properties that also have a commercial use in urban Neighborhoods. Additionally, rural locations may have agricultural zoning and/or consist of a variety of different property types and land uses, such as large sites with an outbuilding(s), farms, ranches and undeveloped land, etc.

A mixed-use property or the existence of non-residential property types or land uses such as agricultural properties, undeveloped land and land development properties within the Neighborhood or Market Area are characteristics that the appraiser considers when performing the Neighborhood or Market Area analysis. These non-residential properties or land uses in the Neighborhood or Market Area do not make the residential properties in those locations ineligible. For example, a property located in a rural area where agricultural activities are prevalent may be eligible if it is determined the subject property is residential based on the subject property's characteristics and land use.

5605.4: Site and location analysis (06/01/22)

(a) Property characteristics

The "Site" section of the appraisal report must accurately describe the physical characteristics of the site, site improvements, site view and available utilities, and must fully analyze any locational factors affecting the site.

(i) Zoning

The appraisal report must accurately state:

- The zoning classification
- A description of the zoning classification
- Whether the land use of the subject property represents a legal, legal non-conforming (commonly referred to as grandfathered use), illegal use, or if there is no zoning

(A) Eligible zoning classification

Freddie Mac does not limit Mortgage purchases to Mortgages secured by properties with specific zoning classifications. However, the subject property's zoning classification is an important characteristic to consider when determining whether the Mortgage is eligible for sale to Freddie Mac. For example, if a property is zoned for agricultural use, the Seller must ensure that the property is residential in nature, its residential use is a permissible use under the zoning classification and its use does not primarily involve commercial activities such as farming or ranching.

(B) Eligible zoning compliance

The Mortgaged Premises must conform to the jurisdiction's zoning and land use requirements. The zoning compliance must be either legal or legal non-conforming; however, if a 1-unit property has an ADU that does not comply with the jurisdiction's zoning and land use requirements (illegal zoning compliance), the Mortgaged Premises may be eligible if the requirements of Section 5601.2 are met. Additionally, the zoning compliance for a 2- or 3-unit property with an ADU must be either legal or legal non-conforming. Mortgaged Premises that are located in jurisdictions with no zoning are acceptable.

For Mortgaged Premises with a land use that is legal non-conforming, the appraisal report must reflect any adverse effect the non-conforming use has on the opinion of market value.

A Mortgage is ineligible for sale to Freddie Mac if the Mortgage is secured by property that is subject to coastal tideland, wetland or setback laws or regulations that prevent the rebuilding or maintenance of the property improvements if they are damaged or destroyed.

(ii) Highest and best use

For the Mortgage to be eligible for sale to Freddie Mac, the appraiser must report that the Mortgaged Premises' present use represents the highest and best use of the property as improved (or as proposed per plans and specifications).

(iii) Utilities

The utilities serving the subject property must meet community standards. In addition, the comparable sales should have utilities similar to the subject property. When differences in utilities exist between the subject property and the comparable sales, any adjustments or lack of adjustments made to the comparable sales for significant differences must be explained in the comments area or on an attached addendum. In

addition, the appraisal must evaluate the effect these differences have on the subject property's value or marketability.

(iv) Streets

The subject property must have legal ingress and egress by streets constructed and maintained in a manner that meets community standards. Refer to Section 4702.4(e) for requirements related to access provided by a private road, joint-driveway or easement.

The appraiser should use comparable sales with street access, ownership, maintenance and materials similar to the subject property. When differences in street access, ownership, maintenance or materials exist between the subject property and a comparable sale, the appraiser must justify and support adjustments, or lack of adjustments, made to the comparable sale. The appraiser should evaluate and explain the effect these differences have on the subject property's value or marketability.

(v) Site size

Freddie Mac does not limit Mortgage purchases based on the size of the site. The appraiser must appraise the entire site. In addition, the comparable sales should have similar site sizes. When differences in site size exist between the subject property and the comparable sales, any adjustments or lack of adjustments made to the comparable sales for significant differences must be explained in the comments area or on an attached addendum, and the appraiser must explain the effect these differences have on the subject property's value or marketability. See Section 5601.6.

(vi) Flood hazard area

The appraiser is not required to complete this section if the flood zone is determined by another party, such as a non-appraiser on the staff of the Seller, a surveyor or a specialized flood zone determination company.

If the property is in a "Special Flood Hazard Area" (SFHA) as identified by the Federal Emergency Management Agency (FEMA) through the National Flood Insurance Program (NFIP), the appraiser must comment on and consider any impacts this has on the subject property's market value or marketability.

See Section 4703.3 for flood zone determination and flood insurance requirements.

(b) Environmental issues and detrimental conditions

(i) Impact of Contaminated Sites, Hazardous Substances and other adverse conditions

The appraiser must consider any known environmental issues such as Contaminated Sites or Hazardous Substances and other adverse conditions that affect the property or the neighborhood in which the property is located. The appraiser must also report the presence

of Contaminated Sites or Hazardous Substances and other adverse conditions, and make appropriate adjustments to reflect any impact on market value, and comment on any effect on the marketability of the subject property.

Examples of matters about which the appraiser must note and comment include but are not limited to:

- Any presence of asbestos, urea-formaldehyde or any similar insulation in the dwelling
- Proximity of the property and/or its neighborhood to a Contaminated Site
- Proximity of the property to ground water contamination, chemical or petroleum spills or other Hazardous Substances that are expected to impact the area for more than one year
- Proximity of the property to areas that may affect the value or marketability of the property including, but not limited to, the following:

    1. Industrial sites
    2. Waste or water treatment facilities
    3. Commercial establishments (other than retail establishments that serve the residential neighborhood)
    4. Airport approach paths
    5. Floodplains
    6. Landslide areas

(ii) Detrimental conditions

The appraiser must note the presence of detrimental conditions, such as expansive soils, underground mines or subsidence in the immediate area of the subject property. In addition, the appraiser must note any evidence of dampness, infestation or abnormal settlement observed in the subject property and call for correction of the observed condition or professional inspections to determine the seriousness of the condition. The appraiser must also consider the effect of such conditions in estimating the subject property's market value and/or any effect on marketability.

For any appraisal that is made subject to inspections or conditions due to detrimental conditions, the Seller must include in the Mortgage file evidence of corrective action as called for by the inspector or appraiser. The evidence of the corrective action must meet Freddie Mac requirements. (See Section 5605.8 for requirements for final inspection and the completion report.)

5605.4: Site and location analysis (Future effective date 02/04/25)

(a) Property characteristics

The "Site" section of the appraisal report must accurately describe the physical characteristics of the site, site improvements, site view and available utilities, and must fully analyze any locational factors affecting the site.

(i) Zoning

The appraisal report must accurately state:

- The zoning classification
- A description of the zoning classification
- Whether the land use of the subject property represents a legal, legal non-conforming (commonly referred to as grandfathered use), illegal use, or if there is no zoning

(A) Eligible zoning classification

Freddie Mac does not limit Mortgage purchases to Mortgages secured by properties with specific zoning classifications. However, the subject property's zoning classification is an important characteristic to consider when determining whether the Mortgage is eligible for sale to Freddie Mac. For example, if a property is zoned for agricultural use, the Seller must ensure that the property is residential in nature, its residential use is a permissible use under the zoning classification and its use does not primarily involve commercial activities such as farming or ranching.

(B) Eligible zoning compliance

The Mortgaged Premises must conform to the jurisdiction's zoning and land use requirements. The zoning compliance must be either legal or legal non-conforming; however, if a 1-unit property has an ADU that does not comply with the jurisdiction's zoning and land use requirements (illegal zoning compliance), the Mortgaged Premises may be eligible if the requirements of Section 5601.2 are met. Additionally, the zoning compliance for a 2- or 3-unit property with an ADU must be either legal or legal non-conforming. Mortgaged Premises that are located in jurisdictions with no zoning are acceptable.

For Mortgaged Premises with a land use that is legal non-conforming, the appraisal report must reflect any adverse effect the non-conforming use has on the opinion of market value.

A Mortgage is ineligible for sale to Freddie Mac if the Mortgage is secured by property that is subject to coastal tideland, wetland or setback laws or regulations that prevent the rebuilding or maintenance of the property improvements if they are damaged or destroyed.

(ii) Highest and best use

For the Mortgage to be eligible for sale to Freddie Mac, the appraiser must report that the Mortgaged Premises' present use represents the highest and best use of the property as improved (or as proposed per plans and specifications).

(iii) Utilities

The utilities serving the subject property must meet community standards. In addition, the comparable sales should have utilities similar to the subject property. When differences in utilities exist between the subject property and the comparable sales, any adjustments or lack of adjustments made to the comparable sales for significant differences must be explained in the comments area or on an attached addendum. In addition, the appraisal must evaluate the effect these differences have on the subject property's value or marketability.

(iv) Streets

The subject property must have legal ingress and egress by streets constructed and maintained in a manner that meets community standards. Refer to Section 4702.4(e) for requirements related to access provided by a private road, joint-driveway or easement.

The appraiser should use comparable sales with street access, ownership, maintenance and materials similar to the subject property. When differences in street access, ownership, maintenance or materials exist between the subject property and a comparable sale, the appraiser must justify and support adjustments, or lack of adjustments, made to the comparable sale. The appraiser should evaluate and explain the effect these differences have on the subject property's value or marketability.

(v) Site size

Freddie Mac does not limit Mortgage purchases based on the size of the site. The appraiser must appraise the entire site. In addition, the comparable sales should have similar site sizes. When differences in site size exist between the subject property and the comparable sales, any adjustments or lack of adjustments made to the comparable sales for significant differences must be explained in the comments area or on an attached addendum, and the appraiser must explain the effect these differences have on the subject property's value or marketability. See Section 5601.6.

(vi) Flood hazard area

The appraiser is not required to complete this section if the flood zone is determined by another party, such as a non-appraiser on the staff of the Seller, a surveyor or a specialized flood zone determination company.

If the property is in a "Special Flood Hazard Area" (SFHA) as identified by the Federal Emergency Management Agency (FEMA) through the National Flood Insurance Program (NFIP), the appraiser must comment on and consider any impacts this has on the subject property's market value or marketability.

See Section 4703.3 for flood zone determination and flood insurance requirements.

(b) Environmental issues and detrimental conditions

(i) Impact of Contaminated Sites, Hazardous Substances and other adverse conditions

The appraiser must consider any known environmental issues such as Contaminated Sites or Hazardous Substances and other adverse conditions that affect the property or the Neighborhood in which the property is located. The appraiser must also report the presence of Contaminated Sites or Hazardous Substances and other adverse conditions, and make appropriate adjustments to reflect any impact on market value, and comment on any effect on the marketability of the subject property.

Examples of matters about which the appraiser must note and comment include but are not limited to:

- Any presence of asbestos, urea-formaldehyde or any similar insulation in the dwelling
- Proximity of the subject property to a Contaminated Site
- Proximity of the subject property to ground water contamination, chemical or petroleum spills or other Hazardous Substances that are expected to impact the area for more than one year
- Proximity of the subject property to areas that may affect the value or marketability of the property including, but not limited to, the following:
    1. Industrial sites
    2. Waste or water treatment facilities
    3. Commercial establishments (other than retail establishments that serve the Neighborhood)
    4. Airport approach paths

5. Floodplains

6. Landslide areas

(ii) Detrimental conditions

The appraiser must note the presence of detrimental conditions, such as expansive soils, underground mines or subsidence in the immediate area of the subject property. In addition, the appraiser must note any evidence of dampness, infestation or abnormal settlement observed in the subject property and call for correction of the observed condition or professional inspections to determine the seriousness of the condition. The appraiser must also consider the effect of such conditions in estimating the subject property's market value and/or any effect on marketability.

For any appraisal that is made subject to inspections or conditions due to detrimental conditions, the Seller must include in the Mortgage file evidence of corrective action as called for by the inspector or appraiser. The evidence of the corrective action must meet Freddie Mac requirements. (See Section 5605.8 for requirements for final inspection and the completion report.)

5605.5: Improvements analysis (04/06/22)

(a) Property condition and quality of construction

The appraisal report must contain an accurate description of the improvements and describe any factors that may affect the market value or marketability of the subject property. The appraiser is responsible for reporting the condition and quality that best describes the overall condition and quality of the subject property. For appraisal reports that are required to be completed using the Uniform Appraisal Dataset (UAD), the appraiser must utilize the condition and quality ratings and the level of updating definitions identified in Exhibit 36. For appraisal reports not required to be completed using the UAD, the UAD specifications may be utilized to the extent that they are applicable to the particular appraisal report form.

The condition and quality ratings must be based on a holistic view of the property and any improvements. When selecting the condition and quality ratings, an appraiser must:

- Consider all improvements to determine an overall condition and quality rating. The appraiser should then select the rating that best reflects the holistic view of the property. However, if any portion of the improvements has a quality of construction consistent with the Q6 quality rating, the property must be identified with a Q6 quality rating. If any portion of the improvements is impacted by one or more deficiencies that are consistent with a C5 or C6 condition rating, the property must be identified with a C5 or C6 condition rating.

- Describe the subject property as of the effective date of the appraisal on an absolute basis, meaning the property must be rated on its own merits. The rating should not be selected on a relative basis, meaning it is not selected on how the property relates or compares to other properties in the neighborhood. The condition and quality ratings for comparable properties must also be made on an absolute basis and reflect the property as of the date of sale of the comparable property.

- As necessary, provide additional commentary, descriptions and explanations to enable the intended users of the appraisal to understand the property condition and quality

(i) Properties with a Q6 quality rating

Unless otherwise noted below, a Mortgaged Premises with an overall quality rating of Q6 is not acceptable collateral to secure a Mortgage sold to Freddie Mac unless all issues that caused the property to be rated with a Q6 quality rating are cured prior to delivery of the Mortgage. In such cases, when an appraisal is delivered with the Mortgage, the appraisal must be completed "subject to" and the reported quality rating must reflect the hypothetical condition that the repairs or alterations have been completed. See Section 5605.8 for additional information related to appraisals completed "subject to" completion, repairs or alterations, or an inspection. See Section 5605.8 for additional information related to PDRs with required repairs and/or inspections.

Examples of conditions that indicate the property has a Q6 quality rating include, but are not limited to:

- Quality such that the property is not habitable as a year-round residence

- Minimal or non-existent electrical, plumbing, and/or other mechanical systems

- Substandard additions to the original structure, or

- Any other quality related items needed to make the Mortgaged Premises acceptable to typical purchasers in the market area in which the property is located

For CHOICERenovation® Mortgages delivered pursuant to Section 4607.1(b), all issues that caused the property to be rated with a Q6 quality rating may be cured after delivery to Freddie Mac, provided these issues are cured as part of the completed renovations and such renovations are considered eligible renovations as described in Section 4607.6.

(ii) Properties with a C5 or C6 condition rating

Unless otherwise noted as below, a Mortgaged Premises with an overall condition rating of C5 or C6 is not acceptable collateral to secure a Mortgage sold to Freddie Mac unless all issues that caused the property to be rated with a C5 or C6 condition rating are cured prior to delivery of the Mortgage. In such cases, when an appraisal is delivered with the Mortgage, the appraisal must be completed "subject to" and the

reported condition rating must reflect the hypothetical condition that the repairs or alterations have been completed. See Section 5605.8 for additional information related to appraisals completed "subject to" completion, repairs or alterations, or an inspection. See Section 5605.8 for additional information related to PDRs with required repairs and/or inspections.

Examples of deficiencies that indicate the property is in C5 or C6 condition include, but are not limited to:

- Active roof leaks
- Water seepage or significant plumbing leaks
- Uncapped wiring
- Curled, cupped, or missing roof shingles
- Damaged or failing foundations
- A mechanical system where it is apparent it has exceeded its expected life or mechanical systems that are non-functional, or
- A sanitary system with evidence of failure

For CHOICERenovation Mortgages delivered pursuant to Section 4607.1(b), all issues that caused the property to be rated with a C5 or C6 condition rating may be cured after delivery to Freddie Mac, provided these issues are cured as part of the completed renovations and such renovations are considered eligible renovations as described in Section 4607.6.

(iii) Appraisals completed "subject to" an inspection

If an appraiser observes conditions that require further investigation, the appraiser must make the appraisal "subject to" an inspection by an appropriately licensed professional or another person trained in the particular field of concern. Examples of conditions that may require an inspection include, but are not limited to, observations of severe cracks in foundations or walls, active infestation, significant water damage and/or wet basements or crawl spaces, or a potentially contaminated water source. See Section 5605.8 for additional information related to appraisals completed "subject to" completion, repairs or alterations, or an inspection.

(iv) Existing properties with minor needed repairs or deficiencies or deferred maintenance

Freddie Mac allows an appraisal to be completed "as is" for an existing property when there are minor needed repairs or deficiencies, or deferred maintenance. The appraiser

must make appropriate adjustments for these conditions in the appraisal report, when necessary.

Examples of acceptable minor needed repairs or deficiencies, or deferred maintenance items include, but are not limited to:

- Worn floor finishes or coverings
- Minor cracks in windows
- Minor damage to interior walls
- Damaged or missing interior doors
- Damaged or missing window screens or cabinetry doors
- Missing handrails
- Damaged or deteriorating countertops
- Missing hardware such as handles
- Missing light fixtures, electrical switches or faceplates
- Damaged or missing trim
- Minor plumbing leaks that do not cause damage (such as dripping faucets), or
- Deteriorated sidewalks

(b) Required permits

If the appraiser notes that additions or alterations were made without required permits, the appraisal report should also contain comments on the quality and appearance of the work.

(c) Unusual floor plans

An unusual floor plan, such as a home with tandem bedrooms or a bathroom off the kitchen, does not make a property ineligible for financing. The appraiser should address whether an unusual floor plan or similar obsolescence is also found in other properties in the neighborhood, and to the extent possible, comparables used should also have similar obsolescence in order to demonstrate marketability and support value.

(d) Rehabilitated or renovated property

For properties that have recently undergone rehabilitation or renovation, the appraiser must list the changes made and provide photographs of the rehabilitation or renovation. The photographs must meet the requirements of Section 5604.2(a).

(e) Non-conformity to the neighborhood and non-traditional or unique property types

When the subject property does not conform to its neighborhood in terms of type, design, age, materials or techniques used in its construction, the appraisal must evaluate the effect the nonconformance has on the property's value and marketability.

Mortgages secured by non-traditional types of properties are eligible for delivery to Freddie Mac. Examples of non-traditional or unique property types include, but are not limited to, "barndominiums" (barn conversions or barn-style buildings), "shouses" (living-space and work/storage combinations), berm homes, log homes and geodesic dome dwellings. The appraiser must demonstrate that the dwelling type or style is marketable and must ensure the property has an acceptable quality and condition rating. Additional analysis may be required to determine whether the design or style represents a mixed-use configuration. (See Section 5601.5 for mixed-use requirements.)

The appraiser may use traditional homes as comparable sales for non-traditional or unique properties as long as the appraiser determines and adjusts for any differences between the subject property and the comparable sales and can justify and support the use of the comparable sales in the appraisal report.

(f) Outbuildings on a property

Outbuildings on a property, such as barns or stables, must be considered in the underwriting process to determine whether the property is primarily residential or non-residential. A property with a small barn or stable may be acceptable if the contributory value of the outbuilding(s) is minimal in relation to the total appraised value of the subject property. The appraiser must demonstrate in the appraisal (e.g., through the use of comparable sales, pending sales or listings) that these characteristics are typical for residential properties in the market area.

When a property has a large outbuilding, such as a large barn, or silo, or multiple outbuildings or facilities for farm-type animals, it may indicate that the property is agricultural or non-residential regardless of whether the appraiser assigns value to these improvements, and ineligible as security for a Freddie Mac Mortgage.

5605.5: Improvements analysis (Future effective date 02/04/25)

(a) Property condition and quality of construction

The appraisal report must contain an accurate description of the improvements and describe any factors that may affect the market value or marketability of the subject property. The appraiser is responsible for reporting the condition and quality that best describes the overall condition and quality of the subject property. For appraisal reports that are required to be completed using the Uniform Appraisal Dataset (UAD), the appraiser must utilize the condition and quality ratings and the level of updating definitions identified in Exhibit 36. For appraisal reports not required to be completed using the UAD, the UAD specifications may be utilized to the extent that they are applicable to the particular appraisal report form.

The condition and quality ratings must be based on a holistic view of the property and any improvements. When selecting the condition and quality ratings, an appraiser must:

- Consider all improvements to determine an overall condition and quality rating. The appraiser should then select the rating that best reflects the holistic view of the property. However, if any portion of the improvements has a quality of construction consistent with the Q6 quality rating, the property must be identified with a Q6 quality rating. If any portion of the improvements is impacted by one or more deficiencies that are consistent with a C5 or C6 condition rating, the property must be identified with a C5 or C6 condition rating.

- Describe the subject property as of the effective date of the appraisal on an absolute basis, meaning the property must be rated on its own merits. The rating should not be selected on a relative basis, meaning it is not selected on how the property relates or compares to other properties. The condition and quality ratings for comparable properties must also be made on an absolute basis and reflect the property as of the date of sale of the comparable property.

- As necessary, provide additional commentary, descriptions and explanations to enable the intended users of the appraisal to understand the property condition and quality

(i) Properties with a Q6 quality rating

Unless otherwise noted below, a Mortgaged Premises with an overall quality rating of Q6 is not acceptable collateral to secure a Mortgage sold to Freddie Mac unless all issues that caused the property to be rated with a Q6 quality rating are cured prior to delivery of the Mortgage. In such cases, when an appraisal is delivered with the Mortgage, the appraisal must be completed "subject to" and the reported quality rating must reflect the hypothetical condition that the repairs or alterations have been completed. See Section 5605.8 for additional information related to appraisals completed

"subject to" completion, repairs or alterations, or an inspection. See Section 5605.8 for additional information related to PDRs with required repairs and/or inspections.

Examples of conditions that indicate the property has a Q6 quality rating include, but are not limited to:

- Quality such that the property is not habitable as a year-round residence
- Minimal or non-existent electrical, plumbing, and/or other mechanical systems
- Substandard additions to the original structure, or
- Any other quality related items needed to make the Mortgaged Premises acceptable to typical purchasers in the Market Area in which the property is located

For CHOICERenovation® Mortgages delivered pursuant to Section 4607.1(b), all issues that caused the property to be rated with a Q6 quality rating may be cured after delivery to Freddie Mac, provided these issues are cured as part of the completed renovations and such renovations are considered eligible renovations as described in Section 4607.6.

(ii) Properties with a C5 or C6 condition rating

Unless otherwise noted as below, a Mortgaged Premises with an overall condition rating of C5 or C6 is not acceptable collateral to secure a Mortgage sold to Freddie Mac unless all issues that caused the property to be rated with a C5 or C6 condition rating are cured prior to delivery of the Mortgage. In such cases, when an appraisal is delivered with the Mortgage, the appraisal must be completed "subject to" and the reported condition rating must reflect the hypothetical condition that the repairs or alterations have been completed. See Section 5605.8 for additional information related to appraisals completed "subject to" completion, repairs or alterations, or an inspection. See Section 5605.8 for additional information related to PDRs with required repairs and/or inspections.

Examples of deficiencies that indicate the property is in C5 or C6 condition include, but are not limited to:

- Active roof leaks
- Water seepage or significant plumbing leaks
- Uncapped wiring
- Curled, cupped, or missing roof shingles
- Damaged or failing foundations

- A mechanical system where it is apparent it has exceeded its expected life or mechanical systems that are non-functional, or

- A sanitary system with evidence of failure

For CHOICERenovation Mortgages delivered pursuant to Section 4607.1(b), all issues that caused the property to be rated with a C5 or C6 condition rating may be cured after delivery to Freddie Mac, provided these issues are cured as part of the completed renovations and such renovations are considered eligible renovations as described in Section 4607.6.

(iii) Appraisals completed "subject to" an inspection

If an appraiser observes conditions that require further investigation, the appraiser must make the appraisal "subject to" an inspection by an appropriately licensed professional or another person trained in the particular field of concern. Examples of conditions that may require an inspection include, but are not limited to, observations of severe cracks in foundations or walls, active infestation, significant water damage and/or wet basements or crawl spaces, or a potentially contaminated water source. See Section 5605.8 for additional information related to appraisals completed "subject to" completion, repairs or alterations, or an inspection.

(iv) Existing properties with minor needed repairs or deficiencies or deferred maintenance

Freddie Mac allows an appraisal to be completed "as is" for an existing property when there are minor needed repairs or deficiencies, or deferred maintenance. The appraiser must make appropriate adjustments for these conditions in the appraisal report, when necessary.

Examples of acceptable minor needed repairs or deficiencies, or deferred maintenance items include, but are not limited to:

- Worn floor finishes or coverings

- Minor cracks in windows

- Minor damage to interior walls

- Damaged or missing interior doors

- Damaged or missing window screens or cabinetry doors

- Missing handrails

- Damaged or deteriorating countertops

- Missing hardware such as handles
- Missing light fixtures, electrical switches or faceplates
- Damaged or missing trim
- Minor plumbing leaks that do not cause damage (such as dripping faucets), or
- Deteriorated sidewalks

(b) Required permits

If the appraiser notes that additions or alterations were made without required permits, the appraisal report should also contain comments on the quality and appearance of the work.

(c) Unusual floor plans

An unusual floor plan, such as a home with tandem bedrooms or a bathroom off the kitchen, does not make a property ineligible for financing. The appraiser should address whether an unusual floor plan or similar obsolescence is also found in other properties in the Market Area, and to the extent possible, comparables used should also have similar obsolescence in order to demonstrate marketability and support value.

(d) Rehabilitated or renovated property

For properties that have recently undergone rehabilitation or renovation, the appraiser must list the changes made and provide photographs of the rehabilitation or renovation. The photographs must meet the requirements of Section 5604.2(a).

(e) Non-conformity to the Neighborhood and non-traditional or unique property types

When the subject property does not conform to its Neighborhood in terms of type, design, age, materials or techniques used in its construction, the appraisal must evaluate the effect the nonconformance has on the property's value and marketability.

Mortgages secured by non-traditional types of properties are eligible for delivery to Freddie Mac. Examples of non-traditional or unique property types include, but are not limited to, "barndominiums" (barn conversions or barn-style buildings), "shouses" (living-space and work/storage combinations), berm homes, log homes and geodesic dome dwellings. The appraiser must demonstrate that the dwelling type or style is marketable and must ensure the property has an acceptable quality and condition rating. Additional analysis may be required to determine whether the design or style represents a mixed-use configuration. (See Section 5601.5 for mixed-use requirements.)

The appraiser may use traditional homes as comparable sales for non-traditional or unique properties as long as the appraiser determines and adjusts for any differences between the subject property and the comparable sales and can justify and support the use of the comparable sales in the appraisal report.

(f) Outbuildings on a property

Outbuildings on a property, such as barns or stables, must be considered in the underwriting process to determine whether the property is primarily residential or non-residential. A property with a small barn or stable may be acceptable if the contributory value of the outbuilding(s) is minimal in relation to the total appraised value of the subject property. The appraiser must demonstrate in the appraisal (e.g., through the use of comparable sales, pending sales or listings) that these characteristics are typical for residential properties in the Market Area.

When a property has a large outbuilding, such as a large barn, or silo, or multiple outbuildings or facilities for farm-type animals, it may indicate that the property is agricultural or non-residential regardless of whether the appraiser assigns value to these improvements, and ineligible as security for a Freddie Mac Mortgage.

5605.6: Sales comparison approach (12/06/23)

Freddie Mac requires the use of the sales comparison approach in the development of the appraisal report.

For special appraisal requirements for HeritageOne® Mortgages, see Section 4504.9.

(a) Adjustments

Each comparable sale must be analyzed for similarities and differences between it and the subject property. When the appraiser's analysis concludes an adjustment is necessary, the appraiser must make an adjustment for differences and indicate the dollar amount of the adjustment to reflect the value of the differences to the market. The appraiser may also need to consider whether the income approach, cost analysis, market surveys or other methods are appropriate for supporting adjustments. The appraiser must provide a sufficient explanation of the basis and rationale for all adjustments (or, if necessary, lack of adjustments) within the appraisal report or addenda.

Comparable sales must be adjusted to the subject property, except for sales and financing concessions that must be adjusted to the market at the time of the sale. Large adjustments typically occur in rural markets, and with unique properties, due to limited market activity. Freddie Mac does not have limitations on gross or net adjustment percentages. See subsection (c) below for market condition adjustment requirements.

(b) Sales and financing concessions

The appraiser must independently verify and analyze all pending and recent sales of comparable properties, report how the sales were verified and whether concessions were granted. At least three verified, closed (settled) sales of comparable properties must be analyzed and market-based adjustments made for significant differences between the comparable sales and the subject property.

Sales or financing concessions are offered by interested parties to the transaction (e.g., the builder, developer, property seller or real estate agent). Because the effect of concessions on sale prices can vary with the type and amount of the concessions, any adjustments to comparable sales must be based on the market reaction to them. The appraiser should provide comparable sales that sold without concessions to justify and support the adjustments made in determining the market reaction to the concessions. Adjustments may not be based solely on dollar-for-dollar deductions equal to the dollar value of the concessions. If comparable sales without concessions are not available, adjustments to comparable sales with concessions must reflect the differences between what the comparable sales actually sold for with the concessions and what they would have sold for without the concessions.

The appraiser's opinion of market value must reflect the value of the subject property without the concessions. The appraiser must also provide the dollar value of the concessions as a comment in the appraisal report.

For Seller treatment of concessions, see Section 5501.5.

(c) Market condition adjustments

The appraisal report must include market condition adjustments to reflect changes in market conditions over the period analyzed. This is required to determine a credible market value for the subject property. Market condition adjustments reflect market condition changes from the time a comparable sale went under contract to the effective date of the subject property appraisal. Tools or information that may be relied upon to support market condition adjustments include, but are not limited to, market data (e.g., analysis of comparable listings, pending sales or closed sales); home price indices; multiple listings services; public records; and commercial services, models and data. The appraisal report must include commentary describing the market analysis the appraiser performed.

(d) Location

For appraisal report forms that are required to be completed using the UAD, the appraisal report form must include a rating of the location of the subject property and each comparable sale by providing a rating of either "Neutral," "Beneficial" or "Adverse." The location rating is for the location of the subject property within the neighborhood or market area and is not a rating for the overall neighborhood or market area. See Appendix D – Field Specific

Standardization Requirements of the Uniform Appraisal Dataset Specification ("UAD Specification") for additional requirements regarding location.

The location rating (which will be abbreviated as N, B, or A in the appraisal report form) should describe the overall effect on value and marketability of the location of the property within the neighborhood.

The Seller should be aware that there are varying conditions that characterize different types of locations. Conditions that are typical of certain locations may not be present in other locales. This does not mean that the conditions are unacceptable, rather that they must be viewed in context with the nature of the area in which the Mortgaged Premises is located.

For example: When the Mortgaged Premises is located in a suburban or urban area, the appraiser would most likely use comparable sales in the immediate vicinity of the property since suburban and urban areas are usually more densely developed and comparable sales are typically available in the subject neighborhood.

Rural areas often have less real estate sales activity than more populated locations. Property sales in rural locations often involve a variety of property types and may have relatively large parcels as compared to other locations. Given the potential challenges with appraising properties in these market areas, the appraiser must be knowledgeable about the varying conditions that characterize properties in a particular geographic area. In such cases, appraisers may have to use older comparable sales, comparable sales that are located a considerable distance from the subject property or comparable sales that are not similar to the subject property. The appraiser must justify and support such use in the appraisal report. For example, if the subject property is a ranch-style home on a large parcel of land (e.g., 44 acres), the most relevant comparable sales may be two-story homes located on smaller parcels (e.g., 6-12 acres) that are located some distance from the subject property (e.g., 8-18 miles away). If an appraiser uses comparable sales such as the ones in this example, he or she must provide a reasonable justification for the use and make appropriate adjustments to account for the differences between the properties and/or location.

(e) View

For appraisal report forms that are required to be completed using the UAD, the overall view associated with the subject property and each comparable sale must be rated as either "Neutral," "Beneficial" or "Adverse." The UAD view rating (which will be abbreviated as N, B, or A in the appraisal) should describe the overall effect on value and marketability of the view associated with the property. See Appendix D – Field Specific Standardization Requirements of the UAD Specification for additional requirements regarding view.

Refer to Section 5606.1 for additional information related to the Uniform Appraisal Dataset (UAD) requirements.

(f) Condition and quality

In all appraisals, appropriate adjustments must be made for differences in condition and quality between the subject property and each comparable property to reflect the value, if any, of the differences to the market. Sometimes, it may be appropriate for an appraiser to make an adjustment for differences in quality and condition between the subject property and a comparable property even though the properties have the same UAD quality or condition rating.

Refer to Sections 5605.5 for information related to property condition and quality of construction, 5606.1 for additional information related to the Uniform Appraisal Dataset (UAD) requirements and Exhibit 36.

(g) Selection of comparable sales and analysis

The appraiser must report a minimum of three comparable sales as part of the sales comparison approach. The appraiser may submit more than three comparable sales, including contract sales (pending sales) and/or current listings, to justify and support his or her opinion of market value, as long as at least three are actual closed (settled) sales. Generally, the appraiser should use comparable sales that have been closed within the last 12 months. However, the appraiser may use older comparable sales, as long as the appraiser can justify and support such use in the appraisal report. The appraiser must comment on the reasons for using any comparable sales that are more than six months old.

The proper selection of comparable properties minimizes both the need for, and the size of, any price adjustments. Occasionally, there may be no similar or truly comparable sales for a particular property because of the uniqueness of the property or other conditions. As a result, additional due diligence on behalf of the appraiser may be necessary. In such cases, the appraiser must use knowledge and judgment to select comparable sales that represent the best indicators of value for the subject property.

Comparable sales may be taken from a competing neighborhood if:

- The appraiser has established that the neighborhoods are comparable and compete for the same buyers, and

- Comparable sales taken from the competing neighborhood are better indicators of current market trends in the subject neighborhood than the existing comparable sales available in the subject neighborhood

(i) Comparable sale requirements for properties in established subdivisions, units in established Planned Unit Developments (PUDs) or units in Established Condominium Projects

For properties located in established subdivisions, units in established PUDs or units in Established Condominium Projects, the appraiser should use comparable sales from

within the subject subdivision or project when they are the best indicators of value for the subject property.

See Section 5705.8 for specific requirements regarding selection of comparable sales for units in a Cooperative Project.

(ii) Comparable sale requirements for properties in new subdivisions, units in new PUDs or units in recently converted or New Condominium Projects

To demonstrate the marketability and develop an opinion of market value for units in new subdivisions, units in new PUDs or units in recently converted or New Condominium Projects, the appraiser must comply with the following requirements:

- One comparable sale must be from inside the subject subdivision, PUD or project, when available. Additionally:
  - The comparable sale from inside the subject subdivision, PUD or project can be a sale by the builder or developer of the subject property
  - If there are no closed comparable sales from inside the subject subdivision, PUD or project, contract sales may be used from inside the subject subdivision, PUD or project to satisfy this requirement. However, the use of contract sales must be in addition to the three actual closed sales obtained from outside the subject subdivision, PUD or project.
  - In the event the subject subdivision, PUD or project is so new that a closed sale or a contract sale is not available, comparable sales from outside the subject subdivision, PUD or project may be used. However, the appraiser must comment on the marketability of the new subdivision, PUD or project and justify and support the use of the comparable sales from outside the new subdivision, PUD or project.
- One comparable sale must be from outside the subject subdivision, PUD or project, and
- The third comparable sale may be from either inside or outside the subject subdivision, PUD or project

When resales are available from inside the subject subdivision or project, they are preferable and should be given significant consideration as they provide a reliable indicator of the market value of units within the subdivision, PUD or project.

At a minimum, at least two comparable sales must be sales in which the builder or developer of the subject property is not involved in the sale transaction.

See Section 5705.8 for specific requirements regarding selection of comparable sales for units in a Cooperative Project.

(h) Sale and listing history

The appraiser must research, verify, analyze and report:

- Any current agreement for sale for the subject property
- Any offering for sale of the subject property in the twelve months prior to the effective date of the appraisal
- Any prior sales or transfers of the subject property for the three years prior to the effective date of the appraisal
- Any prior sales or transfers of each comparable sale for the year prior to the date of sale of each comparable sale

The Seller's review of the acceptability of each appraisal should include an analysis of the sale and listing history. The Seller must confirm that the sale price trend in relation to the appraiser's opinion of market value is reasonable and representative of the market.

For purchase transactions, the Seller should analyze the appraisal report and the current contract for sale for the subject property.

For both purchase and refinance transactions, the Seller's underwriting analysis of the appraisal report should include any current listing or offering for sale for the subject property, the sales history of the subject property and comparable sales, and the current ownership of the subject property.

To reduce the Seller's risk of liability resulting from fraudulent or inaccurate appraisals, the Seller should analyze the subject property and comparable sales and evaluate the time elapsed between the date(s) the property was acquired, and the date(s) resold, or the date of the current resale contract, if applicable. If the sales history of the subject property or comparable sales indicates current or prior sale prices may be excessive, and resale dates occurred shortly after the property seller's acquisition of the property, the appraisal report should provide evidence to justify and support a rapidly appreciating real estate market, significant improvements that resulted in a corresponding increase in the property value or a previous sale that was below market value due to a distress or tax sale.

5605.6: Sales comparison approach (Future effective date 02/04/25)

Freddie Mac requires the use of the sales comparison approach in the development of the appraisal report.

For special appraisal requirements for HeritageOne® Mortgages, see Section 4504.9.

(a) Adjustments

Each comparable sale must be analyzed for similarities and differences between it and the subject property. When the appraiser's analysis concludes an adjustment is necessary, the appraiser must make an adjustment for differences and indicate the dollar amount of the adjustment to reflect the value of the differences to the market. The appraiser may also need to consider whether the income approach, cost analysis, market surveys or other methods are appropriate for supporting adjustments. The appraiser must provide a sufficient explanation of the basis and rationale for all adjustments (or, if necessary, lack of adjustments) within the appraisal report or addenda.

Comparable sales must be adjusted to the subject property, except for sales and financing concessions that must be adjusted to the market at the time of the sale. Large adjustments typically occur in rural markets, and with unique properties, due to limited market activity. Freddie Mac does not have limitations on gross or net adjustment percentages. See subsection (c) below for market condition adjustment requirements.

(b) Sales and financing concessions

The appraiser must independently verify and analyze all pending and recent sales of comparable properties, report how the sales were verified and whether concessions were granted. At least three verified, closed (settled) sales of comparable properties must be analyzed and market-based adjustments made for significant differences between the comparable sales and the subject property.

Sales or financing concessions are offered by interested parties to the transaction (e.g., the builder, developer, property seller or real estate agent). Because the effect of concessions on sale prices can vary with the type and amount of the concessions, any adjustments to comparable sales must be based on the market reaction to them. The appraiser should provide comparable sales that sold without concessions to justify and support the adjustments made in determining the market reaction to the concessions. Adjustments may not be based solely on dollar-for-dollar deductions equal to the dollar value of the concessions. If comparable sales without concessions are not available, adjustments to comparable sales with concessions must reflect the differences between what the comparable sales actually sold for with the concessions and what they would have sold for without the concessions.

The appraiser's opinion of market value must reflect the value of the subject property without the concessions. The appraiser must also provide the dollar value of the concessions as a comment in the appraisal report.

For Seller treatment of concessions, see Section 5501.5.

(c) Market Area analysis and market condition adjustments

The Market Area is defined as the geographic region, for a subject property, from which most demand comes and in which most of the competition is located.

The appraiser's analysis of the market trend (increasing, stable, declining) must include factual data from information sources such as, but not limited to, market data, home price indices, multiple listing services, public records, and/or models. The market trend indicated in the appraisal report must reflect the overall movement of the market based on a minimum of 12 months of data.

A specific time adjustment to a comparable sale(s) may differ from the identified market trend since the determination of whether an adjustment is made to a comparable sale is based on market changes between the contract date of the comparable sale and the effective date of the appraisal. For example, the 12-month trend may indicate a positive overall trend; however, it's possible that the market was stable (or declining) between the time period of the contract date of the comparable and the effective date of the appraisal (see Exhibit 44, Market Condition Adjustments).

Comparable(s) sales with a contract date that is recent in relation to the effective date of the appraisal will likely not have a time adjustment given the inability to identify a change in the market.

The appraisal report must contain the market analysis that supports the indicated market trends and any adjustments made for market conditions.

(d) Location

For appraisal report forms that are required to be completed using the UAD, the appraisal report form must include a rating of the location of the subject property and each comparable sale by providing a rating of either "Neutral," "Beneficial" or "Adverse." The location rating is for the location of the subject property within the Market Area and is not a rating for the overall Market Area. See Appendix D – Field Specific Standardization Requirements of the Uniform Appraisal Dataset Specification ("UAD Specification") for additional requirements regarding location.

The location rating (which will be abbreviated as N, B, or A in the appraisal report form) should describe the overall effect on value and marketability of the location of the property within the Market Area.

The Seller should be aware that there are varying conditions that characterize different types of locations. Conditions that are typical of certain locations may not be present in other locales. This does not mean that the conditions are unacceptable, rather that they must be viewed in context with the nature of the area in which the Mortgaged Premises is located.

For example: When the Mortgaged Premises is in a suburban or urban location, the appraiser would most likely use comparable sales in the immediate vicinity of the property since suburban and urban locations are usually more densely developed.

Rural locations often have less real estate sales activity than more populated areas. Property sales in rural locations often involve a variety of property types and may have relatively large parcels as compared to other locations. Given the potential challenges with appraising properties in these Market Areas, the appraiser must be knowledgeable about the varying conditions that characterize properties in a particular geographic area. In such cases, appraisers may have to use older comparable sales, comparable sales that are located a considerable distance from the subject property or comparable sales that are not similar to the subject property. The appraiser must justify and support such use in the appraisal report. For example, if the subject property is a ranch-style home on a large parcel of land (e.g., 44 acres), the most relevant comparable sales may be two-story homes located on smaller parcels (e.g., 6-12 acres) that are located some distance from the subject property (e.g., 8-18 miles away). If an appraiser uses comparable sales such as the ones in this example, he or she must provide a reasonable justification for the use and make appropriate adjustments to account for the differences between the properties and/or location.

(e) View

For appraisal report forms that are required to be completed using the UAD, the overall view associated with the subject property and each comparable sale must be rated as either "Neutral," "Beneficial" or "Adverse." The UAD view rating (which will be abbreviated as N, B, or A in the appraisal) should describe the overall effect on value and marketability of the view associated with the property. See Appendix D – Field Specific Standardization Requirements of the UAD Specification for additional requirements regarding view.

Refer to Section 5606.1 for additional information related to the Uniform Appraisal Dataset (UAD) requirements.

(f) Condition and quality

In all appraisals, appropriate adjustments must be made for differences in condition and quality between the subject property and each comparable property to reflect the value, if any, of the differences to the market. Sometimes, it may be appropriate for an appraiser to make an adjustment for differences in quality and condition between the subject property and a comparable property even though the properties have the same UAD quality or condition rating.

Refer to Sections 5605.5 for information related to property condition and quality of construction, 5606.1 for additional information related to the Uniform Appraisal Dataset (UAD) requirements and Exhibit 36.

(g) Selection of comparable sales and analysis

The appraiser must report a minimum of three comparable sales as part of the sales comparison approach. The appraiser may submit more than three comparable sales, including contract sales (pending sales) and/or current listings, to justify and support his or her opinion of market value, as long as at least three are actual closed (settled) sales. Generally, the appraiser should use comparable sales that have been closed within the last 12 months. However, the appraiser may use older comparable sales, as long as the appraiser can justify and support such use in the appraisal report. The appraiser must comment on the reasons for using any comparable sales that are more than six months old.

The proper selection of comparable properties minimizes both the need for, and the size of, any adjustments.

For example, the comparable sales should be similar in the characteristics that are relevant to the value of that property. This typically includes characteristics such as finished area, room count, quality and site. When choosing comparable sales, the appraiser should identify the Neighborhood in which the property is located and determine if the Neighborhood represents the Market Area or if the Market Area is larger. There may be instances where the appraiser may need to utilize comparables from outside of the subject's Market Area. In such cases, location adjustments may be necessary. The appraiser must provide commentary explaining the rationale for the selected comparable sales.

Occasionally, there may be no similar or truly comparable sales for a particular property because of the uniqueness of the property or other conditions. As a result, additional due diligence on behalf of the appraiser may be necessary. In such cases, the appraiser must use knowledge and judgment to select comparable sales that represent the best indicators of value for the subject property.

Comparable sales may be taken from a competing Market Area if:

- The appraiser has analyzed the competing Market Area, evaluated whether a location adjustment is needed and applied a location adjustment when necessary, and

- Comparable sales taken from the competing Market Area are better indicators of current market trends in the subject's Market Area than the existing comparable sales available in the subject's Market Area

(i) Comparable sale requirements for properties in established subdivisions, units in established Planned Unit Developments (PUDs) or units in Established Condominium Projects

For properties located in established subdivisions, units in established PUDs or units in Established Condominium Projects, the appraiser should use comparable sales from within the subject subdivision or project when they are the best indicators of value for the subject property.

See Section 5705.8 for specific requirements regarding selection of comparable sales for units in a Cooperative Project.

(ii) Comparable sale requirements for properties in new subdivisions, units in new PUDs or units in recently converted or New Condominium Projects

To demonstrate the marketability and develop an opinion of market value for units in new subdivisions, units in new PUDs or units in recently converted or New Condominium Projects, the appraiser must comply with the following requirements:

- One comparable sale must be from inside the subject subdivision, PUD or project, when available. Additionally:
  - The comparable sale from inside the subject subdivision, PUD or project can be a sale by the builder or developer of the subject property
  - If there are no closed comparable sales from inside the subject subdivision, PUD or project, contract sales may be used from inside the subject subdivision, PUD or project to satisfy this requirement. However, the use of contract sales must be in addition to the three actual closed sales obtained from outside the subject subdivision, PUD or project.
  - In the event the subject subdivision, PUD or project is so new that a closed sale or a contract sale is not available, comparable sales from outside the subject subdivision, PUD or project may be used. However, the appraiser must comment on the marketability of the new subdivision, PUD or project and justify and support the use of the comparable sales from outside the new subdivision, PUD or project.
- One comparable sale must be from outside the subject subdivision, PUD or project, and
- The third comparable sale may be from either inside or outside the subject subdivision, PUD or project

When resales are available from inside the subject subdivision or project, they are preferable and should be given significant consideration as they provide a reliable indicator of the market value of units within the subdivision, PUD or project.

At a minimum, at least two comparable sales must be sales in which the builder or developer of the subject property is not involved in the sale transaction.

See Section 5705.8 for specific requirements regarding selection of comparable sales for units in a Cooperative Project.

(h) Sale and listing history

The appraiser must research, verify, analyze and report:

- Any current agreement for sale for the subject property
- Any offering for sale of the subject property in the twelve months prior to the effective date of the appraisal
- Any prior sales or transfers of the subject property for the three years prior to the effective date of the appraisal
- Any prior sales or transfers of each comparable sale for the year prior to the date of sale of each comparable sale

The Seller's review of the acceptability of each appraisal should include an analysis of the sale and listing history. The Seller must confirm that the sale price trend in relation to the appraiser's opinion of market value is reasonable and representative of the market.

For purchase transactions, the Seller should analyze the appraisal report and the current contract for sale for the subject property.

For both purchase and refinance transactions, the Seller's underwriting analysis of the appraisal report should include any current listing or offering for sale for the subject property, the sales history of the subject property and comparable sales, and the current ownership of the subject property.

To reduce the Seller's risk of liability resulting from fraudulent or inaccurate appraisals, the Seller should analyze the subject property and comparable sales and evaluate the time elapsed between the date(s) the property was acquired, and the date(s) resold, or the date of the current resale contract, if applicable. If the sales history of the subject property or comparable sales indicates current or prior sale prices may be excessive, and resale dates occurred shortly after the property seller's acquisition of the property, the appraisal report should provide evidence to justify and support a rapidly appreciating real estate market, significant improvements that resulted in a corresponding increase in the property value or a previous sale that was below market value due to a distress or tax sale.

5605.7: Cost and income approaches, and reconciliation (02/07/24)

(a) Cost approach

The cost approach is required for appraisals of Manufactured Homes. It is not required for all other property types. (See Section 5703.10 for Manufactured Homes requirements.)

The Seller may request the appraiser to develop and report the cost approach when not required for the transaction. The appraiser must develop and report the result of any approach to value that is applicable and necessary for an appraisal, even if the Seller did not request it.

In markets with unique property styles, a lack of comparable sales, or the presence of unique features such as outbuildings, the cost approach can provide support for adjustments made in the sales comparison approach. The cost approach may be appropriate especially when appraising properties that are:

- New or proposed construction
- Under renovation
- Unique because of property features (e.g., outbuildings, stables, pole-barns, or shops)
- Unique because of their styles or construction methods (e.g., barn conversions ("barndominiums"), "shouses" (living-space and work/storage combinations), berm homes, log homes, or geodesic dome dwellings), or
- Not typical for the market area or have functional obsolescence

When the cost approach is developed, the appraiser must make proper adjustments for any items detrimental to stability or marketability, such as physical, functional and external depreciation that are not typical for the market area.

Appraisals that rely solely on the cost approach for the opinion of market value are unacceptable.

Freddie Mac does not require an estimate of remaining economic life.

(b) Income approach

The income approach is required for appraisals of 2- to 4-unit properties. The Seller may request the appraiser to develop and report the income approach when not required for the transaction. The appraiser must develop and report the result of any approach to value that is applicable and necessary for an appraisal, even if the Seller did not request it.

Appraisals that rely solely on the income approach for the opinion of market value are unacceptable.

(c) Reconciliation of data and valuation approaches

The data, valuation approaches and information presented in the appraisal report must justify and support the appraiser's opinion of market value. The appraiser must explain how the final value conclusion was determined, and the rationale must be consistent with the comments, conclusions and assumptions stated throughout the appraisal report.

The reconciliation must contain any conditions of the appraisal on which the final opinion of market value is based.

If the subject transaction involves sales or financing concessions, the appraiser's opinion of market value must reflect the value of the subject property without the concessions. The appraiser must also provide the dollar value of the concessions as a comment in the appraisal report.

5605.7: Cost and income approaches, and reconciliation (Future effective date 02/04/25)

(a) Cost approach

The cost approach is required for appraisals of Manufactured Homes. It is not required for all other property types. (See Section 5703.10 for Manufactured Homes requirements.)

The Seller may request the appraiser to develop and report the cost approach when not required for the transaction. The appraiser must develop and report the result of any approach to value that is applicable and necessary for an appraisal, even if the Seller did not request it.

In markets with unique property styles, a lack of comparable sales, or the presence of unique features such as outbuildings, the cost approach can provide support for adjustments made in the sales comparison approach. The cost approach may be appropriate especially when appraising properties that are:

- New or proposed construction
- Under renovation
- Unique because of property features (e.g., outbuildings, stables, pole-barns, or shops)
- Unique because of their styles or construction methods (e.g., barn conversions ("barndominiums"), "shouses" (living-space and work/storage combinations), berm homes, log homes, or geodesic dome dwellings), or

- Not typical for the Market Area or have functional obsolescence

When the cost approach is developed, the appraiser must consider any items detrimental to stability or marketability, including physical, functional and external depreciation.

Appraisals that rely solely on the cost approach for the opinion of market value are unacceptable.

Freddie Mac does not require an estimate of remaining economic life.

(b) Income approach

The income approach is required for appraisals of 2- to 4-unit properties. The Seller may request the appraiser to develop and report the income approach when not required for the transaction. The appraiser must develop and report the result of any approach to value that is applicable and necessary for an appraisal, even if the Seller did not request it.

Appraisals that rely solely on the income approach for the opinion of market value are unacceptable.

(c) Reconciliation of data and valuation approaches

The data, valuation approaches and information presented in the appraisal report must justify and support the appraiser's opinion of market value. The appraiser must explain how the final value conclusion was determined, and the rationale must be consistent with the comments, conclusions and assumptions stated throughout the appraisal report.

The reconciliation must contain any conditions of the appraisal on which the final opinion of market value is based.

If the subject transaction involves sales or financing concessions, the appraiser's opinion of market value must reflect the value of the subject property without the concessions. The appraiser must also provide the dollar value of the concessions as a comment in the appraisal report.

5605.8: Requirements for verifying completion (11/06/24)

(a) Verification of completion for new or proposed construction

For appraisal reports of new or proposed construction that are subject to completion per plans and specifications, Freddie Mac will accept one of the following completion reports to verify completion of the property:

- Form 442, Appraisal Update and/or Completion Report, prepared by an appraiser documenting that the property has been completed in accordance with the plans and specifications. Freddie Mac will accept a completion report prepared by an unlicensed appraiser or appraiser trainee (or similar classification) if a supervisory appraiser signs the completion report.

  The appraiser may complete Form 442 by performing an on-site visual inspection or by using technology to perform a virtual inspection of the subject property to evidence completion.

  The completion report must:

  - Include photographs that clearly identify completion of construction. If the property was incomplete at the time of inspection, additional photographs may be required. (See Section 5604.2(g) for photograph requirements.)

  - Be dated before the Settlement Date unless the requirements for incomplete improvements or GreenCHOICE Mortgages®, as described in Sections 5601.3 and 4606.3(a), respectively, have been met

  - Be retained in the Mortgage file

- Form 400, Warranty of Completion of Construction or Repairs/Alterations, or other substantially similar form, signed by the Borrower(s) and the builder confirming that the property has been completed in accordance with the plans and specifications.

  The completion report must:

  - Include photographs that clearly identify completion of construction. If the property was incomplete at the time of inspection, additional photographs may be required. (See Section 5604.2(g) for photograph requirements.)

  - Be dated before the Settlement Date unless the requirements for incomplete improvements, as described in Section 5601.3, have been met

  - Not be used for GreenCHOICE Mortgages

  - Be retained in the Mortgage file

  By accepting the signed completion report, the Seller represents and warrants that the property has been completed in accordance with the plans and specifications and that there were no material or significant changes to the plans and specifications after completion of the appraisal report.

If the Seller is unable to obtain Form 400 signed by both the Borrower(s) and builder, then Form 442 completed by the appraiser is required.

Verification of completion for new or proposed construction – appraisal reports			
Acceptable completion forms	**Signed by**	**Subject to conditions**	**Acceptable inspection type and documentation requirements**
Form 442, Appraisal Update and/or Completion Report	Appraiser	Completion per plans and specifications	■ On-site or virtual inspection ■ Photos clearly identifying completion
Form 400, Warranty of Completion of Construction or Repairs/Alterations, or other substantially similar form	Borrower(s) and builder	Completion per plans and specifications	■ On-site inspection ■ Photos clearly identifying completion

(b) Verification of completion for an existing property

(i) Appraisal reports subject to repairs or alterations

For appraisal reports of existing properties that are subject to repairs or alterations, Freddie Mac will accept one of the following completion reports to verify completion of the property:

■ Form 442, prepared by an appraiser documenting that the repairs or alterations identified in the appraisal report have been completed. Freddie Mac will accept a completion report prepared by an unlicensed appraiser or appraiser trainee (or similar classification) if a supervisory appraiser signs the completion report.

The appraiser may complete Form 442 by performing an on-site visual inspection or by using technology to perform a virtual inspection of the subject property to evidence completion. Virtual inspections using technology are not permitted for verifying completion for CHOICERenovation Mortgages.

The completion report must:

❑ Include photographs that clearly identify the completion of repairs or alterations

- ❑ Be dated before the Settlement Date unless requirements for GreenCHOICE Mortgages or CHOICERenovation® Mortgages, as described in Sections 4606.3(a) and 4607.8, respectively, have been met.

- ❑ Be retained in the Mortgage file

■ Form 400 or other substantially similar form, signed by the Borrower(s) confirming that the subject property has been completed in compliance with the required repairs or alterations identified in the appraisal report.

The completion report must:

- ❑ Include photographs that clearly identify the completion of repairs or alterations

- ❑ Be dated before the Settlement Date

- ❑ Not be used for GreenCHOICE Mortgages or CHOICERenovation Mortgages

- ❑ Include either:

  - ■ A signed report from the professional that completed the work, or

  - ■ Paid invoice(s) for the repairs or alterations

- ❑ Be retained in the Mortgage file

By accepting the signed completion report, the Seller represents and warrants that the repairs or alterations have been completed.

■ PDR Completion Report, performed by a property data collector, attesting that the repairs or alterations identified in the PDR have been completed. The PDR Completion Report is only available for use with a hybrid appraisal report that has been obtained as a result of an upgrade from a PDR.

The PDR Completion Report must:

- ❑ Contain the data points and certifications in the PDR Completion Report data set (Exhibit 39, Completion Report Data Set)

- ❑ Include photographs that clearly identify the completion of repairs or alterations

- ❑ Be dated before the Settlement Date

- ❑ Be retained in the Mortgage file

Verification of completion for an existing property – appraisal reports			
Acceptable completion forms	**Signed/attested by**	**Subject to conditions**	**Acceptable inspection type and documentation requirements**
Form 442, Appraisal Update and/or Completion Report*	Appraiser	Completion of repairs or alterations	■ On-site or virtual inspection ■ Photos clearly identifying completion
Form 400, Warranty of Completion of Construction or Repairs/Alterations, or other substantially similar form*	Borrower(s)	Completion of repairs or alterations	■ On-site inspection ■ Photos clearly identifying completion ■ Signed report from professional or paid invoice(s)
PDR Completion Report* (Only available for use with a hybrid appraisal report obtained as a result of an upgrade from a PDR)	Property data collector	Completion of repairs or alterations	■ On-site inspection ■ Photos clearly identifying completion

*All completion reports above may be used with a hybrid appraisal that has been upgraded from a PDR.

(ii) ACE+ PDR when the PDR indicates required repairs or alterations

For ACE+ PDR when the PDR indicates there are required repairs or alterations, Freddie Mac will accept one of the following completion reports to verify completion:

- PDR Completion Report, performed by a property data collector attesting that the subject property has been completed in compliance with the required repairs or alterations identified in the PDR.

  The PDR Completion Report must:

- ❑ Contain the data points and certifications in the PDR Completion Report data set (Exhibit 39)

- ❑ Include photographs that clearly identify the completion of repairs or alterations

- ❑ Be dated before the Settlement Date

- ❑ Be retained in the Mortgage file

■ Form 400, or other substantially similar form, signed by the Borrower(s) confirming completion of repairs or alterations identified in the PDR.

The completion report must:

- ❑ Include photographs that clearly identify the completion of repairs or alterations

- ❑ Be dated before the Settlement Date

- ❑ Not be used for GreenCHOICE Mortgages or CHOICERenovation Mortgages

- ❑ Include either:

  - ■ A signed report from the professional that completed the repairs or alterations, or

  - ■ Paid invoice(s) for the repairs or alterations

- ❑ Be retained in the Mortgage file

By accepting the signed completion report, the Seller represents and warrants that the repairs or alterations have been completed.

Verification of completion for an existing property – PDRs			
Acceptable completion forms	**Signed/attested by**	**Allowed for**	**Acceptable inspection type and documentation requirements**
PDR Completion Report	Property data collector	Completion of required repairs or alterations	■ On-site inspection ■ Photos clearly identifying completion
Form 400, Warranty of Completion of Construction or Repairs/Alterations, or other substantially similar form	Borrower(s)	Completion of required repairs or alterations	■ On-site inspection ■ Photos clearly identifying completion ■ Signed report from professional or paid invoice(s)

(c) Appraisal reports or PDRs requiring an inspection

For appraisal reports that are subject to an inspection of the property or PDRs where the Seller's review determines an inspection is required, a licensed professional or other person trained in the particular field of concern (e.g., structural engineer, plumber, pest inspector, etc.) must perform the inspection of the property.

The inspector must provide either:

- A signed report or invoice stating that repairs are not required, or
- A signed report or invoice(s) stating that the required repairs have been completed and the issues have been corrected.

  The report or invoice(s) must provide the professional's license number, if applicable.

  The report or invoice(s) must be:

  - ❑ Dated before the Settlement Date
  - ❑ Retained in the Mortgage file

Reporting inspection results for appraisal reports or PDRs		
Acceptable documentation	**Prepared and/or signed by, as applicable**	**Documentation requirements**
Report or invoice(s)	Professional who performed the inspection or completed the repair	■ Report or invoice stating repairs are not required, or ■ Signed report or invoice(s) stating repairs have been completed

5605.9: Special property appraisal requirements (02/07/24)

(a) 2- to 4-unit properties

In addition to the other requirements and guidelines set forth in this topic, the following requirements and guidelines are applicable to completing Form 72, Small Residential Income Property Appraisal Report, for 2- to 4-unit properties.

(i) Comparable rent data for 2- to 4-unit properties

At least three rental comparables must be analyzed in the "comparable rental data" section. These rental comparables must:

- Have current rental information
- Be units similar to and located near the subject property

The appraisal report should state that the units and properties selected as rental comparables are comparable to the subject property (both the units and the overall property) and should accurately represent the rental market for the subject property unless otherwise stated in the report.

(ii) Subject's rent schedule for 2- to 4-unit properties

This section contains the subject property's current actual rents and the estimated market rents. The estimated market rents for the subject property must be supported in the appraisal report and be consistent with the data presented throughout the report.

(iii) Sales comparison approach for 2- to 4-unit properties

In addition to the other requirements in this topic, the appraisal must contain the unadjusted units of comparison for the comparable sales. If the appraisal is prepared in conjunction with a purchase transaction, the units of comparison must be provided for the subject property as well. These units of comparison are the sales price per square foot of gross building area (GBA), per unit and per room and the gross rent multiplier (GRM). The comment area of the sales comparison analysis must reconcile the adjusted sales prices of the comparable sales and the unadjusted units of comparison, as appropriate, according to the manner in which such properties sell in the defined market area.

The appraiser must indicate in the comments area which factors are deemed most consistent and which factors typical investors or purchasers in that market area consider when purchasing a similar property.

(b) Condominium Units

See Section 5701.8(a) for appraisal requirements for units in Condominium Projects.

(c) Manufactured Homes

See Section 5703.10 for appraisal requirements for Manufactured Homes.

(d) Leasehold estates

See Section 5704.3 for appraisal requirements for leasehold estates

(e) Cooperative Share Loans

See Chapter 5705 for appraisal requirements for Cooperative Units.

5605.9: Special property appraisal requirements (Future effective date 02/04/25)

(a) 2- to 4-unit properties

In addition to the other requirements and guidelines set forth in this topic, the following requirements and guidelines are applicable to completing Form 72, Small Residential Income Property Appraisal Report, for 2- to 4-unit properties.

(i) Comparable rent data for 2- to 4-unit properties

At least three rental comparables must be analyzed in the "comparable rental data" section. These rental comparables must:

- Have current rental information
- Be units similar to and located near the subject property

The appraisal report should state that the units and properties selected as rental comparables are comparable to the subject property (both the units and the overall property) and should accurately represent the rental market for the subject property unless otherwise stated in the report.

(ii) Subject's rent schedule for 2- to 4-unit properties

This section contains the subject property's current actual rents and the estimated market rents. The estimated market rents for the subject property must be supported in the appraisal report and be consistent with the data presented throughout the report.

(iii) Sales comparison approach for 2- to 4-unit properties

In addition to the other requirements in this topic, the appraisal must contain the unadjusted units of comparison for the comparable sales. If the appraisal is prepared in conjunction with a purchase transaction, the units of comparison must be provided for the subject property as well. These units of comparison are the sales price per square foot of gross building area (GBA), per unit and per room and the gross rent multiplier (GRM). The comment area of the sales comparison analysis must reconcile the adjusted sales prices of the comparable sales and the unadjusted units of comparison, as appropriate, according to the manner in which such properties sell in the defined Market Area.

The appraiser must indicate in the comments area which factors are deemed most consistent and which factors typical investors or purchasers in that Market Area consider when purchasing a similar property.

(b) Condominium Units

See Section 5701.8(a) for appraisal requirements for units in Condominium Projects.

(c) Manufactured Homes

See Section 5703.10 for appraisal requirements for Manufactured Homes.

(d) Leasehold estates

See Section 5704.3 for appraisal requirements for leasehold estates

(f) Cooperative Share Loans

See Chapter 5705 for appraisal requirements for Cooperative Units.

Chapter 5606: Uniform Appraisal Dataset (UAD), Uniform Collateral Data Portal® (UCDP®) and Electronic Appraisal Reports

5606.1: Uniform Appraisal Dataset (UAD) (11/06/24)

This section contains information and requirements related to the:

- Uniform Appraisal Dataset (UAD)
- Use of UAD

(a) UAD

The **UAD** standardizes key appraisal data elements for a subset of fields on certain uniform residential appraisal report forms and includes all data points required to complete the appraisal report forms.

The **UAD Specification** documents the business and technical requirements for the implementation of the UAD. The UAD Specification, which may be amended from time to time, can be found on **www.freddiemac.com**.

Appendix D provides field-specific standardization requirements for completing Freddie Mac's residential appraisal report forms that are required to be completed using the UAD. Appendix D lists the requirements for the data that must be included in specific forms and how the data should be reported on the appraisal report form.

(b) Use of UAD

The following appraisal report forms must be completed using the UAD in accordance with Appendix D when reporting results of an appraisal:

- Form 70, Uniform Residential Appraisal Report
- Form 70D, Uniform Residential Appraisal Report (Desktop)
- Form 70H, Uniform Residential Appraisal Report (Hybrid)
- Form 465, Individual Condominium Unit Appraisal Report
- Form 465H, Individual Condominium Unit Appraisal Report (Hybrid)
- Form 466, Exterior-Only Inspection Individual Condominium Unit Appraisal Report

- Form 2055, Exterior-Only Inspection Residential Appraisal Report

Other appraisal report forms may be completed using the standards contained in the UAD Specification to the extent those standards are applicable to that particular form.

5606.2: Uniform Collateral Data Portal® (UCDP®) (11/06/24)

This section contains information and requirements related to the:

- Uniform Collateral Data Portal® (UCDP®)
- Delivery of appraisals through the UCDP
- UCDP messaging
- Data submitted to the UCDP

(a) UCDP

The UCDP is a portal for the electronic collection and delivery of certain appraisal report forms and the associated appraisal data to Freddie Mac.

(b) Delivery of appraisals through the UCDP

For Mortgages that require appraisal reports, the following appraisal report forms, including all exhibits and addenda, must be submitted to the UCDP and receive a "Successful" status before the Delivery Date of the Mortgage:

- Form 70, Uniform Residential Appraisal Report
- Form 70B, Manufactured Home Appraisal Report
- Form 70D, Uniform Residential Appraisal Report (Desktop)
- Form 70H, Uniform Residential Appraisal Report (Hybrid)
- Form 72, Small Residential Income Property Appraisal Report
- Form 465, Individual Condominium Unit Appraisal Report
- Form 465H, Individual Condominium Unit Appraisal Report (Hybrid)

- Form 466, Exterior-Only Inspection Individual Condominium Unit Appraisal Report
- Form 2055, Exterior-Only Inspection Residential Appraisal Report
- **Fannie Mae Form 2090, Individual Cooperative Interest Appraisal Report**

Sellers have the option of submitting Form 442, Appraisal Update and/or Completion Report, to the UCDP.

Freddie Mac appraisal report forms not listed above must not be submitted to the UCDP.

Sellers may use the UCDP as a tool to aid in determining UAD compliance. However, the submission of appraisal report forms to the UCDP does not relieve the Seller from Freddie Mac appraisal requirements, including the requirement that the appraisal report must comply with Appendix D of the UAD, and does not affect Seller representations and warranties regarding appraisals and the Mortgaged Premises.

The Seller's ability to select an appraisal management company or other party in connection with the use of the UCDP does not constitute Freddie Mac's endorsement or approval of the appraisal management company or other party and does not relieve Seller of any obligations pursuant to the Guide or Seller's other Purchase Documents, including the requirements in Section 3101.1 related to the **Freddie Mac Exclusionary List**.

(c) UCDP messaging

When an appraisal report is submitted to the UCDP, the Seller may receive a variety of feedback messages designed to assist the Seller in evaluating the appraisal report to determine whether it meets the requirements of this topic (e.g., the accuracy of the appraiser's opinion of market value, UAD compliance, etc.). The Seller should be prepared to address these feedback messages as part of their appraisal report review and property underwriting process.

For certain Mortgages, the Seller may receive a message indicating the appraisal report is eligible for collateral representation and warranty relief. See Section 5602.2 for more details and eligibility requirements related to this representation and warranty relief.

Note: The presence of one or more feedback message(s) with a "warning" severity indicator does not prevent the "successful" submission of an appraisal report to the UCDP and does not deem the property ineligible or the appraisal report unacceptable. In addition, the absence of feedback messages does not represent Freddie Mac's acceptance of the appraised value or relief from Seller representations and warranties.

(d) Data submitted to the UCDP

Freddie Mac and its agents and contractors have the right to use, reproduce, modify, disclose, sublicense, distribute and retain all information and data submitted to the UCDP for delivery

to Freddie Mac. This includes any fields on an appraisal report and the contents thereof, all information and data entered by the Seller or on the Seller's behalf and any other information and data obtained by or transmitted through the UCDP (collectively, the "UCDP Data"). Freddie Mac may use this data for any purpose related to:

1. The UCDP, the appraisal report, the loan and any securities related to the UCDP Data

2. Analytics, modeling, quality control, fraud detection, information security and similar purposes

3. Data and services obtained or provided by Freddie Mac

4. Internal functions, including, without limitation, system monitoring, maintenance and security

5. Compliance with applicable laws, regulations, court orders and the order of an agency that either regulates or has jurisdiction over Freddie Mac; and

6. Enforcement of Freddie Mac's rights and remedies

5606.3: Electronic appraisal reports (11/06/24)

This section contains information for:

- Electronic appraisal report requirements
- Unacceptable electronic appraisal report practices
- Seller liabilities and responsibilities

(a) Electronic appraisal report requirements

The Seller may use and maintain an Electronic Record of the appraisal report as an original Mortgage file document if the following conditions are met:

1. The electronic appraisal report otherwise complies with the applicable appraisal report requirements in Topic 5600

2. The appraiser electronically transmits the electronic appraisal report directly to the Seller or a third party authorized by the Seller

3. The electronically transmitted photographs and any addenda are clear and meet the requirements for exhibits and addenda outlined in Section 5604.2

4. The Seller represents and warrants that the appraiser's Electronic Signature, and a supervisory appraiser's signature if applicable, are attached to, or logically associated with, the electronic appraisal report in accordance with the federal Electronic Signatures in Global and National Commerce Act ("E-SIGN") and other applicable State and federal laws

5. The Seller represents and warrants that the electronic appraisal report is as effective, enforceable and valid as a paper original of the appraisal report duly executed by the appraiser and the supervisory appraiser, if applicable

(b) Unacceptable electronic appraisal report practices

In addition to the unacceptable appraisal practices set forth in Section 5603.4, the following are unacceptable electronic appraisal report practices, and each constitutes a breach of the Seller's warranty of the professional quality of the appraisal report:

- Failure of the appraiser to take reasonable precautions to protect their electronic signature from identity and signature theft, including granting a trainee, administrative personnel or other third-party permission to use the appraiser's or supervisory appraiser's electronic signature

- Failure to maintain proper security controls to protect against alteration of the appraisal report or data used by anyone other than the appraiser, or supervisory appraiser, if applicable, responsible for the appraisal report

- Failure to securely store the electronic appraisal report, including all original photographs, maps and supporting documents, as originally reported by the appraiser

(c) Seller liabilities and responsibilities

(i) Liability for the authenticity and accuracy of the appraisal report

The Seller retains liability for the authenticity and accuracy of the electronic appraisal report, including all original photographs, maps and supporting documents. If the Seller is concerned about the accuracy or reliability of the electronic appraisal report or photographs, maps and supporting documents, the Seller must immediately obtain a paper duplicate of the electronic appraisal report signed with pen and ink by the appraiser, and the supervisory appraiser, if applicable, and maintain the paper duplicate of the electronic appraisal report in the Mortgage file in accordance with the requirements of Section 3302.2. The Seller shall provide the electronic or original appraisal report and photographs, as applicable, to Freddie Mac upon Freddie Mac's request.

(ii) Representations and warranties for authenticity of any appraisal report and required notification

The Seller represents and warrants that any appraisal report, including photographs received from an appraiser by the Seller or any third party specifically authorized by the Seller as an Electronic Record, is a copy of the original appraisal report, including photographs, that was signed by the appraiser, and a supervisory appraiser, if applicable, and that it complies with applicable State and federal laws and regulations. The Seller agrees that the appraisal report and photographs received from an appraiser by the Seller or any third party specifically authorized by the Seller as an Electronic Record are subject to the Seller's representations, warranties, covenants, agreements and requirements contained in Chapter 1401.

If the Seller becomes aware of the unauthorized or improper use of the appraiser's signature or the supervisory appraiser's signature, if applicable, or suspects unauthorized alteration of any appraisal report, including photographs, the Seller must notify Freddie Mac immediately.

Chapter 5701: Condominiums

5701.1: Seller's assessment of project risks; terms used in this chapter (12/08/23)

(a) Seller's assessment of project risks

Freddie Mac requires a Condominium Project review to address certain project risks including, but not limited to, the marketability and condition of the project, the marketability of the units within the project, the financial stability and viability of the project, project-level litigation, restrictions on unit owners' rights to occupy the unit, ownership and use of the Common Elements and Amenities and the adequacy of insurance coverage to protect the project from damage and loss.

Freddie Mac expects the Seller to have staff that is experienced and knowledgeable about Condominium Project risks and to place as much emphasis on the adequacy of the property as collateral as it does on underwriting the Borrower's creditworthiness. The quality of a Mortgage secured by a unit in a Condominium Project can be impacted by the financial stability and viability of the particular project, among other project characteristics. The conclusion that a Mortgage is acceptable to Freddie Mac must be based on the determination that the Borrower is creditworthy and the Mortgaged Premises is adequate collateral for the Mortgage transaction.

If a Seller determines that an Established Condominium Project does not meet certain Freddie Mac project eligibility requirements and concludes that the Mortgaged Premises is still adequate collateral for the Mortgage transaction, then the Seller may request that Freddie Mac consider a waiver. See Section 5701.11 for information on requesting Freddie Mac to consider a waiver of its project eligibility requirements.

(b) Glossary definitions and other terms used in this chapter

(i) Glossary definitions

(A) Condominium Projects and unit type

The Seller should be familiar with the Glossary definitions of the following terms:

Project/Unit Type	Glossary Definition
2- to 4-Unit Condominium Project	A project that is comprised of at least two but no more than four units that are each separately deeded with separate legal descriptions. The units may be attached, detached or semi detached units or a mixture of attached,

Project/Unit Type	Glossary Definition
	detached and/or semi detached units. The units may also be a mixture of residential units and no more than one commercial unit.
Detached Condominium Project	A Condominium Project comprised solely of Detached Condominium Units.
Detached Condominium Unit	A Condominium Unit that is completely detached from any other unit in a Condominium Project. A Detached Condominium Unit can be in a Detached Condominium Project or in a Condominium Project that contains a mixture of attached, detached and/or semi detached units.
Established Condominium Project	An Established Condominium Project is a Condominium Project in which: ■ The Condominium Project (all Condominium Units, Common Elements and Amenities) and related facilities owned by any Master Association are complete and not subject to any additional phasing ■ At least 75% of the total units in the project have been conveyed to the unit purchasers, and ■ The unit owners control the homeowners association
New Condominium Project	A New Condominium Project is a Condominium Project in which: ■ The Condominium Project (all Condominium Units, Common Elements and Amenities) and related facilities owned by any Master Association are not complete, or are subject to additional phasing ■ Fewer than 75% of the total number of units in the project must have been conveyed to the unit purchasers, or ■ The developer has not turned control of the homeowners association over to the unit owners

(B) Repair type

The Seller should be familiar with the Glossary definitions of the following terms:

Repair Type	Glossary Definition
Critical Repairs (includes material deficiencies and significant deferred maintenance)	Repairs and replacements that significantly impact the safety, soundness, structural integrity or habitability of the project's building(s) and/or that impact unit values, financial viability or marketability of the project. These include: ■ Material deficiencies which, if left uncorrected, have the potential to result in or contribute to critical element or system failure within one year ■ Any mold, water intrusions or potentially damaging leaks to the project's building(s) that have not been repaired ■ Advanced physical deterioration ■ Any project that failed to pass state, county, or other jurisdictional mandatory inspections and/or certifications specific to structural soundness, safety, and habitability; or ■ Any unfunded repairs costing more than $10,000 per unit that should be undertaken within the next 12 months (does not include repairs made by the unit owner or repairs funded through a special assessment) Examples of some items to consider include, but are not limited to, sea walls, elevators, waterproofing, stairwells, balconies, foundation, electrical systems, parking structures or other load-bearing structures.
Routine Repairs	These repairs are not considered to be critical and include work that is: ■ Preventative in nature or part of normal capital replacements (e.g., focused on keeping the project fully functioning and serviceable); and ■ Accomplished within the project's normal operating budget or through special assessments that are within guidelines

(ii) Other Glossary definitions

The Seller should also be familiar with Freddie Mac's Glossary definitions of the following terms:

- Alternative Dispute Resolution (ADR)
- Amenities

- Common Elements
- Condominium Hotel
- Condominium Project
- Condominium Unit
- Condominium Unit Mortgage
- Gut Rehabilitation
- Limited Common Elements
- Master Association
- Non-Gut Rehabilitation
- Project Documents

(iii)Other terms

The following additional terms are used in this chapter:

Term	Definition
Condo Project Advisor® Feedback Certificate	The printed or printable document returned by Condo Project Advisor that details the approval of a Project Waiver Request (PWR) submission or details the Project Assessment Request (PAR) findings.
Homeowners Association (HOA)	A Homeowners Association is an association comprised of unit owners that maintains the Common Elements for the benefit of the unit owners. In a Condominium Project, the association has no ownership interest in the Common Elements.

5701.2: Condominium Project review and general Condominium Project eligibility requirements (02/26/24)

The Seller must determine compliance with Freddie Mac's project review and eligibility requirements in this section.

(a) Condominium Project review requirements

Except for Condominium Unit Mortgages delivered in accordance with the requirements in Section 5701.7 relating to Exempt from Review or Section 5701.10 relating to Condominium Projects with a Project Certified status PAR finding, the Seller must ensure that:

1. The Condominium Unit Mortgage, the Condominium Unit and the Condominium Project comply with project eligibility requirements for ***one*** of the following project review types:

   - Streamlined reviews (Section 5701.4)
   - Established Condominium Projects (Section 5701.5)
   - New Condominium Projects (Section 5701.6)
   - Reciprocal project reviews (Section 5701.9)

2. The project is not an ineligible project (Section 5701.3)

   Note: If the Condominium Unit Mortgage to be delivered complies with the requirements in Section 5701.9(a), then compliance with Section 5701.3 is not required.

3. The Seller reviews and determines that a Condominium Project complies with Freddie Mac's requirements as follows:

Project review type	**Expiration of project review**
Streamlined reviews (Section 5701.4) Established Condominium Projects (Section 5701.5)	Within one year prior to the Note Date
New Condominium Projects (Section 5701.6)	Within 180 days prior to the Note Date

If the Condominium Project does not meet Freddie Mac's project eligibility requirements on the Note Date, the Seller may deliver the Condominium Unit Mortgage at the time the Condominium Project complies with all of the project eligibility requirements as long as all other applicable requirements have been met.

4. The Condominium Project remains in full compliance with the applicable State law, the requirements of the jurisdiction in which the Condominium Project is located, and with all other applicable laws and regulations governing the Condominium Project

(b) General Condominium Project eligibility requirements

The Seller must review and determine compliance with the following requirements:

1. The project must have insurance that complies with the applicable requirements of Chapter 4703

2. The Condominium Unit must be covered by a title insurance policy that complies with requirements of Chapter 4702

3. If a Condominium Project is on a leasehold estate, the lease must comply with the requirements of Chapter 5704

4. The Seller must deliver a Condominium Unit Mortgage no later than 120 days after the Note Date. If the Condominium Unit Mortgage is not delivered within 120 days after the Note Date, the Seller must update the review and determination of the Condominium Project eligibility.

5. The Seller must have policies and procedures in place, and must take appropriate steps to ensure that the Condominium Unit, the Condominium Unit Mortgage and the Condominium Project comply with applicable requirements

6. The Seller must retain all documentation related to the review of the Condominium Project. Upon request, the Seller must provide the project information and documentation to Freddie Mac.

7. The Seller must not deliver a Mortgage secured by a Condominium Unit in a Condominium Project with a Not Eligible status as provided in Section 5701.10(d)(v)

(c) Freddie Mac right to review

Freddie Mac reserves the right to conduct its own review of the Condominium Project for Condominium Unit Mortgages delivered to Freddie Mac

(d) Overview of Condominium Project review and eligibility requirements and project review types

Below is a table illustrating an overview of our Condominium Project Review and eligibility requirements and project review types:

	Seller must determine compliance with		
	Project review requirements in Section 5701.2(a)	**General project eligibility requirements in Section 5701.2(b)**	**Ineligible projects Section 5701.3**
Freddie Mac project review types			
Streamlined reviews[1] Section 5701.4	**X**	**X**	**X**
Established Condominium Projects Section 5701.5	**X**	**X**	**X**
New Condominium Projects Section 5701.6	**X**	**X**	**X**
Reciprocal project reviews – Fannie Mae-approved and certified projects Section 5701.9(a)		**X**	
Reciprocal project reviews – FHA-Approved Project review for condominiums Section 5701.9(b)		**X**	**X**
If delivered in accordance with the requirements in Sections 5701.10 or 5701.7:			
Condominium Projects with a Project Certified status ***Section 5701.10***	See Note 3	**X**	
2- to 4- Unit Condominium Projects		**X**	See Note 2
Detached Condominium Units		**X**	See Note 2

	Seller must determine compliance with		
	Project review requirements in Section 5701.2(a)	**General project eligibility requirements in Section 5701.2(b)**	**Ineligible projects Section 5701.3**
Freddie Mac-owned "no cash-out" refinance Condominium Unit Mortgage		**X**	See Notes 2 & 4
Refi Possible® Mortgage		**X**	See Notes 2 & 4

[1]Condominium Project must meet the Glossary definition of an Established Condominium Project.
[2]Condominium Project must not be a Condominium Hotel or similar type of transient housing, houseboat project, timeshare project or project with segmented ownership. The Condominium Project must not include Manufactured Homes, unless the Condominium Unit Mortgage is a Refi Possible Mortgage.
[3]Condominium Project must comply with the owner-occupancy requirements for Investment Property Mortgages in Section 5701.5(b)(2) when specified on the Condo Project Advisor Feedback Certificate.
[4]Condominium Project is not in need of Critical Repairs and does not have an evacuation order. (See Sections 5701.3(n) and 5701.3(o) for details.)

5701.3: Ineligible projects (07/03/24)

Except Condominium Unit Mortgages delivered in accordance with the requirements in Section 5701.7 relating to Exempt From Review or Section 5701.10 relating to Condominium Projects with a Project Certified status PAR finding, Mortgages secured by units in any of the following types of projects are not eligible for sale to Freddie Mac.

(a) Projects in which the unit owners do not have an undivided ownership interest or leasehold interest in the land on which the project is located

A project in which, when control of the Homeowners Association (HOA) has been or will be turned over to the unit owners, the unit owners do not have either: (1) an undivided ownership interest in the land on which the project is located; or (2) a leasehold interest in the land on which the project is located.

(b) Condominium Hotel or similar type of transient housing

Any project that is a Condominium Hotel or similar type of transient housing.

1. Projects with one or more of the following characteristics are considered a Condominium Hotel and are ineligible projects:

   i. Projects and/or HOAs that are licensed, have a permit to operate, or are registered, as a hotel or a motel, even though the units may be individually owned

ii. Projects that impose mandatory rental-pooling (or similar agreements that restrict the unit owner's ability to occupy the unit for living purposes such as blackout dates or occupancy limits on personal use) to assure an inventory of units for rent on a frequent basis, such as daily, weekly, monthly or seasonally

iii. Projects with revenue-sharing agreements between unit owners and the HOA, property management, and/or rental operator contracted by the HOA or property management

2. Projects with one or more of the following characteristics are considered a type of transient housing and are ineligible projects:

i. Projects and/or HOAs that are licensed (or have a designated licensed agent), have a permit to operate, or are registered, as a type of transient housing (e.g., vacation rental license, short term rental registrant, etc.) for the rental of non-HOA owned units

ii. Condominium Projects that are conversions of a hotel (or a conversion of a similar type of transient housing) unless the project was a Gut Rehabilitation and the resulting Condominium Units no longer have the characteristics of a hotel or similar type of transient housing

iii. The HOA receives revenue from, or pays expenses for, hotel type services including but not limited to:

- Registration desk services. This includes a project's front desk staff also serving as a vacation rentals employee or assisting with an onsite rental operator's registration desk or any payments received from renting units on a transient basis via the rental registration desk. It does not include any market rate rent paid by a third party for the use of a registration desk.

- A rental registration website/hosting platform

iv. The HOA charges a fee, paid by either the unit owner or the unit owner's transient renters, when a unit is rented on a transient basis. This includes any surcharge to unit owners who do not elect to rent their units through the HOA's and/or property management's preferred rental operator(s). This does not include any fees charged to reimburse the cost of the wear and tear to the project's facilities and/or Amenities from the transient renters or any fees charged for reviewing the terms of the transient rental contract.

v. The HOA and/or its management agent, as rental operator or licensed agent, collects and remits required taxes to all applicable jurisdictions (city, county and State) such as transient, short term rental, and/or hotel occupancy taxes as well as sales taxes, excise taxes, etc.

vi. The HOA provides a designated space (e.g., an HOA-owned unit, an area in the project's lobby or other Common Elements area, etc.) for the operation of an on-site rental operator free of charge to that rental operator

vii. Unit owners are required through the Project Documents or other contractual agreement to use a specific rental agency(ies) for their transient rentals

viii. The entity that manages the Condominium Project also manages its transient rentals. This does not include an entity that has independent divisions for property management and for transient rentals management, the property management division manages the Condominium Project, and unit owners are not mandated to contract with its transient rentals division.

ix. Residential units have restrictions on interior decorating that are imposed by the HOA or its management agent

The following are examples of personalized services and centralized systems that are common red flags of a Condominium Hotel or similar type of transient housing:

- Personalized services
  - Daily cleaning services
  - Porters/luggage service
  - Room service
- Centralized systems
  - Any central telephone service
  - Central key systems

Condominium Projects with short-term rentals, personalized services and/or centralized systems may be eligible if the Seller fully analyzes all the characteristics of the project and related information to determine if the project is not a Condominium Hotel or transient housing as described above.

As required in Section 5701.2(b)(6), the Seller must retain, and provide upon request, documentation to support its analysis that the Condominium Project is not a Condominium Hotel or similar type of transient housing as described above. Such documentation may include, but is not limited to, Project Documents (e.g., by-laws, project budgets and financial statements), offering statements (or their equivalent) and marketing materials, websites, contracts for sale and appraisal reports.

(c) Project with multi-dwelling units

A project in which an owner may hold a single deed evidencing ownership of more than one dwelling unit.

(d) Project with excessive commercial or non-residential space

A project in which more than 35% of the total above and below grade square footage of the project (or more than 35% of the total above and below grade square footage of the building in which the project is located) is used as commercial or non-residential space.

The division of the total commercial or non-residential square footage by the total square footage of the project or building will determine the total amount of commercial or non-residential space. In calculating the amount of commercial or non-residential space, Sellers must determine:

- The total square footage of the project (or the building in which the project is located);
- The square footage of the commercial or non-residential space; and
- The residential space square footage

Below is a table illustrating what must be included or may be excluded from the calculation of commercial or non-residential space:

Type of commercial or non-residential space	**Include in the commercial or non-residential space calculation?**
Retail and other commercial or non-residential space (for example, restaurants and stores)	Yes
Residential rental apartments, hotels, motels and other similar types of space, although such space may have residential characteristics	Yes
Non-residential space that the HOA does not own, but that is owned by a private individual or entity outside of the HOA structure (for example, private fitness facilities that are membership-based rather than owned by the HOA for the sole use of the residential unit owners)	Yes
The total square footage of commercial or non-residential space even when the HOA representing the residential owners is different from the association representing the commercial owners	Yes

Type of commercial or non-residential space	Include in the commercial or non-residential space calculation?
Commercial parking facilities	No
Project Amenities and facilities that are residential in nature, owned by the HOA or unit owners, and allocated for the sole use of the residential unit owners	No

(e) Tenancy-in-common apartment project

A tenancy-in-common apartment project is owned by several owners as tenants-in-common or by a Homeowners Association (HOA). Individuals have an undivided interest in the residential apartment building (including the units) and land on which the building is located, and may or may not have the right of exclusive occupancy of a specific apartment unit in the building.

(f) Timeshare project or project with segmented ownership

A project in which there is an arrangement under which a purchaser receives an interest in real estate and the right to use a unit or Amenities, or both, for a specified period and on a recurring basis such as the 15th week of the year, or ownership that is for a limited period such as for the subsequent five years.

(g) Houseboat project

A project comprised of boats that have been designed or modified to be used primarily as dwelling units.

(h) Project in which the unit owners do not possess sole ownership of the Common Elements

Except as stated below, unit owners in a Condominium Project must have the sole ownership in and the right to the use of the Common Elements, including all buildings, roads, parking, facilities and Amenities. The developer must not retain any ownership interest in the Common Elements, facilities and Amenities, except as unit owner.

A Condominium Project that shares Amenities with one or more other residential projects is eligible if the projects share the Amenities (such as recreational or fitness facilities, swimming pools and clubhouses) for the sole use of the unit owners and Shareholders, if applicable. The term “residential projects” includes only residential Condominium Projects,

Cooperative Projects and Planned Unit Developments (PUDs). The residential projects must have an agreement specifying:

1. A description of the shared Amenities and the terms of unit owners' and Shareholders' permitted use of the shared Amenities

2. How the shared Amenities will be funded, managed and maintained, and

3. The method for resolving disputes between the projects regarding the shared Amenities

The Common Elements, including Amenities, such as parking and recreational facilities, must not be subject to a lease between the unit owners or the HOA (as lessee) and any other party (as lessor), with the exception of commercial leases for parking, or permit arrangements for parking, entered into with parties unrelated to the developer.

(i) Project in litigation

A project in which: (i) the HOA is named as a party to pending litigation or the Seller discovers that the HOA is a party to an Alternative Dispute Resolution (ADR) proceeding, such as arbitration or mediation, or (ii) the project sponsor or developer is named as a party to pending litigation, or the Seller discovers that the project sponsor or developer is a party in an ADR proceeding and, in either case, the dispute relates to the safety, structural soundness, functional use or habitability of the project.

If the Seller determines that the pending litigation or ADR proceeding involves only minor matters that do not affect the safety, structural soundness, functional use or habitability of the project, the project is eligible if the litigation or ADR proceeding is limited to one of the following:

1. The litigation amount is known, the insurance company has committed to provide the defense and the litigation amount is covered by the insurance policy;

2. The litigation amount is unknown, the Seller has documented the Mortgage file with a copy of the complaint, or the most recent amended complaint, and with an attorney letter that supports the Seller's determination that the litigation involves minor matters. The attorney letter must state: (i) the reason for the litigation; (ii) that the insurance company has committed to provide the defense; and (iii) that any potential monetary judgment against the HOA, or settlement with the HOA, including punitive damages, will likely be covered by the HOA's insurance policy. If the attorney indicates the matter will not likely be covered by the HOA's insurance policy, then the project is ineligible;

3. The matter involves:

   i. A non-monetary neighbor dispute or right of quiet enjoyment, whether litigated or in an ADR proceeding, or

ii. A dispute in which the HOA is the plaintiff in a foreclosure action or action for past due HOA assessments, or

iii. A dispute in which the HOA is the plaintiff in the litigation or a party to an ADR proceeding and is seeking reimbursement for expenditures made to repair the project's component(s). The expenditures may have included items that related to the safety, structural soundness, functional use or habitability of the project, provided that the repair permanently resolved the defect or issue, and the expenditures did not significantly impact the financial stability or future solvency of the HOA.

4. The estimated or known amount in dispute in the litigation or ADR proceeding is not expected to exceed 10% of the project's funded reserves, provided that use of the project's funded reserves to pay for project litigation or dispute resolution does not violate the applicable jurisdiction's laws and regulations

The Seller must retain documentation to support its analysis that the reason for the dispute meets Freddie Mac's requirements for minor matters as described above.

(j) Project with excessive single investor concentration

Any project in which an individual or a single entity such as an investor group, partnership or corporation owns more than the following total number of units in the project:

Number of units in the project	Total number of units owned by individual or single entity
Five to 20	Two
21 or more	25%

1. For purchase transactions, a project with single investor concentration greater than specified above will be eligible provided:

   i. The purchase transaction will result in a reduction of the single investor concentration

   ii. The single investor must not own more than 49% of the units in the project

   iii. The Seller obtains evidence that the single investor is marketing units for sale with the goal to decrease the single investor concentration to 25% or less of the units in the project

   iv. The single investor is current on all HOA assessments, and

   v. There are no planned or current special assessments in the project

2. The following may be excluded from the single investor concentration calculation:

   i. Vacant units being actively marketed by the developer. Any units leased by the developer must be included in the calculation of the developer's percentage of ownership.

   ii. Units that a non-profit entity controls or owns for the purpose of providing affordable housing

   iii. Units held in affordable housing programs (including units subject to non-eviction rent regulation codes), and

   iv. Units retained for workforce housing by higher-education institutions

(k) Continuing Care Retirement Community (CCRC)

A CCRC is a residential project designed to meet the health and housing needs of seniors as their needs change over time. CCRCs are distinguished from age-restricted communities in that residents in CCRCs contract in advance for a lifetime commitment from the facility to care for them, regardless of the future health or housing needs. CCRCs may also be known as Life-Care Facilities.

(l) Manufactured Homes

Condominium Projects that contain Manufactured Homes are ineligible, except when they comply with the requirements in Section 5701.5 (refer to Section 5701.5(f) for additional information), or they have an "Approved by Fannie Mae" status designation in Fannie Mae's Condo Project Manager™ (refer to Section 5701.9(a) for additional information).

(m) Project with mandatory dues or similar membership fees for use of Amenities such as clubhouses or recreational facilities

Projects with mandatory dues or similar membership fees, including initiation or joining fees, which allow for the use of Amenities such as clubhouses or recreational facilities are ineligible unless the HOA and/or Master Association solely own the Amenities and Condominium Unit owners within the HOA or Master Association are the only persons or entities eligible for membership. Full rights and privileges to the use of these Amenities are the primary benefit of membership.

(n) Project in need of Critical Repairs

Mortgages secured by units in Condominium Projects in need of Critical Repairs, as defined in the Glossary, are not eligible for sale to Freddie Mac.

For both current and planned (i.e., unit owners approved but the board has not initiated collection yet) special assessments, Seller must obtain and review the following information for each special assessment to determine if the funds are for a Critical Repair:

- The purpose of the special assessment,
- When the special assessment was approved,
- The original amount of the special assessment,
- The amount remaining to be collected, and
- The expected date the special assessment will be paid in full

If a structural and/or mechanical inspection has been completed within 3 years of Seller's project review date, Seller must review that inspection report. There must not be any Critical Repairs needed, as well as no current evacuation orders or similar regulatory actions.

Projects in need of Critical Repairs remain ineligible until the required repairs and/or inspection report have been completed and documented. Sellers must review an engineer's report or substantially similar document to determine that the repairs resolved the building's safety, soundness, structural integrity, or habitability concerns.

If damage or deferred maintenance is isolated to one or a few units and does not affect the overall safety, soundness, structural integrity, or habitability of the project, then this project eligibility requirement does not apply.

This requirement does not apply to Routine Repairs, as defined in the Glossary.

Sellers may need to review a combination of documents to determine a project meets our physical condition requirements. Some examples include but are not limited to:

- Homeowners association board meeting minutes
- Engineer's reports
- Structural and/or mechanical inspection reports
- Reserve studies
- List of necessary repairs provided by the HOA or management company,
- List of special assessments provided by the HOA or management company, and/or
- Other substantially similar documentation

This list is not prescriptive or exhaustive. Sellers are responsible for determining which documents they need to review to ensure compliance with this requirement

(o) Project with an evacuation order

A project with an evacuation order due to an unsafe condition, either for a partial or total evacuation of the project's building(s), is ineligible until the unsafe condition has been remediated and the building(s) is safe for occupancy.

5701.4: Streamlined reviews (09/18/23)

In addition to the project review and eligibility requirements in Section 5701.2, Condominium Unit Mortgages must comply with all of the following requirements to be eligible for the streamlined project review type.

(a) Project type

The Condominium Unit must be located in an Established Condominium Project.

(b) Maximum loan-to-value/total LTV/Home Equity Line of Credit TLTV ratios

The Mortgage must not exceed the loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC) (HTLTV) ratios for the occupancy type as indicated in the following charts:

Occupancy type	Maximum LTV/TLTV/HTLTV ratios	
	Projects not located in Florida	Projects located in Florida
Primary Residence	90%	75/90/90%
Second Home	75%	70/75/75%
Investment Property	75%	70/75/75%

(c) Special assessments

No more than 15% of the total number of units in a project are 60 or more days delinquent in the payment of each special assessment.

Note: If the requirements for streamlined reviews in this Section 5701.4 are met, then the Seller is not required to comply with the requirements for any of the other project review types in Sections 5701.5, 5701.6, 5701.7 and 5701.9.

5701.5: Established Condominium Projects (12/08/23)

To be eligible for the Established Condominium Projects review type, the Condominium Project must meet the definition of an Established Condominium Project.

If the Condominium Unit Mortgages or the Condominium Projects do not comply with the eligibility requirements for (i) Condominium Projects with a Project Certified status PAR finding or (ii) streamlined reviews, the Mortgages must comply with all of the following eligibility requirements in addition to the project review and eligibility requirements in Section 5701.2. See Section 5701.4 for streamlined review requirements and Section 5701.10 for Project Certified status PAR finding requirements.

(a) Project completion requirements for Established Condominium Projects

All units, Common Elements and Amenities must be complete.

(b) Owner-occupancy requirements for Established Condominium Projects

1. If the property will be used as a Primary Residence or second home, there is no owner-occupancy requirement for the Condominium Project

2. If the property will be used as an Investment Property, at least 50% of the total number of Condominium Units in the Condominium Project must have been conveyed to purchasers who occupy their units as a Primary Residence or second home

(c) Project budget requirements for Established Condominium Projects

The project's budget for the current fiscal year must comply with the following:

1. Be consistent with the nature of the project

2. Appropriate assessments must be established to manage the project

3. There must be appropriate allocations for line items pertinent to the type and status of the Condominium Project

4. There must be adequate funding for insurance deductible amounts

5. At least 10% of the budget must provide funding for replacement reserves for capital expenditures and deferred maintenance based on the project's age, estimated remaining life and replacement cost of major Common Elements

    - The replacement reserve percentage is determined by dividing: (i) the annual budgeted replacement reserve allocation by (ii) the homeowners association's (HOA's) annual budgeted assessment income (including regular common expense fees)

- The calculation may exclude: (i) special assessment income, (ii) income allocated to or in reserve accounts, (iii) incidental income not relied upon for maintenance operations or capital improvements and (iv) amounts collected from unit owners (but usually paid individually by them) for items or utilities such as internet access

6. A Seller may rely on a reserve study instead of the project budget providing a replacement reserve of at least 10%, provided the conditions in section (e) below are met

7. An HOA must not receive more than 10% of its budgeted income from the rental or leasing of commercial parking facilities

(d) Delinquent assessments for Established Condominium Projects

1. No more than 15% of the total number of units in a project are 60 or more days delinquent in the payment of their HOA assessments

2. No more than 15% of the total number of units in a project are 60 or more days delinquent in the payment of each special assessment

(e) Requirements when a Seller relies on a project reserve study for Established Condominium Projects

The reserve study must comply with the following requirements:

1. The reserve study generally must include:

   - An inventory of major components of the project

   - Financial analysis and evaluation of current reserve fund adequacy, and

   - Proposed annual reserve funding plan

2. A reserve study's financial analysis must validate that the project has appropriately allocated the recommended reserve funds to provide the Condominium Project with sufficient financial protection comparable to Freddie Mac's standard budget requirements for replacement reserves

3. The reserve study's annual reserve funding plan, which details total costs identified for replacement components, must meet or exceed the study's recommendation and conclusion

4. The most current reserve study (or update) must be dated within 36 months of the Seller's determination that a Condominium Project is eligible (see Section 5701.2(a)(3))

5. The reserve study must be prepared by an independent expert skilled in performing such studies (such as a reserve study professional, a construction engineer, a certified public accountant who specializes in reserve studies or any professional with demonstrated experience and knowledge in completing reserve studies)

6. The reserve study must meet or exceed requirements set forth in any applicable state statutes

7. The reserve study must comment favorably on the project's age, estimated remaining life, structural integrity and the replacement of major components

If the Seller relies on a reserve study that meets the requirements of this section, the project's budget must contain appropriate allocations to support the costs identified in the study.

The Seller must obtain and retain in the Mortgage file a copy of the reserve study. The Seller must also perform an analysis of the study and retain this analysis in the Mortgage file.

(f) Manufactured Homes

To be eligible:

1. The Mortgage must be secured by a Detached Condominium Unit

2. The subject Manufactured Home must meet the requirements in Chapter 5703

3. The subject Manufactured Home must not be a single-wide Manufactured Home

4. Although Section 5701.3(a) states otherwise, the Condominium Project's unit owners must only have an undivided ownership interest in the land on which the project is located

5. The Condominium Project must not have campgrounds or other facilities for transient or mobile units

For Condominium Unit Mortgages secured by Condominium Units located in Condominium Projects that contain Manufactured Homes that do not comply with these requirements, the projects must have an "Approved by Fannie Mae" status designation in Fannie Mae's Condo Project Manager™ (refer to Section 5701.9(a) for additional information) for the Mortgages to be eligible for sale to Freddie Mac.

Note: If the requirements for Established Condominium Projects in this Section 5701.5 are met, then the Seller is not required to comply with the requirements for any of the other project review types in Sections 5701.4, 5701.6, 5701.7 and 5701.9.

5701.6: New Condominium Projects (09/18/23)

To be eligible for the New Condominium Projects review type, the Condominium Project must meet the definition of a New Condominium Project.

In addition to the project review and eligibility requirements in Section 5701.2, Mortgages secured by Condominium Units in New Condominium Projects must comply with all of the following requirements:

(a) Project completion requirements

The subject legal phase (or the subject building) and any prior legal phases in which units have been offered for sale are substantially complete. "Substantially complete" indicates that the Common Elements are complete and the units are complete subject to the selection of buyer preference items.

For the purpose of determining project completion under this Section 5701.6, a single building can only have one legal phase regardless of whether the Condominium Project is comprised solely of that single building or multiple buildings. Legal phases are defined by the Project Documents. Construction or marketing phases developed for the convenience of the developer are not necessarily legal phases and are not eligible.

(b) Owner-occupancy requirements for New Condominium Projects

At least 50% of the total units in the project (or at least 50% of the sum of the subject legal phase and prior legal phases) must have been conveyed or must be under contract to purchasers who will occupy the units as their Primary Residences or second homes.

For the purpose of calculating owner-occupancy under this Section 5701.6, a single building can only have one legal phase regardless of whether the Condominium Project is comprised solely of that single building or multiple buildings. Legal phases are defined by the Project Documents. Construction or marketing phases developed for the convenience of the developer are not necessarily legal phases and are not eligible.

(c) Project budget requirement for New Condominium Projects

The project's budget for the current fiscal year must comply with the following:

1. The homeowners association's (HOA's) assessments must begin once the developer has ceased to pay operating expenses attributable to the Condominium Project, whether or not all units have been sold. When any unit owner other than the developer pays assessments, the developer must pay the assessments attributable to the unsold units

2. The project's budget (or its projected budget if the project has not been turned over to the unit owners) must be consistent with the nature of the project

3. Appropriate assessments must be established to manage the project

4. There must be appropriate allocations for line items pertinent to the type and status of the Condominium Project

5. If the project was recently converted, the developer must have initially funded a working capital fund, through contributions made by the developer and/or purchasers of the Condominium Units, in an amount consistent with the estimated remaining life of the Common Elements

6. There must be adequate funding for insurance deductible amounts

7. At least 10% of the budget must provide funding for replacement reserves for capital expenditures and deferred maintenance based on the project's age, estimated remaining life and replacement cost of major Common Elements

   - The replacement reserve percentage is determined by dividing (i) the annual budgeted replacement reserve allocation by (ii) the HOA's annual budgeted assessment income (including regular common expense fees)

   - The calculation may exclude: (i) special assessment income, (ii) income allocated to or in reserve accounts, (iii) incidental income not relied upon for maintenance, operations or capital improvements and (iv) amounts collected from unit owners (but usually paid individually by them) for items or utilities such as internet access

8. If the budget does not provide a replacement reserve of at least 10%, a Seller may rely on either: (i) a reserve study, provided the conditions in Section 5701.6(k) below are met; or (ii) contributions to a working capital fund, provided the conditions in Section 5701.6(l) below are met. These contributions can be in addition to or in lieu of any working capital fund contributions made by the developer in the case of a recently converted project.

9. An HOA must not receive more than 10% of its budgeted income from the rental or leasing of commercial parking facilities

(d) Delinquent assessments for New Condominium Projects

1. No more than 15% of the total number of units in a project are 60 or more days delinquent in the payment of their HOA assessments

2. No more than 15% of the total number of units in a project are 60 or more days delinquent in the payment of each special assessment

(e) Compliance with laws

The Condominium Project has been created and exists in full compliance with the applicable State law, the requirements of the jurisdiction in which the Condominium Project is located,

and with all other applicable laws and regulations governing creation of the Condominium Project.

(f) Limitations on ability to sell/Right of first refusal

Any right of first refusal in the Project Documents will not adversely impact the rights of a mortgagee or its assignee to:

- Foreclose or take title to a Condominium Unit pursuant to the remedies in the Mortgage
- Accept a deed or assignment in lieu of foreclosure in the event of default by a mortgagor, or
- Sell or lease a unit acquired by the mortgagee or its assignee

(g) Conversions

For a Condominium Project that was created by conversion of a building(s) with a prior use the following requirements must be met for the Seller's review and determination of project eligibility:

- For a conversion involving a Non-Gut Rehabilitation of a prior use of the building that was legally created within the past three years, the engineer's report (or functionally equivalent documentation for jurisdictions that do not require an engineer's report) must state that the project is structurally sound, the condition and remaining useful life of the major project components are sufficient to meet the residential needs of the project, and that there is no evidence that any of these conditions have not been met. Major components include the roof, elevators and mechanical systems such as HVAC, plumbing and electricity.
- All rehabilitation work involved in the conversion (Non-Gut Rehabilitation **and** Gut Rehabilitation) must be completed in a professional manner
- A review of the engineer's report (or functionally equivalent documentation) is not required for conversions involving:
  - A Gut-Rehabilitation, and
  - A Non-Gut Rehabilitation if more than three years have elapsed since the legal creation of the project

(h) Mortgagee consent

1. The Project Documents or applicable State law must provide that amendments of a material adverse nature to First Lien mortgagees be agreed to by mortgagees that

represent at least 51% of the unit votes (based on one vote for each first Mortgage owned) subject to First Lien Mortgages

2. The Project Documents or applicable State law must provide that any action to terminate the legal status of the project or to use insurance proceeds for any purpose other than to rebuild, must be agreed to by First Lien mortgagees that represent at least 51% of the unit votes (based on one vote for each first Mortgage owned) that are subject to First Lien Mortgages

3. The Project Documents may allow implied approval to be assumed when the then current mortgagee of record fails to submit a response to any written proposal for an amendment within 60 days after the then current mortgagee of record actually receives proper notice of the proposal, provided the notice was delivered by certified or registered mail, with a "return receipt" requested

(i) Rights of Condominium mortgagees and guarantors

The Project Documents, applicable State law, or any applicable insurance policy must give the mortgagee and guarantor of the Mortgage on any unit in a Condominium Project the right to timely written notice of:

1. Any condemnation or casualty loss that affects either a material portion of the Condominium Project or the unit securing its Mortgage

2. Any 60-day Delinquency in the payment of assessments or charges owed by the owner of any unit for which it holds the Mortgage

3. A lapse, cancelation, or material reduction of any insurance policy maintained by the HOA

4. Any proposed action that requires the consent of a specified percentage of mortgagees

(j) First mortgagee's rights confirmed

The Project Documents must not give a Condominium Unit owner or any other party priority over any rights of the first mortgagee of the Condominium Unit pursuant to its Mortgage in the case of payment to the unit owner of proceeds from termination, or insurance proceeds or condemnation awards for losses to or a taking of Condominium Units and/or Common Elements.

(k) Requirements when a Seller relies on a project reserve study for New Condominium Projects

The reserve study must comply with the following requirements:

1. The reserve study generally must include:

- An inventory of major components of the project
- Financial analysis and evaluation of current reserve fund adequacy, and
- Proposed annual reserve funding plan

2. A reserve study's financial analysis must validate that the project has appropriately allocated the recommended reserve funds to provide the Condominium Project with sufficient financial protection comparable to Freddie Mac's standard budget requirements for replacement reserves

3. The reserve study's annual reserve funding plan, which details total costs identified for replacement components, must meet or exceed the study's recommendation and conclusion

4. The most current reserve study (or update) must be dated within 36 months of the Seller's determination that a Condominium Project is eligible (see Section 5701.2(a)(2))

5. The reserve study must be prepared by an independent expert skilled in performing such studies (such as a reserve study professional, a construction engineer, a certified public accountant who specializes in reserve studies, or any professional with demonstrated experience and knowledge in completing reserve studies)

6. The reserve study must meet or exceed requirements set forth in any applicable state statutes

7. The reserve study must comment favorably on the project's age, estimated remaining life, structural integrity and the replacement of major components

If the Seller relies on a reserve study that meets the requirements of this section, the project's budget must contain appropriate allocations to support the costs identified in the study.

The Seller must obtain and retain in the Mortgage file a copy of the reserve study. The Seller must also perform an analysis of the study and retain this analysis in the Mortgage file.

(l) Requirements when a Seller relies on contributions to a working capital fund for New Condominium Projects

The following requirements must be met:

1. The Project Documents require the purchaser of a Condominium Unit to pay a non-refundable and non-transferable assessment to a working capital fund which must be established for the periodic maintenance, repair and replacement of the Common Elements

2. The assessment must be equal to a minimum of at least two months of the HOA fees attributable to the Condominium Unit and be due and payable at closing

3. The developer is in control of the HOA

(m)New Condominium Project sold with excessive Seller contributions

If a builder, developer or property seller offers financing or sale arrangements (such as rent-backs, payments of principal, interest, taxes and insurance) for Condominium Unit Mortgages in a New Condominium Project these contributions must comply with the requirements of Section 5501.5.

(n) New Condominium Projects in Florida

Mortgages secured by attached units in New Condominium Projects in Florida are not eligible, except when the projects have an "Approved by Fannie Mae" status designation in Fannie Mae's Condo Project Manager™ (refer to Section 5701.9(a) for additional information).

Note: If the requirements for New Condominium Projects in this Section 5701.6 are met, then the Seller is not required to comply with the requirements for any of the other project review types in Sections 5701.4, 5701.5, 5701.7 and 5701.9.

5701.7: Exempt From Review (09/18/23)

To be eligible under Exempt From Review, the requirements below must be met.

(a) Eligible Mortgages

The Mortgage must be:

1. Secured by a Condominium Unit in a 2- to 4-Unit Condominium Project, or

2. Secured by a Detached Condominium Unit, or

3. A Freddie Mac-owned "no cash-out" refinance Condominium Unit Mortgage, or

4. A Refi Possible® Mortgage

(b) Condominium Projects

The Condominium Project must:

1. Not be a Condominium Hotel or similar type of transient housing, a houseboat project, a timeshare project, or a project with segmented ownership (all as described in Section 5701.3)

2. Not include Manufactured Homes, unless the Condominium Unit Mortgage is a Refi Possible Mortgage

3. For Freddie Mac-owned "no cash-out" refinance Condominium Unit Mortgages and for Refi Possible Mortgages, the Condominium Project is not in need of Critical Repairs and does not have an evacuation order. (See Sections 5701.3(n) and 5701.3(o) for details.)

(c) Additional requirements

The applicable requirements in the following table must be met:

2- to 4-Unit Condominium Projects	The Condominium Project meets the Glossary definition of a 2- to 4-Unit Condominium Project. (Note: The Glossary definitions of Established Condominium Project and New Condominium Project are not applicable.)
Detached Condominium Units	The Condominium Unit securing the Condominium Unit Mortgage meets the Glossary definition of a Detached Condominium Unit
Freddie Mac-owned "no cash-out" refinance Condominium Unit Mortgages	If the Condominium Unit Mortgage being refinanced is currently owned by Freddie Mac in whole or in part or securitized by Freddie Mac then the Mortgage is exempt from project review provided the following requirements are met: ■ The maximum loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratio is 80% ■ If available, proof of the ULDD Data Point *Related Investor Loan Identifier* of the existing Condominium Unit Mortgage is provided in the Mortgage file ■ The delivery requirements in Section 6302.16(b)(ii) are met
Refi Possible Mortgages	If the Condominium Unit Mortgage being refinanced is currently owned by Freddie Mac in whole or in part or securitized by Freddie Mac and the Mortgage is being refinanced under the Refi Possible offering, then the Mortgage is exempt from project review provided that:

	■ The Mortgage meets all applicable requirements in Chapter 4302 ■ The delivery requirements in Section 6302.46 are met

(d) General project eligibility requirements

The general project eligibility requirements in Section 5701.2(b) must be met.

Attached and semi detached units within projects containing Detached Condominium Units may not be delivered as Exempt From Review unless the attached or semi detached units are within a 2- to 4-Unit Condominium Project or meet the requirements for Freddie Mac-owned "no cash-out" refinance Condominium Unit Mortgages or Refi Possible Mortgages.

Note: If the requirements for Exempt From Review in this Section 5701.7 are met, then the Seller is not required to comply with the requirements for any of the other project review types in Sections 5701.4, 5701.5, 5701.6 and 5701.9.

5701.8: Condominium appraisal and underwriting requirements (03/31/22)

(a) Appraisal requirements for Condominium Units

(i) General appraisal requirements

The appraiser must report the project name, the assessments, including special assessments and the property rights for each comparable sale and must compare them to the subject project. The appraiser must also identify the Common Elements including the Amenities available to the unit owners, comment on their condition and analyze how they compare to the Common Elements and Amenities of competing projects.

Comparable sales must be from Condominium Projects in the same market, be similar to the subject Project and compete for the same purchasers.

(ii) Comparable sales selection

Refer to Section 5605.6(g) for specific requirements applicable to units in Established Condominium Projects or in recently converted or New Condominium Projects.

(iii) Additional appraisal requirements for Detached Condominium Units

The appraiser must use similar Detached Condominium Unit comparable sales from the same project or from the same market area. The appraiser may use other types of 1-unit detached comparable sales that are not located in a Condominium Project only if the

appraiser supports the use of such sales in the appraisal report and reflects any effect that the condominium form of ownership has on the market value and marketability of the subject property. Each appraisal report must comply with the requirements in Sections 5604.1 and 5604.2 and Chapter 5605.

(b) Underwriting considerations for Condominium Projects with mixed uses and Condominium Projects with live-work Condominium Units

(i) Condominium Projects with mixed uses

Freddie Mac will purchase eligible Condominium Mortgages in Condominium Projects with a combination of residential, commercial, industrial, office and/or institutional uses provided that the Condominium Mortgages comply with all applicable Freddie Mac requirements, including the requirements of Section 5701.2 and Section 5701.3(d).

(ii) Live-work Condominium Units

Freddie Mac will purchase eligible Condominium Mortgages in Condominium Projects with live-work Condominium Units provided that:

- The Condominium Mortgage complies with all applicable Freddie Mac requirements, including the requirements of Section 5701.2, and
- The primary use of the live-work Condominium Unit is residential and the non-residential use of such Condominium Unit is secondary

(c) Underwriting considerations for Common Elements and Amenities

The project's Common Elements, including Amenities and Limited Common Elements, must be consistent with the nature of the project and similar to competing Condominium Projects in the market area.

(d) Financing of Limited Common Elements

Limited Common Elements are portions of Common Elements reserved for use by one or more unit owners but not all unit owners. Limited Common Elements are defined in the Project Documents, and may include, but are not limited to, balconies or patios serving a single unit, assigned parking spaces or storage bins.

Limited Common Elements that are purchased as part of the Condominium Unit may be financed as part of the Mortgage, and the cost of such Limited Common Elements may be included when determining the sale price and loan-to-value (LTV) ratio.

Only Limited Common Elements may be financed along with the Condominium Unit. Facilities serving the Condominium Unit which are made available to the Condominium Unit by a permit, license or lease (other than in a leasehold condominium), must not be financed

as part of a Mortgage, and the cost of the use of such facilities may not be included when determining the sale price and LTV ratio.

5701.8: Condominium appraisal and underwriting requirements (Future effective date 02/04/25)

(a) Appraisal requirements for Condominium Units

(i) General appraisal requirements

The appraiser must report the project name, the assessments, including special assessments and the property rights for each comparable sale and must compare them to the subject project. The appraiser must also identify the Common Elements including the Amenities available to the unit owners, comment on their condition and analyze how they compare to the Common Elements and Amenities of competing projects.

Comparable sales must be from Condominium Projects in the same market, be similar to the subject Project and compete for the same purchasers.

(ii) Comparable sales selection

Refer to Section 5605.6(g) for specific requirements applicable to units in Established Condominium Projects or in recently converted or New Condominium Projects.

(iii) Additional appraisal requirements for Detached Condominium Units

The appraiser should use similar Detached Condominium Unit comparable sales from the same project or from the same Market Area. The appraiser may use other types of 1-unit detached comparable sales that are not located in a Condominium Project only if the appraiser supports the use of such sales in the appraisal report and reflects any effect that the condominium form of ownership has on the market value and marketability of the subject property. Each appraisal report must comply with the requirements in Sections 5604.1 and 5604.2 and Chapter 5605.

(b) Underwriting considerations for Condominium Projects with mixed uses and Condominium Projects with live-work Condominium Units

(i) Condominium Projects with mixed uses

Freddie Mac will purchase eligible Condominium Mortgages in Condominium Projects with a combination of residential, commercial, industrial, office and/or institutional uses provided that the Condominium Mortgages comply with all applicable Freddie Mac requirements, including the requirements of Section 5701.2 and Section 5701.3(d).

(ii) Live-work Condominium Units

Freddie Mac will purchase eligible Condominium Mortgages in Condominium Projects with live-work Condominium Units provided that:

- The Condominium Mortgage complies with all applicable Freddie Mac requirements, including the requirements of Section 5701.2, and
- The primary use of the live-work Condominium Unit is residential and the non-residential use of such Condominium Unit is secondary

(c) Underwriting considerations for Common Elements and Amenities

The project's Common Elements, including Amenities and Limited Common Elements, must be consistent with the nature of the project and similar to competing Condominium Projects in the Market Area.

(d) Financing of Limited Common Elements

Limited Common Elements are portions of Common Elements reserved for use by one or more unit owners but not all unit owners. Limited Common Elements are defined in the Project Documents, and may include, but are not limited to, balconies or patios serving a single unit, assigned parking spaces or storage bins.

Limited Common Elements that are purchased as part of the Condominium Unit may be financed as part of the Mortgage, and the cost of such Limited Common Elements may be included when determining the sale price and loan-to-value (LTV) ratio.

Only Limited Common Elements may be financed along with the Condominium Unit. Facilities serving the Condominium Unit which are made available to the Condominium Unit by a permit, license or lease (other than in a leasehold condominium), must not be financed as part of a Mortgage, and the cost of the use of such facilities may not be included when determining the sale price and LTV ratio.

5701.9: Reciprocal project reviews (04/05/23)

Condominium Unit Mortgages secured by Condominium Units located in Condominium Projects approved by other secondary market participants are eligible for sale to Freddie Mac if the Condominium Unit Mortgages comply with the following requirements:

(a) Fannie Mae-approved and certified projects

Freddie Mac will purchase Mortgages secured by 1-unit residential dwellings in Condominium Projects that: (i) have an "Approved by Fannie Mae" status designation in Fannie Mae's Condo Project Manager™ (CPM™) (Condo Project Manager and CPM are

trademarks of Fannie Mae), or (ii) the Seller approved as a Fannie Mae "Full Review," ensured all data entered into CPM were correct and received a "Certified by Lender" status designation in Fannie Mae's legacy or updated CPM platform, if the Mortgage complies with the requirements below.

As of the Settlement Date:

1. The project complies with all applicable Fannie Mae eligibility requirements and lender warranties

2. The approval or certification and any terms and conditions set forth in the approval or certification have not expired

3. The Mortgage complies with any stated CPM delivery restrictions (e.g., occupancy type restriction, maximum LTV ratios, etc.)

4. The Seller complies with Fannie Mae's additional obligations for projects approved or certified through CPM. Pursuant to these obligations, if the Seller notified Fannie Mae's CPM Management team of any new information that may impact a project's eligibility (e.g., significant deferred maintenance, litigation, etc.), prior to selling the Mortgage to Freddie Mac, the Seller must confirm that the project retained its approved status.

5. The Mortgage file contains documentation of Fannie Mae's approval as evidenced by an "Approved by Fannie Mae" status designation (e.g., a copy of the appropriate CPM screen showing that the Condominium Project has an "Approved by Fannie Mae" status designation or documentation of the Seller's project approval as a Fannie Mae "Full Review" with a "Certified by Lender" status designation from Fannie Mae's legacy CPM (certification exported from Fannie Mae Connect) or Fannie Mae's updated CPM platform (certification printed from the updated CPM platform)

6. The Condominium Project complies with the general project eligibility requirements in Section 5701.2(b)

As required in Section 5701.2(b)(6), the Seller must retain, and provide upon request, documentation to support its analysis that the Condominium Project meets Fannie Mae's "Full Review" requirements when the Seller received a "Certified by Lender" status designation in Fannie Mae's legacy or updated CPM platform.

For Mortgages secured by attached Condominium Units in Established Condominium Projects in Florida with a "Certified by Lender" status designation in CPM, the Seller also warrants that:

1. The loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit TLTV (HTLTV) ratio is 75/90/90% or less for a Primary Residence

2. The LTV/TLTV/HTLTV ratio is 70/75/75% or less for a second home or an Investment Property

Mortgages secured by attached Condominium Units in New Condominium Projects in Florida are only eligible for sale to Freddie Mac if the project has an "Approved by Fannie Mae" status designation in CPM.

Mortgages secured by Condominium Units in Condominium Projects comprised of Manufactured Homes are only eligible for sale to Freddie Mac if the project has an "Approved by Fannie Mae" status designation in CPM or when they comply with the requirements in Section 5701.5(f).

(b) FHA-Approved Project review for condominiums

To be eligible under FHA-Approved Project review for condominiums:

(i) The Mortgage must be secured by a 1-unit residential dwelling in a Condominium Project that:

1. Appears on the list of projects approved by the FHA, either by the FHA HUD Review and Approval Process (HRAP) or the FHA Direct Endorsement Lender Review and Approval Process (DELRAP), provided that the Mortgage is an FHA Mortgage, VA Mortgage, Section 502 GRH Mortgage, or HUD-Guaranteed Section 184 Native American Mortgage that complies with the applicable requirements of the Guide, or:

2. Appears on the list of projects approved by the FHA by the FHA HUD Review and Approval Process (HRAP) only, provided that the Mortgage is a conventional Mortgage and:

   - The Condominium Project must meet the definition of an Established Condominium Project
   - The Condominium Project is not an ineligible project (Section 5701.3)
   - All general project eligibility requirements in Section 5701.2(b) must be met, and
   - The Mortgage must comply with all other applicable requirements of the Guide

(ii) When the Seller sells Freddie Mac a Mortgage secured by a unit in a project that meets the requirements in (i) above, the Seller warrants all of the following as of the Settlement Date:

1. The project is in the "approved" status, complies with any FHA-approval conditions noted on the FHA website, the approval has not yet expired and has not been rescinded or modified in any way

2. The Mortgage file contains documentation of FHA's approved status (for example, a copy of the appropriate webpage showing that the project is approved and that the approval is current)

3. The Seller is not aware of any circumstances that would make the project ineligible for approval

Note: If the requirements for reciprocal project reviews in this Section 5701.9 are met, then the Seller is not required to comply with the requirements for any of the other project review types in Sections 5701.4, 5701.5, 5701.6 and 5701.7.

5701.10: Condo Project Advisor® – Project Assessment Request (PAR) (09/30/24)

Condo Project Advisor®, accessible through Freddie Mac Loan Advisor®, allows authorized Sellers to submit a Project Assessment Request (PAR) to obtain feedback (referred to as the PAR findings) regarding a Condominium Project's compliance with the project review requirements assessed by Condo Project Advisor. A Condominium Project's PAR findings are also available in Loan Product Advisor® when Condo Project Advisor identifies the property address submitted in Loan Product Advisor and the project has a PAR status assigned.

(a) Mortgages eligible for purchase

The Mortgage must be secured by a Condominium Unit in an Established Condominium Project. See 5701.10(d)(iii) below.

The Mortgage must be a Loan Product Advisor Mortgage.

The Mortgage must not be secured by a Condominium Unit in a Condominium Project with a Not Eligible status PAR finding.

(b) Submission timing

For Condo Project Advisor, the PAR may be submitted at any time during the loan origination process but must be submitted prior to sale of the related Mortgage to Freddie Mac.

For Loan Product Advisor, the Mortgage must be submitted to Loan Product Advisor pursuant to the requirements in Section 5101.1(b).

(c) Mortgage identification

The PAR is applicable only to the Mortgage identified on the Condo Project Advisor Feedback Certificate or the Last Feedback Certificate, as applicable, and is not applicable to

any other Mortgage secured by a Condominium Unit located in the same Condominium Project.

The Mortgage identified will be the Mortgage for which the Seller enters one of the following in Condo Project Advisor:

1. The LP Key Number, an alphanumeric identifier, listed on the Feedback Certificate, which may also be referred to as the LP AUS Key Number or the Loan Prospector Key Number, or

2. Seller loan number/identifier

For Retail Mortgages, the LP Key Number or the Seller loan number must be entered into Condo Project Advisor, and it must be identical to the LP Key Number or Seller loan number delivered in Loan Selling Advisor®.

For non-Retail Mortgages, the LP Key Number must be entered into Condo Project Advisor, and it must be identical to the LP Key Number delivered in Loan Selling Advisor.

(d) PAR findings

Seller is responsible for ensuring compliance with the project review requirements specified in the last PAR findings (see Section 5701.10(d)(vii) below). See Section 5701.10(h) for details about representations and warranties.

Freddie Mac will not purchase a Mortgage secured by a Condominium Unit in a Condominium Project assigned a "Not Eligible" status by Condo Project Advisor. See Section 5701.10(d)(v) below.

See Section 5701.10(d)(vi) for changes to PAR findings.

(i) Project Certified status

If Condo Project Advisor finds that the Condominium Project complies with all requirements assessed for this status, Condo Project Advisor will assign a "Project Certified" status to the project. The term "Project Certified" means that Condo Project Advisor is assessing only the requirements of the Glossary definition of an Established Condominium Project, Section 5701.3 regarding ineligible Condominium Projects and Section 5701.5 regarding Established Condominium Projects.

See Section 5701.10(f) for details on submitting a Condominium Project for a Project Certified Submission (PCS) review.

(ii) Green status

If Condo Project Advisor finds that the Condominium Project complies with all the requirements assessed for this status, Condo Project Advisor will assign a "Green" status to the project.

(iii) Yellow status

If Condo Project Advisor finds that the Condominium Project does not comply with one or more of the requirements assessed, Condo Project Advisor will assign a "Yellow" status to the project. The Condo Project Advisor Feedback Certificate will include a "Proceed with Caution" section with messages relating to requirements that need to be addressed before the Mortgage can be sold to Freddie Mac. The Loan Product Advisor Feedback Certificate will provide similar feedback messages, titled "Condo Project," in the Property and Appraisal Messages section.

If one of the messages indicates that the project may not be an Established Condominium Project, the Seller must first determine that the project complies with that requirement.

If Seller determines that the project is an Established Condominium Project, fully analyzes the project review and general eligibility requirements identified on the later of the Condo Project Advisor Feedback Certificate or the Last Feedback Certificate (see Section 5701.10(d)(vii) below) and determines that the project complies with the requirement(s), the related Condominium Unit Mortgage may be eligible for sale to Freddie Mac.

(iv) Incomplete Assessment status

If Condo Project Advisor is unable to perform the assessment, Condo Project Advisor will assign an "Incomplete Assessment" status to the Condominium Project.

A Mortgage secured by a Condominium Unit in a Condominium Project with an "Incomplete Assessment" status may be eligible for sale to Freddie Mac if the Seller fully analyzes all project review requirements (Section 5701.2(a)) and general eligibility requirements (Section 5701.2(b)) and determines the project complies with all the requirements. See Section 5701.10(h) for more details.

(v) Not Eligible status

If Condo Project Advisor finds that a Condominium Project does not meet certain Condominium Project review and general eligibility requirements, Condo Project Advisor will assign a "Not Eligible" status to the project. Mortgages secured by a Condominium Unit in a Condominium Project that receive this status are ineligible for sale to Freddie Mac and will be identified as such in Output (as defined in Section 2401.1(b)) of Condo Project Advisor, Loan Product Advisor, Loan Quality Advisor, and Loan Selling Advisor.

A Condominium Project without a "Not Eligible" status does not mean that the project complies with all of Freddie Mac's project review and general eligibility requirements or that Freddie Mac will purchase any Mortgage secured by a Condominium Unit in that

project. For a Condominium Project without a "Not Eligible" status, Seller must ensure compliance with all applicable requirements in this Chapter and all other requirements of the Purchase Documents.

(vi) Changes to PAR findings

For all PAR findings, including those submitted through the PCS review process, if a Seller or, if applicable, a Related Third Party, becomes aware of any information that could impact, or that is inconsistent with, a project's PAR findings, the Seller or Related Third Party must contact Freddie Mac at **ProjectInfo@FreddieMac.com** and provide the specific information. Seller must notify Freddie Mac as soon as feasible but no later than five business days after Seller becomes aware of such information.

A Condominium Project's PAR findings (status and/or feedback messages) may change based on information assessed after Condo Project Advisor assigns a status to the project and after Seller last accessed Condo Project Advisor and obtained a project's PAR findings.

If the Seller or Related Third Party notified Freddie Mac of any information that could impact, or that is inconsistent with, a project's PAR findings, then, prior to sale of a Condominium Unit Mortgage secured by a unit in that Condominium Project, the Seller must confirm the Condominium Project's current PAR findings and ensure compliance with the requirement(s) specified on the Condo Project Advisor Feedback Certificate.

(vii) Last PAR findings

The PAR findings on the Condo Project Advisor Feedback Certificate are the last PAR findings if the date listed in the "Date Issued" field on the Condo Project Advisor Feedback Certificate is later than the date listed in the "Date/Time Assessed" field in the Transaction Details section of the Last Feedback Certificate.

Otherwise, the PAR findings on the Last Feedback Certificate are the last PAR findings.

If submissions in Condo Project Advisor and Loan Product Advisor are made on the same day, then the PAR findings on the Last Feedback Certificate are the last PAR findings.

(e) Assessed and non-assessed project review requirements

(i) Assessed project review requirements for Condominium Projects with a Project Certified status PAR finding

Condo Project Advisor only assesses the following project review requirements for Condominium Projects with a Project Certified status:

Condo Project Advisor Assesses	
Section	**Project Review Requirements**
Glossary	Definition of an Established Condominium Project
5701.3	Ineligible projects
5701.5	Established Condominium Projects

When specified on the Condo Project Advisor Feedback Certificate or the Feedback Certificate, Condo Project Advisor has not assessed the owner-occupancy requirements in Section 5701.5(b)(2) for Investment Property, and Seller remains responsible for assessing such requirement for Investment Property Mortgages.

(ii) Assessed project review requirements for Green and Yellow status PAR findings

Condo Project Advisor assesses the following project review requirements for streamlined review and Established Condominium Projects that receive a Green or Yellow status:

Streamlined review (Section 5701.4) and Established Condominium Projects (Section 5701.5)

Condo Project Advisor Assesses	
Section	**Project Review Requirement**
Glossary	Definition of an Established Condominium Project
5701.3(b)	Condominium Hotel or similar type of transient housing
5701.3(c)	Project with multi-dwelling units
5701.3(d)	Project with excessive commercial or non-residential space
5701.3(e)	Tenancy-in-common apartment project
5701.3(f)	Timeshare project or project with segmented ownership
5701.3(g)	Houseboat project
5701.3(h)	Project in which the unit owners do not possess sole ownership of the Common Elements

Condo Project Advisor Assesses	
Section	**Project Review Requirement**
5701.3(j)	Project with excessive single investor concentration
5701.3(k)	Continuing Care Retirement Community (CCRC)
5701.3(l)	Manufactured Homes
5701.3(m)	Project with mandatory dues or similar membership fees for use of Amenities such as clubhouses or recreational facilities

(iii) Non-assessed project review and general eligibility requirements for Green and Yellow status PAR findings

Condo Project Advisor does not assess the following project review and general eligibility requirements for streamlined review and Established Condominium Projects that receive a Green or Yellow status:

A. Streamlined review (Section 5701.4) and Established Condominium Projects (Section 5701.5)

Condo Project Advisor Does NOT Assess	
Section	**Project Review Requirement**
5701.2(a)(3)	Expiration of project review is within one year prior to the Note Date
5701.2(a)(4)	The Condominium Project remains in full compliance with applicable State law, the requirements of the jurisdiction in which the Condominium Project is located, and with all other applicable laws and regulations governing the Condominium Project
5701.3(a)	Projects in which the unit owners do not have an undivided ownership interest or leasehold interest in the land on which the project is located
5701.3(i)	Project in litigation
5701.3(n)	Project in need of Critical Repairs
5701.3(o)	Project with an evacuation order

B. Streamlined review (Section 5701.4)

Condo Project Advisor Does NOT Assess	
Section	**Streamlined Review Requirement**
5701.4(b)	Maximum loan-to-value/total LTV/Home Equity Line of Credit TLTV ratios
5701.4(c)	Special assessments

C. Established Condominium Projects (Section 5701.5)

Condo Project Advisor Does NOT Assess	
Section	**Established Condominium Project Review Requirement**
5701.5(b)	Owner-occupancy requirements for Established Condominium Projects
5701.5(c)	Project budget requirements for Established Condominium Projects
5701.5(d)	Delinquent assessments for Established Condominium Projects
5701.5(e)	Requirements when a Seller relies on a project reserve study for Established Condominium Projects
5701.5(f)	Manufactured Homes

(iv) Non-assessed general eligibility requirements for all PAR status findings

Condo Project Advisor does not assess the general Condominium Project eligibility requirements in Section 5701.2(b).

(f) Project Certified Submission (PCS) review process

Condo Project Advisor may specify on certain PARs, or the Loan Product Advisor Feedback Certificate may indicate, that a Condominium Project is eligible to be submitted for a Project Certified review through the Condo Project Advisor Project Certified Submission (PCS) process. Such submissions may be made only through Condo Project Advisor. Prior to submission, the Seller is not required to determine that a Condominium Project meets the requirements of Sections 5701.3 and 5701.5 and the Glossary definition of an Established Condominium Project. If Condo Project Advisor finds that the Condominium Project meets the requirements for Project Certified, the project will be assigned a Project Certified status.

The provisions of Section 5701.10 applicable to projects with a Project Certified status are also applicable to projects with a Project Certified status obtained through a PCS review.

(i) PCS timing

The project must be submitted and receive a Project Certified status PAR finding prior to the sale of the related Mortgage to Freddie Mac.

(ii) PCS requirements

The Seller must submit the following documents to Freddie Mac for review:

- Seller full review questionnaire dated within 120 days of PCS request date;
- Condominium Project Addendum Form 476A or similar documentation to determine if a project is in need of Critical Repairs;
- Any structural and/or mechanical inspection that has been completed within 3 years of the Seller's PCS request date;
- Current approved budget; and
- Such other documentation/information as Freddie Mac may request from time to time

Except for the information required by the PCS review, Sellers must not provide any Borrower-related information or other Mortgage information in connection with their PCS request.

(g) Documentation requirements for Mortgages with PAR findings

For all PAR findings, the Condo Project Advisor Feedback Certificate or the Last Feedback Certificate, whichever contains the last PAR findings as defined in Section 5701.10(d)(vii), must be:

- Maintained in the Mortgage file; and
- Dated within 120 days of the Note Date

(h) Representations and warranties

(i) Project Certified status PAR findings

For a subject Mortgage secured by a Condominium Unit in a Condominium Project with a Project Certified status PAR finding, Freddie Mac will not exercise its remedies, including the issuance of repurchase requests, in connection with a breach of the Seller's selling representations and warranties related to the project review requirements that

Condo Project Advisor assessed, if Condo Project Advisor found the project complied with the requirement(s) and the PAR findings are detailed on the later of a non-transferrable Condo Project Advisor Feedback Certificate or the Last Feedback Certificate maintained in the Mortgage file. Seller remains responsible for compliance with the general eligibility requirements in Section 5701.2(b) and for compliance with the owner occupancy requirements indicated in Sections 5701.5(b)(2) when specified on the later of the Condo Project Advisor Feedback Certificate or the Last Feedback Certificate. Except as provided by this Section 5701.10(h)(i), the Seller remains responsible for compliance with all other requirements of the Purchase Documents.

(ii) Green or Yellow status PAR findings

For a subject Mortgage secured by a Condominium Unit in a Condominium Project with a Green or Yellow status PAR finding, Freddie Mac will not exercise its remedies, including the issuance of repurchase requests, in connection with a breach of the Seller's selling representations and warranties related to the project review requirements that Condo Project Advisor assessed, if Condo Project Advisor found the project complied with the requirement(s) and the PAR findings are detailed on the later of a non-transferrable Condo Project Advisor Feedback Certificate or the Last Feedback Certificate maintained in the Mortgage file.

A. For a Green status PAR finding, Seller does not need to ensure compliance with all the project review requirements assessed by Condo Project Advisor.

B. For a Yellow status PAR finding, when Condo Project Advisor finds that the Condominium Project does not comply with one or more of the requirements it assesses, Seller must ensure compliance with such identified requirement(s).

C. For both Green and Yellow PAR findings, Seller must ensure compliance with (1) the project review requirements (Section 5701.2(a)) and general eligibility requirements (Section 5701.2(b)) that Condo Project Advisor does not assess, and (2) all other requirements of the Purchase Documents**.**

(iii)Incomplete Assessment status PAR finding

For an Incomplete Assessment status PAR finding, Seller must ensure compliance with all project review requirements (Section 5701.2(a)) and general eligibility requirements (Section 5701.2(b)).

(i) Delivery requirements

All eligible Mortgages with PAR findings must be delivered to Freddie Mac within 120 days after the Note Date. If the Mortgage is not delivered within 120 days after the Note Date, the Seller must submit a new PAR and obtain a new Condo Project Advisor Feedback Certificate or Loan Product Advisor Last Feedback Certificate (if resubmission in Loan Product Advisor is an option pursuant to the requirements in Section 5101.1(b)) prior to delivery.

In connection with the sale of each Mortgage with a Green or Yellow status PAR finding, Seller must deliver "K01" as the Investor Feature Identifier. See Section 6302.20 for more information.

In connection with the sale of each Mortgage with a Project Certified status PAR finding, Seller must deliver "J97" as the Investor Feature Identifier. See Section 6302.20 for more information.

Note: If the requirements for Condominium Projects with a Project Certified status in this Section 5701.10 are met, then Seller is not required to comply with the requirements for any of the project review types in Sections 5701.4, 5701.5, 5701.6, 5701.7 and 5701.9.

5701.10: Condo Project Advisor® – Project Assessment Request (PAR) (Future effective date 07/28/25)

Condo Project Advisor®, accessible through Freddie Mac Loan Advisor®, allows authorized Sellers to submit a Project Assessment Request (PAR) to obtain feedback (referred to as the PAR findings) regarding a Condominium Project's compliance with the project review requirements assessed by Condo Project Advisor. A Condominium Project's PAR findings are also available in Loan Product Advisor® when Condo Project Advisor identifies the property address submitted in Loan Product Advisor and the project has a PAR status assigned.

(a) Mortgages eligible for purchase

The Mortgage must be secured by a Condominium Unit in an Established Condominium Project. See 5701.10(d)(iii) below.

The Mortgage must be a Loan Product Advisor Mortgage.

The Mortgage must not be secured by a Condominium Unit in a Condominium Project with a Not Eligible status PAR finding.

(b) Submission timing

For Condo Project Advisor, the PAR may be submitted at any time during the loan origination process but must be submitted prior to sale of the related Mortgage to Freddie Mac.

For Loan Product Advisor, the Mortgage must be submitted to Loan Product Advisor pursuant to the requirements in Section 5101.1(b).

(c) Mortgage identification

The PAR is applicable only to the Mortgage identified on the Condo Project Advisor Feedback Certificate or the Last Feedback Certificate, as applicable, and is not applicable to any other Mortgage secured by a Condominium Unit located in the same Condominium Project.

The Mortgage identified will be the Mortgage for which the Seller enters one of the following in Condo Project Advisor:

1. The LP Key Number, an alphanumeric identifier, listed on the Feedback Certificate, which may also be referred to as the LP AUS Key Number or the Loan Prospector Key Number, or

2. Seller loan number/identifier

For Retail Mortgages, the LP Key Number or the Seller loan number must be entered into Condo Project Advisor, and it must be identical to the LP Key Number or Seller loan number delivered in Loan Selling Advisor®.

For non-Retail Mortgages, the LP Key Number must be entered into Condo Project Advisor, and it must be identical to the LP Key Number delivered in Loan Selling Advisor.

(d) PAR findings

Seller is responsible for ensuring compliance with the project review requirements specified in the last PAR findings (see Section 5701.10(d)(vii) below). See Section 5701.10(h) for details about representations and warranties.

Freddie Mac will not purchase a Mortgage secured by a Condominium Unit in a Condominium Project assigned a "Not Eligible" status by Condo Project Advisor. See Section 5701.10(d)(v) below.

See Section 5701.10(d)(vi) for changes to PAR findings.

(i) Project Certified status

If Condo Project Advisor finds that the Condominium Project complies with all requirements assessed for this status, Condo Project Advisor will assign a "Project Certified" status to the project. The term "Project Certified" means that Condo Project Advisor is assessing only the requirements of the Glossary definition of an Established Condominium Project, Section 5701.3 regarding ineligible Condominium Projects and Section 5701.5 regarding Established Condominium Projects.

See Section 5701.10(f) for details on submitting a Condominium Project for a Project Certified Submission (PCS) review.

(ii) Green status

If Condo Project Advisor finds that the Condominium Project complies with all the requirements assessed for this status, Condo Project Advisor will assign a "Green" status to the project.

(iii) Yellow status

If Condo Project Advisor finds that the Condominium Project does not comply with one or more of the requirements assessed, Condo Project Advisor will assign a "Yellow" status to the project. The Condo Project Advisor Feedback Certificate will include a "Proceed with Caution" section with messages relating to requirements that need to be addressed before the Mortgage can be sold to Freddie Mac. The Loan Product Advisor Feedback Certificate will provide similar feedback messages, titled "Condo Project," in the Property and Appraisal Messages section.

If one of the messages indicates that the project may not be an Established Condominium Project, the Seller must first determine that the project complies with that requirement.

If Seller determines that the project is an Established Condominium Project, fully analyzes the project review and general eligibility requirements identified on the later of the Condo Project Advisor Feedback Certificate or the Last Feedback Certificate (see Section 5701.10(d)(vii) below) and determines that the project complies with the requirement(s), the related Condominium Unit Mortgage may be eligible for sale to Freddie Mac.

(iv) Incomplete Assessment status

If Condo Project Advisor is unable to perform the assessment, Condo Project Advisor will assign an "Incomplete Assessment" status to the Condominium Project.

A Mortgage secured by a Condominium Unit in a Condominium Project with an "Incomplete Assessment" status may be eligible for sale to Freddie Mac if the Seller fully analyzes all project review requirements (Section 5701.2(a)) and general eligibility requirements (Section 5701.2(b)) and determines the project complies with all the requirements. See Section 5701.10(h) for more details.

(v) Not Eligible status

If Condo Project Advisor finds that a Condominium Project does not meet certain Condominium Project review and general eligibility requirements, Condo Project Advisor will assign a "Not Eligible" status to the project. Mortgages secured by a Condominium Unit in a Condominium Project that receive this status are ineligible for sale to Freddie Mac and will be identified as such in Output (as defined in Section 2401.1(b)) of Condo Project Advisor, Loan Product Advisor, Loan Quality Advisor, and Loan Selling Advisor.

A Condominium Project without a "Not Eligible" status does not mean that the project complies with all of Freddie Mac's project review and general eligibility requirements or that Freddie Mac will purchase any Mortgage secured by a Condominium Unit in that project. For a Condominium Project without a "Not Eligible" status, Seller must ensure compliance with all applicable requirements in this Chapter and all other requirements of the Purchase Documents.

(vi) Changes to PAR findings

For all PAR findings, including those submitted through the PCS review process, if a Seller or, if applicable, a Related Third Party, becomes aware of any information that could impact, or that is inconsistent with, a project's PAR findings, the Seller or Related Third Party must contact Freddie Mac at **ProjectInfo@FreddieMac.com** and provide the specific information. Seller must notify Freddie Mac as soon as feasible but no later than five business days after Seller becomes aware of such information.

A Condominium Project's PAR findings (status and/or feedback messages) may change based on information assessed after Condo Project Advisor assigns a status to the project and after Seller last accessed Condo Project Advisor and obtained a project's PAR findings.

If the Seller or Related Third Party notified Freddie Mac of any information that could impact, or that is inconsistent with, a project's PAR findings, then, prior to sale of a Condominium Unit Mortgage secured by a unit in that Condominium Project, the Seller must confirm the Condominium Project's current PAR findings and ensure compliance with the requirement(s) specified on the Condo Project Advisor Feedback Certificate.

(vii) Last PAR findings

The PAR findings on the Condo Project Advisor Feedback Certificate are the last PAR findings if the date listed in the "Date Issued" field on the Condo Project Advisor Feedback Certificate is later than the date listed in the "Date/Time Assessed" field in the Transaction Details section of the Last Feedback Certificate.

Otherwise, the PAR findings on the Last Feedback Certificate are the last PAR findings.

If submissions in Condo Project Advisor and Loan Product Advisor are made on the same day, then the PAR findings on the Last Feedback Certificate are the last PAR findings.

(e) Assessed and non-assessed project review requirements

(i) Assessed project review requirements for Condominium Projects with a Project Certified status PAR finding

Condo Project Advisor only assesses the following project review requirements for Condominium Projects with a Project Certified status:

Condo Project Advisor Assesses	
Section	**Project Review Requirements**
Glossary	Definition of an Established Condominium Project
5701.3	Ineligible projects
5701.5	Established Condominium Projects

When specified on the Condo Project Advisor Feedback Certificate or the Feedback Certificate, Condo Project Advisor has not assessed the owner-occupancy requirements in Section 5701.5(b)(2) for Investment Property, and Seller remains responsible for assessing such requirement for Investment Property Mortgages.

(ii) Assessed project review requirements for Green and Yellow status PAR findings

Condo Project Advisor assesses the following project review requirements for streamlined review and Established Condominium Projects that receive a Green or Yellow status:

Streamlined review (Section 5701.4) and Established Condominium Projects (Section 5701.5)

Condo Project Advisor Assesses	
Section	**Project Review Requirement**
Glossary	Definition of an Established Condominium Project
5701.3(b)	Condominium Hotel or similar type of transient housing
5701.3(c)	Project with multi-dwelling units
5701.3(d)	Project with excessive commercial or non-residential space
5701.3(e)	Tenancy-in-common apartment project

Condo Project Advisor Assesses	
Section	**Project Review Requirement**
5701.3(f)	Timeshare project or project with segmented ownership
5701.3(g)	Houseboat project
5701.3(h)	Project in which the unit owners do not possess sole ownership of the Common Elements
5701.3(j)	Project with excessive single investor concentration
5701.3(k)	Continuing Care Retirement Community (CCRC)
5701.3(l)	Manufactured Homes
5701.3(m)	Project with mandatory dues or similar membership fees for use of Amenities such as clubhouses or recreational facilities

(iii) Non-assessed project review and general eligibility requirements for Green and Yellow status PAR findings

Condo Project Advisor does not assess the following project review and general eligibility requirements for streamlined review and Established Condominium Projects that receive a Green or Yellow status:

A. Streamlined review (Section 5701.4) and Established Condominium Projects (Section 5701.5)

Condo Project Advisor Does NOT Assess	
Section	**Project Review Requirement**
5701.2(a)(3)	Expiration of project review is within one year prior to the Note Date
5701.2(a)(4)	The Condominium Project remains in full compliance with applicable State law, the requirements of the jurisdiction in which the Condominium Project is located, and with all other applicable laws and regulations governing the Condominium Project
5701.3(a)	Projects in which the unit owners do not have an undivided ownership interest or leasehold interest in the land on which the project is located

Condo Project Advisor Does NOT Assess	
Section	**Project Review Requirement**
5701.3(i)	Project in litigation
5701.3(n)	Project in need of Critical Repairs
5701.3(o)	Project with an evacuation order

B. Streamlined review (Section 5701.4)

Condo Project Advisor Does NOT Assess	
Section	**Streamlined Review Requirement**
5701.4(b)	Maximum loan-to-value/total LTV/Home Equity Line of Credit TLTV ratios
5701.4(c)	Special assessments

C. Established Condominium Projects (Section 5701.5)

Condo Project Advisor Does NOT Assess	
Section	**Established Condominium Project Review Requirement**
5701.5(b)	Owner-occupancy requirements for Established Condominium Projects
5701.5(c)	Project budget requirements for Established Condominium Projects
5701.5(d)	Delinquent assessments for Established Condominium Projects
5701.5(e)	Requirements when a Seller relies on a project reserve study for Established Condominium Projects
5701.5(f)	Manufactured Homes

(iv) Non-assessed general eligibility requirements for all PAR status findings

Condo Project Advisor does not assess the general Condominium Project eligibility requirements in Section 5701.2(b).

(f) Project Certified Submission (PCS) review process

Condo Project Advisor may specify on certain PARs, or the Loan Product Advisor Feedback Certificate may indicate, that a Condominium Project is eligible to be submitted for a Project Certified review through the Condo Project Advisor Project Certified Submission (PCS) process. Such submissions may be made only through Condo Project Advisor. Prior to submission, the Seller is not required to determine that a Condominium Project meets the requirements of Sections 5701.3 and 5701.5 and the Glossary definition of an Established Condominium Project. If Condo Project Advisor finds that the Condominium Project meets the requirements for Project Certified, the project will be assigned a Project Certified status. The provisions of Section 5701.10 applicable to projects with a Project Certified status are also applicable to projects with a Project Certified status obtained through a PCS review.

(i) PCS timing

The project must be submitted and receive a Project Certified status PAR finding prior to the sale of the related Mortgage to Freddie Mac.

(ii) PCS requirements

The Seller must submit the following documents to Freddie Mac for review:

- Seller full review questionnaire dated within 120 days of PCS request date;
- Condominium Project Addendum Form 476A or similar documentation to determine if a project is in need of Critical Repairs;
- Any structural and/or mechanical inspection that has been completed within 3 years of the Seller's PCS request date;
- Current approved budget; and
- Such other documentation/information as Freddie Mac may request from time to time

Except for the information required by the PCS review, Sellers must not provide any Borrower-related information or other Mortgage information in connection with their PCS request.

(g) Documentation requirements for Mortgages with PAR findings

For all PAR findings, the Condo Project Advisor Feedback Certificate or the Last Feedback Certificate, whichever contains the last PAR findings as defined in Section 5701.10(d)(vii), must be:

- Maintained in the Mortgage file; and

- Dated within 120 days of the Note Date

(h) Representations and warranties

(i) Project Certified status PAR findings

For a subject Mortgage secured by a Condominium Unit in a Condominium Project with a Project Certified status PAR finding, Freddie Mac will not exercise its remedies, including the issuance of repurchase requests, in connection with a breach of the Seller's selling representations and warranties related to the project review requirements that Condo Project Advisor assessed, if Condo Project Advisor found the project complied with the requirement(s) and the PAR findings are detailed on the later of a non-transferrable Condo Project Advisor Feedback Certificate or the Last Feedback Certificate maintained in the Mortgage file. Seller remains responsible for compliance with the general eligibility requirements in Section 5701.2(b) and for compliance with the owner occupancy requirements indicated in Sections 5701.5(b)(2) when specified on the later of the Condo Project Advisor Feedback Certificate or the Last Feedback Certificate. Except as provided by this Section 5701.10(h)(i), the Seller remains responsible for compliance with all other requirements of the Purchase Documents.

(ii) Green or Yellow status PAR findings

For a subject Mortgage secured by a Condominium Unit in a Condominium Project with a Green or Yellow status PAR finding, Freddie Mac will not exercise its remedies, including the issuance of repurchase requests, in connection with a breach of the Seller's selling representations and warranties related to the project review requirements that Condo Project Advisor assessed, if Condo Project Advisor found the project complied with the requirement(s) and the PAR findings are detailed on the later of a non-transferrable Condo Project Advisor Feedback Certificate or the Last Feedback Certificate maintained in the Mortgage file.

A. For a Green status PAR finding, Seller does not need to ensure compliance with all the project review requirements assessed by Condo Project Advisor.

B. For a Yellow status PAR finding, when Condo Project Advisor finds that the Condominium Project does not comply with one or more of the requirements it assesses, Seller must ensure compliance with such identified requirement(s).

C. For both Green and Yellow PAR findings, Seller must ensure compliance with (1) the project review requirements (Section 5701.2(a)) and general eligibility requirements (Section 5701.2(b)) that Condo Project Advisor does not assess, and (2) all other requirements of the Purchase Documents**.**

(iii)Incomplete Assessment status PAR finding

For an Incomplete Assessment status PAR finding, Seller must ensure compliance with all project review requirements (Section 5701.2(a)) and general eligibility requirements (Section 5701.2(b)).

(i) Delivery requirements

All eligible Mortgages with PAR findings must be delivered to Freddie Mac within 120 days after the Note Date. If the Mortgage is not delivered within 120 days after the Note Date, the Seller must submit a new PAR and obtain a new Condo Project Advisor Feedback Certificate or Loan Product Advisor Last Feedback Certificate (if resubmission in Loan Product Advisor is an option pursuant to the requirements in Section 5101.1(b)) prior to delivery.

Note: If the requirements for Condominium Projects with a Project Certified status in this Section 5701.10 are met, then Seller is not required to comply with the requirements for any of the project review types in Sections 5701.4, 5701.5, 5701.6, 5701.7 and 5701.9.

5701.11: Condo Project Advisor – Project Waiver Request (PWR) (12/08/23)

Condo Project Advisor, accessible through Freddie Mac Loan Advisor®, allows authorized Sellers to submit a request for project waiver requests (referred to as a Project Waiver Request (PWR)) for Established Condominium Projects that do not meet certain Condominium Project eligibility requirements. Approved PWRs are issued a Condo Project Advisor Feedback Certificate.

(a) General eligibility

(i) Established Condominium Project

To be eligible for a PWR, the Condominium Unit Mortgage must be secured by a Condominium Unit in an Established Condominium Project. However, a Condominium Project that meets all other requirements for an Established Condominium Project, other than the 75% percentage conveyance to unit purchasers, may still be considered as an Established Condominium Project on a case-by-case basis if:

1. The developer retained more than 25% of the units for rental purposes; and

2. The developer has owned these units for a minimum of 10 years

(ii) Project eligibility categories

The Condominium Project must comply with the project eligibility requirements for Established Condominium Projects detailed in Section 5701.5 and all other applicable requirements in Chapter 5701, except for the following Condominium Project eligibility categories:

1. Delinquent assessments – Section 5701.5(d)

2. Excessive commercial space – Section 5701.3(d)

3. Pending litigation (includes ADR proceedings) – Section 5701.3(i)

4. Owner occupancy (referred to as 'Project Unit Occupancy' in Condo Project Advisor) – Section 5701.5(b)

5. Reserves for capital expenditures and deferred maintenance – Section 5701.5(c)

6. Excessive single investor concentration (referred to as 'Single Entity Ownership' in Condo Project Advisor) – Section 5701.3(j)

7. Project in which the unit owners do not possess sole ownership of the Common Elements (referred to as "Leased Amenities" in Condo Project Advisor) – Section 5701.3(h)

(iii) Submission timing

The PWR may be submitted at any time during the loan origination process, but must be submitted prior to sale of the related Condominium Unit Mortgage to Freddie Mac.

(iv) Mortgage identification

An approved PWR is applicable to only the Mortgage identified on the Condo Project Advisor Feedback Certificate and is not applicable to any other Mortgage secured by a Condominium Unit located in the same Condominium Project. The Mortgage identified will be the Mortgage in connection with which the Seller enters one of the following in the "Enter ID/Key" field in Condo Project Advisor:

1. The Loan Product Advisor key alphanumeric identifier

2. The Fannie Mae Desktop Underwriter® key alphanumeric identifier (referred to as Casefile ID in Desktop Underwriter), or

3. The Doc File ID alphanumeric identifier issued in connection with submission of the appraisal data to the Uniform Collateral Data Portal®

(b) Documentation requirements for Mortgages with approved PWRs

The Condo Project Advisor Feedback Certificate must be maintained in the applicable Mortgage file.

(c) Representations and warranties

In connection with a Mortgage with an approved PWR, Freddie Mac will accept the Condo Project Advisor Feedback Certificate, and will not exercise its remedies, including the issuance of repurchase requests, in connection with a breach of the Seller's selling representations and warranties related to the Condominium Project review and eligibility requirements identified on the Condo Project Advisor Feedback Certificate. The Seller remains responsible for compliance with all other requirements of their Purchase Documents.

(d) Delivery requirements

Condominium Unit Mortgages with approved PWRs must be delivered to Freddie Mac within 120 days after the Note Date. If the Condominium Unit Mortgage is not delivered within 120 days after the Note Date, the Seller must submit a new PWR and obtain a new Condo Project Advisor Feedback Certificate prior to delivery.

5701.12: Delivery requirements (12/08/23)

(a) Uniform underwriting and transmittal summary form

The Seller must select the appropriate project classification on Form 1077, Uniform Underwriting and Transmittal Summary, or indicate the appropriate project classification on an alternative equivalent form, and check the appropriate boxes based upon the Uniform Loan Delivery Dataset (ULDD) valid values in the chart below. These categories correspond to the valid values to be delivered, as indicated.

Project/Unit Type or Project Review Type	**Project classification - Form 1077, Uniform Underwriting Transmittal Summary or alternative equivalent form**	***Project Classification Identifier* (Sort ID 42)**
Streamlined reviews (see Section 5701.4)	Streamlined Review	Streamlined Review *see "Notes" for Sort ID 42 in Section 6302.20(b)
Established Condominium Projects (see Section 5701.5)	Established Project	Full Review

Project/Unit Type or Project Review Type	**Project classification - Form 1077, Uniform Underwriting Transmittal Summary or alternative equivalent form**	***Project Classification Identifier* (Sort ID 42)**
New Condominium Projects (see Section 5701.6)	New Project	Full Review
2- to 4-Unit Condominium Project (see Section 5701.7)	Exempt From Review	Exempt From Review
Detached Condominium Project (see Section 5701.7)	Exempt From Review	Exempt From Review *see "Notes" for Sort ID 42 in Section 6302.20(b)
Detached Condominium Units (see Section 5701.7)	Exempt From Review	Exempt From Review
Freddie Mac-owned "no cash-out" refinance Condominium Unit Mortgage (see Section 5701.7)	Exempt From Review	Exempt From Review
Refi Possible® Mortgage (see Section 5701.7)	Exempt From Review	Exempt From Review
Reciprocal project reviews – Fannie Mae-approved and Seller certified projects (see Section 5701.9)	Reciprocal review and enter CPM Project ID# in the CPM Project ID# field	Condo Project Manager™ Review

Project/Unit Type or Project Review Type	Project classification - Form 1077, Uniform Underwriting Transmittal Summary or alternative equivalent form	*Project Classification Identifier* (Sort ID 42)
Reciprocal review – FHA Approved Project (see Section 5701.9)	Reciprocal review and FHA-approved	FHA_Approved
Condominium Projects with a Project Certified status PAR finding (see Section 5701.10)	Exempt From Review	Exempt From Review

The Seller must use only one category of Freddie Mac's project classifications listed on Form 1077 or an alternative equivalent form. Below are examples of the appropriate category to select for an Established Condominium Project with a streamlined review and a Condominium Project that contains a mix of attached and detached units.

Example 1: Established Condominium Project with a streamlined review

Although the Seller could classify a Condominium Project in more than one category (i.e., an Established Condominium Project with a streamlined review could be coded either as an "Established project" or a "Streamlined review"), the Seller should classify such a Condominium Project as a "Streamlined review"; the Seller should select the "Established project" category only if Seller is unable to use the Streamlined review and must do a Full Review for an Established project.

Example 2: Condominium Project that contains a mix of attached, detached and semi detached units

If a Condominium Project contains a mix of attached, detached and semi detached units and the valid value for ULDD Data Point, *Project Attachment Type*, (Sort ID 41) is "Attached," the Seller may perform a streamlined review in compliance with the requirements of Section 5701.4. In this case, the Seller must select the appropriate project classification of "Streamlined review" on Form 1077 or alternative equivalent form.

The Seller should select the "Exempt From Review" category and enter "Detached Project" for the valid value for ULDD Data Point, *Project Attachment Type*, (Sort ID 41) only if the project meets the Glossary definition of a Detached Condominium Project (i.e., is comprised solely of Detached Condominium Units).

When a "Reciprocal Review" is identified, the Seller must also provide additional information as shown above. For Fannie Mae-approved and certified projects, the CPM Project ID# must be entered in the "Fannie Mae Condo Project Manager™ Project ID" field.

(b) Other delivery requirements

See Section 6302.20 for delivery and pooling requirements for Condominium Unit Mortgages, in addition to delivery requirements for Fannie Mae-approved and certified projects.

(c) Homeowners Association (HOA) taxpayer identification number(s) (TIN(s))

Sellers are encouraged to obtain and deliver the TIN(s) for the HOA.

See Section 6302.20(b)(i) for details.

5701.13: Credit Fees (11/01/23)

The Seller must refer to Exhibit 19, Credit Fees, for Credit Fees related to Condominium Units, including Detached Condominium Units. Credit Fees are paid in accordance with the Credit Fee provisions stated in Chapter 6303.

Chapter 5702: Planned Unit Developments

5702.1: Requirements for Planned Unit Developments (PUDs) (10/07/20)

Freddie Mac requires the Seller to identify if a unit is located in a Planned Unit Development (PUD). Freddie Mac defines a PUD as a real estate project in which:

- Each unit owner holds title to the lot and the improvements on the lot
- The homeowners association holds title to the Common Elements
- The unit owners have a right to the use of the Common Elements, and
- The unit owners pay a fee to the homeowners association to maintain the Common Elements for their benefit

  Note: Zoning is not a basis for classifying a project or subdivision as a PUD. To be classified as a PUD, units in projects or subdivisions must meet all the requirements above.

Sellers should also be familiar with the following Glossary terms:

- Common Elements
- Limited Common Elements
- Amenities
- Project Documents
- Master Association

(a) PUD and Homeowners Association

When reviewing a PUD to determine if it meets the requirement in this section, Sellers must consider all units and spaces that the Homeowners Association holds title to or has insured.

A Homeowners Association is comprised of unit owners that maintain the Common Elements in a PUD for the benefit of the unit owners. In PUDs, the Homeowners Association owns the Common Elements, and maintains them for the benefit of the unit owners.

(b) Condominium Units in PUDs

If a Condominium Unit is located in a PUD, the Seller must comply with the Condominium requirements and warranties in Chapter 5701 and the PUD requirements and warranties in this chapter.

(c) Leasehold estates

If the PUD unit or any PUD Common Element is on a leasehold estate, the Seller must comply with the leasehold estate requirements in Chapter 5704 and the PUD requirements and warranties in this chapter.

(d) Manufactured Homes in a PUD

If a Manufactured Home is located in a PUD, the Seller must comply with the Manufactured Home requirements and warranties in Chapter 5703 and the PUD requirements and warranties in this Chapter 5702.

(e) Insurance

The Seller must represent and warrant that the property insurance requirements in Sections 4703.2, 4703.3 and 4703.7 have been met.

5702.2: Seller warranties for Planned Unit Developments (PUDs) (03/22/17)

Effective March 22, 2017, the content of this section has moved to Section 5702.1.

5702.3: Appraisal requirements for units in Planned Unit Developments (PUDs) (03/22/17)

Effective March 22, 2017, this section is deleted.

5702.4: Reciprocal project reviews for Planned Unit Developments (PUDs) (10/07/20)

Effective October 7, 2020, this section is deleted.

Chapter 5703: Manufactured Homes

5703.1: Purchase of Mortgages secured by Manufactured Homes (02/07/24)

Mortgages secured by Manufactured Homes are eligible for sale to Freddie Mac under the terms of the Guide and this chapter.

Negotiated underwriting provisions stated in the Purchase Documents may not be used with such Mortgages unless specifically made applicable to Mortgages secured by Manufactured Homes.

Special negotiated Mortgage products described in the Purchase Documents may not be used with Mortgages secured by Manufactured Homes unless specifically permitted.

5703.2: Terms related to Mortgages secured by Manufactured Homes (02/07/24)

As used in this chapter, the following terms have the meanings ascribed to them below:

E	
Existing Manufactured Home	A Manufactured Home that is permanently affixed to its foundation as of the Application Received Date regardless of current or prior occupancy.
H	
HUD Codes for Manufactured Homes	The HUD Codes for Manufactured Homes ("HUD Codes") refer to a series of regulations that establish requirements for Manufactured Homes in compliance with the National Manufactured Home Construction and Safety Standards (MHCSS) Act of 1974, 42 U.S.C. 5401-5426. The codes are administered by HUD and include, but are not limited to: ■ Manufactured Home Construction and Safety Standards (MHCSS; 24 C.F.R. Part 3280) ■ Manufactured Home Procedural and

	Enforcement Regulations (24 C.F.R. Part 3282) ■ Model Manufactured Home Installation Standards (MIS; 24 C.F.R. Part 3285 or 3286) ■ Other codes incorporated by reference, (e.g., FEMA 85, Manufactured Home Installation in Flood Hazard Areas)
HUD Certification Label/HUD label or tag	A metal plate that is affixed to the exterior of each transportable section of the Manufactured Home. The HUD Certification Number appears on each HUD Certification Label and evidences compliance with the Federal Manufactured Home Construction and Safety Standards.
HUD Data Plate/Compliance Certificate	The HUD Data Plate/Compliance Certificate ("Data Plate") is a paper label mounted in the Manufactured Home that contains, among other things, the manufacturer's name, trade/model name, year manufactured and serial number, a list of the Certification Label number(s), etc. The Data Plate is typically affixed in a readily accessible and visible location (e.g., near the main electrical panel, or in a kitchen cabinet, or a bedroom closet).
N	
New Manufactured Home	A Manufactured Home that is purchased directly from a retailer or a developer, has never been occupied and has never been affixed to a permanent foundation on another site. For a New Manufactured Home, the Seller must maintain in the Mortgage file a copy of the manufacturer's invoice and Manufactured Home Purchase Agreement.

5703.3: General requirements related to Manufactured Homes (04/03/24)

To be eligible for sale to Freddie Mac, a Manufactured Home must meet the following requirements:

- The Manufactured Home must have been built on or after June 15, 1976
- The Manufactured Home must be built on a permanent chassis in compliance with the applicable HUD Codes in effect as of the date the Manufactured Home was constructed
- The Manufactured Home must be permanently affixed to the original permanent foundation, in compliance with the HUD Codes.

  If the permanent foundation was installed prior to October 20, 2008, the foundation must be designed for the site conditions, home design features, and the loads the home was designed to withstand in accordance with the manufacturer's instructions or with a design by a licensed (registered) professional engineer.
- The foundation must meet all applicable local, State and federal codes
- To evidence the Manufactured Home is built in compliance with the Federal Manufactured Home Construction and Safety Standards, except for a new Manufactured Home, either the HUD Certification Label(s) or HUD Data Plate must be present and legible. The HUD Data Plate section of the Manufactured Home Appraisal Report (Form 70B, Manufactured Home Appraisal Report) must be completed with available information.

  For a New Manufactured Home, both the HUD Data Plate and HUD Certification Label(s) are required.

  Freddie Mac will accept as alternative documentation:

  - A "HUD Label Verification Letter," with the same information contained on the HUD Certification Label(s), from the Institute for Building Technology and Safety (IBTS), or
  - A Performance Verification Certificate (PVC) from the IBTS, or
  - A copy of the HUD Data Plate from the In-Plant Primary Inspection Agency (IPIA) or manufacturer. (A list of IPIA offices is posted on HUD's website.)
- The anchoring system must comply with the HUD Codes. If the Manufactured Home was installed prior to October 20, 2008, the anchoring system must comply with the manufacturer's design or with a design by a licensed (registered) professional engineer.

Anchoring systems refer to all components of the anchoring and support systems such as piers, footings, ties, anchoring equipment, anchoring assemblies and any other equipment, materials and methods of construction that support and secure the Manufactured Home to the ground.

- The wheels, axles and towing hitches must be removed from the Manufactured Home
- The Manufactured Home must be permanently connected to utilities in compliance with the HUD Codes. Utilities include power, water and a sewage disposal system.
- The Manufactured Home must be at least 12 feet wide and have a minimum of 600 square feet of finished area. This requirement does not apply when the Manufactured Home is an ADU, unless the Manufactured Home is a CHOICEHome®. See Section 5601.2 for Manufactured Home ADU requirements.
- The square footage and room dimensions must be acceptable to typical purchasers in the market area
- Any improvements, modifications or repairs that affect the safety, soundness or habitability of the Manufactured Home must be completed prior to the sale of the Mortgage to Freddie Mac, unless the Mortgage is a CHOICERenovation Mortgage secured by a Manufactured Home
- Any structural modifications to an Existing Manufactured Home must be verified as approved by a licensed professional engineer or the local, State or federal authority
- If any structural modifications or add-ons have been made to a 1-unit dwelling and any portion of the 1-unit dwelling is a Manufactured Home, the Mortgage securing such property must be delivered as a Manufactured Home in compliance with the requirements of this Chapter 5703
- The Mortgaged Premises must conform to all applicable use restrictions and must be zoned for residential use, and not commercial or business uses

5703.3: General requirements related to Manufactured Homes (Future effective date 02/04/25)

To be eligible for sale to Freddie Mac, a Manufactured Home must meet the following requirements:

- The Manufactured Home must have been built on or after June 15, 1976
- The Manufactured Home must be built on a permanent chassis in compliance with the applicable HUD Codes in effect as of the date the Manufactured Home was constructed

- The Manufactured Home must be permanently affixed to the original permanent foundation, in compliance with the HUD Codes.

  If the permanent foundation was installed prior to October 20, 2008, the foundation must be designed for the site conditions, home design features, and the loads the home was designed to withstand in accordance with the manufacturer's instructions or with a design by a licensed (registered) professional engineer.

- The foundation must meet all applicable local, State and federal codes

- To evidence the Manufactured Home is built in compliance with the Federal Manufactured Home Construction and Safety Standards, except for a new Manufactured Home, either the HUD Certification Label(s) or HUD Data Plate must be present and legible. The HUD Data Plate section of the Manufactured Home Appraisal Report (Form 70B, Manufactured Home Appraisal Report) must be completed with available information.

  For a New Manufactured Home, both the HUD Data Plate and HUD Certification Label(s) are required.

  Freddie Mac will accept as alternative documentation:

  - A "HUD Label Verification Letter," with the same information contained on the HUD Certification Label(s), from the Institute for Building Technology and Safety (IBTS), or

  - A Performance Verification Certificate (PVC) from the IBTS, or

  - A copy of the HUD Data Plate from the In-Plant Primary Inspection Agency (IPIA) or manufacturer. (A list of IPIA offices is posted on HUD's website.)

- The anchoring system must comply with the HUD Codes. If the Manufactured Home was installed prior to October 20, 2008, the anchoring system must comply with the manufacturer's design or with a design by a licensed (registered) professional engineer.

  Anchoring systems refer to all components of the anchoring and support systems such as piers, footings, ties, anchoring equipment, anchoring assemblies and any other equipment, materials and methods of construction that support and secure the Manufactured Home to the ground.

- The wheels, axles and towing hitches must be removed from the Manufactured Home

- The Manufactured Home must be permanently connected to utilities in compliance with the HUD Codes. Utilities include power, water and a sewage disposal system.

- The Manufactured Home must be at least 12 feet wide and have a minimum of 600 square feet of finished area. This requirement does not apply when the Manufactured Home is an

ADU, unless the Manufactured Home is a CHOICEHome®. See Section 5601.2 for Manufactured Home ADU requirements.

- The square footage and room dimensions must be acceptable to typical purchasers in the Market Area
- Any improvements, modifications or repairs that affect the safety, soundness or habitability of the Manufactured Home must be completed prior to the sale of the Mortgage to Freddie Mac, unless the Mortgage is a CHOICERenovation Mortgage secured by a Manufactured Home
- Any structural modifications to an Existing Manufactured Home must be verified as approved by a licensed professional engineer or the local, State or federal authority
- If any structural modifications or add-ons have been made to a 1-unit dwelling and any portion of the 1-unit dwelling is a Manufactured Home, the Mortgage securing such property must be delivered as a Manufactured Home in compliance with the requirements of this Chapter 5703
- The Mortgaged Premises must conform to all applicable use restrictions and must be zoned for residential use, and not commercial or business uses

5703.4: Title and lien requirements for Mortgages secured by Manufactured Homes (03/06/24)

- Real property requirements
- Real property classification
- Documentation requirements
- Borrower and Seller affidavit
- Uniform Instruments
- Title insurance
- Closing instructions

(a) Real property requirements

To be eligible for sale to Freddie Mac, a Mortgage must be secured by a perfected First Lien on real estate that consists of the Manufactured Home and the land on which the Manufactured Home is permanently affixed, and the Manufactured Home must be legally

classified as real property under applicable State law, including relevant statutes, regulations and judicial decisions.

The Seller must be:

- Familiar with, and comply with, all State laws and regulations and complete all steps necessary to ensure that all of the Mortgaged Premises, including the Manufactured Home, is real property

- Aware of all State laws relating to titling the Manufactured Home and creating and perfecting liens on the Manufactured Home

If a State has laws, regulations or administrative policies that establish procedures allowing for the surrender and cancelation of the certificate of title, the Seller must comply with these procedures.

If a State does not have procedures allowing for the surrender and cancelation of the certificate of title, the Seller must comply with requirements for evidencing and perfecting a lien on the Manufactured Home on the certificate of title.

For example, if a State has laws, regulations or administrative policies that establish procedures allowing for the surrender and cancelation of the certificate of title, the Borrower may have to file an evidence of intent or affidavit of affixture for a Manufactured Home to be converted to real property. Alternatively, a State may require a foundation form to be recorded in the land records and filed with the agency governing manufactured housing to complete the process for converting it to real property.

A Mortgage secured by a real estate lien on a Manufactured Home evidenced and perfected using a certificate of title is eligible for sale to Freddie Mac only if a State has no statutory, regulatory or formal administrative process for surrendering and canceling a certificate of title or exemption of a Manufactured Home from the certificate of title requirements.

The taxation of the Mortgaged Premises as real property is not evidence that all the appropriate steps to convert a Manufactured Home to real property have been completed or that a Manufactured Home is legally classified as real property.

(b) Real property classification

Generally, a State will classify or recognize a Manufactured Home as real property using one of the following approaches:

(i) Non-certificate of title States

The Manufactured Home is classified as real property when it meets the requirements imposed by the State, including but not limited to, the permanent attachment of the Manufactured Home to the land. The State does not require that the owner of the

Manufactured Home obtain a certificate of title for the Manufactured Home ("non-certificate of title States").

In non-certificate of title States, title to the Manufactured Home is evidenced and conveyed by deed, and the lien on the Manufactured Home and the land is created and perfected by a recorded Security Instrument.

(ii) Certificate of title surrender States

The Manufactured Home is classified as real property when it meets the requirements imposed by the State, including but not limited to:

- The Manufactured Home is permanently affixed to the land
- The certificate of title is surrendered to the appropriate State agency, and
- The certificate of title is canceled by the State agency ("certificate of title surrender States")

Some certificate of title surrender States also provide for an exemption from the issuance of a certificate of title upon the surrender of the manufacturer's statement of origin if the Manufactured Home is permanently affixed to the land and meets the other requirements for a surrender and cancelation of a certificate of title.

In certificate of title surrender States, after the certificate of title has been canceled or otherwise exempted, title to the Manufactured Home is evidenced and conveyed by deed, and the lien on the Manufactured Home and the land is created and perfected by a recorded Security Instrument.

(iii) Certificate of title States

The Manufactured Home is recognized as part of the real property when it meets the requirements imposed by the State, including but not limited to:

- The Manufactured Home is permanently affixed to the land, and
- The Manufactured Home meets all other conditions to be legally recognized as real property when a certificate of title has been issued by the State but not surrendered ("certificate of title States")

In a certificate of title State, the State does not have procedures allowing for the surrender and cancelation of the certificate of title.

In a certificate of title State:

- Ownership of the Manufactured Home is shown on the certificate of title and ownership of the land is shown on the recorded deed to the real property

- Transfer of ownership of the Manufactured Home is either noted on the certificate of title or by the issuance of a new certificate of title showing the purchaser as the owner, and transfer of ownership of the land is done through a recorded deed of transfer

- The lien on the land is created by the Security Instrument and is evidenced and perfected by recording the Security Instrument in the land records. The lien on the Manufactured Home is created by the same Security Instrument but is evidenced and perfected by its notation on the certificate of title to the Manufactured Home and/or filing with the appropriate State agency, or another specified method.

(c) Documentation requirements

In all cases, notwithstanding the different processes required by State law, the Seller must maintain in the Mortgage file documentation evidencing that:

- The Manufactured Home is legally classified as real property

- The Manufactured Home is properly titled; and

- The lien on the Manufactured Home and the land on which it is permanently affixed has been properly created, evidenced and perfected

The documentation must include the serial number(s)/vehicle identification number(s) (VIN) for each section of the Manufactured Home.

(i) Special requirements for non-certificate of title States

For non-certificate of title States, the Seller must maintain in the Mortgage file:

- Information stating the legal basis (statutory or common law) for determining that the Manufactured Home is real property that is exempt from certificate of title requirements. This information may be included in the documentation from the title insurance company that the Manufactured Home is real property, and

- Evidence that a certificate of title has not been issued such as the manufacturer's statement of origin (provided that the manufacturer's statement of origin is not required to be surrendered to a State agency)

(ii) Special requirements for certificate of title surrender States

For certificate of title surrender States, the Seller must maintain in the Mortgage file documentation from the appropriate State authority to evidence that the certificate of title

has been surrendered and canceled (or in the case of a New Manufactured Home, the manufacturer's statement of origin has been surrendered and no certificate of title was issued). The Seller must provide as evidence:

- A certificate of cancelation, notification letter or other acknowledgement from the Department of Motor Vehicles (DMV) or the appropriate State agency to which the certificate of title was surrendered, or

- A copy of the documents submitted in connection with the surrender, along with evidence that the documents were delivered and received by the appropriate State agency

  And

- Copies of documents recorded in the land records as part of the title surrender procedures to show the Manufactured Home has been converted to real property, such as an affidavit of affixture

(iii) Special requirements for certificate of title States

For certificate of title State, the Seller must comply with all of the following requirements:

- In addition to the requirements for perfecting a lien on the land to which the Manufactured Home is permanently affixed, the Seller must take all necessary action to perfect the lien on the Manufactured Home. This may include adding a notation of the Seller's security interest in the Manufactured Home on the certificate of title in the name of Seller and its successors in interest and assigns, and/or recording its lien with the State motor vehicles administration or other authorized agency.

  The Seller must verify that ownership of the Manufactured Home as shown on the certificate of title and ownership of the land as shown on the deed are identical and that the owner of the Manufactured Home and the land is the Borrower under the Note and Security Instrument.

- The Seller/Servicer is not required to note the assignment of the security interest in the Manufactured Home to the Federal Home Loan Mortgage Corporation (Freddie Mac) on the certificate of title. However, if it deems necessary to protect its interests, at its sole discretion and at any time, Freddie Mac may require a Seller/Servicer, at the Seller/Servicer's expense, to note the assignment of its security interest in the Manufactured Home to Freddie Mac in one or more of the following ways, depending on State law:

  - Notation on the certificate of title, and/or

- ❑ Recording the assignment to Freddie Mac with the State motor vehicles administration or other authorized agency

- For assignments of the lien on the Manufactured Home, the Seller/Servicer must ensure that the chain of assignments as noted on the certificate of title is complete from the original mortgagee on the certificate of title to the Seller, and the full chain of assignments noted on the certificate of title is recorded in the State motor vehicles administration or other authorized agency, if required. If the Seller enters into a Concurrent or Subsequent Transfer of Servicing, an assignment to the new Servicer must be noted on the certificate of title and/or must be recorded in the State motor vehicles administration or other authorized agency, if required.

All of the following requirements must be completed by the Seller when preparing and completing assignments of the security interest in the Manufactured Home for Concurrent or Subsequent Transfers of Servicing in a certificate of title State:

- If the Borrower holds the original certificate of title, and the original certificate of title must be produced to note the assignment, the Seller/Servicer must obtain the original certificate of title from the Borrower and follow the applicable procedures to note the assignment on the certificate of title

- The Transferor Servicer must note any intervening assignments from the original mortgagee to the Transferor Servicer on the certificate of title and, if required, record the complete chain of assignments from the original mortgagee to the Transferor Servicer with the State motor vehicles administration or other authorized agency

- The Transferor Servicer must note the assignment of its interest in the Manufactured Home to the Transferee Servicer on the original certificate of title and, if required, record the assignment with the State motor vehicles administration or other authorized agency

- If the Borrower holds the original certificate of title, the Transferor Servicer must retain a copy of the original certificate with the noted assignments before returning the original certificate of title with the noted assignments to the Borrower in accordance with applicable procedures

- The Transferor Servicer must deliver the certificate of title (or, if applicable, a copy of the certificate of title) evidencing the complete chain of title to the Transferee Servicer who must maintain the certificate of title or a copy of the certificate of title, as applicable, in the Mortgage file

For certificate of title States, the Seller must maintain the following documents in the Mortgage file:

- The original certificate of title showing all intervening assignments and ending with the Seller and its successors in interests and assigns as lienholder if State law does not require the original certificate of title to be held by the Manufactured Home owner, or

- A copy of the certificate of title showing all intervening assignments and ending showing the Seller and its successors in interests and assigns as lienholder if State law requires the original certificate of title to be held by the Manufactured Home owner, and

- Evidence on the certificate of title (original or copy, as applicable) of the assignment of the security interest in the Manufactured Home from the Transferor Servicer to the Transferee Servicer if there has been a Transfer of Servicing

Note: Mortgages secured by Manufactured Homes in certificate of title States are not eligible for registration with the MERS®.

(d) Borrower and Seller affidavit

The Borrower and, if required, the Seller must sign an affidavit that acknowledges their intent for the Manufactured Home to be permanently part of the real property that secures the Mortgage and that contains any specific language that may be required by applicable law. The affidavit must be recorded, if permitted, and either a copy of the affidavit showing the record location or the original after its return from recordation must be maintained in the Mortgage file.

(e) Uniform Instruments

The financing of the Manufactured Home and the land must be evidenced by a valid and enforceable single real estate First Lien Security Instrument that includes the Manufactured Home as part of the real property collateral and is recorded in the land records.

Mortgages secured by Manufactured Homes must be evidenced by:

- The current Fannie Mae/Freddie Mac Uniform fixed-rate Note or acceptable ARM Note, and

- The current Fannie Mae/Freddie Mac State-specific Security Instrument

The Note or the Security Instrument may not contain any statement that provides for the waiver of the rights of holders of due course or provides that an assignee Note holder may be held liable for claims the Borrower may have against other parties.

A Manufactured Home must be described in the Security Instrument and the description must include the year, make, model and serial number(s)/VIN(s) for each section of the Manufactured Home and any other information required by applicable law to identify the Manufactured Home.

(f) Title insurance

The Mortgage must be covered under a standard real estate title insurance policy that complies with Chapter 4702 and that identifies the Manufactured Home located on the real property and insures against any loss if the Manufactured Home is not real property.

The Seller must provide one of the following title policy endorsements for each Manufactured Home:

- An ALTA Form 7.1, where available, or ALTA Form 7 endorsement, or
- An endorsement required in the applicable jurisdiction that insures that the Manufactured Home constitutes real property, such as the T-31 endorsement in the State of Texas

Note: The ALTA Form 7 endorsement does not insure the Manufactured Home has been properly converted to real property. If the State has statutory, regulatory or formal administrative process for surrendering and canceling a certificate of title, the Seller is responsible for ensuring that all steps necessary to convert the Manufactured Home to real property have been completed and documentation evidencing the conversion is maintained in the Mortgage file.

(g) Closing instructions

The Seller must provide its closing agents with closing instructions that instruct the agent to obtain the required documentation evidencing that the Manufactured Home is affixed to a permanent foundation on the land.

In non-certificate of title States, the closing instructions must instruct the closing agent to provide documentation for retention in the Mortgage file showing that the Manufactured Home is real property that does not require a certificate of title, including documentation that the Manufactured Home has been permanently installed.

In certificate of title surrender States, the closing instructions must instruct the closing agent to perform all necessary procedures to assure that the certificate of title to the Manufactured Home is properly canceled (or the manufacturer's statement of origin properly surrendered) and provide the Seller with supporting documentary evidence for retention in the Mortgage file.

If any of the documentation related to the conversion of the Manufactured Home to real property cannot be obtained until after closing, the Seller should obtain a properly circumscribed power of attorney from the Borrower that may be used to complete the post-closing items as intended.

5703.5: Property eligibility and occupancy requirements for Mortgages secured by Manufactured Homes (02/07/24)

- Property eligibility
- Other types of factory-built housing
- Occupancy

(a) Property eligibility

To be eligible for sale to Freddie Mac, a Manufactured Home must be:

- Classified as real property under applicable State law
- A 1-unit dwelling comprised of a single section or multiple sections
- Permanently affixed to a permanent foundation in a way that makes it part of the real property

A Manufactured Home may be located:

- On an individual lot; or
- In a Condominium Project; or
- In a Planned Unit Development (PUD)

If a Mortgage is secured by a single-wide Manufactured Home in a PUD or a Condominium Project, the project eligibility must be determined through a reciprocal review, and the requirements in Section 5701.9 must be met.

The land on which the Manufactured Home is situated must be owned by the Borrower in fee simple, except as stated below:

- Mortgages secured by Manufactured Homes located in a Condominium Project are eligible for sale to Freddie Mac if the Condominium Project complies with the project eligibility requirements in either Section 5701.5 or 5701.9
- Mortgages secured by Manufactured Homes located on leasehold estates that meet the requirements in Chapter 5706 are eligible for sale to Freddie Mac with prior written approval

(b) Other types of factory-built housing

The Freddie Mac definition of Manufactured Homes does not include other types of factory-built housing not subject to the National Manufactured Construction and Safety Standards Act (e.g., modular or panelized housing). Mortgages secured by other types of factory-built housing are not required to comply with this Chapter 5703 and may be eligible for sale to Freddie Mac if the Mortgage otherwise complies with the Seller's Purchase Documents.

(c) Occupancy

A Mortgage secured by a multiwide Manufactured Home must be a Primary Residence or a second home.

A Mortgage secured by a single-wide Manufactured Home must be a Primary Residence.

5703.6: Mortgage purpose and use of proceeds for Mortgages secured by Manufactured Homes (09/04/24)

A Mortgage secured by a multiwide Manufactured Home may be a purchase transaction Mortgage, "no cash-out" refinance Mortgage or a cash-out refinance Mortgage.

A Mortgage secured by a single-wide Manufactured Home must be a purchase or "no cash-out" refinance.

Transaction Type	Property Type	Use of Proceeds	Other requirements
Purchase Transaction Mortgages	■ Multiwide ■ Single-wide	Limited to: ■ Purchasing the Manufactured Home ■ Purchasing the land when the Borrower does not separately own the land ■ Paying documented costs for delivery and setup, anchoring on a permanent foundation system, site development, installation, and permanent utility connections, including well and/or septic systems	■ Credits for wheels and axles, and any Manufactured Home retailer rebates, must be deducted from the purchase price along with any sales concessions in accordance with Section 5501.5 ■ Loan proceeds may not be used for any other costs, including financing of any forms of insurance, except for mortgage insurance
"No cash-out" refinance Mortgages	■ Multiwide ■ Single-wide	Limited to: ■ Paying off the principal and interest due, including a balance deferred under a loss mitigation plan, for the existing first Mortgage and if applicable, junior lien(s) secured by the Manufactured Home and the land ■ Paying off any costs or fees associated with the satisfaction and release of the first Mortgage (e.g., late fees, prepayment penalties, etc.) ■ Paying related Closing Costs ■ Disbursing cash to the Borrower (or any other payee) up to the greater of 1% of the new refinance Mortgage or $2,000	A "no cash-out" refinance Mortgage must also meet the requirements in Section 4301.4.
Cash-out refinance Mortgages	■ Multiwide	Proceeds may be used to, but are not limited to: ■ Pay off the existing Mortgage and, if applicable, any junior lien(s) secured by the Manufactured Home and	■ The Borrower must have owned both the Manufactured Home and land for 12 months or more prior

Transaction Type	Property Type	Use of Proceeds	Other requirements
		land. When the purpose of the cash-out refinance Mortgage is to pay off a First Lien Mortgage, the First Lien Mortgage being refinanced must be seasoned for at least 12 months. ■ Pay off existing liens if the Manufactured Home and land are separately encumbered and the purpose of the cash-out refinance Mortgage is to convert the Manufactured Home to legally classified real property under applicable State law ❑ When the purpose of the cash-out refinance Mortgage is to convert the Manufactured Home to legally classified real property, the Mortgage being refinanced does not need to be seasoned for at least 12 months ■ Enable the Borrower to obtain a Mortgage on a property that is owned free and clear	to the Note Date unless the property is owned free and clear ■ For a cash-out refinance Mortgage on a property owned free and clear, at least one Borrower must have been on the title to the subject property for at least six months prior to the Note Date ■ A cash-out refinance Mortgage must also meet the requirements in Section 4301.5(c)

5703.7: Eligible and ineligible Mortgages for Mortgages secured by Manufactured Homes (02/07/24)

■ Eligible Mortgages

■ Ineligible Mortgages

(a) Eligible Mortgages

A Mortgage secured by a Manufactured Home must be one of the following Mortgage Products:

■ A fully amortizing fixed-rate Mortgage, or

- A 7/6-Month ARM or 10/6-Month ARM

(b) Ineligible Mortgages

A Mortgage secured by a Manufactured Home must not be:

- An ARM, other than those listed in Section 5703.7(a)
- A Mortgage subject to a temporary subsidy buydown
- A Renovation Mortgage
- A Seller-Owned Converted Mortgage
- A Seller-Owned Modified Mortgage
- An Investment Property Mortgage
- A Mortgage securing a Manufactured Home that was moved from its original site and was previously occupied or installed on a permanent foundation
- A HomeOne® Mortgage, unless the Manufactured Home is a CHOICEHome®
- A Community Land Trust Mortgage, unless the Manufactured Home is a CHOICEHome
- A Mortgage secured by a property subject to income-based resale restrictions, unless the Manufactured Home is a CHOICEHome
- A Mortgage secured by a unit in a Cooperative Project

5703.8: Underwriting requirements for Mortgages secured by Manufactured Homes (02/07/24)

- Loan Product Advisor® Mortgages
- Borrower contributions
- Layering of risk

(a) Loan Product Advisor Mortgages

A Mortgage secured by a Manufactured Home must be submitted to Loan Product Advisor.

A Mortgage secured by a multiwide Manufactured Home must be:

- An Accept Mortgage, or
- A Mortgage that was submitted to Loan Product Advisor and received:
  - An evaluation status of invalid, ineligible or incomplete, or
  - A Risk Class of Caution

A Mortgage secured by a single-wide Manufactured Home must be an Accept Mortgage.

Mortgages secured by a multiwide Manufactured Home that are submitted to Loan Product Advisor and receive a Risk Class of Caution or an assessment status of invalid, ineligible or incomplete must be manually underwritten in accordance with the requirements of Topics 5100 through 5500 and must have the Minimum Indicator Scores required on Exhibit 25, Mortgages with Risk Class and/or Minimum Indicator Score Requirements.

(b) Borrower contributions

(i) Land as an equity contribution

If the Borrower owns the land on which the Manufactured Home is being permanently affixed, the land may be used as an equity contribution. In such event, the Borrower's equity contribution is equal to:

- The current appraised value of the land if the Borrower has owned the land for 12 months or more prior to the Application Received Date, or
- The lower of the current appraised value of the land or the purchase price of the land if the Borrower has owned the land for less than 12 months as of the Application Received Date

If the Borrower purchased the land less than 12 months prior to the Application Received Date, the Seller must document the Borrower's equity contribution with:

- A certified copy of the Settlement/Closing Disclosure Statement, and
- A copy of the warranty deed evidencing there are no liens against the subject property, or a copy of the release for any prior lien(s)

If the Borrower acquired the land as a gift, an inheritance or by some other non-purchase transaction less than 12 months prior to the Application Received Date, the Seller must obtain appropriate documentation to verify the acquisition and transfer of ownership of the land. In such event, the value of the land will be its current appraised value.

(ii) Trade as an equity contribution

If the subject transaction involves trade as an equity contribution from the Borrower's Existing Manufactured Home, the requirements of this subparagraph must be met.

The maximum equity contribution from the traded Manufactured Home must be determined as follows:

- If the Borrower has owned the traded Manufactured Home for 12 months or more prior to the Application Received Date, 90% of the retail value based on the N.A.D.A. Manufactured Housing Appraisal Guide®, or

- If the Borrower has owned the traded Manufactured Home for less than 12 months prior to the Application Received Date, the maximum equity contribution is the lesser of 90% of the retail value based on the N.A.D.A. Manufactured Housing Appraisal Guide or the lowest price at which the Manufactured Home was sold during that 12-month period

Any costs resulting from the removal of the Manufactured Home or any outstanding indebtedness secured by liens on the Manufactured Home must be deducted from the maximum equity contribution.

The trade equity must be documented by a lien search in the appropriate real property or personal property records to verify ownership and existence of liens on the Manufactured Home and land, if included. The seller of the New Manufactured Home must provide proof of title transfer and satisfaction of any existing liens on the traded Manufactured Home.

(c) Layering of risk

A Manufactured Home adds a layer of collateral risk that must be considered when evaluating the overall risk of the Mortgage using the three Cs of underwriting (credit reputation, capacity and collateral). The Seller must consider this high-risk characteristic in evaluating the overall risk of the Mortgage and avoid combining a Manufactured Home with weaknesses in the components of capacity and credit reputation. See Section 5102.2 for more information on evaluating layering of risk and how to document that the overall risk of the Mortgage is acceptable.

For example, a Mortgage secured by a Manufactured Home with maximum financing is acceptable if the Borrower has a strong credit reputation and strong capacity to offset the high risk within the collateral component. However, if the Borrower has weaknesses in credit reputation, such as a credit history of short duration or derogatory credit information, the layering of risk across credit reputation and collateral is excessive and would make the Mortgage unacceptable.

5703.9: Maximum LTV, TLTV and HTLTV ratios, loan terms and value calculations for Mortgages secured by Manufactured Homes (02/07/24)

- Maximum loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios and loan terms
- Calculation of value

(a) Maximum LTV/TLTV/HTLTV ratios and Mortgage terms

The maximum LTV, TLTV and HTLTV ratios and Mortgage term for a Mortgage secured by a Manufactured Home are as follows:

Purchase and "no cash-out" refinance transactions				
Occupancy Type	**Loan Product Advisor® evaluation status**	**Maximum LTV/TLTV/ HTLTV Ratio**	**Maximum Mortgage Term**	**Mortgage Product**
Primary Residence	■ Risk Class of Accept	≤ 95%	30-year loan term	■ Fixed-rate ■ 7/6-Month ARM ■ 10/6-Month ARM
Primary Residence	■ Invalid ■ Ineligible or incomplete ■ Risk Class of Caution	≤ 90%	30-year loan term	
Primary Residence	■ Invalid ■ Ineligible or incomplete ■ Risk Class of Caution	> 90% and ≤ 95%	20-year loan term	
Second home	■ Risk Class of Accept ■ Invalid ■ Ineligible or	≤ 85%	30-year loan term	

	incomplete ■ Risk Class of Caution			
Cash-out refinance transactions				
Occupancy Type	**Loan Product Advisor evaluation status**	**Maximum LTV/TLTV/ HTLTV ratio**	**Maximum Mortgage Term**	**Mortgage Product**
Primary Residence	■ Risk Class of Accept ■ Invalid ■ Ineligible or incomplete ■ Risk Class of Caution	≤ 65%	20-year loan term	■ Fixed-rate ■ 7/6-Month ARM ■ 10/6-Month ARM

(b) Calculation of value

The value used to determine the LTV/TLTV/HTLTV ratio of a Manufactured Home is calculated as follows:

Value calculation for purchase transaction Mortgages	
Property type	**Value**
New Manufactured Home	The lower of: ■ The purchase price of the Manufactured Home and land, or ■ The current appraised value of the Manufactured Home and land, or ■ The purchase price of the Manufactured Home, and ❑ If the land was purchased less than 12 months prior to the Application Received Date, the lowest purchase price at which the land was sold during that 12-month period, or ❑ If the land was purchased 12 months or more prior to the Application Received Date, the current appraised value of the land
Existing Manufactured Home	The lower of: ■ The purchase price of the Manufactured Home and land, or ■ The current appraised value of the Manufactured Home and land, or ■ If the Manufactured Home was affixed to a permanent foundation less than 12 months prior to the Application Received Date, the lowest price at which the Manufactured Home was previously sold during that 12-month period and the lower of: ❑ The current appraised value of the land, or ❑ The lowest price at which the land was sold during that 12-month period (provided there was such a sale)
Existing Manufactured Home that has never been occupied in a new or existing Manufactured Home subdivision, sold by a builder or a	The lower of: ■ The purchase price of the Manufactured Home and land, or

Value calculation for purchase transaction Mortgages	
Property type	**Value**
developer or a manufacturer acting as a developer	■ The current appraised value of the Manufactured Home and land
Construction Conversion Mortgage secured by a Manufactured Home	The lower of: ■ The purchase price of the Manufactured Home, plus the lowest purchase price at which the land was sold during the most recent 12-month period, or ■ Appraised value of the Mortgaged Premises, as completed If the Borrower acquired the land as a gift or by inheritance, the value of the land as reported on the appraisal may be used in lieu of the purchase price of the land sold during the most recent 12-month period. See Section 4602.10.
Value calculation for "no cash-out" refinance Mortgages	
The value for a "no cash-out" refinance Mortgage, including a Construction Conversion Mortgage, is the current appraised value of the Manufactured Home and land.	
Value calculation for cash-out refinance Mortgages	
The value for a cash-out refinance Mortgage is the current appraised value of the Manufactured Home and land.	

5703.10: Appraisal requirements for Manufactured Homes (04/03/24)

The Seller must obtain an appraisal with an interior and exterior inspection that meets Freddie Mac requirements.

- Additional appraiser qualifications
- Information provided to appraiser for new Manufactured Homes
- Appraisal requirements
- Sales comparison approach for Manufactured Homes excluding CHOICEHomes®
- Cost approach for Manufactured Homes
- Income approach for Manufactured Homes
- Completion documentation for Manufactured Homes

(a) Additional appraiser qualifications for appraisals of Manufactured Homes

In addition to the appraiser qualifications stated in Section 5603.1, the Seller must determine that the appraiser demonstrates the knowledge and experience to perform quality appraisals for Manufactured Homes. The appraiser must:

- Have adequate experience and previously completed real property appraisals of Manufactured Homes
- Have adequate education and/or training related to the appraisal of Manufactured Homes
- Understand the unique features that affect the quality of Manufactured Homes and the factory construction techniques for Manufactured Homes
- Understand the manufacturers' and federal, State and local requirements for the installation of Manufactured Homes
- Be knowledgeable concerning the local Manufactured Home market, and
- Have access to appropriate data sources to establish an opinion of value

Traditional appraisal data sources may not provide sufficient quality Manufactured Home data for the appraiser to develop a supportable and well-documented appraisal. Although the Multiple Listing Service and public records information remain an important source

of data, the appraiser must develop other sources such as Manufactured Home retailers and builders experienced in the installation of Manufactured Homes.

The N.A.D.A. Manufactured Housing Appraisal Guide® and Marshall & Swift® Residential Cost Handbook may also be used to provide support for the appraiser's quality adjustments and value conclusions.

(b) Information provided to appraiser for New Manufactured Homes

In addition to the requirements in Section 5603.3, for a New Manufactured Home, the Seller must provide the appraiser with:

- A complete copy of the executed contract for sale of the Manufactured Home and the land, or if the Manufactured Home and land have separate contracts, the executed contract for each is required.

  If the Borrower has owned the land for 12 months or more as of the Application Received Date, a copy of the executed contract for the land is not required.

- A copy of the manufacturer's invoice and the Manufactured Home Purchase Agreement for:

  - A Mortgage secured by a New Manufactured Home when a purchase transaction Mortgage; or

  - A Construction Conversion Mortgage when either a purchase transaction Mortgage or "no cash-out" refinance Mortgage

- If the Manufactured Home is not yet affixed to the land, the appraiser must have access to the plans and specifications or an existing model Manufactured Home and may complete the appraisal report based on either the plans and specifications or the existing model Manufactured Home

(c) Appraisal requirements for a Manufactured Home

In addition to the requirements of Topic 5600, the appraiser must:

- Match the manufacturer's serial number(s) and the HUD Certification Label number(s) on the dwelling to the number(s) on the contract for sale, manufacturer's invoice and any other documentation provided

  - If the numbers do not match, the appraisal report must clearly state that the Manufactured Home is not the same dwelling referenced on the contract for sale or other applicable documentation

- Analyze the contract for sale and other documents for the transaction, including, if required, the manufacturer's invoice and Manufactured Home Purchase Agreement

- Include a photo(s) of the HUD Data Plate and HUD Certification Label(s) as follows:

  - For an existing Manufactured Home, photo(s) of either the HUD Data Plate or the HUD Certification Label(s) are acceptable. When both are present, the appraiser must include both.

  - For a New Manufactured Home, photos of both the HUD Data Plate and HUD Certification Label(s) are required

- Develop the sales comparison approach to support an opinion of the market value of the Manufactured Home that excludes non-realty items, such as, but not limited to, insurance, warranties or furniture

- Develop the cost approach

- Report the analyses, opinions and conclusions on Form 70B, Manufactured Home Appraisal Report

(d) Sales comparison approach for Manufactured Homes excluding CHOICEHomes

- The appraiser must state the specific number of Manufactured Home sales and listings as well as the respective price ranges that were used in the analysis

- The appraisal report for the Manufactured Home must include at least two comparable Manufactured Home sales of similar configuration (i.e., single-wide comparable sales for a single-wide subject property and multiwide comparable sales for a multiwide subject property) and similar quality

- The appraiser may use either site-built housing or a different type of factory built-housing as the third comparable sale if the appraiser explains the reason for selecting the comparable and makes and supports the adjustments in the appraisal report

- More than three comparable sales, to include contract sales and listings, may be used as needed to comply with these requirements and to support the appraiser's opinion of value

If the Manufactured Home is in a controlled market (e.g., a new subdivision or project, a newly converted project or an area where the property seller owns a substantial number of units), at least one comparable sale must be outside the influence of the developer, builder or property seller.

- Resales from within the subject project or subdivision may be used to meet this requirement

- When comparable sales from outside the subject project or subdivision are used, they must also be outside the influence of the subject property's developer, builder or property seller

The appraiser must not create comparable sales by combining vacant land sales with the contract purchase price of the Manufactured Home. If the appraiser is unable to develop an appraisal based on at least two comparable sales of similar Manufactured Homes, the Mortgage is not eligible for sale to Freddie Mac.

(e) Cost approach for Manufactured Homes

A detailed cost approach to value based on published sources and supported by market data is required for all Manufactured Home appraisals. The appraisal report must, at a minimum, provide the information indicated on Form 70B and provide sufficient information and data to allow the Seller or other reviewers to replicate the cost figures and calculations. The appraiser should fully develop the cost approach to support quality of construction determinations and any adjustments made by the appraiser to account for differences in quality of construction.

The cost figures must come directly from a published cost service without modification by the appraiser. The appraiser must report the source of the cost data and the effective date of cost data.

The appraiser must use the cost data to provide a quality rating that is based only on objective criteria. The appraiser may use other sources of objective information, such as the Uniform Appraisal Dataset Specifications (as found in Exhibit 36, Condition and Quality Ratings and Level of Updating Definitions) ratings and definitions, to support the quality rating.

The appraiser must provide an opinion of site value supported by a summary of comparable land sales or other methods used for estimating site value.

(f) Income approach for Manufactured Homes

The income approach to value is not required; however, the appraiser must consider the income approach to value and develop it if applicable and necessary to develop a credible report.

(g) Completion documentation for Manufactured Homes

If the appraisal is performed before the Manufactured Home is delivered and installed on a permanent foundation, the Seller must document that the Manufactured Home is complete. If a new appraisal is required, the appraiser must provide an analysis of previously unavailable information. If the new appraisal is an appraisal update that also acts as documentation of completion, the appraiser must state that the conditions of the underlying appraisal have been satisfied.

5703.11: Mortgages secured by Manufactured Homes with Affordable Seconds® (02/07/24)

Mortgages secured by Manufactured Homes may be originated with Affordable Seconds®, provided that it is a Home Possible® Mortgage that meets the requirements of Chapter 4501 and is secured by a 1-unit Primary Residence.

5703.12: Mortgage insurance requirements for Mortgages secured by Manufactured Homes (02/07/24)

A Mortgage secured by a Manufactured Home must have mortgage insurance coverage as stated in Section 4701.1.

The Mortgage can include Borrower-paid mortgage insurance premiums as provided for in Section 4701.2.

5703.13: Taxation of Mortgaged Premises for Mortgages secured by Manufactured Homes (02/07/24)

If State law or the local taxing authority, as of the Note Date, requires or permits the Mortgaged Premises to be taxed as real estate, the Mortgaged Premises must be taxed as real estate by the jurisdiction where it is located.

If State law or the local taxing authority, as of the Note Date, requires the Mortgaged Premises to be taxed as personal property, the Mortgaged Premises may be taxed as personal property by the jurisdiction where it is located provided:

- The taxation does not affect the status of the property as real property,
- The Servicer's escrow systems are adjusted to escrow for both real estate and personal property taxes, and
- If the taxing authority has provisions for notifying secured lenders of tax delinquencies, the Seller has taken all necessary action to ensure that the Seller/Servicer will receive any applicable notice of tax delinquency

All of the requirements relating to real estate taxes in the Guide apply equally to personal property taxes applicable to a Mortgage secured by a Manufactured Home.

5703.14: Delivery requirements for Mortgages secured by Manufactured Homes (02/07/24)

See Section 6302.25 for special delivery requirements for Mortgages secured by Manufactured Homes.

5703.15: Credit Fees for Mortgages secured by Manufactured Homes (02/07/24)

For Credit Fees and Credit Fee Caps related to Mortgages secured by Manufactured Homes, including CHOICEHomes, the Seller must refer to Exhibit 19, Credit Fees, and Exhibit 19A, Credit Fee Cap Eligibility Criteria. Credit Fees are paid in accordance with the Credit Fee provisions outlined in Chapter 6303.

5703.16: Mortgages secured by a CHOICEHome® (04/03/24)

CHOICEHome® is a type of Manufactured Home with aesthetics, architectural elements and dwelling specifications that exceed the minimum standards required for HUD-coded manufactured homes. These factory-built properties have features comparable to conventional, site-built properties.

- Purchase of Mortgages secured by CHOICEHomes
- Construction elements for CHOICEHomes
- Eligible and ineligible Mortgages secured by CHOICEHomes
- Underwriting requirements for Mortgages secured by a CHOICEHome
- Maximum loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios and value for Mortgages secured by a CHOICEHome
- Use of proceeds for Mortgages secured by a CHOICEHome
- Mortgage insurance for Mortgages secured by a CHOICEHome
- Appraisal requirements for Mortgages secured by a CHOICEHome
- Delivery requirements for Mortgages secured by a CHOICEHome

(a) Purchase of Mortgages secured by CHOICEHomes

The Seller must verify that the subject property meets CHOICEHome property eligibility requirements. Verification includes obtaining an appraisal report and, when required, a final inspection that evidences the presence of the CHOICEHome element requirements and the following:

- The CHOICEHome notice, a label that certifies the Manufactured Home meets certain CHOICEHome construction elements, located in proximity to the HUD Data Plate
- For a new CHOICEHome, both the HUD Data Plate and the HUD Certification Label(s)
- For an existing CHOICEHome, the HUD Data Plate or the HUD Certification Label(s). If neither the HUD Data Plate nor the HUD Certification Label(s) are present or legible, Freddie Mac will accept the alternative documentation described in Section 5703.3.

The presence of a CHOICEHome notice only certifies a dwelling was manufactured to the CHOICEHome specifications that were in place as of its manufacture date and does not guarantee eligibility as a CHOICEHome. The Seller must verify the required construction elements to ensure CHOICEHome eligibility. The Seller is responsible for ensuring these requirements are satisfied.

(b) Construction elements for CHOICEHomes

CHOICEHomes must meet the Manufactured Home requirements in Sections 5703.3 and 5703.5, except as otherwise indicated by specific CHOICEHome construction elements below.

(i) Foundation

The permanent foundation must comply with the following requirements:

- Meet HUD's Permanent Foundation Guide for Manufactured Housing
- Be engineer designed and certified for the specific dwelling and site; and
- Include a perimeter mortared masonry blocking wall set on a poured perimeter footer

(ii) Elevation

(A) Design

The elevation design must follow these guidelines:

- Be a low-profile/residential set finished floor set

- Not exceed 30 inches from the bottom of the first-floor joist to the exterior grade for the front or entry

- Site topography or other considerations may affect actual placement and will not disqualify the property from its CHOICEHome classification

(B) Features

The elevation design must also include one of the following feature pairings:

- Dormer(s) and covered porch (minimum 72 sq. ft.)

- Dormer(s) and attached/detached carport/garage with space to accommodate one or two cars (materials and finishes must be at least equivalent to the primary structure)

- Covered porch (minimum 72 sq. ft.) and attached/detached carport/garage with space to accommodate one or two cars (materials and finishes must be at least equivalent to the primary structure)

(c) Eligible and ineligible Mortgages secured by CHOICEHomes

(i) Eligible Mortgages

- A Mortgage secured by a CHOICEHome must be a purchase transaction Mortgage or "no cash-out" refinance Mortgage secured by a 1-unit Primary Residence.

- The Mortgage must be a fixed-rate Mortgage or a 5/6-Month, 7/6-Month or 10/6-Month ARM; provided, however, Home Possible® Mortgages, HomeOne® Mortgages and HeritageOne® Mortgages must be fixed-rate Mortgages

(ii) Ineligible Mortgages

The Mortgage must not be:

- A super conforming Mortgage

- A Seller-Owned Converted Mortgage

- Seller-Owned Modified Mortgage

- Secured by a single-wide Manufactured Home

(d) Underwriting requirements for Mortgages secured by a CHOICEHome

A Mortgage secured by a CHOICEHome must be an Accept Mortgage.

The Seller must select the following in Loan Product Advisor:

- "Detached" as the subject property "Attachment Type"
- "Manufactured" as the subject property "Construction Method Type"
- "Multiwide" as the subject property Manufactured "Home Width Type"; and
- "CHOICEHome" as the subject property "Loan Program Identifier"

A Mortgage secured by a CHOICEHome is not eligible for an automated collateral evaluation (ACE) appraisal waiver or ACE+ PDR. The Seller must not accept an appraisal waiver offer from Loan Product Advisor stating an appraisal waiver or ACE+ PDR is acceptable.

(e) Maximum LTV/TLTV/HTLTV ratios and value calculation for Mortgages secured by a CHOICEHome

The maximum LTV/TLTV/HTLTV ratios and determination of value for Mortgages secured by a CHOICEHome are as follows:

(i) Maximum LTV/TLTV/HTLTV ratios

	Maximum LTV ratio	Maximum TLTV ratio	Maximum HTLTV ratio
Fixed-rate Mortgages			
All Mortgages **except** Home Possible, HomeOne and HeritageOne Mortgages	95%	95%	95%
■ Home Possible Mortgages ■ HomeOne Mortgages ■ HeritageOne Mortgages	97%	97%	97%
■ Home Possible Mortgages with an Affordable Second® ■ HomeOne Mortgages with an Affordable Second ■ HeritageOne Mortgages with an Affordable Second	97%	105%	97%

	Maximum LTV ratio	Maximum TLTV ratio	Maximum HTLTV ratio
ARMs			
All Mortgages*	95%	95%	95%

*Pursuant to Section 5703.16(c), Home Possible Mortgages, HomeOne Mortgages and HeritageOne Mortgages must be fixed-rate Mortgages

(ii) Calculation of value

The value used to determine the LTV/TLTV/HTLTV ratios of Mortgages secured by CHOICEHomes is calculated as follows:

Transaction type	Value
Purchase transaction Mortgage	The lower of: ■ The purchase price of the CHOICEHome and purchase price of the land, or ■ The current appraised value of the CHOICEHome and land
"No cash-out" refinance Mortgages	The current appraised value of the CHOICEHome and land

(f) Use of proceeds for Mortgages secured by a CHOICEHome

Transaction Type	Use of Proceeds	Other Requirements
Purchase transaction Mortgages	Limited to: ■ Purchasing the CHOICEHome ■ Purchasing the land when the Borrower does not separately own the land ■ Paying documented costs for delivery and setup, anchoring on a permanent foundation system, site development, installation, and permanent utility connections,	■ Credits for wheels and axles, and any Manufactured Home retailer rebates must be deducted from the purchase price ■ Sales concessions as described in Section 5501.5(c) and other costs, including financing of any

Transaction Type	Use of Proceeds	Other Requirements
	including well and/or septic systems	forms of insurance, except for mortgage insurance may not be used in the purchase price
"No cash-out" refinance Mortgage	Limited to: ■ Paying any required share of appreciation due to the subsidy provider per the resale restricted covenants ■ Paying off the principal and interest due, including a balance deferred under a loss mitigation plan, for the existing first Mortgage and if applicable, junior lien(s) secured by the CHOICEHome and the land ■ Paying off any costs or fees associated with the satisfaction and release of the first Mortgage (e.g., late fees, prepayment penalties, etc.) ■ Paying related Closing Costs ■ Disbursing cash to the Borrower (or any other payee) up to the greater of 1% of the new refinance Mortgage or $2,000 ■ Paying any required share of appreciation due to the subsidy provider per the resale restricted covenants	

(g) Mortgage insurance for Mortgages secured by a CHOICEHome

A Mortgage secured by a CHOICEHome originated under this Section 5703.16 with an LTV ratio greater than 95% but less than or equal to 97% is eligible for mortgage insurance under Section 4701.1.

The Seller must verify that the mortgage insurance will cover a Mortgage secured by a CHOICEHome with an LTV ratio greater than 95% before submitting such mortgage insurance.

(h) Appraisal requirements for Mortgages secured by a CHOICEHome

Each Mortgage secured by a CHOICEHome requires an appraisal report completed on Form 70B, Manufactured Home Appraisal Report. The appraisal report must reflect an opinion of value based on the real property as completed, consisting of the CHOICEHome, all site improvements and the land on which the property is situated.

The appraisal report must include photos of the following:

- The CHOICEHome notice
- For a new CHOICEHome, the HUD Data Plate and the HUD Certification Label(s)
- For an existing CHOICEHome, the HUD Data Plate or the HUD Certification Label(s). When both are present, the appraiser must include both.
- The property and site features including dormers, porches, garages, carports and any other attached or detached structures

The appraiser must comply with Section 5605.6 and the following:

- The appraisal report should contain at least one comparable CHOICEHome sale
- If no comparable CHOICEHome sales are available, the appraiser must use the most appropriate site-built homes as comparable sales.
- Traditional HUD-coded Manufactured Homes are not required as comparable sales. However, if utilized, the appraiser must include an explanation that supports its use as a comparable sale(s) considering CHOICEHome's elements and specifications.

(i) Delivery requirements for Mortgages secured by a CHOICEHome

See Section 6302.25(b)(ii) for delivery requirements for Mortgages secured by a CHOICEHome.

Chapter 5704: Leasehold Estates

5704.1: Purchase of leasehold Mortgages (10/02/23)

Freddie Mac will purchase a Mortgage secured by either a leasehold estate or a leasehold estate in a ground lease community where there is a demonstrated market acceptance of this type of property ownership. The Mortgage must be secured by a leasehold interest in the land or ground lease and the property improvements to be a leasehold Mortgage.

The following property types are eligible to secure leasehold Mortgages:

- 1- to 4-unit properties
- Planned Unit Development (PUD) units
- Condominium Units

See Chapter 4502 for Community Land Trust Mortgage requirements.

See Chapter 5706 for requirements for Manufactured Homes located on leasehold estates.

See Chapter 4504 for requirements for HeritageOne^{SM} Mortgages, including the special requirements for HeritageOne Mortgages that are leasehold Mortgages in Section 4504.8.

(a) Terms

The following terms apply for purposes of this section:

- **Basic rent**

  The amount paid for the use of the leasehold estate under the terms of the lease (or sublease, if applicable). Basic rent does not include:

  - Taxes
  - Insurance
  - Utilities for the leasehold estate or common areas, or
  - Use fees or operating expenses for the common areas, facilities and services

- **Ground lease community**

A planned residential development, including infrastructure, common areas and community facilities for use by the individual lessee, with the following characteristics:

1. Under the terms of the lease, the individual lessee holds a real property leasehold estate in a parcel of land improved by a dwelling and has an undivided common interest in the infrastructure, common areas and community facilities

2. The ground lease community is either a Planned Unit Development (PUD) or Condominium Project, administered by a HOA; or the community is administered by the fee simple land owner/lessor that owns, and is obligated under the lease to maintain, the infrastructure, common areas and community facilities for the common use and benefit of the individual lessees

- **Leasehold mortgagee**

  The mortgagee that has a lien on the lessee's (or sublessee's) leasehold estate including improvements.

(b) Leasehold estate eligibility requirements

The lender must ensure that the following eligibility requirements are met:

1. The leasehold estate and property improvement must:

   - Constitute real property

   - Be covered by a title insurance policy that complies with the applicable requirements in Chapter 4702

2. The lease (and any sublease including all amendments) must be:

   - Recorded in the appropriate land records

   - In full force and effect, and

   - Binding and enforceable against the lessor (and sublessor)

3. The leasehold estate and Mortgage must not be impaired by any merger of the fee interest and leasehold interest in the event the same person or entity acquires both interests

4. The term of the leasehold estate must run for at least five years beyond the maturity date of the Mortgage unless the fee simple title vests at an earlier date

5. All basic rent and amounts due (for taxes, insurance, utilities and use fees or operating expenses) relating to the land and improvements must be current and the Borrower must

not be in default under any provision of the lease nor may the lessor have claimed such a default

6. The lease must not preclude the Borrower from retaining voting rights in the homeowners association, if applicable

7. All applicable Servicing requirements under the Guide and other Purchase Documents must be met

(c) Lease provisions

1. The lease must permit assignments, transfers, mortgaging and subletting of the leasehold (or subleasehold) estate, including any improvements on the leasehold estate

2. The lease must provide that for a notice of lessee's default (monetary or non-monetary) to be valid, the lessor must send written notice of the lessee's default to the leasehold mortgagee not more than 30 days after such default.

   The lease is not required to include a notice of default provision if the Mortgaged Premises is located in Maryland and applicable State law provides for all lessors to register residential leases with the State and requires the lessor to send written notice of default to the leashold mortgagee no less than 30 days prior to the lessor filing an action of possession.

3. The lease must provide for the right of the leasehold mortgagee, in its sole discretion, to cure a default for the lessee's (or sublessee, if applicable) account within the time permitted to lessee or take over the rights under the lease (sublease)

4. The lease cannot contain default provisions allowing forfeiture or termination of the lease for non-monetary default

5. The lease must provide for protection of the mortgagee's interests including an insurable interest in the subject property unless otherwise required by law, and interest in the lease, ground lease community and leasehold estate

6. The lease may, but is not required to, include an option for the Borrower to purchase the fee interest; provided, however, there can be no time limit on when the option must be exercised, and the lease and option to purchase must be assignable

5704.2: Projects on leasehold estates (11/19/18)

Freddie Mac will purchase a Mortgage secured by a unit in a Condominium Project (see Section 5701.2(b)(3)) or Planned Unit Development (see Section 5702.1(c)) situated on a leasehold estate if the requirements in Section 5704.1 are met.

5704.3: Appraisal requirements for leasehold Mortgages (10/02/23)

In addition to the other Guide requirements related to appraisals, an appraisal for each leasehold Mortgage must meet the requirements in this section.

For special appraisal requirements for HeritageOne^{SM} Mortgages that are leasehold Mortgages, see Section 4504.9.

For leasehold Mortgages, the appraiser must develop a detailed description of the terms, conditions, and restrictions of the ground lease. The appraiser must consider and report any effect the terms of the lease have on the value and marketability of the Mortgaged Premises.

When there are similar leasehold sales available that have the same lease terms, the appraiser should use these sales as comparable sales. If sales of properties with the same lease terms are not available, the appraiser should use other similar leasehold sales having different lease terms as comparable sales. The appraiser must describe the differences in the terms of the leases, and report any effect the differences have on the value and marketability of the Mortgaged Premises.

If there are no sales of leasehold properties, the appraiser should use sales of similar properties owned in fee simple as comparable sales. The appraiser must explain why the use of sales with different property rights is appropriate, and make appropriate adjustments to reflect the market's reaction to these differences.

For Condominium Projects and Planned Unit Developments on leasehold estates, the appraiser must also:

- Provide a description of the Common Elements including Amenities
- Comment on the ground rent for the subject property and the competing properties

5704.4: Ground lease requirements for leasehold Mortgages (07/25/18)

A copy of the lease, with recordation information, must be maintained in each leasehold Mortgage file. The documents must be provided to Freddie Mac upon request.

5704.5: Security Instruments for leasehold Mortgages (02/01/23)

The Uniform Security Instrument must describe the Mortgaged Premises as a leasehold interest created by a recorded lease in the property described in the legal description. In addition, the Seller must comply with Exhibit 5A, Authorized Changes to Notes, Riders, Security Instruments and the Uniform Residential Loan Application, Section IV, for leasehold estates.

Chapter 5705: Cooperative Projects and Cooperative Share Loans

5705.1: Cooperative Share Loans (09/18/23)

Freddie Mac purchases Cooperative Share Loans secured by an ownership interest in Cooperative Projects that meet Freddie Mac's eligibility requirements.

Sellers must obtain written approval to be eligible to deliver Cooperative Share Loans to Freddie Mac. A Seller should contact its Freddie Mac representative or the Customer Support Contact Center at 800-FREDDIE to discuss how to obtain the applicable term of business. Freddie Mac reserves the right to cease approving Sellers or accepting deliveries of Cooperative Share Loans from any or all Sellers.

The term "Mortgage" as used in the Guide includes as the context requires the term "Cooperative Share Loan." Requirements pertaining to Mortgages apply to Cooperative Share Loans.

(a) Seller's assessment of project risks

Freddie Mac requires a Cooperative Project review to address certain project risks including, but not limited to, the marketability and condition of the project, the marketability of the units within the project, the financial stability and viability of the project, project-level litigation, restrictions on Shareholders' rights to occupy the unit, and the adequacy of insurance coverage to protect the project from damage and loss.

Freddie Mac expects the Seller to have staff that is experienced and knowledgeable about Cooperative Project risks and to place as much emphasis on the adequacy of the Cooperative Interest as collateral as it does on underwriting the Borrower's creditworthiness. The quality of a Cooperative Share Loan can be impacted by the financial stability and viability of the particular project, among other project characteristics. The conclusion that a Cooperative Share Loan is acceptable to Freddie Mac must be based on the determination that the Borrower is creditworthy and the Cooperative Interest in the Cooperative Corporation is adequate collateral for the Cooperative Share Loan transaction.

(b) Seller Approval for Cooperative Share Loans

To be approved to sell Cooperative Share Loans, Sellers/Servicers must meet minimum requirements to be considered for approval to sell Cooperative Share Loans, including:

1. Possess sufficient expertise with Cooperative Projects and Cooperative Share Loans, capacity and resources to ensure that the Cooperative Project is likely to be successful, does not expose Freddie Mac to material credit risk and meets eligibility requirements

2. Possess substantial experience in the geographic market in which Cooperative Share Loans are being originated

3. Demonstrate volume of Cooperative Share Loans correlates to years of experience

4. Engage dedicated project review staff with experience in underwriting Cooperative Projects, and retain legal counsel (or have access to legal counsel) familiar with Cooperative Projects and Cooperative Project eligibility requirements

5. Maintain written policies and procedures consistent with Freddie Mac's project eligibility requirements; the policies and procedures must address pre-sale and owner-occupancy requirements, declining market trends, project completion, and any other issues that layer additional risk for Cooperative Share Loans. The policies and procedures for identifying the Cooperative Share Loans to be sold to Freddie Mac may be no less stringent than the policies and procedures for the Seller's investment decisions.

6. Maintain controls for monitoring performance of Cooperative Share Loans it originates (e.g., a 60-day Delinquency within the first three months or any 90 or more day Delinquency ever) as well as policies and procedures to implement default management corrective actions which also evaluate and monitor the performance of the Cooperative Share Loans following implementation of such corrective action. Seller/Servicer must not be aware of any quality or servicing issues related to the Cooperative Share Loans it originates.

7. Provide project-related reporting and any project underwriting documentation or Cooperative Project Documents upon request from Freddie Mac, or request the documentation from the Cooperative Corporation on Freddie Mac's behalf, if applicable

(c) Glossary definitions and other terms used in this chapter

(i) Glossary definitions

The Seller should be familiar with Freddie Mac's Glossary definitions of the following terms:

- Alternative Dispute Resolution (ADR)
- Cooperative Corporation
- Cooperative Housing Corporation
- Cooperative Interest
- Cooperative Project
- Cooperative Project Documents

- Cooperative Share
- Cooperative Share Loan
- Cooperative Unit
- Gut Rehabilitation
- Maintenance Fees
- Non-Gut Rehabilitation
- Pro Rata Share
- Proprietary Lease
- Recognition Agreement
- Shareholder

The Seller should also be familiar with the Glossary definitions of the following terms:

Repair Type	**Glossary Definition**
Critical Repairs (includes material deficiencies and significant deferred maintenance)	Repairs and replacements that significantly impact the safety, soundness, structural integrity or habitability of the project's building(s) and/or that impact unit values, financial viability or marketability of the project. These include: ■ Material deficiencies which, if left uncorrected, have the potential to result in or contribute to critical element or system failure within one year ■ Any mold, water intrusions or potentially damaging leaks to the project's building(s) that have not been repaired ■ Advanced physical deterioration ■ Any project that failed to pass state, county, or other jurisdictional mandatory inspections and/or certifications specific to structural soundness, safety, and habitability; or ■ Any unfunded repairs costing more than $10,000 per unit that should be undertaken within the next 12

Repair Type	Glossary Definition
	months (does not include repairs made by the unit owner or repairs funded through a special assessment) Examples of some items to consider include, but are not limited to, sea walls, elevators, waterproofing, stairwells, balconies, foundation, electrical systems, parking structures or other load-bearing structures.
Routine Repairs	These repairs are not considered to be critical and include work that is: ■ Preventative in nature or part of normal capital replacements (e.g., focused on keeping the project fully functioning and serviceable); and ■ Accomplished within the project's normal operating budget or through special assessments that are within guidelines

(ii) Other terms

The following additional terms are used in this chapter:

Term	Definition
Blanket Mortgage	A Mortgage secured by a Cooperative Project; is also referred to as an "underlying mortgage."
Established Cooperative Project	An Established Cooperative Project is a Cooperative Project in which: ■ The Cooperative Project is complete, and is not subject to additional phasing, and ■ The sponsor/developer (or Holder of Unsold Shares) has turned control of the Cooperative Corporation over to the Cooperative Unit owners.
Holder of Unsold Shares	Any of the following persons or Entities that (a) hold Cooperative Shares in Cooperative Units, (b) except as described below, do not intend to cause the Cooperative Units to be occupied, and (c) intend to lease the Cooperative

Term	Definition
	Units or keep the Cooperative Units vacant: ■ Sponsor/developer ■ Persons/entities that the sponsor/developer designates as holders of unsold Cooperative Shares; and ■ Subsequent transferees of such unsold Cooperative Shares which retain their character as unsold Cooperative Shares until one of the occupancy events described below occurs. For purposes of this definition, intending to cause the Cooperative Unit to be occupied means occupancy by the persons holding the Cooperative Shares in the Cooperative Unit (i.e., subsequent transferees), or by the principals of an Entity holding such Cooperative Shares, or by any family members of the persons holding the Cooperative Shares, employees or persons affiliated with such Entities holding the Cooperative Shares.
New Cooperative Project	A New Cooperative Project is a Cooperative Project in which: ■ The Cooperative Project is not complete, or is subject to additional phasing, or ■ The sponsor/developer (or Holder of Unsold Shares) has not turned control of the Cooperative Corporation over to the unit owners

5705.2: Cooperative Project review and general Cooperative Project eligibility requirements (03/31/22)

The Seller must determine compliance with Freddie Mac's Cooperative Project review and eligibility requirements in this section.

(a) Cooperative Project review requirements

Except for Freddie Mac-owned "no cash-out" refinance Cooperative Share Loans delivered in accordance with the requirements in Section 5705.7, the Seller must ensure that:

1. The Cooperative Project, the Cooperative Unit, and Cooperative Share Loan comply with the following sections in this chapter:

   - Cooperative Project eligibility (Section 5705.4)

   - Legal requirements for New Cooperative Projects (Section 5705.6)

2. The project must not be an ineligible Cooperative Project (Section 5705.3)

3. The Seller must review and determine that a Cooperative Project complies with Freddie Mac's requirements as follows:

Type of Cooperative Project	Expiration of project review
Established Cooperative Project	Within one year prior to the Note Date
New and Newly Converted Cooperative Projects	Within 180 days prior to the Note Date

   If the Cooperative Project does not meet Freddie Mac's project eligibility requirements on the Note Date, the Seller may deliver the Cooperative Share Loan at the time the Cooperative Project complies with all of the project eligibility requirements as long as all other applicable requirements have been met.

4. The Cooperative Project, Cooperative Project Documents and Cooperative Share Loan documents must comply with all applicable laws, ordinances and regulations for the State and local jurisdiction in which the project is located, and all documents must be enforceable under the laws, ordinances and regulations of the applicable jurisdiction

(b) General Cooperative Project eligibility requirements

The Seller must also review and determine compliance with the following requirements:

1. The project must have insurance that complies with the applicable requirements of Chapter 4703

2. The Cooperative Unit and the Cooperative Project must be covered by a title insurance policy that complies with requirements of Chapter 4702

3. The Cooperative Project and Cooperative Unit must comply with all applicable requirements of Topic 5600

4. The Cooperative Project must be designed primarily for residential use

5. The Cooperative Share Loan must comply with all applicable requirements in Section 5705.5

6. A Cooperative Share Loan must be delivered to Freddie Mac within 120 days after the Note Date. If the Cooperative Share Loan is not delivered within 120 days after the Note Date, Seller must update the project review and eligibility determination prior to delivery

7. The Seller must have policies and procedures in place and must take appropriate steps to ensure that the Cooperative Unit, Cooperative Share Loan and the Cooperative Project comply with applicable requirements

8. The Seller must retain all documentation related to the review of the Cooperative Project. Upon request, the Seller must provide the project information and documentation to Freddie Mac

(c) Freddie Mac right to review

Freddie Mac reserves the right to conduct its own review of the Cooperative Project for Cooperative Share Loans delivered to Freddie Mac.

5705.3: Ineligible Cooperative Projects (07/03/24)

Except for Freddie Mac-owned "no cash-out" refinance Cooperative Share Loans delivered in accordance with the requirements in Section 5705.7, Cooperative Share Loans in any of the following types of Cooperative Projects are ineligible for sale to Freddie Mac:

(a) Ownership of Cooperative Project land and Cooperative Units

Any Cooperative Corporation that does not own:

- The land on which the Cooperative Project is located in fee simple; and

- The Cooperative Units in the Cooperative Project

(b) Cooperative hotel

Any project that is a cooperative hotel or similar type of transient housing.

Projects that have one or more of the following characteristics are considered a cooperative hotel, or similar type of transient housing, and are ineligible projects:

- Projects that include hotel type services and characteristics, such as registration services, rentals of Cooperative Units on a daily basis and restrictions on interior decorating

- Cooperative Projects that are conversions of a hotel (or a conversion of a similar type of transient housing) unless the Cooperative Project was a Gut Rehabilitation and the resulting Cooperative Units no longer have the characteristics of a hotel or similar type of transient housing

- Projects with mandatory or voluntary rental-pooling and revenue-sharing agreements (or similar agreements that restrict the Shareholder's ability to occupy the Cooperative Unit such as blackout dates and occupancy limits) to assure an inventory of Cooperative Units for rent on a frequent basis, such as daily, weekly, monthly or seasonally

- Cooperative Projects that are licensed as a hotel, motel, or similar type of transient housing

The following are examples of personalized services and centralized systems that are common red flags of a Condominium Hotel or similar type of transient housing:

- Personalized services
  - Daily cleaning services
  - Porters/luggage service
  - Room service
- Centralized systems
  - Any central telephone service
  - Central key systems

If Shareholders of Cooperative Corporations in Cooperative Projects in resort locations rent their units (either individually or through a rental management company) on a short-term basis, the project has personalized services and/or the project has centralized systems, this alone does not indicate that the project is to be considered a cooperative hotel. Sellers must fully analyze all the characteristics of the project and related information to determine if the

project is a cooperative hotel. Related informational resources may include but are not limited to, Cooperative Project Documents (e.g., by-laws, project budgets and financial statements), offering statements (or their equivalent) and marketing materials, websites, contracts for sale and appraisal reports.

(c) Cooperative Project with multi-dwelling units

A Cooperative Project that permits a Cooperative Interest in more than one dwelling unit, with ownership of all owned Cooperative Units or Cooperative Shares financed by a single Cooperative Share Loan.

(d) Cooperative Project with excessive commercial or non-residential space

A Cooperative Project in which more than 35% of its total above and below grade square footage (or more than 35% of the total above and below grade square footage of the building in which the Cooperative Project is located) is used as commercial or non-residential space.

The division of the total commercial or non-residential square footage by the total square footage of the project or building will determine the total amount of commercial or non-residential space. In calculating the amount of commercial or non-residential space, Sellers must determine:

- The total square footage of the project (or the building in which the project is located)
- The square footage of the commercial or non-residential space; and
- The residential space square footage

Below is a table illustrating what must be included or may be excluded from the calculation of commercial or non-residential space.

Type of commercial or non-residential space	**Include in the commercial or non-residential space calculation?**
Retail and other commercial or non-residential space (for example, restaurants and stores)	Yes
Residential rental apartments, hotels, motels and other similar types of space, although such space may have residential characteristics	Yes

Type of commercial or non-residential space	Include in the commercial or non-residential space calculation?
Non-residential space that the Cooperative Corporation does not own, but that is owned by a private individual or entity outside of the Cooperative Corporation (for example, private fitness facilities that are membership-based rather than owned by the Cooperative Corporation for the sole use of the Shareholders)	Yes
The total square footage of commercial or non-residential space even when the Cooperative Corporation representing the Shareholders is different from the association representing the commercial owners	Yes
Commercial parking facilities	No
Project Amenities and facilities that are residential in nature, owned by the Cooperative Corporation, and allocated for the sole use of the Shareholders	No

(e) Tenancy-in-Common Cooperative Project

A Cooperative Project owned by several owners as tenants-in-common. Individuals have an undivided interest in the Cooperative Project (including the Cooperative Units) and land on which the Cooperative Project is located and may or may not have the right of exclusive occupancy of a specific Cooperative Unit.

(f) Timeshare Cooperative Project with segmented ownership

A Cooperative Project in which there is an arrangement under which a Shareholder receives an interest in real estate and the right to use a Cooperative Unit, Amenities, or both, for a specified period and on a recurring basis (such as the 15th week of the year), or ownership that is for a limited period (such as for the subsequent five years).

(g) Houseboat Cooperative Project

A Cooperative Project comprised of boats that have been designed or modified to be used primarily as dwelling units.

(h) Ownership and use of Common Elements in Cooperative Project

Except as stated below, a Cooperative Corporation must be the sole owner of and the Shareholders must have the sole right to the use of the Common Elements, including all buildings, roads, parking, facilities and Amenities. The sponsor/developer must not retain any ownership interest in the Common Elements, facilities and Amenities, except as a Holder of Unsold Shares.

A Cooperative Project that shares Amenities with one or more other residential projects is eligible if the projects share the Amenities (e.g., recreational or fitness facilities, swimming pools and clubhouses) for the sole use of the Shareholders and unit owners, if applicable. The term "residential projects" includes only residential Condominium Projects, Cooperative Projects and Planned Unit Developments (PUDs). The residential projects must have an agreement specifying:

1. A description of the shared Amenities and the terms of Shareholders' and unit owners' permitted use of the shared Amenities

2. How the shared Amenities will be funded, managed and maintained; and

3. The method for resolving disputes between the projects regarding the shared Amenities

The Common Elements, including Amenities such as parking and recreational facilities, must not be subject to a lease between the Cooperative Corporation (as lessee) and the sponsor/developer or any affiliate of the sponsor/developer (as lessor).

Parking provided under commercial leases or permit arrangements with parties unrelated to the developer are acceptable.

(i) Cooperative Project in litigation

A Cooperative Project in which: (i) the Cooperative Corporation is named as a party to pending litigation or the Seller discovers that the Cooperative Corporation is a party to an Alternative Dispute Resolution (ADR) proceeding, such as arbitration or mediation, or (ii) the project sponsor or developer is named as a party to pending litigation, or the Seller discovers that the project sponsor or developer is a party in an ADR proceeding and, in either case, the dispute relates to the safety, structural soundness, functional use or habitability of the Cooperative Project.

If the Seller determines that the pending litigation or ADR proceeding involves only minor matters that do not affect the safety, structural soundness, functional use or habitability of the Cooperative Project, the Cooperative Project is eligible if the litigation or ADR proceeding is limited to one of the following:

1. The litigation amount is known, the insurance company has committed to provide the defense and the litigation amount is covered by the insurance policy;

2. The litigation amount is unknown, the Seller has documented the Mortgage file with a copy of the complaint, or the most recent amended complaint, and with an attorney letter that supports the Seller's determination that the litigation involves minor matters. The attorney letter must state: (i) the reason for the litigation; (ii) that the insurance company has committed to provide the defense; and (iii) that any potential monetary judgment against the Cooperative Corporation, or settlement with the Cooperative Corporation, including punitive damages will likely be covered by the Cooperative Corporation's insurance policy. If the attorney letter indicates that the matter will not likely be fully covered by the Cooperative Corporation's insurance policy, then the Cooperative Project is ineligible;

3. The matter involves any of the following:

   i. A non-monetary neighbor dispute or right of quiet enjoyment, whether litigated or in an ADR proceeding, or

   ii. A dispute in which the Cooperative Corporation is the plaintiff in a foreclosure action; or

   iii. A dispute in which the Cooperative Corporation is the plaintiff in the litigation or a party to an ADR proceeding and is seeking reimbursement for expenditures made to repair the Cooperative Project's component(s). The expenditures may have included items that related to the safety, structural soundness, functional use or habitability of the project, provided that the repair permanently resolved the defect or issue, and the expenditures did not significantly impact the financial stability or future solvency of the Cooperative Corporation; or

4. The estimated or known amount in the dispute in the litigation or ADR proceeding is known and is not covered by the insurance policy but is not expected to exceed 10% of the Cooperative Project's funded reserves, provided that use of the project's funded reserves to pay for project litigation or dispute resolution does not violate the applicable jurisdiction's laws and regulations.

The Seller must retain documentation to support its analysis that the reason for the dispute meets Freddie Mac's requirements for minor matters as described above.

(j) Cooperative Project with excessive single-investor concentration

Any Cooperative Project in which a single entity owns Cooperative Shares that represent more than the following:

Number of units in the project	Total number of units owned by individual or single entity
Two to four	One

Number of units in the project	Total number of units owned by individual or single entity
Five to 20	Two
21 or more	20%

1. For purchase transactions, a project with single investor concentration greater than specified above will be eligible provided:

   i. The purchase transaction will result in a reduction of the single investor concentration

   ii. The single investor must not own more than 49% of the units in the project

   iii. The Seller obtains evidence that the single investor is marketing units for sale with the goal to decrease the single investor concentration to 20% or less of the units in the project

   iv. The single investor is current on all Maintenance Fees and assessments, and

   v. There are no planned or current special assessments in the project

2. The following may be excluded from the single investor concentration calculation:

   i. Vacant Cooperative Units being actively marketed by the sponsor/developer (or Holder of Unsold Shares). Any units leased by the sponsor/developer must be included in the calculation of the developer's percentage of ownership.

   ii. Cooperative Units that a non-profit entity controls or owns for the purpose of providing affordable housing

   iii. Cooperative Units held in affordable housing programs (including units subject to non-eviction rent regulation codes), and

   iv. Cooperative Units retained for workforce housing by higher-education institutions

3. When a sponsor/developer (or Holder of Unsold Shares) has been prevented from selling Cooperative Interests because of the need to comply with rent control or tenant-protection laws, the 20% single entity ownership limitation may be increased to 49% if the following requirements are met:

   i. The Cooperative Interests owned by the sponsor/developer in excess of 20% must be subject to rent control or tenant-protection laws,

ii. The Seller must retain documentation, such as a regulation agreement, evidencing that the Cooperative Units retained by the sponsor/developer (or Holder of Unsold Shares) are subject to rent control or tenant-protection laws, and

iii. The Seller meets one of the following:

A. Seller must document that the rental income from the tenant-protected and/or leased Cooperative Units owned by the sponsor/developer is sufficient to cover the Pro Rata Share of the Cooperative Project's financial obligations that are applicable to the tenant-protected, leased, and vacant Cooperative Units; or

B. If the rental income from the tenant-protected and/or leased Cooperative Units owned by the sponsor/developer is not sufficient to cover the Pro Rata Share of the Cooperative Project's financial obligations that are applicable to the tenant-protected, leased and vacant units, the sponsor/developer (or Holder of Unsold Shares) must have demonstrated the ability and willingness to meet any shortfall in the payment of the Pro Rata Share of the Cooperative Project's financial obligations that are applicable to the tenant-protected, leased and/or vacant Cooperative Units. In such cases, the sponsor/developer (or Holder of Unsold Shares) must:

- Be current on all financial obligations for the subject Cooperative Project and on all financial obligations relating to any other project in which the sponsor/developer (or Holder of Unsold Shares) owns or holds more than 10% of the Cooperative Shares

- Have sufficient funds to meet any shortfall in the payment of the Pro Rata Share of the Cooperative Project's financial obligations that are applicable to the tenant-protected, leased and vacant Cooperative Units; and

- Provide financial statements of the Cooperative Corporation that indicate financial stability for the Cooperative Project with no negative impact to the Cooperative Project due to sponsor/developer (or Holder of Unsold Shares) ownership

(k) Continuing Care Retirement Community (CCRC)

A CCRC is a residential Cooperative Project designed to meet the changing health and housing needs of seniors over time. CCRCs are distinguished from age-restricted communities in that residents in CCRCs contract in advance for a lifetime commitment from the facility to care for them, regardless of future health or housing needs. CCRCs may also be known as Life-Care Facilities.

(l) Cooperative Projects comprised of Manufactured Homes

A Cooperative Project comprised of one or more Manufactured Homes.

(m) Cooperative Project with mandatory dues or similar membership fees for use of Amenities such as clubhouses or recreational facilities

A Cooperative Project with mandatory dues or similar membership fees, including initiation or joining fees, that allow for the use of Amenities, such as clubhouses or recreational facilities, unless the Cooperative Corporation solely owns the Amenities and only Shareholders are members. Full rights and privileges to the use of these Amenities are the primary benefit of membership.

(n) Limited Equity Cooperative Project

A Cooperative Project that limits gain from appreciation upon resale of the Cooperative Shares associated with the Cooperative Unit, except as permitted under Section 5705.5(f). Cooperative Projects located on land owned by Community Land Trusts are also ineligible Cooperative Projects.

(o) Leasing Cooperative

A Cooperative Project that involves the leasing of both the land and the improvements to the Cooperative Project including the Common Elements, even if the Cooperative Corporation owns part of the building.

(p) Sponsor/developer interest in Cooperative Project

The sponsor/developer (or any Holder of Unsold Shares) cannot retain any ownership interest in the Cooperative Project except for its interest in any unsold Cooperative Units.

(q) Project in need of Critical Repairs

Cooperative Share Loans secured by Cooperative Interests in Cooperative Projects in need of Critical Repairs, as defined in the Glossary, are not eligible for sale to Freddie Mac.

For both current and planned (i.e., Shareholders approved but the board has not initiated collection yet) special assessments, Seller must obtain and review the following information for each special assessment to determine if the funds are for a Critical Repair:

- The purpose of the special assessment,
- When the special assessment was approved,
- The original amount of the special assessment,
- The amount remaining to be collected, and
- The expected date the special assessment will be paid in full

If a structural and/or mechanical inspection has been completed within 3 years of Seller's project review date, Seller must review that inspection report. There must not be any Critical Repairs needed, as well as no current evacuation orders or similar regulatory actions.

Projects in need of Critical Repairs remain ineligible until the required repairs and/or inspection report have been completed and documented. Sellers must review an engineer's report or substantially similar document to determine that the repairs resolved the building's safety, soundness, structural integrity, or habitability concerns.

If damage or deferred maintenance is isolated to one or a few units and does not affect the overall safety, soundness, structural integrity, or habitability of the project, then this project eligibility requirement does not apply.

This requirement does not apply to Routine Repairs, as defined in the Glossary.

Sellers may need to review a combination of documents to determine a project meets our physical condition requirements. Some examples include but are not limited to:

- Cooperative board meeting minutes
- Engineer's reports
- Structural and/or mechanical inspection reports
- Reserve studies
- List of necessary repairs provided by the Cooperative Corporation or management company, and/or
- Other substantially similar documentation

This list is not prescriptive or exhaustive. Sellers are responsible for determining which documents they need to review to ensure compliance with this requirement.

(r) Project with an evacuation order

A project with an evacuation order due to an unsafe condition, either for a partial or total evacuation of the project's building(s), is ineligible until the unsafe condition has been remediated and the building(s) is safe for occupancy.

5705.4: Cooperative Project eligibility (09/18/23)

Except for Freddie Mac-owned "no cash-out" refinance Cooperative Share Loans delivered in accordance with the requirements in Section 5705.7, the Cooperative Project must comply with all of the following eligibility requirements:

(a) Cooperative Project completion requirements

The Cooperative Project, including all Cooperative Units and Common Elements within the Cooperative Project, must be complete and cannot be subject to additional phasing or annexation.

(b) Owner-occupancy requirements

Cooperative Interests (i.e., both ownership and the accompanying occupancy rights) that represent at least 50% of the total number of Cooperative Units in the project must have been sold and conveyed or, for New Cooperative Projects (as defined in Section 5705.1(c)(iii)), must be under contract for sale to Shareholders who occupy their Cooperative Units as a Primary Residence or second home.

(c) Cooperative Project budget requirements

The Cooperative Project's budget must meet all the following requirements:

(i) Financial strength and viability of Cooperative Project

Seller must underwrite the Cooperative Project to determine the financial strength and viability of the Cooperative Project. If the most recent budget is not available, the Seller may rely on a review of the Cooperative Corporation's most recent audited financial statements or corporate tax returns.

The Cooperative Project's most recent operating budget, audited financial statements, or corporate tax returns must:

- Be consistent with the nature of the Cooperative Project
- Except as stated in Section 5705.4(c)(ii) below, provide for adequate cash flow to service the current debt and operating expenses, and
- Provide for adequate replacement and operating reserves

For an existing building that is converted to a Cooperative Project and is undergoing or has undergone a Non-Gut Rehabilitation, the sponsor/developer must have contributed to the replacement reserve fund for the expired life of the components that were used prior to the conversion of the building(s).

(ii) Negative cash flow of Cooperative Project

The negative cash flow for the present year will not exceed 5% of the Cooperative Project's annual operating budget as demonstrated by the most recent audited financial statements, provided that the prior year's cash flow was not negative by more than 5%.

The negative cash flow must be attributable to an isolated expense, or the Cooperative Project must have supplemental income from sources, such as stock transfer fee/flip taxes or assessments, that demonstrates the Cooperative Project has adequate cash flow to service all obligations.

If the negative cash flow is attributable to tenant-protected, leased and vacant Cooperative Units, the sponsor/developer (or Holder of Unsold Shares) must:

- Be current on all financial obligations for the subject Cooperative Project and on all financial obligations relating to any other Cooperative Project in which the sponsor/developer (or Holder of Unsold Shares) owns or holds more than 10% of the Cooperative Shares;

- Not have pledged any Cooperative Shares of the Cooperative Project as security for any loan other than to secure the financing obtained to acquire the Cooperative Project; and

- Provide financial statements of the Cooperative Corporation that indicate financial stability for the Cooperative Project with no negative impact to the Cooperative Project due to negative cash flow related to sponsor/developer (or Holder of Unsold Shares) ownership.

Seller must retain documentation that demonstrates the Cooperative Project has adequate cash flow to service all of its obligations.

(d) Financial obligations of Cooperative Project

The Cooperative Project must have good financial management including the following:

- The Cooperative Corporation has not been 30 or more days delinquent in the last 12 months on any payments due under any underlying Blanket Mortgage, or for taxes, insurance and other financial obligations

- No more than 15% of the Shareholders are more than 60 days delinquent in the payment of Maintenance Fees and assessments

- No more than 15% of the Shareholders are more than 60 days delinquent in the payment of each special assessment

(e) Market acceptance

The Cooperative Project must be located in an area in which there is a demonstrated market acceptance of the cooperative form of ownership.

(f) Minimum number of Cooperative Units

The Cooperative Project must consist of two or more 1-unit dwellings.

(g) Subsidies or other benefits for Cooperative Project

If the Cooperative Project is the recipient of any subsidies or similar benefits (e.g., tax or assessment abatements) that will be reduced or eliminated within three years of the Note Date of the Cooperative Share Loan, Seller must evaluate the impact that the elimination of such benefits will have on the Cooperative Project and include any higher monthly fees in a borrower's monthly liabilities when qualifying the borrower for the Cooperative Share Loan.

(h) Requirements for the underlying Blanket Mortgage for Cooperative Project

The Blanket Mortgage for the Cooperative Project may be either a conventional mortgage or an FHA-Insured Mortgage that has an interest rate that is at the market rate and not at a subsidized or otherwise reduced rate.

If the Blanket Mortgage is a balloon Mortgage:

- The remaining term cannot be less than six months; or
- Has an adjustable-rate feature, and the remaining term is less than two years but not less than six months, the current interest rate may not be subject to an interest rate adjustment.

(i) Prior Cooperative Project financing

The Seller represents and warrants that the Cooperative Project's Blanket Mortgage is:

(i) In compliance with the requirements imposed by the mortgagee of the underlying Blanket Mortgage

(ii) If the Blanket Mortgage includes a due-on-encumbrance clause and the Cooperative Project is located in a State in which Cooperative Share Loans are considered to be an encumbrance on the Cooperative Project, the mortgagee of the Blanket Mortgage must consent to the Cooperative Share Loan

5705.5: Cooperative Share Loan eligibility (11/04/20)

All Cooperative Share Loans must comply with the following eligibility requirements:

(a) Occupancy requirement for Cooperative Unit

The Shareholder must occupy the Cooperative Unit as a Primary Residence or second home.

The Shareholder must have a right to occupy the Cooperative Unit pursuant to a Proprietary Lease for a period of time that extends at least to the maturity date of the Cooperative Share Loan.

(b) Loan-to-value (LTV) ratios for Cooperative Share Loans

The loan-to-value (LTV) ratio is determined by dividing the original unpaid balance of the Cooperative Share Loan by the lower of either the sale price or the appraised value of the Cooperative Interest.

Note: The Cooperative Unit's Pro Rata Share of the Cooperative Corporation's debt is not included in the calculation of the LTV ratio.

(c) Borrower qualification

If the Cooperative Unit Maintenance Fees include unit utility charge, the Maintenance Fees may be reduced by the documented amount of unit utility charges that are included, prior to calculating the housing expense-to-income ratio and debt-to-income ratio.

(d) Maximum Pro Rata Share

The Pro Rata Share related to the Cooperative Unit must not exceed 35% of the sum of the Cooperative Unit's Pro Rata Share plus the lower of the (i) sales price or (ii) appraised value of the Cooperative Interest. However, the Pro Rata Share may be increased to 40% when there are significant and documented compensating factors to support the use of the higher percentage, such as a Cooperative Project in strong financial condition with significant cash reserves and good cash flow.

If the Cooperative Corporation has obtained a line of credit, the Seller must include the full available amount of the line of credit as part of the Cooperative Corporation's debt (i.e., Blanket Mortgage and if applicable second mortgage) when calculating the maximum Pro Rata Share.

Example:
Blanket Mortgage balance = $4,000,000
Subordinate financing balance = $1,000,000
Cooperative Shares issued and outstanding = 10,000
Subject unit's Cooperative Shares = 40

Sales price/appraised value of the Cooperative Interest (not including the Pro Rata Share of the Cooperative Corporation's debt) = $100,000
Pro Rata Cooperative Share of the Cooperative Corporation's debt = $20,000

Calculation:
[Blanket Mortgage balance] plus [Subordinate financing balance] = Cooperative Corporation's total debt
[4,000,000] plus [1,000,000] = $5,000,000

[Cooperative Corporation's total debt] divided by [Cooperative Shares issued and outstanding] = pro rata debt by share
[5,000,000] divided by [10,000] = $500

[Pro rata debt by share] times [Subject unit's Cooperative Shares] = Pro Rata Cooperative Share of the Cooperative Corporation's debt
[500] times [40] = $20,000

[pro rata $ amount] divided by [pro rata $ amount + appraised value] = pro rata % of value/price
[$20,000] divided by [$20,000 + $100,000] = 16.66%

(e) Subordinate financing

Subordinate financing is permitted for Cooperative Units that are Primary Residences.

(f) Cooperative Share Loans subject to stock transfer fee ("flip tax")

Cooperative Share Loans that are subject to the payment of a flip tax are permitted so long as the Cooperative Project Documents permit the imposition of a flip tax and provide for one of the following:

- The Seller is exempt from paying the flip tax if the Seller acquires the Cooperative Unit as a result of a foreclosure, in a transfer by the Shareholder in lieu of foreclosure, or any other transfer of the Shareholder's interest in the Cooperative Unit in full or partial satisfaction of the Shareholder's obligations under the Cooperative Share Loan

- The flip tax is payable when the sales price exceeds the existing Shareholder's purchase price (i.e., based on property appreciation) and then is assessed only on the amount of the appreciation in value (flip tax is profit-based); or

- The amount of the flip tax is less than or equal to 5% of the value of the Cooperative Interest (calculated as the lesser of appraised value or sales price of the Cooperative Interest) and is a flat fee, fee per share, percentage of the appraised value or sales price of the Cooperative Interest, or dollar amount per room

(g) Cooperative Share Loan lien priority

A Cooperative Share Loan must be a lien that has priority over all other claims or liens against the Shareholder's Cooperative Shares in the Cooperative Project except that the lien may be subordinated to the Cooperative Corporation's lien against the Cooperative Shares for unpaid assessments that represent the Pro Rata Share of the Cooperative Corporation's payments for the Blanket Mortgage and/or the current year's real estate taxes. For Cooperative Projects located in New York, a Cooperative Share Loan may additionally be subordinated to unpaid Maintenance Fees and assessments accrued after the origination date of the Cooperative Share Loan and collection expenses.

The Seller must also ensure that the following requirements are met:

(i) The Shareholder has the right to encumber his or her Cooperative Interest in the Cooperative Corporation

(ii) The Shareholder's right to occupy the Cooperative Unit pursuant to the Proprietary Lease extends through the Maturity Date of the Cooperative Share Loan either by its term or through renewals

(iii) The Cooperative Share Loan is secured by a pledge or trust of the Cooperative Shares, the assignment of interest in the Proprietary Lease, and any other documents appropriate under individual State or local laws, ordinances, and practices

(iv) The Cooperative Share Loan is a valid, enforceable first lien on the Shareholder's Cooperative Interest in the Cooperative Corporation

(v) All UCC-1 and renewal statements as applicable are current and valid. In States where Cooperative Units are considered real property, perfection of the lien must comply with applicable State or local laws.

(vi) The Seller has obtained the following:

1. An assignment of the Proprietary Lease for each Cooperative Share Loan sold to Freddie Mac

2. The stock power or other equivalent document authorizing the Seller/Servicer to transfer Cooperative Shares in the event of a default

3. Valid financing statements and assignments of financing statements (executed and filed if necessary) to perfect Freddie Mac's security interest under the Uniform Commercial Code of the State in which the Cooperative Unit is located

(h) Cooperative Corporation's approval

The Seller represents and warrants that if the purchaser's right to a Cooperative Share or occupancy of a Cooperative Unit is subject to any right of the Cooperative Corporation to give approval, then the Seller is required to furnish evidence to clearly show that such

approval has been given before the Cooperative Share Loan is eligible for Freddie Mac purchase or securitization

(i) Cooperative Project that is not a Cooperative Housing Corporation

For a Cooperative Share Loan to be eligible for Freddie Mac purchase or securitization, the Cooperative Project must meet the Internal Revenue Service (IRS) requirements (Section 216) for a Cooperative Housing Corporation in effect as of the Delivery Date.

Shareholders in a Cooperative Housing Corporation can claim their Pro Rata Share of mortgage interest and real-property taxes as income tax deductions.

5705.6: Legal requirements for New Cooperative Projects (11/03/21)

Except for Freddie Mac-owned "no cash-out" refinance Cooperative Share Loans delivered in accordance with the requirements in Section 5705.7, when a Seller delivers a Cooperative Share Loan secured by a Cooperative Interest in a New Cooperative Project to Freddie Mac, the Seller represents and warrants all of the following:

(a) Compliance with law

The Cooperative Corporation is a validly formed Entity authorized to carry out its independent purposes and is in compliance with all applicable State and local laws and ordinances.

(b) Right of first refusal

If the Cooperative Corporation has retained the right to provide a substitute purchaser, the right to have the first option to purchase a Cooperative Unit, or the right to approve a purchaser, those rights will not be exercised in a way that could be interpreted as discrimination or that could impair the marketability of the Cooperative Units in the Cooperative Project.

(c) Amendments to Documents

The Shareholders have the right to amend the Cooperative Project Documents.

(d) Rights of Cooperative Shareholders and Sellers

The Cooperative Corporation is legally bound to notify the Seller of changes that are of a material and adverse nature to Sellers including, but not limited to, the following:

(i) Any threatened or actual condemnation, eminent domain proceeding or acquisition, or any actual loss whether covered by insurance, that affects any portion of the Cooperative Project or Cooperative Unit

(ii) The inability of Shareholders to deduct their Pro Rata Share of mortgage interest from their taxable income per the Internal Revenue Code (i.e., the Cooperative Corporation no longer qualifies as a Cooperative Housing Corporation pursuant to Section 216 of the Internal Revenue Code)

(iii) Any 30-day Delinquency by the Cooperative Corporation in payments due under any underlying Blanket Mortgage, whether the payments are for real estate taxes, assessments, or charges imposed by a government entity or public utility, or under the terms of any ground lease

(iv) Any lapse, cancelation or material modification of any insurance or fidelity insurance coverage maintained by the Cooperative Project

(v) Any 90-day Delinquency by the Shareholder that is related to the payment of his or her Maintenance Fees or other assessments; and

(vi) Any proposed action that requires the consent of a specified percentage of eligible lenders of Cooperative Share Loans

(e) Cooperative membership

The Cooperative Project Documents must meet all the following requirements:

(i) Require that the sale or transfer of Cooperative Shares, stock or membership certificates in the Cooperative Corporation be in compliance with federal and State security disclosure laws

(ii) Require the Shareholders to own Shares, stock or a membership certificate, and permit the Cooperative Shares, stock, or membership certificates to be pledged and registered in the Cooperative Corporation

(iii) Give the Shareholder a right to occupy the Cooperative Unit for a period that extends at least to the maturity date of the Cooperative Share Loan in accordance with the terms and conditions of a Proprietary Lease between the Shareholder and the Cooperative Corporation

(iv) Prohibit the Cooperative Corporation from imposing unreasonable limitations on the Shareholder's ability to sell, transfer, or convey his or her Cooperative Share

(f) Cooperative Corporation's lien position

The Cooperative Corporation has a good and marketable title to the Cooperative Project land, Cooperative Units and Common Elements, and the Cooperative Project is free and clear of liens and encumbrances except the underlying Blanket Mortgage.

(g) Assignment of Shareholder's Cooperative Interest

The Cooperative Project Documents and the Recognition Agreement do not permit the Cooperative Corporation to restrict the sale, conveyance or transfer of a Cooperative Unit owned by a lender, its successors or assigns; or do not place any limits on the assignment of the Proprietary Lease to the lender, its successors or assigns; and provide further as follows:

- The lender may transfer the Cooperative Shares and Proprietary Lease if the Shareholder defaults on the Cooperative Share Loan

- If the Cooperative Project Documents require that a Shareholder be a natural person, they must permit the lender to select a non-corporate designee for any transfer of the Cooperative Shares and Proprietary Lease in the event of a foreclosure

(h) Cooperative Corporation Responsibilities and Seller/Servicer Rights

The Cooperative Project Documents or Recognition Agreement must include provisions to recognize specific rights of the lender that finances a Cooperative Share Loan, and the Cooperative Corporation's responsibilities to that lender, its successors or assigns. The Cooperative Project Documents provide for at least the following corporation responsibilities and lender rights:

1. The Cooperative Project Documents, Recognition Agreement or other legal documents include, but are not limited to, the following responsibilities of the Cooperative Corporation:

   (i) In the event of Shareholder's default on the Cooperative Share Loan and at the request of the lender of the Cooperative Share Loan, the Cooperative Corporation must evict the Shareholder and must terminate the Shareholder's Proprietary Lease at the lender's expense

   (ii) In the event of the Shareholder's default on the Cooperative Share Loan, the Cooperative Corporation must issue Cooperative Share(s) and the Proprietary Lease in the name of the lender or its designee

2. **Lender Rights**. The Cooperative Project Documents or Recognition Agreement must grant the lender of a Cooperative Share Loan the right to:

   (i) Cure the Shareholder's default in payment of Maintenance Fees or other assessments

   (ii) Review and approve the following actions:

- Any surrender, cancelation, modification, assignment or pledge of any documents evidencing ownership, possession, and use of the Shareholder's Cooperative Unit
- Any further or additional pledge or mortgage of any documents evidencing ownership, possession, and use of the Cooperative Unit
- Any action to change the size, existence or form of ownership of the Cooperative Project

5705.7: Exempt From Review (09/18/23)

To be eligible under Exempt From Review:

1. The Mortgage must be:
   - A Freddie Mac-owned "no cash-out" refinance Cooperative Share Loan, or
   - A Refi Possible® Mortgage
2. The Cooperative Project is not a cooperative hotel, houseboat project, timeshare project or project with segmented ownership (all as described in Section 5705.3)
3. The Cooperative Project is not in need of Critical Repairs and does not have an evacuation order. (See Sections 5705.3(q) and 5705.3(r) for details.)
4. The applicable requirements in the following table must be met:

Freddie Mac-owned "no cash-out" refinance Cooperative Share Loan	If the Cooperative Share Loan being refinanced is currently owned by Freddie Mac in whole or in part or securitized by Freddie Mac, then the Mortgage is exempt from project review provided the following requirements are met: ■ The maximum loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratio is 80% ■ If available, proof of the ULDD Data Point Related Investor Loan Identifier of the existing Cooperative Share Loan is provided in the Mortgage file ■ The delivery requirements in Section 6302.45 are met

Refi Possible® Mortgage	If the Cooperative Share Loan being refinanced is currently owned by Freddie Mac in whole or in part or securitized by Freddie Mac and the Mortgage is being refinanced under the Refi Possible offering, then the Mortgage is exempt from project review provided that: ■ The Mortgage meets all applicable requirements in Chapter 4302 ■ The delivery requirements in Section 6302.46 are met

5. The general project eligibility requirements in Section 5705.2(b) must be met

5705.8: Appraisal requirements for Cooperative Units (03/31/22)

The Seller must obtain an appraisal of the Cooperative Unit with an interior and exterior property inspection reported on **Fannie Mae Form 2090**, Individual Cooperative Interest Appraisal Report, which must be submitted to the Uniform Collateral Data Portal® (UDCP®) in accordance with the requirements in Chapter 5606 and must receive a "Successful" status before the Delivery Date of the Cooperative Share Loan.

(a) Cooperative Interest

The Cooperative Interest is the Cooperative Shares (or ownership interest) in the Cooperative Corporation and the related occupancy rights, excluding the Cooperative Interest's Pro Rata Share of the underlying Blanket Mortgage. In other words, the Cooperative Interest is the equity portion that is over and above the Pro Rata Share of the Blanket Mortgage(s).

(b) General appraisal requirements for units in Cooperative Projects

When appraising a Cooperative Unit, appraisers must develop the opinion of market value for the Cooperative Interest. To determine the value of the Cooperative Interest, appraisers must report and analyze including, but not limited to, the following information:

- Number of shares attributable to the subject unit
- Number of shares issued and outstanding for the Cooperative Corporation
- Lienholder name, lien position, and the amount and repayment terms for all the Cooperative Project's blanket financing

- Pro Rata Share of the Blanket Mortgage payments attributable to the subject unit, determined by dividing the number of shares attributable to the subject unit by the total number of project shares

- Pro Rata Share of each lien attributable to the subject unit

- Any tax abatements or exemptions that are attributable to the subject unit

- Remaining term for any tax abatements or exemptions and provisions for escalation of real estate taxes (dollar amount by which the taxes will increase and the year in which the increase occurs); and

- Any monthly Maintenance Fees, including:

  - Utility charges (if included in the fee)

  - Special assessments

  - Ground rent; and

  - Other fees for the use of the facilities that are attributable to the unit (fee type, amount, and term)

This information can generally be developed through Request for Cooperative Project Information (**Fannie Mae Form 1074**), if the management agent, Cooperative Corporation, or project sponsor/developer uses the form to respond to Seller or appraiser inquiries for project information. When **Fannie Mae Form 1074** is used, appraisers may either report the appropriate information in the appraisal report form or attach the **Fannie Mae Form 1074** to the appraisal report as an addendum.

When reporting the information applicable to the Cooperative Unit and Cooperative Project, appraisers must:

- Use reliable sources to obtain data on the Cooperative Project, the individual subject unit, and the comparable properties, and indicate each source by name on the appraisal report or in an addendum to the appraisal report

- Address any factors that could result in an increase to the monthly debt service for the subject unit

- Indicate the dollar amount of the monthly Maintenance Fees for each of the comparable sales in the Sales Comparison Approach

- Report the value of the Cooperative Interest, excluding the Pro Rata Share of the Blanket Mortgage(s). This value reflects the market value of the Cooperative Interest for the subject unit. For example, if the indicated value of the unit encumbered by the Blanket

Mortgage(s) is $100,000, and the unit's Pro Rata Share of the Blanket Mortgage(s) is $25,000, then the market value estimate that the appraiser must report for the Cooperative Interest is $100,000 - $25,000 = $75,000.

- Include a certification in the appraisal report that the Pro Rata Share of the Blanket Mortgage(s) on the real estate has not been included in the opinion of the market value of the Cooperative Interest

(c) Comparable sale requirements for units in Cooperative Projects

Appraisers must comment on the acceptance of housing cooperatives in the market area. The degree of acceptance is generally reflected in the availability of similar comparable sales data for Cooperative Units. If there is limited market acceptance of the cooperative form of ownership or if cooperative forms of ownership are relatively new in the market area, appraisers must address any effect that has on the value and marketability of the Cooperative Unit that is being appraised. The appraiser must compare the subject unit to the general market area as well as to other units in the subject Cooperative Project. This comparison will demonstrate the market acceptance of Cooperative Units in the area.

Comparable sales must be from similar types of projects that have similar Common Elements and recreational facilities including, but not limited to, townhouses and mid-rise and high-rise buildings.

Appraisers must use sales from Cooperative Units as comparables when they are available. However, appraisers may use condominium units as comparable sales if Cooperative Units are not available. If the appraiser must use condominium units as comparable sales, they must explain why those types of comparables were used and adjust the condominium comparables to reflect the reaction of the market to the Cooperative Unit when there is a preference for condominium ownership in the subject market area. See Section 5605.6(g) for general requirements regarding comparable sales selection.

(i) Comparable sale requirements for units in Established Cooperative Projects

For Cooperative Units located in Established Cooperative Projects, the appraiser should use comparable sales from within the Cooperative Project when they are the best indicators of value for the subject property. The use of comparable sales that are located outside of the established subject neighborhood must be explained in the appraisal analysis.

When the subject Cooperative Unit is in an Established Cooperative Project, appraisers should use the following as comparable sales:

- Two comparable sales from within the subject Cooperative Project, when available; and

- One comparable sale from a competing Cooperative Project

See Section 5605.6(g), for general requirements regarding selection of comparable sales.

(ii) Comparable sale requirements for units in recently converted or New Cooperative Projects

If the subject Cooperative Unit is in a recently converted or New Cooperative Project, appraisers should use the following as comparable sales:

- One comparable sale from the subject Cooperative Project, when available; and
- Two comparable sales from outside of the Cooperative Project

In the event the subject project is so new that a closed (settled) sale is not available, comparable sales from competing projects must be used. The appraiser must comment on the marketability of the new project and justify and support the use of the comparable sales from outside the Cooperative Project.

See Section 5605.6(g) for general requirements regarding comparable sales selection.

5705.8: Appraisal requirements for Cooperative Units (Future effective date 02/04/25)

The Seller must obtain an appraisal of the Cooperative Unit with an interior and exterior property inspection reported on **Fannie Mae Form 2090**, Individual Cooperative Interest Appraisal Report, which must be submitted to the Uniform Collateral Data Portal® (UDCP®) in accordance with the requirements in Chapter 5606 and must receive a "Successful" status before the Delivery Date of the Cooperative Share Loan.

(a) Cooperative Interest

The Cooperative Interest is the Cooperative Shares (or ownership interest) in the Cooperative Corporation and the related occupancy rights, excluding the Cooperative Interest's Pro Rata Share of the underlying Blanket Mortgage. In other words, the Cooperative Interest is the equity portion that is over and above the Pro Rata Share of the Blanket Mortgage(s).

(b) General appraisal requirements for units in Cooperative Projects

When appraising a Cooperative Unit, appraisers must develop the opinion of market value for the Cooperative Interest. To determine the value of the Cooperative Interest, appraisers must report and analyze including, but not limited to, the following information:

- Number of shares attributable to the subject unit

- Number of shares issued and outstanding for the Cooperative Corporation
- Lienholder name, lien position, and the amount and repayment terms for all the Cooperative Project's blanket financing
- Pro Rata Share of the Blanket Mortgage payments attributable to the subject unit, determined by dividing the number of shares attributable to the subject unit by the total number of project shares
- Pro Rata Share of each lien attributable to the subject unit
- Any tax abatements or exemptions that are attributable to the subject unit
- Remaining term for any tax abatements or exemptions and provisions for escalation of real estate taxes (dollar amount by which the taxes will increase and the year in which the increase occurs); and
- Any monthly Maintenance Fees, including:
  - Utility charges (if included in the fee)
  - Special assessments
  - Ground rent; and
  - Other fees for the use of the facilities that are attributable to the unit (fee type, amount, and term)

This information can generally be developed through Request for Cooperative Project Information (**Fannie Mae Form 1074**), if the management agent, Cooperative Corporation, or project sponsor/developer uses the form to respond to Seller or appraiser inquiries for project information. When **Fannie Mae Form 1074** is used, appraisers may either report the appropriate information in the appraisal report form or attach the **Fannie Mae Form 1074** to the appraisal report as an addendum.

When reporting the information applicable to the Cooperative Unit and Cooperative Project, appraisers must:

- Use reliable sources to obtain data on the Cooperative Project, the individual subject unit, and the comparable properties, and indicate each source by name on the appraisal report or in an addendum to the appraisal report
- Address any factors that could result in an increase to the monthly debt service for the subject unit

- Indicate the dollar amount of the monthly Maintenance Fees for each of the comparable sales in the Sales Comparison Approach

- Report the value of the Cooperative Interest, excluding the Pro Rata Share of the Blanket Mortgage(s). This value reflects the market value of the Cooperative Interest for the subject unit. For example, if the indicated value of the unit encumbered by the Blanket Mortgage(s) is $100,000, and the unit's Pro Rata Share of the Blanket Mortgage(s) is $25,000, then the market value estimate that the appraiser must report for the Cooperative Interest is $100,000 - $25,000 = $75,000.

- Include a certification in the appraisal report that the Pro Rata Share of the Blanket Mortgage(s) on the real estate has not been included in the opinion of the market value of the Cooperative Interest

(c) Comparable sale requirements for units in Cooperative Projects

Appraisers must comment on the acceptance of housing cooperatives in the Market Area. The degree of acceptance is generally reflected in the availability of similar comparable sales data for Cooperative Units. If there is limited market acceptance of the cooperative form of ownership or if cooperative forms of ownership are relatively new in the Market Area, appraisers must address any effect that has on the value and marketability of the Cooperative Unit that is being appraised. The appraiser must compare the subject unit to the general Market Area as well as to other units in the subject Cooperative Project. This comparison will demonstrate the market acceptance of Cooperative Units in the area.

Comparable sales must be from similar types of projects that have similar Common Elements and recreational facilities including, but not limited to, townhouses and mid-rise and high-rise buildings.

Appraisers must use sales from Cooperative Units as comparables when they are available. However, appraisers may use condominium units as comparable sales if Cooperative Units are not available. If the appraiser must use condominium units as comparable sales, they must explain why those types of comparables were used and adjust the condominium comparables to reflect the reaction of the market to the Cooperative Unit when there is a preference for condominium ownership in the subject Market Area. See Section 5605.6(g) for general requirements regarding comparable sales selection.

(i) Comparable sale requirements for units in Established Cooperative Projects

For Cooperative Units located in Established Cooperative Projects, the appraiser should use comparable sales from within the Cooperative Project when they are the best indicators of value for the subject property. The use of comparable sales that are located outside of the established subject Cooperative Project must be explained in the appraisal analysis.

When the subject Cooperative Unit is in an Established Cooperative Project, appraisers should use the following as comparable sales:

- Two comparable sales from within the subject Cooperative Project, when available; and
- One comparable sale from a competing Cooperative Project

See Section 5605.6(g), for general requirements regarding selection of comparable sales.

(ii) Comparable sale requirements for units in recently converted or New Cooperative Projects

If the subject Cooperative Unit is in a recently converted or New Cooperative Project, appraisers should use the following as comparable sales:

- One comparable sale from the subject Cooperative Project, when available; and
- Two comparable sales from outside of the Cooperative Project

In the event the subject project is so new that a closed (settled) sale is not available, comparable sales from competing projects must be used. The appraiser must comment on the marketability of the new project and justify and support the use of the comparable sales from outside the Cooperative Project.

See Section 5605.6(g) for general requirements regarding comparable sales selection.

5705.9: Combined Cooperative Units (11/04/20)

Cooperative Units that have been physically and legally combined to create a single Cooperative Unit must meet the following requirements.

(a) Number of units after Cooperative Units are combined

The Cooperative Project must be comprised of at least two Cooperative Units after any units are combined.

(b) Requirements to combine Cooperative Units

Prior to sale of the Cooperative Share Loan to Freddie Mac:

- The Cooperative Corporation must approve the combination of two or more adjoining Cooperative Units into a single Cooperative Unit

- The construction to combine the Cooperative Units into a single Cooperative Unit must be complete

- The Cooperative Corporation must:

    1. Assign a single unit designation, i.e., a mailing address, to the combined single Cooperative Unit

    2. Designate the number of Cooperative Shares applicable to the combined single Cooperative Unit

    4. Adjust the Maintenance Fees based on the total number of Cooperative Shares assigned to the combined single Cooperative Unit

(c) Loan purpose for combined Cooperative Units

The Cooperative Share Loan may be either:

(i) A purchase transaction for the two or more adjoining Cooperative Units on the Note Date; or

(ii) A refinance transaction, if a Shareholder owns one Cooperative Unit and is purchasing one or more additional adjoining Cooperative Units; the proceeds from the refinance Cooperative Share Loan may only be used to:

(a) Purchase the additional adjoining units

(b) Pay off the current Cooperative Share Loan on the Cooperative Unit in which the Shareholder has a Cooperative Interest

(c) Pay the costs of construction to combine the Cooperative Units into a single unit

(d) Pay any related Closing Costs, Financing Costs, and Prepaid/Escrows up to 2.5% of the UPB of the refinance loan amount; and

(e) Disburse cash to the Shareholder up to 1% of the UPB of the refinance Cooperative Share Loan or $2,000 whichever is less, provided that the cash disbursed does not exceed 5% of the amount of the Cooperative Share Loan

(d) Appraisal requirements for combined Cooperative Units

The Cooperative Units must be appraised as a combined single unit.

(e) Closing requirements for combined Cooperative Units

In connection with the closing of the Cooperative Share Loan secured by the combined single Cooperative Unit, the following requirements must be met

- All loan documents must use the single unit designation of the combined single unit that was assigned by the Cooperative Corporation

- The Cooperative Share Loan must be secured by a first lien on the Cooperative Interest (i.e., rights of ownership and occupancy rights) to the Cooperative Units that were combined into the single unit

(f) Servicing/foreclosure requirements for combined Cooperative Units

The Cooperative Share Loan must be serviced as a 1-unit dwelling and in the event of a foreclosure, the Cooperative Share Loan secured by a pledge or trust of the Cooperative Shares must be foreclosed as a combined single 1-unit dwelling.

5705.10: Cooperative Project conversions (05/04/20)

For a Cooperative Project that was created by the conversion of a building(s) with a prior use, the following requirements must be met for Seller's review and determination of Cooperative Project eligibility in addition to all other applicable requirements for Cooperative Projects in the Guide.

(a) Cooperative Project conversions with prior use

- Conversions involving a Non-Gut Rehabilitation of a Cooperative Project that was legally created within three years of underwriting the Cooperative Project must comply with the following:

    1. The engineer's report must confirm that the Cooperative Project is structurally sound

    2. The condition and remaining useful life of the major Cooperative Project components are sufficient to meet the residential needs of the Cooperative Project; major Cooperative Project components include the roof, elevators and mechanical systems, such as HVAC, plumbing and electricity

    3. All rehabilitation work involved in the conversion was completed in a professional manner; and

    4. There is no evidence of any adverse conditions

- Conversions involving a Gut-Rehabilitation and Non-Gut Rehabilitation of a Cooperative Project if more than three years have elapsed since the legal creation of the Cooperative Project, a review of the engineer's report is not required

(b) Cooperative Project conversion documents

For a Cooperative Project that was created by the conversion of a building(s) with a prior use within three years of underwriting the Cooperative Project, the Seller's project review and determination of project eligibility must include a review of all the Cooperative Project Documents.

A review of all the Cooperative Project Documents is not required for an existing Cooperative Project and Cooperative Project conversions if more than three years have elapsed since the legal creation of the Cooperative Project.

(c) Prior Cooperative Project financing

In a conversion, the mortgagee of the Blanket Mortgage agrees to the use of the building as a Cooperative Project and, in the event of a default on the Blanket Mortgage, it will not wipe out the Cooperative Shares of the Shareholders who are current in the payment of Maintenance Fees or assessments.

5705.11: Documents to be delivered to the Document Custodian and other documents to be maintained by Seller (11/04/20)

(a) Document Custodian

See Section 6304.2(b) for documents that Seller/Servicers must submit to the Document Custodian.

(b) Other file documents

Seller must maintain the following documentation on the Cooperative Corporation and the Cooperative Project:

(i) Most recent two year's financial statements including income and expense statement and all footnotes

(ii) Current fiscal year's operating budget

(iii) One of the following forms of evidence that the Cooperative Project meets insurance requirements:

A. Original policy (including a commercial package policy under which the required coverages may be provided in whole or in part) and applicable endorsements

B. Copy of the original policy and applicable endorsements, if the copy meets the requirements of Chapter 3302; or

C. Certificate, evidence or declarations of insurance providing at least the following information:

- Name of insured Cooperative Corporation (i.e., the Cooperative Corporation must be named as "First Named Insured")
- Name and address of Cooperative Project mortgagee(s)
- Address of insured Cooperative Project
- Type, limit and effective dates of coverage
- Deductible amount and coverage to which each such deductible applies
- Any endorsement or optional coverage obtained and made part of the original policy
- Insurer's agreement to provide at least 10 days' notice to the Cooperative Corporation, the Cooperative Project mortgagee and the Cooperative Unit mortgagee before any reduction in coverage or cancelation of the policy; and
- Signature of an authorized representative of the insurer

The Servicer must maintain a specimen of each policy and endorsement for which a certificate, evidence or declarations of insurance is maintained in lieu of the policy and endorsements.

The Seller/Servicer must retain all Cooperative Project documentation that supports its warranty that the Cooperative Project meets Freddie Mac requirements for as long as Freddie Mac retains an interest in the applicable Cooperative Share Loan, and for at least seven years from the date Freddie Mac's interest in the Cooperative Share Loan is satisfied.

(c) Mortgage file documentation

A copy of the Recognition Agreement and a copy of the Proprietary Lease must be maintained in the Mortgage file.

5705.12: Pooling and delivery requirements for Cooperative Share Loans (05/04/20)

See Section 6202.3(f)(vii) for information on pooling and delivery requirements for fixed-rate Cooperative Share Loans under the fixed-rate Guarantor and MultiLender Swap programs.

See Section 6302.45 for special delivery requirements for Cooperative Share Loans.

There are no special pooling or delivery requirements for adjustable-rate Cooperative Share Loans.

Chapter 5706: Manufactured Homes on Leasehold Estates

5706.1: Purchase of Mortgages secured by Manufactured Homes on leasehold estates (07/06/22)

Freddie Mac will purchase a Mortgage secured by a Manufactured Home on a leasehold estate when there is demonstrated market acceptance. Mortgages that are secured by a Manufactured Home on a leasehold estate must meet the requirements of this Chapter 5706.

The Seller must obtain Freddie Mac's written approval before selling Mortgages secured by a Manufactured Home on a leasehold estate to Freddie Mac by contacting its Freddie Mac representative or the Customer Support Contact Center at 800-FREDDIE.

Mortgages secured by Manufactured Homes on leasehold estates must satisfy the provisions of Chapter 5703 and related Guide sections pertaining to Manufactured Homes and Chapter 5704 and related Guide sections pertaining to leasehold estates.

5706.2: Property eligibility for Mortgages secured by Manufactured Homes on leasehold estates (10/02/23)

To be eligible for purchase by Freddie Mac, a Manufactured Home on a leasehold estate must be:

- A one-unit dwelling comprised of multiple sections (a "multiwide Manufactured Home")
- Located on a leasehold estate meeting the requirements of Chapter 5704; and
- Located in a ground lease community
  - For ground lease communities that are Condominium Projects, the Seller must comply with the Condominium Project requirements and warranties in Chapter 5701
  - For ground lease communities that are Planned Unit Developments (PUDs), the Seller must comply with the PUD requirements and warranties in Chapter 5702

A Manufactured Home on a leasehold estate must not include an ADU.

See Chapter 4504 for requirements for HeritageOne^{SM} Mortgages, including the special requirements for HeritageOne Mortgages that are leasehold Mortgages secured by Manufactured Homes in Section 4504.8.

5706.3: Lease provisions (07/06/22)

In addition to the requirements in Section 5704.1(c), the lease must also provide that subleasing is allowed if the leasehold mortgagee or its designee takes title to the Manufactured Home and the leasehold estate.

5706.4: Value of leasehold estates (02/07/24)

The provisions of Section 5703.9(b) pertaining to calculating the treatment of the land in determining value for computing the loan-to-value ratio in different types of financing transactions structures do not apply to leasehold estates.

The provisions of Section 5703.8(c) pertaining to the use of the land as an equity contribution do not apply to the leasehold estate.

The provisions of Section 5703.10 pertaining to the appraisal requirements for Manufactured Homes do apply.

Although Section 5704.3 pertaining to appraisal requirements for leasehold Mortgages allows for the use of comparable sales that are not on a leasehold estate, at least two comparable properties that are also on a leasehold estate must be included in the appraisal report to demonstrate market acceptance.

5706.5: Underwriting requirements for Mortgages secured by Manufactured Homes on leasehold estates (07/06/22)

(a) Loan Product Advisor® Mortgages

All Mortgages secured by Manufactured Homes on leasehold estates must be submitted to Loan Product Advisor and be an Accept Mortgage.

(b) Maximum loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios and value

The maximum LTV, TLTV and HTLTV ratios for Mortgages secured by Manufactured Homes on leasehold estates are as follows:

Purchase transactions and “no cash-out” refinance transactions		
Primary Residence		
Maximum LTV	Maximum TLTV	Maximum HTLTV
95%	95%	95%

5706.6: Eligible transaction types for Mortgages secured by Manufactured Homes on leasehold estates (09/04/24)

A Mortgage secured by a Manufactured Home located on a leasehold estate may be a purchase transaction or a “no cash-out” refinance transaction.

For a new Manufactured Home, whether it is affixed to a permanent foundation prior to or after the application date, the Seller must obtain a copy of the manufacturer’s invoice and Manufactured Home Purchase Agreement.

(a) Purchase transactions

A purchase transaction is one in which the loan proceeds are used to finance the purchase of the Manufactured Home. The proceeds may also be used to purchase the leasehold interest in the land, as the Borrower does not separately own the land.

- The purchase price may include documented costs for delivery and setup, installation and permanent utility connections, including well and/or septic systems
- Credits for wheels and axles and any Manufactured Home retailer rebates must be deducted from the purchase price along with any sales concessions in accordance with Section 5501.5
- Financing of any forms of insurance, except for mortgage insurance, or other costs is not allowed for purchase transactions

The maximum loan-to-value (LTV)/total LTV (TLTV)/Home Equity Line of Credit (HELOC) TLTV (HTLTV) ratios (if applicable) for a purchase transaction Mortgage secured by a newly built Manufactured Home (not previously owned) and/or not affixed to a permanent foundation as of the application date are based on value calculated as the lower of:

- The purchase price of the Manufactured Home and leasehold interest in the land, or
- The current appraised value of the Manufactured Home and leasehold interest in the land

The LTV ratio (and TLTV/HTLTV ratio, if applicable) for a purchase transaction Mortgage secured by a previously owned Manufactured Home that is affixed to a permanent foundation prior to the application date is based on value calculated as the lower of:

- The purchase price of the Manufactured Home and leasehold interest in the land, or
- The current appraised value of the Manufactured Home and leasehold interest in the land

(b) "No cash-out" refinance transactions

A "no cash-out" refinance transaction involves the payoff of an existing Mortgage secured by the Manufactured Home and leasehold interest in the land. The loan amount is limited to the amounts used to:

- Pay off the principal and interest due, including a balance deferred under a loss mitigation plan, for the existing first Mortgage secured by the Manufactured Home and leasehold interest in the land
- Pay off any costs or fees associated with the satisfaction and release of the first Mortgage (e.g., late fees, prepayment penalties, etc.)
- Pay off the existing Mortgage or junior lien(s) obtained by the Borrower solely to acquire the Manufactured Home
- Pay related Closing Costs
- Disburse cash out to the Borrower (or any other payee) up to the greater of 1% of the new refinance Mortgage or $2,000

A "no cash-out" refinance Mortgage must also meet the requirements in Section 4301.4(a).

5706.7: Title issues and lien requirements relating to Manufactured Homes on leasehold estates (02/07/24)

(a) State permits surrender of certificate of title

A Manufactured Home on a leasehold estate must be located in a State that permits surrender of a certificate of title, regardless of whether the land on which the Manufactured Home is located is owned by the owner of the Manufactured Housing.

(b) Title insurance

In addition to the requirements in Section 5703.4(f), the American Land Title Association (ALTA) Form 13.1 endorsement must be attached to the title insurance policy. The title insurance policy must include the Manufactured Home as part of the lessee's leasehold improvements and must include the value of the lessee's leasehold improvements, including the Manufactured Home, in the insured estate. All requirements necessary to obtain title insurance, including ALTA Form 13.1 and Form 7 endorsements, must be satisfied, including any requirements necessary to ensure the leasehold transaction such as a recordation of the lease or a short form lease that incorporates the various provisions of the unrecorded lease.

An attorney's opinion of title is not acceptable in lieu of a title insurance policy.

Chapter 5801: Uniform Closing Dataset

5801.1: Uniform Closing Dataset and Loan Closing Advisor® (10/31/18)

(a) Overview

This section contains information and requirements relating to:

- The Uniform Closing Dataset (UCD)
- Appendix I, UCD Delivery Specification, of the Uniform Closing Dataset (UCD) Specification ("Appendix I")
- Loan Closing Advisor®

The UCD is a common industry dataset that allows information on the Settlement/Closing Disclosure Statement to be communicated electronically.

Appendix I provides field-specific standardization requirements for preparing the UCD in proper XML format for file transmission to Freddie Mac.

Loan Closing Advisor is Freddie Mac's electronic collection solution for the UCD that helps Sellers validate that their closing data aligns with the UCD. Loan Closing Advisor assesses the data against Appendix I, checking for the completeness, validity and accuracy of certain calculated values, as well as consistency of the data.

(b) Uniform Closing Dataset

The UCD XML file with the embedded Settlement/Closing Disclosure Statement (PDF) is required on all Mortgages sold to Freddie Mac with a Note Date on and after **September 25, 2017**.

The requirement to submit the UCD through Loan Closing Advisor is satisfied when the transaction has received data quality feedback messages and the final Settlement/Closing Disclosure Statement PDF is embedded in the UCD XML file.

Appendix I may be amended from time to time. The current version can be found at **https://sf.freddiemac.com/content/_assets/resources/xls/requirements/appendix_i_uniform_closing_dataset.xls**.

(c) UCD messaging through Loan Closing Advisor

When the UCD XML file is submitted to Loan Closing Advisor, the Seller will receive a variety of feedback messages designed to assist the Seller in evaluating the closing data against the UCD delivery specification requirements and to determine if the associated

Mortgage meets the requirements of Appendix I, including those pertaining to the completeness, validity and accuracy of certain calculated values and consistency of the data.

The presence of one or more feedback message(s) with a warning severity indicator at the time of delivery does not prevent a submission from satisfying the UCD submission requirement.

Chapter 5901: Automated Income Assessment with Loan Product Advisor® Using Employed Income Data

5901.1: Automated income assessment with Loan Product Advisor® using employed income data overview (08/07/24)

Automated income assessment with Loan Product Advisor® using employed income data, part of asset and income modeler (AIM), provides Sellers with the option to use Loan Product Advisor to determine whether the Seller is eligible for relief from enforcement of certain representations and warranties related to the Borrower's income.

The Seller must obtain the Borrower's employed income data and submit all required data and information to Loan Product Advisor. Based on the data submitted, Loan Product Advisor will assess for representation and warranty relief eligibility and return the results of the assessment on the Feedback Certificate.

Sellers with access to Freddie Mac's application programming interface (API) for automated income assessment with Loan Product Advisor using employed income data may submit data from a Closed Loan (as defined in Section 2402.3(c)) for assessment. If the Seller is eligible for income representation and warranty relief for a Closed Loan, the API response file will return a Portable Document Format (PDF) document indicating eligibility (the "AIM Payroll API R&W Assessment"). The Seller should contact its Freddie Mac representative or the customer support contact center at 800-FREDDIE to request Freddie Mac's approval to submit Closed Loan data to the API.

Representation and warranty relief eligibility is contingent on the Seller's compliance with all requirements as set forth in this chapter.

5901.2: Automated income assessment with Loan Product Advisor® using employed income data eligibility requirements (10/02/24)

(a) Eligible Mortgages

To be eligible for automated income assessment with Loan Product Advisor® using employed income data, the Mortgage must be:

- A conventional Mortgage
- An Accept Mortgage

(b) Eligible income types

The following income types are eligible for automated income assessment with Loan Product Advisor using employed income data:

(i) Base non-fluctuating employment earnings and base fluctuating hourly employment earnings as described in Sections 5303.1(c) and 5303.1(d), except for the following income:

- Military pay
- Earnings with the following employment/income characteristics:
  - Earnings of a Borrower employed by a family member, the property seller, real estate broker or other interested party to the transaction
  - Employed income from foreign sources
  - Income reported on Internal Revenue Service (IRS) Form 1099 for services performed
  - Borrowers with business ownership interest(s) less than 25%

(ii) The following additional fluctuating employment earnings as described in Section 5303.1(d)(ii):

- Overtime income
- Bonus income

- Commission income

5901.3: Underwriting requirements (10/14/24)

For Mortgages where Loan Product Advisor® has determined that the Borrower's employed income data is sufficient to calculate income, the following are required:

- All employed income data must be in U.S. dollars

- The Seller must confirm that the information on the third-party verification report ("verification report") or on the paystub(s) and W-2 form(s) is for the correct Borrower and employer

- In the event the Borrower has taken a temporary leave of absence from his or her employment:

  (a) When a verification report is obtained, the verification report must indicate that, as of the date of the verification report, the Borrower has returned to work

  (b) When the employed income data has been obtained from the Borrower's paystub(s) and W-2 form(s), the Seller must maintain documentation in the Mortgage file showing the Borrower has returned to work

- For the age of the documentation:

  (a) When a verification report is obtained, the expiration date of the verification report reflected on the Last Feedback Certificate complies with the requirement in Section 5102.4

  (b) When the employed income data has been obtained from the Borrower's paystub(s) and W-2 form(s), the paystub and W-2 must comply with the requirements in Section 5102.4(a)

- The Seller must have no knowledge, information or documentation that contradicts a reasonable expectation of continuance of income or probability of consistent receipt of income for at least the next three years

- When a verification report is obtained, the method used to produce the verification report must be an automated process whereby the verification report provider accessed the data directly from an authorized electronic database of employer-provided income information

5901.4: Loan Product Advisor® requirements (10/14/24)

The Seller must:

- Submit the most current employed income data to Loan Product Advisor®. If after the initial submission, the Seller obtains an updated verification report, paystub(s) or W-2 form(s), the Seller must resubmit the employed income data to Loan Product Advisor

- Submit to Loan Product Advisor the income amount the Seller used to underwrite the Mortgage; and

- Investigate and resolve any inconsistent or contradictory information between the verification report, information contained in Form 65, Uniform Residential Loan Application (including the Borrower's income and employment representations), and the Mortgage file and, if applicable, resubmit to Loan Product Advisor with the correct information

For a Closed Loan, the Seller must:

- Submit the employed income data used in the last Loan Product Advisor submission to the application programming interface for automated income assessment with Loan Product Advisor using employed income data

- Investigate and resolve any inconsistent or contradictory information between employed income data, information contained in Form 65 (including the Borrower's income and employment representations) and the Mortgage file

5901.5: Representation and warranty relief and additional requirements (10/14/24)

(a) Representation and warranty relief

(i) Representation and warranty relief provided on the Feedback Certificate

The income representation and warranty eligibility result is provided on the Feedback Certificate and is contingent on the Seller's compliance with the requirements of this chapter. If multiple Loan Product Advisor® submissions are made, the Seller's eligibility for representation and warranty relief will be based on the results on the Last Feedback Certificate. The representation and warranty relief available and the corresponding documentation requirements are reflected below:

Eligibility result	Representation and warranty relief	Income documentation requirements
Eligible for Income Representation and Warranty Relief	The Seller is relieved from enforcement of the following representations and warranties: 1. Accuracy of the income calculation related to eligible income types described in Section 5901.2(b) that are on the verification report or paystub(s) and W-2 form(s), and 2. Accuracy and integrity of the data represented on the verification report Note: The Seller is not relieved from the representations and warranties related to the accuracy and integrity of the data when obtained from the Borrower's paystub(s) and W-2 form(s).	For eligible income types (as described in Section 5901.2(b)) that are on the verification report or paystub(s), the verification report, paystub(s) and W-2 form(s), as applicable, are acceptable documentation as described in Section 5901.3 and must be maintained in the Mortgage file. Paystub and W-2 documentation must meet the requirements of Section 5302.2. When there are multiple income sources and one or more is eligible for income representation and warranty relief, for the income source(s) not eligible for representation and warranty relief, the Seller must either: 1. Verify and document the income as required by the Guide, or

Eligibility result	Representation and warranty relief	Income documentation requirements
		2. Remove the income and resubmit the Mortgage to Loan Product Advisor
Eligible for Partial Income Representation and Warranty Relief	The Seller is relieved from enforcement of representations and warranties related to the Borrower's income as confirmed by Loan Product Advisor feedback messages. When partial income representation and warranty relief is granted for a source(s), the Seller is relieved from: 1. Accuracy of the income calculation related to eligible income types described in Section 5901.2(b) that are on the verification report or paystub(s) and W-2 form(s), and 2. Accuracy and integrity of the data represented on the verification report Note: The Seller is not relieved from the representations and warranties related to the accuracy and integrity of the data when obtained from the Borrower's paystub(s) and W-2 form(s).	For eligible income types (as described in Section 5901.2(b)) that are on the verification report or paystub(s), the verification report, paystub(s) and W-2 form(s), as applicable, are acceptable documentation as described in Section 5901.3 and must be maintained in the Mortgage file. Paystub and W-2 documentation must meet the requirements of Section 5302.2. When there are multiple income sources and one or more income sources are needed to qualify the Borrower, document the income source(s) as required by the feedback messages.
Not Eligible for Income Representation and Warranty Relief	The Seller is not eligible for relief from enforcement of representations and warranties related to the Borrower's income.	The income must be verified and documented as required by the Guide.

Eligibility result	Representation and warranty relief	Income documentation requirements
Unable to Assess for Income Representation and Warranty Relief	The Seller is not eligible for relief from enforcement of representations and warranties related to the Borrower's income.	The income must be verified and documented as required by the Guide.

(ii) Representation and warranty relief provided on the AIM Payroll application programming interface (API) R&W Assessment

(A) Representation and warranty relief eligibility result

When the AIM Payroll API R&W Assessment indicates eligible for income representation and warranty relief, the Seller is relieved from enforcement of representations and warranties for the accuracy of the income calculation related to eligible income types described in Section 5901.2(b) that are on the paystub(s) and W-2 form(s).

(B) Income documentation requirements

For eligible income types (as described in Section 5901.2(b)) that are on the paystub(s), the paystub(s) and W-2 form(s) are acceptable documentation as described in Section 5901.3 and must be maintained in the Mortgage file. Paystub and W-2 documentation must meet the requirements of Section 5302.2.

The Seller must also maintain the AIM Payroll API R&W Assessment in the Mortgage file.

(b) Internal Revenue Service (IRS) Form 4506-C

For Mortgages that receive an income representation and warranty result of either "Eligible for Income Representation and Warranty Relief" or "Eligible for Partial Income Representation and Warranty Relief" with a feedback message indicating that no further documentation is required for the income reflected on the verification report, if all the income of a Borrower is from an eligible income type described in Section 5901.2(b) and is on the verification report, the Seller does not need to obtain and maintain in the Mortgage file the following:

- An IRS Form 4506-C (or an alternate form acceptable to the IRS that authorizes the release of comparable tax information to a third party) signed by the Borrower, or

- A Commonwealth of Puerto Rico Form 2907 or Form 4506-C (or an alternate form that authorizes the release of comparable tax information to a third party), as applicable, signed by the Borrower for income that is derived from sources in Puerto Rico, Guam or the U.S. Virgin Islands and is exempt from federal income taxation under the Internal Revenue Code

For Mortgages using paystub(s) and W-2 form(s) as employed income data that receive an income representation and warranty result of either "Eligible for Income Representation and Warranty Relief" or "Eligible for Partial Income Representation and Warranty Relief", the documentation requirement for IRS Form 4506-C of Section 5302.5 applies.

For Mortgages that received an income representation and warranty result of either "Not Eligible for Income Representation and Warranty Relief" or "Unable to Assess for Income Representation and Warranty Relief", the requirements of Section 5302.5 apply.

Chapter 5902: Automated Asset Assessment with Loan Product Advisor® Using Account Data

5902.1: Automated asset assessment with Loan Product Advisor® using account data overview (10/14/24)

Automated asset assessment with Loan Product Advisor® using account data, part of asset and income modeler (AIM), provides Sellers with the option to use Loan Product Advisor to determine whether a Seller is eligible for relief from enforcement of certain representations and warranties related to the Borrower's assets. The Seller must obtain the Borrower's account data, as described in Section 5902.3, and submit all required data and information to Loan Product Advisor. Based on the data submitted, Loan Product Advisor will assess for representation and warranty relief eligibility and return the results of the assessment on the Feedback Certificate. Representation and warranty relief eligibility is contingent on the Seller's compliance with the requirements of this chapter.

5902.2: Automated asset assessment with Loan Product Advisor® using account data eligibility requirements (10/01/23)

(a) Eligible Mortgages

To be eligible for automated asset assessment with Loan Product Advisor® using account data, the Mortgage must be:

- A conventional Mortgage
- An Accept Mortgage

(b) Eligible asset types and eligible sources of funds

The following asset types, as described in Section 5501.3, are eligible for automated asset assessment with Loan Product Advisor using account data:

- Depository accounts
- Borrower's business checking, savings and/or money market accounts (see Section 5304.1(f) for additional requirements when self-employed income from a business is used for qualifying)

- Securities
- Retirement accounts

The following sources of funds, as described in Section 5501.3(c), are eligible for automated asset assessment with Loan Product Advisor using account data:

- Gift funds or a gift of equity
- Gift funds received as a wedding gift
- Gift funds received as a graduation gift
- A gift or grant from an Agency

The Mortgage must not be a Mortgage for which any of the following are being used to qualify the Borrower:

- Cash on hand
- Assets that will be used by the Borrower for repayment of Borrower's monthly obligations as described in Section 5307.1

For details related to asset documentation requirements, see Section 5902.6.

5902.2: Automated asset assessment with Loan Product Advisor® using account data eligibility requirements (Future effective date 11/08/24)

(a) Eligible Mortgages

To be eligible for automated asset assessment with Loan Product Advisor® using account data, the Mortgage must be:

- A conventional Mortgage
- An Accept Mortgage

(b) Eligible asset types and eligible sources of funds

The following asset types, as described in Section 5501.3, are eligible for automated asset assessment with Loan Product Advisor using account data:

- Depository accounts
- Borrower's business checking, savings and/or money market accounts (see Section 5304.1(l) for additional requirements when self-employed income from a business is used for qualifying)
- Securities
- Retirement accounts

The following sources of funds, as described in Section 5501.3(c), are eligible for automated asset assessment with Loan Product Advisor using account data:

- Gift funds or a gift of equity
- Gift funds received as a wedding gift
- Gift funds received as a graduation gift
- A gift or grant from an Agency

The Mortgage must not be a Mortgage for which any of the following are being used to qualify the Borrower:

- Cash on hand
- Assets that will be used by the Borrower for repayment of Borrower's monthly obligations as described in Section 5307.1

For details related to asset documentation requirements, see Section 5902.6.

5902.3: Underwriting requirements (10/14/24)

For Mortgages where Loan Product Advisor® has determined that the Borrower's account data is sufficient to verify assets, the following is required:

For each verification report obtained, the Seller must confirm:

- Each asset on the verification report is owned by at least one Borrower and such Borrower has access to the funds in the asset account
- All assets shown on the verification report are in U.S. dollars located in a U.S. or State-regulated financial institution

- There are no outstanding loans secured by any of the asset accounts included on the verification report

For the age of the documentation, the expiration date of the verification report reflected on the Last Feedback Certificate complies with the requirement in Section 5102.4.

For Mortgages that are eligible for asset representation and warranty relief as described in Section 5902.5, the Seller must maintain a copy of the verification report in the Mortgage file.

5902.4: Loan Product Advisor® requirements (10/14/24)

The Seller must:

- Submit the most current account date to Loan Product Advisor®. If after the initial submission, the Seller obtains an updated verification report, the Seller must resubmit the account data to Loan Product Advisor.

- Investigate and resolve any inconsistent or contradictory information between the verification report, information contained in Form 65, Uniform Residential Loan Application (including the Borrower's asset representations), and the Mortgage file and, if applicable, resubmit to Loan Product Advisor with the correct information

- Verify any funds required for the Mortgage transaction that are not included in the "Total Funds to be Verified" amount (e.g., Borrower is selling a property and needs to bring funds to the closing) and maintain the documentation in the Mortgage file

5902.5: Representation and warranty relief (10/14/24)

The asset representation and warranty eligibility result is provided on the Feedback Certificate and is contingent on the Seller's compliance with the requirements of this chapter. If multiple Loan Product Advisor® submissions are made, Seller's eligibility for representation and warranty relief will be based on the results on the Last Feedback Certificate. The representation and warranty relief available and the corresponding documentation requirements are reflected below:

Eligibility result	Representation and warranty relief	Asset documentation requirements
Eligible for Asset Representation and Warranty Relief	The Seller is relieved from enforcement of the following representations and warranties: 1. The sufficiency of the Borrower's assets to cover the "Total Funds to	For eligible asset types (as described in Section 5902.2(b)) that are on the verification report, the verification report is

Eligibility result	Representation and warranty relief	Asset documentation requirements
	be Verified" amount indicated on the Last Feedback Certificate; and 2. The accuracy and integrity of the data represented on the verification report	acceptable documentation as described in Section 5902.3. Gift funds, grant funds, securities and retirement accounts must comply with the documentation requirements in Section 5501.3. The verification report as described in Section 5902.3 is acceptable documentation to identify deposited gift funds and grants from Agencies.
Eligible for Partial Asset Representation and Warranty Relief	The Seller is relieved from enforcement of the following representations and warranties contingent on Seller documenting additional requirements as indicated in feedback messages: 1. The sufficiency of the Borrower's assets to cover the "Total Funds to be Verified" amount indicated on the Last Feedback Certificate; and 2. The accuracy and integrity of the data represented on the verification report	For eligible asset types (as described in Section 5902.2(b)) that are on the verification report, the verification report is acceptable documentation as described in Section 5902.3. Gift funds, grant funds, securities and retirement accounts must comply with the documentation requirements in Section 5501.3. The verification report as described in Section 5902.3 is acceptable documentation to identify deposited gift funds and grants from Agencies.
Not Eligible for Asset Representation and Warranty Relief	The Seller is not eligible for relief from enforcement of representations and warranties related to the Borrower's assets.	The assets must be verified and documented as required by the Guide.
Unable to Assess for Asset Representation	The Seller is not eligible for relief from enforcement of representations and warranties related to the Borrower's assets.	The assets must be verified and documented as required by the Guide.

Eligibility result	Representation and warranty relief	Asset documentation requirements
and Warranty Relief		

5902.6: Asset verification and documentation requirements (10/01/23)

(a) Securities and retirement accounts

For Mortgages that are eligible for asset representation and warranty relief, if the automated assessment uses securities and/or retirement accounts (as described in Section 5501.3), the Seller must provide documentation as indicated in feedback messaging.

(b) Deposits requiring verification

For purchase transactions, when Loan Product Advisor® identifies large deposits, as described in Section 5501.3, it will issue feedback messaging identifying the amount of the large deposits for which the Seller must document the source of funds.

When a deposit is identified by Loan Product Advisor as a large deposit, but is composed of multiple items, the Seller must evaluate each item to determine whether it meets the definition of a large deposit as described in Section 5501.3. If an item is not a large deposit, the Seller does not need to document the source of funds. In addition, when an item is not a large deposit, the Seller may count the funds as eligible assets and reduce the overall amount needed to be sourced, as identified in Loan Product Advisor feedback messaging.

For large deposits identified in the Borrower's business checking, savings and/or money market accounts, the requirements in Section 5501.3(b)(iv) apply.

(c) Sources of funds

For the following eligible sources of funds, the documentation requirements of Section 5501.3(c) apply:

- Gift funds or a gift of equity
- Gift funds received as a wedding gift
- Gift funds received as a graduation gift
- A gift or grant from an Agency

The verification report as described in Section 5902.3 is acceptable documentation to identify deposited gift funds and grants from Agencies.

5902.7: Seller's in-house quality control program (06/07/23)

Effective June 7, 2023, Section 5902.7 is deleted.

Chapter 5903: Automated Income Assessment with Loan Product Advisor® Using Tax Data

5903.1: Automated income assessment with Loan Product Advisor® using tax data overview (10/14/24)

Automated income assessment with Loan Product Advisor® using tax data, part of asset and income modeler (AIM), provides Sellers with the option to use Loan Product Advisor to determine whether the Seller is eligible for relief from enforcement of certain representations and warranties related to the Borrower's self-employed income using tax data. Representation and warranty relief eligibility is contingent on the Seller's compliance with the requirements in this chapter.

References in this chapter to "service provider" mean a third-party service provider designated by Freddie Mac.

The Seller must obtain the Borrower's federal income tax returns or tax transcripts in accordance with Section 5903.2.

(a) Tax returns obtained from the Borrower

If the Seller obtains federal income tax returns from the Borrower, the Seller will upload the tax returns to a service provider, which will produce a report ("Income Calculation Report") consisting of data extracted from the Borrower's tax returns. After the Seller reviews and verifies the Income Calculation Report and reuploads it to the service provider, Loan Product Advisor will retrieve the Borrower's tax return data from the service provider and assess for income representation and warranty relief eligibility and return the results of the assessment on the Feedback Certificate.

The Seller may also request from the Internal Revenue Service (IRS), via the service provider, a tax transcript of the Borrower's federal individual income tax return(s). If both tax returns and tax transcripts are obtained, Loan Product Advisor will compare data from the Borrower's tax return to data from the tax transcript for assessment of tax return data representation and warranty relief eligibility and return the results of the assessment on the Feedback Certificate.

(b) Tax transcripts obtained from a service provider

Alternatively, the Seller may request from the IRS, via a service provider, a tax transcript of the Borrower's federal individual income tax return(s). Loan Product Advisor will retrieve the tax transcript data from the service provider and assess for income and data representation and warranty relief eligibility and return the results of the assessment on the Feedback Certificate.

5903.2: Automated income assessment with Loan Product Advisor® using tax data eligibility requirements (08/02/23)

(a) Eligible Mortgages

To be eligible for automated income assessment with Loan Product Advisor® using tax data, the Mortgage must be:

- A conventional Mortgage
- An Accept Mortgage

(b) Eligible self-employed income

(i) Tax returns obtained from the Borrower

Self-employed income is an eligible income type for automated assessment using tax return data if it is derived from the following business structures:

- Sole proprietorships reported on Internal Revenue Service (IRS) Schedule C
- S corporations reported on IRS Form 1120S (including compensation of officers reported on IRS Form W-2), IRS Form 8825 and IRS Schedule K-1 (Form 1120S)
- Partnerships reported on IRS Form 1065, IRS Form 8825 and IRS Schedule K-1 (Form 1065)

(ii) Tax transcripts obtained from a service provider

Self-employed income is an eligible income type for automated assessment using tax transcript data when it is derived from a sole proprietorship and reported on IRS Schedule C. If other self-employed income is reflected on other tax schedules (e.g., Schedule E or Schedule F), the Mortgage is not eligible for the automated assessment using tax transcripts.

5903.3: Income calculation and underwriting requirements (10/14/24)

For Mortgages where Loan Product Advisor® has determined that the Borrower's tax data is sufficient to calculate self-employed income, the following is required:

(a) Income calculations using tax returns obtained from the Borrower

To generate an Income Calculation Report, the Seller must upload the Borrower's federal income tax returns to the service provider.

The service provider will then create the Income Calculation Report and provide the report to the Seller along with a unique identifying reference number assigned to the generated report (the "report ID").

The Seller must then:

1. Review and verify the Income Calculation Report against information in the Mortgage file to determine if any adjustments must be made. If so, the Seller must update the Income Calculation Report and upload it to the service provider, along with any additional documentation necessary to support the updates, or

2. If an Income Calculation Report is not provided, document the calculation of the Borrower's self-employed income on Form 91, Income Calculations, or a similar alternative form as described in Section 5304.1

3. Submit to Loan Product Advisor the report ID number, which will be used by Loan Product Advisor to retrieve from the service provider the data extracted from the Borrower tax returns. Loan Product Advisor will assess this data and return the results of the assessment on the Feedback Certificate.

(b) Income calculations using tax transcripts obtained from a service provider

The Seller must request tax transcripts from a service provider.

The service provider, using a direct connection to the IRS, will provide the tax transcript to the Seller, along with a unique identifying reference number assigned to the generated report (the "report ID").

The Seller must then:

1. Review the tax transcripts and document the calculation of the Borrower's self-employed income on Form 91 or a similar alternative form as described in Section 5304.1

2. Submit to Loan Product Advisor the report ID number, which will be used by Loan Product Advisor to retrieve from the service provider the data extracted from the Borrower's tax transcripts. Loan Product Advisor will assess this data and return the results of the assessment on the Feedback Certificate.

(c) Underwriting requirements

For Mortgages that receive a Risk Class of Accept and are underwritten using self-employed income that is eligible for representation and warranty relief as described in Section 5903.5(a):

1. The Borrower must have been self-employed and received income from the same eligible income source (i.e., business) on the Income Calculation Report or Form 91 (or a similar alternative form as described in Section 5304.1) for the most recent two years. When the Borrower's business has been in existence for less than five years, or the Borrower has owned the business for less than five years, the Borrower's federal income tax returns or tax transcripts must reflect at least two years of receipt of income and/or losses from the business.

2. Income reported on the business tax returns but not on personal tax returns must not be considered as stable monthly income

3. The Seller must verify the current existence of the business in accordance with the requirements below:

Topic	Requirements and guidance for verification of existence of the business
Verification of current existence of business	Verification of the current existence of the business is required when positive income from the business is used as stable monthly income
Acceptable third-party sources	Acceptable third-party sources for verification of existence of the business include, but are not limited to: ■ Regulatory agency ■ Phone directory ■ Internet source (e.g., Better Business Bureau) ■ Directory assistance ■ Applicable licensing bureau Verification of current existence of the business obtained verbally from an acceptable third-party source must be documented and include all of the following: ■ Name and address of the business ■ Name of individual and entity contacted to obtain the verification ■ Date information verified ■ Name and title of the individual who completed the verification for the Seller
Alternative sources for verification of current existence of the business	The Seller may consider alternative sources if the above are not available, such as:

Topic	Requirements and guidance for verification of existence of the business
	■ Preparer of the tax returns for the business (e.g., accountant), provided the preparer has an arm's length relationship with the Borrower ■ At least one month's business bank statement that supports the current existence of the business and the level and type of income and expenses reported on the business tax returns
Date requirements	The verification of the existence of the business must be completed prior to the Delivery Date, but no more than 120 days prior to the Note Date

4. If business assets are used for closing, the requirements below must be met:

Subject	Requirements and guidance
Business assets used for closing	■ Withdrawals of assets from the business may have a negative impact on the ability of the business to continue operating. When business assets are being used for the Down Payment, Closing Costs and/or reserves, the Seller must determine that the withdrawal of the funds will not have a detrimental effect on the business. In addition to a review and analysis of the personal and business tax returns or tax transcripts, the Seller may review and analyze the current financial statement and/or the last three months of the business bank statements to confirm the deposits, withdrawals and balances are supportive of a

Subject	Requirements and guidance
	viable business and are aligned with the level and type of income and expenses reported on the business tax returns. ■ The factors contributing to the determination that the withdrawal will not negatively impact the business must be included on the Seller's written analysis of the income source and amount The business assets must be verified in accordance with the documentation requirements in Sections 5102.3, 5102.4 and 5501.3.

5. The Seller is responsible for investigating and resolving any inconsistent or contradictory information contained in the Income Calculation Report, Form 91 (or a similar alternative form as described in Section 5304.1), federal income tax returns, tax transcripts and/or the Mortgage file. For example:

   ■ If the Seller determines that a business from which positive Borrower income is calculated is no longer in operation, the Seller must exclude it from the qualifying income, or

   ■ If the Mortgage receives a tax return data representation and warranty result of "Not Eligible," as described in Section 5903.5(a)(ii), due to inconsistencies between the tax transcript returned by the Internal Revenue Service (IRS) via the service provider and the tax return(s) uploaded to the service provider, the Seller is required to resolve the discrepancy

   If the Seller finds discrepancies, it must update the information in Loan Product Advisor and/or the Income Calculation Report and resubmit the data as necessary.

   For Mortgages that receive a tax return data representation and warranty result of "Eligible" as described in Section 5903.5(a)(ii), Loan Product Advisor has compared the data from uploaded tax return(s) to data from IRS tax transcripts and has found the data to be consistent; therefore, for eligible income, the Seller is not responsible for investigating inconsistent information between these documents.

The Seller must have no knowledge, information or documentation that contradicts a reasonable expectation of continuance of income or probability of consistent receipt for at least the next three years

5903.4: Loan Product Advisor® requirements (10/14/24)

(a) Tax returns obtained from the Borrower

The Seller must:

- Submit the most current version of the Income Calculation Report to Loan Product Advisor®. If the Income Calculation Report is updated or additional income documentation is provided, the Seller must upload the updated report and/or income documentation to the service provider and submit the updated information to Loan Product Advisor. Loan Product Advisor will assess, on an individual Borrower-level and an individual business-level basis, the calculation of income and/or losses from the eligible self-employed income based on data from the federal income tax returns and the Income Calculation Report.

- Submit the Mortgage to Loan Product Advisor with the report ID assigned by the service provider. Loan Product Advisor accepts only one report ID for each Mortgage using tax data.

- Indicate in Loan Product Advisor that a Borrower is self-employed

(b) Tax transcripts obtained from a service provider

The Seller must:

- Submit the Mortgage to Loan Product Advisor, which assesses, on an individual Borrower-level and an individual business-level basis, the calculation of income and/or losses from the eligible self-employed income reported on Schedule C based on data from the federal income tax transcripts

- Submit the Mortgage to Loan Product Advisor with the report ID assigned by the service provider. Loan Product Advisor accepts only one report ID for each Mortgage using tax data.

- Indicate in Loan Product Advisor that a Borrower is self-employed

5903.5: Representation and warranty relief and additional requirements (10/14/24)

(a) Representation and warranty relief

The representation and warranty eligibility result is provided on the Feedback Certificate and is contingent on the Seller's compliance with the requirements of this chapter. If multiple Loan Product Advisor® submissions are made, Seller's eligibility for representation and warranty relief will be based on the results on the Last Feedback Certificate.

Two types of relief from enforcement of representations and warranties are available through automated income assessment with Loan Product Advisor using tax data: income representation and warranty relief and tax data representation and warranty relief. Eligibility for each type of representation and warranty relief is determined separately.

(i) Income representation and warranty relief

Relief from enforcement of representations and warranties related to eligible income may be available for Mortgages when the Borrower's tax data is retrieved from the service provider by Loan Product Advisor for assessment. The income representation and warranty relief eligibility result, and the corresponding requirements are as follows:

Eligibility result	Representation and warranty relief	Income documentation requirements
Eligible for Income Representation and Warranty Relief	The Seller is relieved from enforcement of the following representations and warranties: 1. The accuracy of the income calculation for the eligible self-employed income shown on the Income Calculation Report or Form 91, Income Calculations (or a similar alternative form as described in Section 5304.1), and 2. The business and income analysis described in Section 5304.1(d), including the analysis of the	For eligible self-employed income (as described in Section 5903.2(b)): 1. The Income Calculation Report or Form 91 (or a similar alternative form as described in Section 5304.1) must be used to document the income 2. The requirements of Section 5903.6 must be met

Eligibility result	Representation and warranty relief	Income documentation requirements
	eligible self-employed income to support that the business has sufficient liquidity and is financially capable of producing stable monthly income for the Borrower	When there are multiple income sources and one or more is eligible for income representation and warranty relief, for the income source(s) not eligible for representation and warranty relief, the Seller must either: 1. Verify and document the income as required by the Guide, or 2. Remove the income and resubmit the Mortgage to Loan Product Advisor®
Eligible for Partial Income Representation and Warranty Relief	The Seller is relieved from enforcement of representations and warranties related to the Borrower's income as confirmed by Loan Product Advisor feedback messages. When partial income representation and warranty relief is granted for a source(s), the Seller is relieved from: 1. The accuracy of the income calculation for the eligible self-employed income shown on the Income Calculation Report or Form 91 (or a similar alternative form as described in Section 5304.1), and 2. The business and income analysis described in Section 5304.1(d), including the analysis of the eligible self-employed income to support that the business has sufficient liquidity and is financially capable of producing stable monthly income for the Borrower	For eligible self-employed income (as described in Section 5903.2(b)): 1. The Income Calculation Report or Form 91 (or a similar alternative form as described in Section 5304.1) must be used to document the income 2. The requirements of Section 5903.6 must be met When there are multiple income sources and one or more income source(s) are needed to qualify the Borrower, document the income source(s) as required by the feedback messages.

Eligibility result	Representation and warranty relief	Income documentation requirements
Not Eligible for Income Representation and Warranty Relief	The Seller is not eligible for relief from enforcement of representations and warranties related to the Borrower's income.	The income must be verified and documented as required by the Guide.
Unable to Assess for Income Representation and Warranty Relief	The Seller is not eligible for relief from enforcement of representations and warranties related to the Borrower's income.	The income must be verified and documented as required by the Guide.

(ii) Data representation and warranty relief using tax returns

Relief from the enforcement of representations and warranties related to the accuracy and integrity of tax return data may be available for Mortgages when the tax transcript is requested via a service provider and Loan Product Advisor compares the data from uploaded tax returns(s) to data from the Internal Revenue Service (IRS) tax transcripts. The tax return data representation and warranty relief eligibility result is provided on the Last Feedback Certificate and is described in the following chart:

Tax return data representation and warranty eligibility result	Representation and warranty relief
Eligible	The Seller is relieved from enforcement of representations and warranties related to the accuracy and integrity of the data from tax return(s) uploaded to the service provider for eligible income (as described in Section 5903.2(b)(i)) that is on the Income Calculation Report. For all other income types, the Seller does not receive data representation and warranty relief and must follow the requirements of Section 5302.5.

Tax return data representation and warranty eligibility result	Representation and warranty relief
Not Eligible	The Seller is not eligible for relief from enforcement of representations and warranties related to the accuracy and integrity of the data from the tax return(s) uploaded to the service provider.
Unavailable	Loan Product Advisor was unable to assess the accuracy and integrity of the data. This could be due to a system being down. The Seller is not eligible for relief from enforcement of representations and warranties related to the accuracy and integrity of the data from the tax return(s) uploaded to the service provider.

(iii) Data representation and warranty relief using tax transcripts

Relief from the enforcement of representations and warranties related to the accuracy and integrity of tax transcript data may be available for Mortgages when the tax transcript is requested via the service provider and the data is assessed by Loan Product Advisor. The tax transcript data representation and warranty relief eligibility result is provided on the Last Feedback Certificate and is described in the following chart:

Tax transcript data representation and warranty eligibility result	Representation and warranty relief
Eligible	The Seller is relieved from enforcement of representations and warranties related to the accuracy and integrity of the data from tax transcripts obtained from the service provider for Schedule C income (as described in Section 5903.2(b)(ii)). For all other income types, the Seller does not receive data representation and warranty relief and must follow the requirements of Section 5302.5.

Tax transcript data representation and warranty eligibility result	Representation and warranty relief
Not Eligible	The Seller is not eligible for relief from enforcement of representations and warranties related to the accuracy and integrity of the data from the tax transcripts obtained from the service provider.
Unavailable	Loan Product Advisor was unable to assess the accuracy and integrity of the data. This could be due to a system being down. The Seller is not eligible for relief from enforcement of representations and warranties related to the accuracy and integrity of the data from the tax transcripts obtained from the service provider.

(b) Internal Revenue Service (IRS) Form 4506-C

The requirements of Section 5302.5 must be met for all Mortgages.

Note: IRS Form 8821 is an acceptable alternate form in lieu of IRS Form 4506-C for Mortgages using automated income assessment with Loan Product Advisor using tax data.

5903.5: Representation and warranty relief and additional requirements (Future effective date 11/08/24)

(a) Representation and warranty relief

The representation and warranty eligibility result is provided on the Feedback Certificate and is contingent on the Seller's compliance with the requirements of this chapter. If multiple Loan Product Advisor® submissions are made, Seller's eligibility for representation and warranty relief will be based on the results on the Last Feedback Certificate.

Two types of relief from enforcement of representations and warranties are available through automated income assessment with Loan Product Advisor using tax data: income representation and warranty relief and tax data representation and warranty relief. Eligibility for each type of representation and warranty relief is determined separately.

(i) Income representation and warranty relief

Relief from enforcement of representations and warranties related to eligible income may be available for Mortgages when the Borrower's tax data is retrieved from the service provider by Loan Product Advisor for assessment. The income representation and warranty relief eligibility result, and the corresponding requirements are as follows:

Eligibility result	Representation and warranty relief	Income documentation requirements
Eligible for Income Representation and Warranty Relief	The Seller is relieved from enforcement of the following representations and warranties: 1. The accuracy of the income calculation for the eligible self-employed income shown on the Income Calculation Report or Form 91, Income Calculations (or a similar alternative form as described in Section 5304.1), and 2. The business review and analysis described in Section 5304.1(d), including the analysis of the eligible self-employed income to support that the business has sufficient liquidity and is financially capable of producing stable monthly income for the Borrower	For eligible self-employed income (as described in Section 5903.2(b)): 1. The Income Calculation Report or Form 91 (or a similar alternative form as described in Section 5304.1) must be used to document the income 2. The requirements of Section 5903.6 must be met When there are multiple income sources and one or more is eligible for income representation and warranty relief, for the income source(s) not eligible for representation and warranty relief, the Seller must either: 1. Verify and document the income as required by the Guide, or 2. Remove the income and resubmit the Mortgage to Loan Product Advisor®

Eligibility result	Representation and warranty relief	Income documentation requirements
Eligible for Partial Income Representation and Warranty Relief	The Seller is relieved from enforcement of representations and warranties related to the Borrower's income as confirmed by Loan Product Advisor feedback messages. When partial income representation and warranty relief is granted for a source(s), the Seller is relieved from: 1. The accuracy of the income calculation for the eligible self-employed income shown on the Income Calculation Report or Form 91 (or a similar alternative form as described in Section 5304.1), and 2. The business review and analysis described in Section 5304.1(d), including the analysis of the eligible self-employed income to support that the business has sufficient liquidity and is financially capable of producing stable monthly income for the Borrower	For eligible self-employed income (as described in Section 5903.2(b)): 1. The Income Calculation Report or Form 91 (or a similar alternative form as described in Section 5304.1) must be used to document the income 2. The requirements of Section 5903.6 must be met When there are multiple income sources and one or more income source(s) are needed to qualify the Borrower, document the income source(s) as required by the feedback messages.
Not Eligible for Income Representation and Warranty Relief	The Seller is not eligible for relief from enforcement of representations and warranties related to the Borrower's income.	The income must be verified and documented as required by the Guide.
Unable to Assess for Income Representation and Warranty Relief	The Seller is not eligible for relief from enforcement of representations and warranties related to the Borrower's income.	The income must be verified and documented as required by the Guide.

(ii) Data representation and warranty relief using tax returns

Relief from the enforcement of representations and warranties related to the accuracy and integrity of tax return data may be available for Mortgages when the tax transcript is requested via a service provider and Loan Product Advisor compares the data from uploaded tax returns(s) to data from the Internal Revenue Service (IRS) tax transcripts. The tax return data representation and warranty relief eligibility result is provided on the Last Feedback Certificate and is described in the following chart:

Tax return data representation and warranty eligibility result	Representation and warranty relief
Eligible	The Seller is relieved from enforcement of representations and warranties related to the accuracy and integrity of the data from tax return(s) uploaded to the service provider for eligible income (as described in Section 5903.2(b)(i)) that is on the Income Calculation Report. For all other income types, the Seller does not receive data representation and warranty relief and must follow the requirements of Section 5302.5.
Not Eligible	The Seller is not eligible for relief from enforcement of representations and warranties related to the accuracy and integrity of the data from the tax return(s) uploaded to the service provider.
Unavailable	Loan Product Advisor was unable to assess the accuracy and integrity of the data. This could be due to a system being down. The Seller is not eligible for relief from enforcement of representations and warranties related to the accuracy and integrity of the data from the tax return(s) uploaded to the service provider.

(iii) Data representation and warranty relief using tax transcripts

Relief from the enforcement of representations and warranties related to the accuracy and integrity of tax transcript data may be available for Mortgages when the tax transcript is requested via the service provider and the data is assessed by Loan

Product Advisor. The tax transcript data representation and warranty relief eligibility result is provided on the Last Feedback Certificate and is described in the following chart:

Tax transcript data representation and warranty eligibility result	Representation and warranty relief
Eligible	The Seller is relieved from enforcement of representations and warranties related to the accuracy and integrity of the data from tax transcripts obtained from the service provider for Schedule C income (as described in Section 5903.2(b)(ii)). For all other income types, the Seller does not receive data representation and warranty relief and must follow the requirements of Section 5302.5.
Not Eligible	The Seller is not eligible for relief from enforcement of representations and warranties related to the accuracy and integrity of the data from the tax transcripts obtained from the service provider.
Unavailable	Loan Product Advisor was unable to assess the accuracy and integrity of the data. This could be due to a system being down. The Seller is not eligible for relief from enforcement of representations and warranties related to the accuracy and integrity of the data from the tax transcripts obtained from the service provider.

(b) Internal Revenue Service (IRS) Form 4506-C

The requirements of Section 5302.5 must be met for all Mortgages.

Note: IRS Form 8821 is an acceptable alternate form in lieu of IRS Form 4506-C for Mortgages using automated income assessment with Loan Product Advisor using tax data.

5903.6: Documentation requirements (02/07/24)

For Mortgages underwritten with self-employed income that is eligible for representation and warranty relief described in Section 5903.5(a), the documentation requirements below must be met.

(a) General documentation requirements

- The Borrower's self-employment must be documented on Form 65, Uniform Residential Loan Application
- The Seller must maintain in the Mortgage file:
  - The most recent Income Calculation Report or Form 91, Income Calculations (or a similar alternative form as described in Section 5304.1) and, if applicable, documentation to support adjustments as described in Section 5903.3(a)
  - All documentation submitted to the service provider as well as the most recent uploaded Income Calculation Report used by Loan Product Advisor®

(b) Federal income tax return and tax transcript requirements

The Seller must maintain in the Mortgage file the following federal income tax returns or tax transcripts:

Business structure	Business in existence greater than or equal to five years[1]	Business in existence less than five years
Sole Proprietorship[2]	Complete signed federal individual (Form 1040) income tax return or tax transcript for the most recent year.	Complete signed federal individual (Form 1040) income tax returns or tax transcripts for the most recent two years.
Partnership	Complete signed federal individual and partnership (Form 1065) income tax returns, including the Schedule K-1(s) for the most recent year.	Complete signed federal individual and partnership (Form 1065) income tax returns, including the Schedule K-1(s) for the most recent two years.
S Corporation	Complete signed federal individual and S corporation (Form 1120S) income tax returns, including the Schedule K-1(s), Form 1125-E and W-2(s) if applicable, for the most recent year.	Complete signed federal individual and S corporation (Form 1120S) income tax returns, including the Schedule K-1(s), Form 1125-E and W-2(s) if applicable, for the most recent two years.

[1] The Borrower must be self-employed (i.e., have an ownership interest of 25% or more) in the same business for at least five years.

[2] For sole proprietorships, the Seller must document on Form 65, Uniform Residential Loan Application, the number of years that the business has been in existence, and this length of time must not be contradicted by the Borrower's federal individual income tax return(s) or tax transcripts and any other documentation or information received.

- The tax returns submitted to the service provider or tax transcripts obtained by the service provider must be the Borrower's individual and business (if applicable) U.S. federal income tax return(s) that were most recently filed with the Internal Revenue Service (IRS). Sellers are encouraged to always confirm with the Borrower that the tax return(s) or tax transcripts provided are the most recent filed with the IRS.

- The individual tax return year most recently filed with the IRS must correspond to the business tax return year most recently filed with the IRS for all businesses (e.g., when the most recently filed individual tax return year is 2022, the most recently filed business tax return year must also be 2022).

- The income and/or loss reflected in the federal income tax returns or tax transcripts must be reported for the same business on the same tax form structure (e.g., the business cannot be reported as a sole proprietorship and then converted to a partnership)

- The tax returns must not be:
  - Filed on a fiscal year basis
  - Handwritten
  - An amended return, or
  - From a U.S. Territory

If the Borrower has amended their tax returns, then tax transcripts obtained from the service provider are not acceptable for assessment through Loan Product Advisor.

(c) Age of tax data requirements

The following date and documentation requirements (as described in Section 5903.6(b)) for 2022 and 2023 federal income tax return(s) or tax transcripts must be met, based on the Application Received Date and the Note Date for the Mortgage:

<table>
<tr><th>Application Received Date</th><th>Note Date</th><th>Age of tax return(s) and other documentation requirements</th></tr>
<tr><td>Before:
April 15, 2024</td><td>Before:
May 31, 2024</td><td>■ Most recent federal income tax return(s) filed with the IRS or tax transcript
■ The most recent tax return(s) or tax transcript(s) must be no older than 2022</td></tr>
<tr><td>On or after:
April 15, 2024</td><td>Before:
May 31, 2024</td><td rowspan="2">If Borrower has not filed the 2023 tax return(s) with the IRS:
■ The most recent tax return(s) must be no older than 2022
■ The Seller must obtain:
❑ IRS confirmation verifying transcript(s) are not yet available for the tax returns (individual and business as applicable) from the 2023 tax year[1,2,] and
❑ Evidence of completed IRS tax filing extension(s) for 2023 tax year[3];
■ IRS Form(s) 4868 for the individual tax return, and
■ Documented IRS tax filing extension for the business tax return, if applicable (e.g., IRS Form 7004)
Note: If tax transcripts are used to calculate income, transcripts from previous years cannot be used for the automated assessment. The most recent year must be obtained.</td></tr>
<tr><td>All</td><td>On or after:
May 31, 2024
Before:
November 1, 2024</td></tr>
<tr><td>All</td><td>On or after:
November 1, 2024</td><td>■ The most recent tax return(s) or tax transcript(s) must be no older than 2023, regardless of other factors such as tax filing extension status or IRS tax filing deadline relief status</td></tr>
</table>

[1] If the IRS extends the tax filing due date, the IRS confirmation is required for Mortgages with Application Received Dates on or after the IRS income tax filing due date, or May 31, 2024, whichever occurs first; and Note Dates on or after the last day of the month following the IRS income tax filing due date, or June 30, 2024, whichever occurs first.

[2] Alternative documentation is acceptable in lieu of the IRS confirmation that tax transcript(s) are not yet available for the business tax return(s), as follows:

- Confirmation business tax returns were filed after IRS filing due date for the prior year(s) (e.g., 2022 business tax return in file was signed later in the year (e.g., October)) or documentation from third-party tax return preparer confirming 2023 business return has not yet been filed; and
- Documented evidence of continued income stability using at least one of the examples listed in Section 5304.1(d) in the row labeled "Business and/or individual tax return(s) - most recent calendar year not yet available." Note: If income representation and warranty relief is granted, evidence of continued income stability has been met.

[3] If the IRS extends the tax filing due date, evidence of the completed IRS tax filing extension is required for Mortgages with Application Received Dates on or after the IRS income tax filing due date and Note Dates on or after the last day of the month following the IRS income tax filing due date.

5903.6: Documentation requirements (Future effective date 11/08/24)

For Mortgages underwritten with self-employed income that is eligible for representation and warranty relief described in Section 5903.5(a), the documentation requirements below must be met.

(a) General documentation requirements

- The Borrower's self-employment must be documented on Form 65, Uniform Residential Loan Application
- The Seller must maintain in the Mortgage file:
  - The most recent Income Calculation Report or Form 91, Income Calculations (or a similar alternative form as described in Section 5304.1) and, if applicable, documentation to support adjustments as described in Section 5903.3(a)
  - All documentation submitted to the service provider as well as the most recent uploaded Income Calculation Report used by Loan Product Advisor®

(b) Federal income tax return and tax transcript requirements

The Seller must maintain in the Mortgage file the following federal income tax returns or tax transcripts:

Business structure	Business in existence greater than or equal to five years[1]	Business in existence less than five years
Sole Proprietorship[2]	Complete signed federal individual (Form 1040) income tax return or tax transcript for the most recent year.	Complete signed federal individual (Form 1040) income tax returns or tax transcripts for the most recent two years.
Partnership	Complete signed federal individual and partnership (Form 1065) income tax returns, including the Schedule K-1(s) for the most recent year.	Complete signed federal individual and partnership (Form 1065) income tax returns, including the Schedule K-1(s) for the most recent two years.
S Corporation	Complete signed federal individual and S corporation (Form 1120S) income tax returns, including the Schedule K-1(s), Form 1125-E and W-2(s) if applicable, for the most recent year.	Complete signed federal individual and S corporation (Form 1120S) income tax returns, including the Schedule K-1(s), Form 1125-E and W-2(s) if applicable, for the most recent two years.

[1] The Borrower must be self-employed (i.e., have an ownership interest of 25% or more) in the same business for at least five years.

[2] For sole proprietorships, the Seller must document on Form 65, Uniform Residential Loan Application, the number of years that the business has been in existence, and this length of time must not be contradicted by the Borrower's federal individual income tax return(s) or tax transcripts and any other documentation or information received.

- The tax returns submitted to the service provider or tax transcripts obtained by the service provider must be the Borrower's individual and business (if applicable) U.S. federal income tax return(s) that were most recently filed with the Internal Revenue Service (IRS). Sellers are encouraged to always confirm with the Borrower that the tax return(s) or tax transcripts provided are the most recent filed with the IRS.

- The individual tax return year most recently filed with the IRS must correspond to the business tax return year most recently filed with the IRS for all businesses (e.g., when the most recently filed individual tax return year is 2022, the most recently filed business tax return year must also be 2022).

- The income and/or loss reflected in the federal income tax returns or tax transcripts must be reported for the same business on the same tax form structure (e.g., the business cannot be reported as a sole proprietorship and then converted to a partnership)

- The tax returns must not be:
  - Filed on a fiscal year basis
  - Handwritten
  - An amended return, or
  - From a U.S. Territory

If the Borrower has amended their tax returns, then tax transcripts obtained from the service provider are not acceptable for assessment through Loan Product Advisor.

(c) Age of tax data requirements

The following date and documentation requirements (as described in Section 5903.6(b)) for 2022 and 2023 federal income tax return(s) or tax transcripts must be met, based on the Application Received Date and the Note Date for the Mortgage:

<table>
<tr><th>Application Received Date</th><th>Note Date</th><th>Age of tax return(s) and other documentation requirements</th></tr>
<tr><td>Before:
April 15, 2024</td><td>Before:
May 31, 2024</td><td>■ Most recent federal income tax return(s) filed with the IRS or tax transcript
■ The most recent tax return(s) or tax transcript(s) must be no older than 2022</td></tr>
<tr><td rowspan="2">On or after:
April 15, 2024</td><td>Before:
May 31, 2024</td><td rowspan="2">If Borrower has not filed the 2023 tax return(s) with the IRS:
■ The most recent tax return(s) must be no older than 2022
■ The Seller must obtain:
❑ IRS confirmation verifying transcript(s) are not yet available for the tax returns (individual and business as applicable) from the 2023 tax year[1,2,] and
❑ Evidence of completed IRS tax filing extension(s) for 2023 tax year[3];
■ IRS Form(s) 4868 for the individual tax return, and
■ Documented IRS tax filing extension for the business tax return, if applicable (e.g., IRS Form 7004)
Note: If tax transcripts are used to calculate income, transcripts from previous years cannot be used for the automated assessment. The most recent year must be obtained.</td></tr>
<tr><td>All</td><td>On or after:
May 31, 2024
Before:
November 1, 2024</td></tr>
<tr><td>All</td><td>On or after:
November 1, 2024</td><td>■ The most recent tax return(s) or tax transcript(s) must be no older than 2023, regardless of other factors such as tax filing extension status or IRS tax filing deadline relief status</td></tr>
</table>

[1] If the IRS extends the tax filing due date, the IRS confirmation is required for Mortgages with Application Received Dates on or after the IRS income tax filing due date, or May 31, 2024, whichever occurs first; and Note Dates on or after the last day of the month following the IRS income tax filing due date, or June 30, 2024, whichever occurs first.

[2] Alternative documentation is acceptable in lieu of the IRS confirmation that tax transcript(s) are not yet available for the business tax return(s), as follows:

- Confirmation business tax returns were filed after IRS filing due date for the prior year(s) (e.g., 2022 business tax return in file was signed later in the year (e.g., October)) or documentation from third-party tax return preparer confirming 2023 business return has not yet been filed; and
- Documented evidence of continued income stability using at least one of the examples listed in Section 5304.1(g) in the row labeled "Business and/or individual tax return(s) - most recent calendar year not yet available." Note: If income representation and warranty relief is granted, evidence of continued income stability has been met.

[3] If the IRS extends the tax filing due date, evidence of the completed IRS tax filing extension is required for Mortgages with Application Received Dates on or after the IRS income tax filing due date and Note Dates on or after the last day of the month following the IRS income tax filing due date.

Chapter 5904: Automated Income Assessment with Loan Product Advisor® Using Account Data

5904.1: Automated income assessment with Loan Product Advisor® using account data overview (10/14/24)

Automated income assessment with Loan Product Advisor® using account data, part of asset and income modeler (AIM), provides Sellers with the option to use Loan Product Advisor to determine whether the Seller is eligible for relief from enforcement of certain representations and warranties related to the Borrower's income.

The Seller must obtain the Borrower's account data and submit all required data and information to Loan Product Advisor.

Based on the data submitted, Loan Product Advisor will assess for representation and warranty relief eligibility and return the results of the assessment on the Feedback Certificate.

The verification report will reflect income amounts (payment streams) deposited into the Borrower's depository accounts as automated clearing house deposits (the "direct deposit data") and, if applicable, a copy of and extracted data from the Borrower's current paystub(s).

5904.2: Automated income assessment with Loan Product Advisor® using account data – eligibility requirements (10/02/24)

(a) Eligible Mortgages

To be eligible for automated income assessment with Loan Product Advisor® using account data, the Mortgage must be:

- A conventional Mortgage
- An Accept Mortgage

(b) Eligible income types

The following income types are eligible for automated income assessment with Loan Product Advisor using account data:

- The following employment earnings as described in Sections 5303.1(c) and 5303.1(d):
  - Base non-fluctuating employment earnings
  - Base fluctuating hourly employment earnings
  - Military base (basic) pay
  - Employed income earnings including employment characteristics as described in Section 5303.1(e) are eligible for assessment:
    - Full-time and part-time employment
    - Earnings of a Borrower employed by a family member, the property seller, real estate broker or other interested party to the transaction
    - Employed income from foreign sources
- The following additional fluctuating employed earnings and military earnings as described in Sections 5303.1(d)(ii) and 5303.1(c)(ii):
  - Overtime income
  - Bonus income
  - Commission income
  - Military entitlements
- The following other income types as described in Section 5305.2:
  - Retirement income from Social Security and pensions
  - Social Security Survivors benefits
  - Social Security disability benefits
  - Social Security Supplemental Security Income (SSI)
  - Veterans Affairs (VA) disability compensation, and
  - Alimony, child support or separate maintenance payments

(c) Income history

When determining stable monthly income, Loan Product Advisor's assessment generally requires the following depository history in order for the Mortgage to be eligible for representation and warranty relief. However, in certain instances for employed income, a shorter history may still be acceptable based on the automated assessment determining that the Borrower's monthly income is stable:

- Borrower's employment income described in Section 5904.2(b) above, and in Sections 5303.1(c) and 5303.1(d) for at least the most recent 12 months (including employment characteristics described in Section 5904.2(b) above and in Section 5303.1(e)), except that 24 months is required for secondary employment

- Borrower's additional fluctuating employed earnings described in Section 5904.2(b) above, and in Section 5303.1(d) for the most recent 24 months. Borrower's military entitlements only require a 12-month history.

- Borrower's Social Security, pension or VA disability compensation income described in Section 5904.2(b) above, and in Section 5305.2 for at least the most recent two months, and

- Borrower's alimony, child support or separate maintenance payment income described in Section 5904.2(b) above, and in Section 5305.2 for at least the most recent six months

5904.3: Underwriting requirements (10/14/24)

For Mortgages where Loan Product Advisor® has determined that the Borrower's account data is sufficient to calculate income, the following is required.

For each verification report obtained, the Seller must confirm:

- Each account is owned by at least one Borrower

- All assets shown on the verification report are in U.S. dollars located in a U.S. or State-regulated financial institution

- Using the information in the Mortgage file, that the payor(s) is one of the following:

  - The Borrower's current employer

  - The pension fund(s)

  - The Social Security Administration or Veterans Affairs (VA), and/or

  - For alimony, child support or maintenance payments, that the payments are made either by, or on behalf of, the responsible party identified in the legally binding documentation

(i.e., signed court order, final divorce degree, legally binding separation agreement, legally binding child support agreement or other legally binding documentation)

- For the age of the documentation, the expiration date of the verification report and any paystubs reflected on the Last Feedback Certificate complies with the requirement in Section 5102.4

- Maintain a copy of the verification report and any paystubs provided to the third-party service provider in the Mortgage file for Mortgages with income that is eligible for representation and warranty relief described in Section 5904.5(a)

For employed income documentation, the Seller must obtain and maintain in the Mortgage file verification of the Borrower's current employment in accordance with the requirements of Section 5302.2(d) when applicable.

5904.4: Loan Product Advisor® requirements (10/14/24)

The Seller must:

- Submit the most current account data to Loan Product Advisor®. If, after the initial submission, the Seller obtains an updated verification report or paystub(s), the Seller must resubmit the account data to Loan Product Advisor.

- Submit to Loan Product Advisor the income amount it used to underwrite the Mortgage

- Investigate and resolve any inconsistent or contradictory information between the verification report, information contained in Form 65, Uniform Residential Loan Application (including the Borrower's income and employment representations) and the Mortgage file and, if applicable, resubmit to Loan Product Advisor with the correct information

- Have no knowledge, information or documentation that contradicts a reasonable expectation of continuance of income or probability of consistent receipt of income for at least the next three years.

5904.5: Representation and warranty relief and additional requirements (10/14/24)

(a) Representation and warranty relief

The income representation and warranty eligibility result is provided on the Feedback Certificate and is contingent on the Seller's compliance with the requirements of this chapter.

If multiple Loan Product Advisor submissions are made, Seller's eligibility for representation and warranty relief will be based on the results on the Last Feedback Certificate. The representation and warranty relief available and corresponding documentation requirements are reflected below:

Eligibility result	Representation and warranty relief	Income documentation requirements
Eligible for Income Representation and Warranty Relief	The Seller is relieved from enforcement of the following representations and warranties: 1. Accuracy of the income amount calculation related to eligible income types that are on the verification report, and 2. Accuracy and integrity of the direct deposit data on the verification report	For eligible income types (as described in Section 5904.2(b)) that are on the verification report, the verification report is acceptable documentation as described in Section 5904.3. If alimony/child support /separate maintenance payment income is used, the documentation requirements found in (a)(i) must be met When there are multiple income sources and one or more is eligible for income representation and warranty relief, for the income source(s) not eligible for representation and warranty relief, the Seller must either: 1. Verify and document the income as required by the Guide, or 2. Remove the income and resubmit the Mortgage to Loan Product Advisor®

Eligibility result	Representation and warranty relief	Income documentation requirements
Eligible for Partial Income Representation and Warranty Relief	The Seller is relieved from enforcement of representations and warranties related to the Borrower's income as confirmed by Loan Product Advisor feedback messages. When partial income representation and warranty relief is granted for a source(s), the Seller is relieved from: 1. Accuracy of the income calculation related to eligible income types that are on the verification report, and 2. Accuracy and integrity of the direct deposit data on the verification report	For eligible income types (as described in Section 5904.2(b)) that are on the verification report, the verification report is acceptable documentation. If alimony/child support /separate maintenance payment income is used, the documentation requirements found in (a)(i) must be met When there are multiple income source(s) and one or more income sources are needed to qualify the Borrower, document the income source(s) as required by the feedback messages.
Not Eligible for Income Representation and Warranty Result	The Seller is not eligible for relief from enforcement of representations and warranties related to the Borrower's income.	The income must be verified and documented as required by the Guide.
Unable to Assess for Income Representation and Warranty Relief	The Seller is not eligible for relief from enforcement of representations and warranties related to the Borrower's income.	The income must be verified and documented as required by the Guide.

(i) Documentation Seller is required to obtain

For alimony, child support or separate maintenance payment income, the Seller must obtain and maintain in the Mortgage file:

- A copy of the legally binding documentation verifying the payor's obligation (i.e., signed court order, final divorce decree, legally binding separation agreement, legally binding child support agreement or other legally binding documentation) for the previous six months, including the amount and the duration of the obligation, and

- For child support income, evidence of the ages of the children for which child support is received

(b) Internal Revenue Service (IRS) Form 4506-C

For Mortgages that receive an income representation and warranty result of either "Eligible for Income Representation and Warranty Relief" or "Eligible for Partial Income Representation and Warranty Relief", with a feedback message indicating that no further documentation is required for the income reflected on the verification report, if all of the Borrower's income is from an eligible income type described in Section 5904.2(b), the Seller does not need to obtain and maintain in the Mortgage file the following:

- An IRS Form 4506-C (or alternate form acceptable to the IRS that authorizes the release of comparable tax information to a third party) signed by the Borrower, or

- A Commonwealth of Puerto Rico Form 2907 or Form 4506-C (or an alternate form that authorizes the release of comparable tax information to a third party), as applicable, signed by the Borrower for income that is derived from sources in Puerto Rico, Guam or the U.S. Virgin Islands and is exempt from federal income taxation under the Internal Revenue Code

For all other Mortgages, the requirements of Section 5302.5 apply.

(c) Seller's in-house quality control program

The requirements of Sections 3402.5(a), 3402.7 and 3402.8(c) apply.

5904.6: Delivery requirements (06/01/23)

Effective June 1, 2023, Section 5904.6 is deleted.

Chapter 5905: Automated Employment Assessment with Loan Product Advisor®

5905.1: Automated employment assessment with Loan Product Advisor® using account data overview (06/07/23)

Automated employment assessment with Loan Product Advisor® using account data, part of asset and income modeler (AIM), provides Sellers with the option for an automated solution to meet the 10-day pre-closing verification (PCV) requirement which verifies the Borrower's current employment as described in Section 5302.2(d).

The Seller must obtain a verification report as described in Section 5905.3.

The verification report will reflect income deposited into the Borrower's depository accounts as automated clearing house deposits. The assessment will use the transmitted data to determine whether the payroll deposits reflected in the Borrower's accounts are sufficient to verify employment and will return a message indicating a specific PCV close-by date.

5905.1: Automated employment assessment with Loan Product Advisor® overview (Future effective date 10/14/24)

Automated employment assessment with Loan Product Advisor®, part of asset and income modeler (AIM), provides Sellers with the option to use Loan Product Advisor to determine whether a Seller is eligible for relief from enforcement of certain representations and warranties related to the Borrower's current employment. The Seller must obtain the Borrower's account or employed income data and submit all required data and information to Loan Product Advisor. Based on the data submitted, Loan Product Advisor will assess for representation and warranty relief eligibility and return the results of the assessment on the Feedback Certificate. Representation and warranty relief eligibility is contingent on the Seller's compliance with the requirements of this chapter.

5905.2: Automated employment assessment with using account data eligibility requirements (11/06/22)

(a) Eligible Mortgages

To be eligible for automated employment assessment using account data, the Mortgage must:

- Be a conventional Mortgage
- Be delivered with an asset verification report as described in Section 5902.3 or a verification report as described in Section 5904.3. Verification reports may be obtained in conjunction with any of the automated offerings in Topic 5900 or they may be independently obtained and used as an automated solution to meet the 10-day pre-closing verification requirement.

(b) Depository history

For purposes of verifying the Borrower's employment, the Borrower's depository history must be transmitted to Freddie Mac with a minimum of three consecutive payroll deposits from the same payor(s).

5905.2: Automated employment assessment with Loan Product Advisor® eligibility requirements (Future effective date 10/14/24)

(a) Eligible Mortgages

To be eligible for automated employment assessment with Loan Product Advisor® using the Borrower's account or employed income data, the Mortgage must be:

- A conventional Mortgage
- An Accept Mortgage

(b) Eligible employment earnings

Employment earnings, as described in Section 5303.1(e), are eligible for automated employment assessment with Loan Product Advisor using account data, except for earnings with the following employment/income characteristics:

- Income reported on Internal Revenue Service (IRS) Form 1099 for services performed
- Borrowers with business ownership interest(s) less than 25%

Employment earnings, as described in Section 5303.1(e), are eligible for automated employment assessment with Loan Product Advisor using employed income data, except for earnings with the following employment/income characteristics:

- Earnings of a Borrower employed by a family member, the property seller, real estate broker or other interested party to the transaction
- Employed income from foreign sources
- Income reported on IRS Form 1099 for services performed
- Borrowers with business ownership interest(s) less than 25%

(c) Depository history when using account data

The Borrower's depository history must reflect a minimum of three consecutive payroll deposits from the same payor(s).

5905.3: Verification reports (06/07/23)

The Seller must obtain a verification report that is produced:

- By a third-party service provider designated by Freddie Mac,
- Through a Freddie Mac-supplied application programming interface (API) using data transmitted by a third-party service provider designated by Freddie Mac, or
- Through a Freddie Mac-supplied API using data transmitted by the Seller. The Seller must obtain Freddie Mac's written approval to transmit data through the API.

The verification report must comply with the age of documentation requirements in Section 5102.4.

Regardless of the type of verification report(s) obtained, the Seller must:

- Confirm that each account is owned by at least one Borrower
- Confirm that all assets shown on the verification report are in U.S. dollars located in a U.S. or State-regulated financial institution
- Confirm that the payor(s) is the Borrower's current employer using the information in the Mortgage file
- Obtain and maintain the verification report(s) in the Mortgage file

- Submit the most current version of the verification report to Loan Product Advisor® or the API. If the Seller obtains an updated report, the updated information must be submitted to Loan Product Advisor or the API.

- Investigate and resolve any inconsistent or contradictory information between the verification report, information contained in Form 65, Uniform Residential Loan Application (including the Borrower's income and employment representations), and the Mortgage file and, if applicable, update information in Loan Product Advisor or the API with the correct information.

5905.3: Underwriting requirements (Future effective date 10/14/24)

(a) Automated employment assessment with Loan Product Advisor®

For Mortgages that are eligible for automated employment assessment with Loan Product Advisor using account data or employed income data, the following requirements apply:

- In the event the Borrower has taken a temporary leave of absence from his or her employment:

  - When a verification report is obtained, the verification report must indicate that, as of the date of the verification report, the Borrower has returned to work

  - When the employed income data has been obtained from the Borrower's paystub(s) and W-2 form(s), the Seller must maintain documentation in the Mortgage file showing the Borrower has returned to work

- For the age of the documentation:

  - When a verification report is obtained, the expiration date of the verification report reflected on the Last Feedback Certificate complies with the requirement in Section 5102.4

  - When the employed income data has been obtained from the Borrower's paystub(s) and W-2 form(s), the paystub and W-2 must comply with the requirements in Section 5102.4(a)

- The Seller must have no knowledge, information or documentation that contradicts a reasonable expectation of continuance of employment with the current employer

(b) Automated employment assessment with Loan Product Advisor using account data

For Mortgages that are eligible for automated employment assessment with Loan Product Advisor using account data, the Seller must confirm:

- Each account on the verification report is owned by at least one Borrower
- The payor(s) is the Borrower's current employer using the information in the Mortgage file

(c) Automated employment assessment with Loan Product Advisor using employed income data

For Mortgages that are eligible for automated employment assessment with Loan Product Advisor using employed income data, the Seller must:

- Confirm that the information on the third-party verification report ("verification report") or on the paystub(s) and W-2 form(s) is for the correct Borrower and employer
- When a verification report is obtained, the method used to produce the verification report must be an automated process whereby the verification report provider accesses the data directly from an authorized electronic database of employer-provided income information

(d) Automated employment assessment with Freddie Mac's application programming interface (API)

For Mortgages not submitted or resubmitted to Loan Product Advisor, the API report can be used to meet the 10-day pre-closing employment verification requirements as described in Section 5302.3. Such Mortgages are not eligible for relief of representations and warranties related to the Borrower's employment.

To obtain the API report, the Seller must:

- Submit the Borrower's account data or employed income data to the API
- Close by the close-by date reflected in messaging on the API report
- Maintain the API report in the Mortgage file

5905.4: Automated assessment results (11/06/22)

The results of the automated employment assessment related to the 10-day pre-closing verification (PCV) will be displayed in a message on the Feedback Certificate or reflected on the verification report with the "close-by-date."

The Note Date of the Mortgage must be on or before the "close-by-date" reflected in the Feedback Certificate or on the verification report for the 10-day PCV requirement to be met. If

no such message is returned, the Seller must perform the 10-day PCV as described in Section 5302.2(d).

Alternatively, Sellers can obtain a verification report after the Note Date but prior to the Delivery Date of the Mortgage to confirm employment. In this case, the "close-by-date" will be after the Note Date; however, the 10-day PCV requirement will be met.

Sellers can use the verification report to satisfy the 10-day PCV requirement regardless of the income representation and warranty eligibility result or asset representation and warranty eligibility result as described in Sections 5901.5, 5902.5 and 5904.5. If the Seller does not use the automated employment assessment to meet the 10-day PCV requirement, then the Seller must obtain a 10-day PCV as described in Section 5302.2(d).

5905.4: Loan Product Advisor® requirements (Future effective date 10/14/24)

The Seller must:

- Submit the most current account data or employed income data to Loan Product Advisor®. If after the initial submission, the Seller obtains an updated verification report or paystub(s), the Seller must resubmit the data to Loan Product Advisor.

- Investigate and resolve any inconsistent or contradictory information between the verification report, information contained in Form 65, Uniform Residential Loan Application (including the Borrower's income and employment representations), and the Mortgage file and, if applicable, resubmit to Loan Product Advisor with the correct information

5905.5: Representation and warranty relief and additional requirements (Future effective date 10/14/24)

The employment representation and warranty relief eligibility result is provided on the Feedback Certificate with the close-by date and is contingent on the Seller's compliance with the requirements of this chapter. If multiple Loan Product Advisor® submissions are made, the Seller's eligibility for representation and warranty relief will be based on the results on the Last Feedback Certificate. The representation and warranty relief available and corresponding documentation requirements are as follows.

(a) Representation and warranty relief eligibility

When the Last Feedback Certificate indicates eligibility for employment representation and warranty relief, the Seller is relieved from enforcement of representations and warranties related to the Borrower's current employment and the accuracy and integrity of the data represented on the verification report if the Note Date of the Mortgage is on or before the close-by date reflected on the Last Feedback Certificate. If no such feedback message is returned, the Seller must obtain a 10-day pre-closing verification as described in Section 5302.2(d). When there are multiple employments being used to qualify, any employment for which the Seller did not receive representation and warranty relief for, employment must be documented as required by Section 5302.2(d).

The Seller is not relieved from representations and warranties related to the accuracy and integrity of the data when obtained from the Borrower's paystub(s) and W-2 form(s).

(b) Income documentation requirements

For eligible employment types (as described in Section 5905.2(b)) that are on the verification report or paystub(s), the verification report or paystub(s) are acceptable documentation as described in Section 5905.3 and must be maintained in the Mortgage file. Paystub documentation must meet the requirements of Section 5302.2.

If the Note Date of the Mortgage is not on or before the close-by date on the Last Feedback Certificate, the Seller must resubmit to Loan Product Advisor to obtain a new close-by date or meet the requirements described in Section 5905.3(d).

Chapter 6101: Fixed-Rate Cash

6101.1: Eligible Sellers for fixed-rate Cash (05/05/21)

In order to be eligible to sell Mortgages to Freddie Mac under fixed-rate Cash, the Seller must have entered into Purchase Contracts with Freddie Mac.

Freddie Mac may, at its sole discretion, require Sellers to post margin in connection with transactions under this Chapter 6101. In all events, Freddie Mac shall be the sole calculation agent with respect to the required margin amount and whether the margin amount is to be posted or returned.

If Freddie Mac provides notice of a margin deficit by 10:00 a.m. Eastern time on any Business Day, the Seller shall transfer any required margin no later than the close of business on such Business Day; if such notice is received after 10:00 a.m. Eastern time on any Business Day or on a day that is not a Business Day, the Seller shall transfer such margin no later than the close of business on the next Business Day.

Approved Sellers may establish a securities trading account with Freddie Mac. For information regarding how to request approval and to establish such an account, refer to Section 6103.1.

6101.2: Mortgages eligible under fixed-rate Cash (06/03/19)

(a) Eligible Mortgages under fixed-rate Cash

Freddie Mac will purchase fixed-rate Mortgages under fixed-rate Cash.

See Exhibit 17S, Available Mortgage Products, for more information regarding eligibility requirements for fixed-rate Mortgages sold under fixed-rate Cash.

Mortgages eligible for sale through Cash-Released XChange® under a Mandatory Cash Contract or a Best Efforts Contract can be found on Freddie Mac's website at **https://sf.freddiemac.com/content/_assets/resources/pdf/fact-sheet/available_products.pdf.**

(b) Eligible original maturities

Although Section 4201.4 provides otherwise, the following requirements apply to fixed-rate Mortgages sold under fixed-rate Cash:

- Mortgages sold under contracts for 10-year Mortgages must have an original maturity greater than 84 months but not greater than 10 years from the Origination Date

- Mortgages sold under contracts for 15-year Mortgages must have an original maturity greater than 10 years but not greater than 15 years from the Origination Date

- Mortgages sold under contracts for 20-year Mortgages must have an original maturity greater than 15 years but not greater than 20 years from the Origination Date

- Mortgages sold under contracts for 30-year Mortgages must have an original maturity greater than 20 years but not greater than 30 years from the Origination Date

6101.3: Mandatory fixed-rate Cash Contracts (10/28/24)

(a) Offer amounts and procedures

Each Business Day, the Seller may take out Mandatory Cash Contracts to sell one or more Mortgages. Freddie Mac will endeavor to announce prior to the offer day if commitments will not be available due to holidays or other reasons.

The minimum amount for an individual Mandatory Cash Contract is $1,000. Freddie Mac may, at its discretion and at any time, impose a maximum contract amount for individual Mandatory Cash Contracts. The Seller may enter into multiple mandatory cash contracts but may not exceed $200 million in aggregate fixed-rate and WAC ARM (see Section 6102.4) commitment volume per day. The Seller may seek an exception to this amount by contacting the Cash Desk (**Cash_Ex@FreddieMac.com** or 571-382-5960). If this limit is exceeded without prior Freddie Mac approval, Freddie Mac may pair off the Seller's contract(s) or may require the Seller to pair off the contract(s) at the Seller's expense.

Under a Mandatory Contract, the Seller must:

- Sell to Freddie Mac one or more Mortgages that meet all of the contract requirements and have an aggregate UPB equal to the contract amount, subject to the purchase tolerance applicable to cash contracts under Section 6401.1

- Complete all requirements for the sale of the Mortgages by the close of business on the Purchase Contract Expiration Date

The terms of the Purchase Contract are provided in Loan Selling Advisor® and made available in Loan Selling Advisor's Purchase Contract Confirmation.

(b) Contract periods for Mandatory Cash Contracts

In Loan Selling Advisor, the Purchase Contract Effective Period is the period of time for which a price for eligible Mortgages provided to the Seller by Loan Selling Advisor is effective. The Seller may select a Purchase Contract Effective Period of between two and 90 days or such other time frame as permitted by Loan Selling Advisor. All of the requirements for all Mortgages under the Contract must be completed by the Purchase Contract Expiration Date.

(c) Pricing for Mandatory Cash Contracts

Pricing is available in Loan Selling Advisor each Business Day, and is based on prices Freddie Mac expects to receive in the securities market for the related UMBS® or MBS. The price also reflects the Mortgage Note Rate, the Minimum Contract Servicing Spread and the delivery period.

Freddie Mac will update prices on active Mortgage coupons throughout the day to reflect movements in the securities market. Posted prices assume a 0.250% Minimum Contract Servicing Spread and the use of the Standard Remittance Cycle.

The contract price the Seller receives through Loan Selling Advisor may be adjusted as the Seller allocates Mortgages to the contract or provides more detailed Mortgage data.

The Seller indemnifies Freddie Mac for any and all costs and expenses incurred by Freddie Mac as a result of the Seller's sale of a Mortgage that Freddie Mac priced and purchased under a Mandatory Cash Contract based on incomplete and/or inaccurate Mortgage data provided by the Seller for which Freddie Mac would have provided a different price if the Mortgage data provided by the Seller had been complete and accurate.

Once the Seller has accepted and agreed to the contract price provided by Freddie Mac, there is a binding commitment by Freddie Mac to purchase, and by the Seller to sell, Mortgages under the contract terms (subject to the conformity of each Mortgage to the requirements of the Purchase Documents).

(d) Specified payups for Mandatory Cash Contracts

For Mortgages with certain attributes, Sellers may be eligible to receive specified payups to standard cash pricing. The contract must be a 10-, 15-, 20- or 30-year mandatory fixed-rate contract. The cash payups are eligible for full commitment periods including extensions.

All Mortgages within the contract must meet the requirements of the payup. If a Mortgage does not meet the requirements for the applicable Cash Contract, the Seller will not be able to allocate the Mortgage to the contract.

Mortgage characteristics that are eligible for specified payups are available in Loan Selling Advisor.

Super conforming Mortgages sold under 100% super conforming Cash Contracts may be subject to price adjustments. See Chapter 4603 for special eligibility requirements for super conforming Mortgages. See Section 6302.31 for delivery requirements for fixed-rate Cash Contracts for super conforming Mortgages.

For more details go to **https://sf.freddiemac.com/working-with-us/selling-delivery/delivery-options-pricing/cash-payups.**

(e) Mandatory Cash Contract pairoffs

In the event the contract amount will not be fulfilled by delivery of Mortgages, the Seller may request a pairoff via Loan Selling Advisor or may wait until the contract expires and Loan Selling Advisor automatically calculates the pairoff fee.

The pairoff process used in Loan Selling Advisor is "two-way" and may result in either a fee due Freddie Mac from the Seller or a fee due the Seller from Freddie Mac, depending on market conditions.

The Seller may also choose to allocate Mortgages to "pair off and transfer to a new contract" (or pair off and recommit). With this functionality, the Seller may:

- Pair off part or all of a current contract
- Take out a new contract with different terms and/or a different amount
- Transfer non-funded loans to a new contract to extend the Purchase Contract Effective Period or increase the Purchase Contract amount

A pairoff fee calculated and provided by Loan Selling Advisor is non-negotiable. Freddie Mac reserves the right to amend the provisions of this section or Section 6401.1 relating to the Loan Selling Advisor pairoff process without prior notice.

(f) Mandatory Cash Contract extensions

In the event the contract amount specified in a Mandatory Cash Contract will not be fulfilled on or prior to the contract expiration date, the Seller may extend, in Loan Selling Advisor, the Mandatory Cash Contract at any time on or prior to the contract expiration date.

The Seller may extend the contract an unlimited number of times, as long as the total extension period plus the original contract term does not exceed 120 days.

In exchange for the contract extension, the Seller will be assessed a fee to be paid in accordance with Section 6303.2.

6101.4: Best Efforts Contracts under fixed-rate Cash (10/28/24)

(a) Offer amounts and procedures

Each Business Day, the Seller may take out a Best Effort Contract to sell a specific fixed-rate Mortgage. Freddie Mac will endeavor to announce prior to the offer day if commitments will not be available due to holidays or other reasons.

The minimum amount for an individual Best Efforts Contract is $1,000. Freddie Mac may, at its discretion and at any time, impose a maximum contract amount for Best Efforts Cash Contracts.

Under a Best Efforts Contract, the Seller must:

- Use its best efforts to close and fund a specified Mortgage
- Sell the Mortgage to Freddie Mac, at a cash price determined by Freddie Mac, if the Mortgage with the same Borrower(s) and property address is closed and funded

The terms of the Purchase Contract are provided in Loan Selling Advisor®.

If the Mortgage specified under a Best Efforts Contract closes and funds after the Best Efforts Contract expires, the Seller remains obligated to sell the Mortgage to Freddie Mac under that same Best Efforts Contract. See Section 6101.4(c) for the impact on pricing of selling a Mortgage under a Best Efforts Contract that has expired. If despite the Seller's best efforts, the Mortgage is not closed and funded, the Seller will not be assessed a pairoff fee. However, the Seller indemnifies Freddie Mac for any and all costs and expenses incurred by Freddie Mac as a result of the Seller's failure to sell a Mortgage to Freddie Mac that is closed and funded by the Seller.

Furthermore, the Seller may not:

- Substitute a Mortgage with a different Borrower(s) or a different property address for the Mortgage specified in the Best Efforts Contract
- Take out another Best Efforts Contract or a Mandatory Cash Contract, either sequentially or at the same time, for the same Mortgage
- Take out a Best Efforts Contract with fictitious Borrower data or a fictitious property address
- Sell a Mortgage specified in a Best Efforts Contract to another investor

If the Seller fails to comply with the requirements specified above, Freddie Mac may immediately terminate the Seller's eligibility to sell under a Best Efforts Contract.

(b) Contract periods for Best Efforts Contracts

In Loan Selling Advisor, the Purchase Contract Effective Period is the period of time for which a price for eligible Mortgages provided to the Seller by Loan Selling Advisor is effective. The Seller may select a Purchase Contract Effective Period of between two and 90 days or such other time frame as permitted by Loan Selling Advisor. All of the requirements for the specified Mortgage under the contract must be completed by the Purchase Contract Expiration Date.

(c) Pricing for Best Efforts Contracts

Pricing is available in Loan Selling Advisor each Business Day at **https://las.freddiemac.com/lsp_public/#/**, and is based on prices Freddie Mac expects to receive in the securities market for the related UMBS® or MBS. The price also reflects the Mortgage Note Rate, the Minimum Contract Servicing Spread, the delivery period and the cost that Freddie Mac incurs for managing interest rate risk on behalf of the Seller.

Freddie Mac will update prices on active Mortgage coupons throughout the day to reflect movements in the securities market. Posted prices assume a 0.250% (25 basis point) Minimum Contract Servicing Spread and the use of the Standard Remittance Cycle.

Among other considerations, Freddie Mac will consider the Seller's success rate, under prevailing market conditions, in closing Mortgages that are allocated to Best Efforts Contracts. A Mortgage that fails to fund and close as specified in the Best Efforts Contract may adversely affect the Seller's pricing for future Best Efforts Contracts.

For Mortgages allocated to Best Efforts Contracts, if any of the characteristics change, the Seller must modify the Mortgage data. For example, if the Borrower switches from a 30-year fixed-rate Mortgage to a 15-year fixed-rate Mortgage, the Mortgage data must be modified without allocating the Mortgage to a new Best Efforts Contract. The contract will be re-priced using the prices in effect as of the date that the Seller originally accepted the Best Efforts Contract price.

In addition, if the Seller sells a Mortgage that has closed and funded after a Best Efforts Contract has expired, Freddie Mac will determine the price for that Mortgage at the time of sale.

The Seller indemnifies Freddie Mac for any and all costs and expenses incurred by Freddie Mac as a result of the Seller's sale of a Mortgage that Freddie Mac priced and purchased under a Best Efforts Contract based on incomplete and/or inaccurate Mortgage data provided by the Seller, for which Freddie Mac would have provided a different price if the Mortgage data provided by the Seller had been complete and accurate.

(d) Best Efforts Contract extensions

In the event the Mortgage specified in a Best Efforts Contract will not close prior to the contract expiration date, the Seller may extend, in Loan Selling Advisor, the Best Efforts Contract at any time prior to the contract expiration date.

The Seller may extend the contract an unlimited number of times, as long as the total extension period plus the original contract term does not exceed 120 days.

In exchange for the contract extension, the Seller will be assessed a fee, to be paid in accordance with Section 6303.2.

(e) Status notifications required

With respect to Mortgages sold under a Best Efforts Contract, no later than close of business on the Business Day following the day on which the Seller denies the Borrower's Mortgage application or the Borrower exercises his/her right of rescission, the Seller must notify Freddie Mac of the change in the Mortgage application status or the rescission, as applicable, via Loan Selling Advisor (also known as "Withdraw Loan" status). Such notification must occur within the Purchase Contract Effective Period.

(f) Specified payups for Best Efforts Cash Contracts

For Mortgages with certain attributes, Sellers may be eligible to receive specified payups to standard cash pricing. The contract must be a 10-, 15-, 20- or 30-year Best Efforts fixed-rate contract. The cash payups are eligible for full commitment periods including extensions.

All Mortgages within the contract must meet the requirements of the payups. If a Mortgage does not meet the requirements for the applicable Cash Contract, the Seller will not be able to allocate the Mortgage to the contract.

Mortgage characteristics that are eligible for specified payups are available in Loan Selling Advisor.

6101.5: Purchase and settlement of Mandatory fixed-rate Cash and Best Efforts fixed-rate Cash Contracts (04/12/23)

(a) Funding Date

By the close of business on the Purchase Contract Expiration Date, the Seller must have completed all the requirements for the sale of the Mortgages to Freddie Mac. Sellers may request a specific Funding Date for each of the Mortgages sold under a Mandatory Cash or

Best Efforts Contract or may elect to have funding occur as soon as practicable after the requirements for sale of the Mortgages to Freddie Mac have been met ("ASAP funding").

(b) Funding amount

As each Mortgage funds, Freddie Mac will pay the Seller the amount calculated by multiplying the price specified in the Cash Purchase Contract by the UPB of the Mortgage.

If a Mortgage is subject to Credit Fees or credits for Credit Fees, Freddie Mac will net the fee or credit amounts against the amount paid to the Seller. Any subsequent change to Credit Fees and credits for Credit Fees will appear on the Seller's monthly invoice.

(c) Interest paid to the Servicer in connection with Mortgage funding

In connection with the Mortgage funding, Freddie Mac will determine the amount of interest to pay the Servicer on each Mortgage by computing the interest on the UPB of the Mortgage from the first day of the Funding Date month through the day before the Funding Date using the Accounting Net Yield (ANY).

Thereafter, Freddie Mac will compensate the Servicer in an amount equal to the Servicing Spread for each Mortgage and authorizes the Servicer to retain the Servicing Spread out of the interest payments made by the Borrower and the Servicer will remit the ANY to Freddie Mac.

6101.6: Servicing options for Mandatory fixed-rate Cash and Best Efforts fixed-rate Cash Contracts (03/06/24)

(a) Servicing options

Subject to approval and conditions set by Freddie Mac, the Seller may sell fixed-rate Mortgages under Cash using one of the following Servicing options:

- **Servicing retained** — The Seller sells the Mortgage to Freddie Mac and agrees to service the Mortgages in accordance with the Guide and applicable Purchase Documents

- **Concurrent Transfer of Servicing** — The Seller sells the Mortgage to Freddie Mac and agrees to service the Mortgages in accordance with the Guide and applicable Purchase Documents and concurrently engages in a Transfer of Servicing initiated by the Seller to a Transferee Servicer with the Mortgage purchase and the Transfer of Servicing occurring on the Settlement Date. The Servicer selected by the Seller must be a Freddie Mac-approved Servicer eligible to service the particular Mortgage, and Freddie Mac must approve the Transfer of Servicing in accordance with Chapter 7101. Refer to Section 6302.51 for additional information regarding delivery requirements for Mortgages sold servicing-released under Mandatory Cash Contracts or Best Efforts Contracts.

- **Cash-Released XChange®** — The Seller sells the Mortgage servicing-released in accordance with the requirements of Section 6101.7

(b) Remittance cycle

The remittance cycle that applies to Mortgages sold under a Mandatory Cash Contract or Best Efforts Contract is the Standard Remittance Cycle.

The price that the Seller receives for the Mortgages under a Mandatory Cash Contract or Best Efforts Contract will reflect the Standard Remittance Cycle.

(c) Minimum Contract Servicing Spread

The Servicing Spread applicable to any individual Mortgage delivered pursuant to a specific Purchase Contract may be greater than or equal to, but not less than, the Minimum Contract Servicing Spread selected by the Seller for that specific Purchase Contract.

The Minimum Contract Servicing Spread is selected by the Seller when taking out a Purchase Contract and is applicable to all the Mortgages delivered pursuant to that specific Purchase Contract. The Minimum Contract Servicing Spread must be equal to or greater than the Minimum Servicing Spread.

For fixed-rate Cash, the Minimum Contract Servicing Spread:

- Must be at least 0.250% and may not exceed 0.500% and
- Must equal 0.250% for Mortgages sold through Cash-Released XChange

For Mortgages with annual- or monthly premium lender-paid mortgage insurance, the Seller must select a Minimum Contract Servicing Spread that is sufficient to ensure that the Servicer receives the Minimum Servicing Spread plus the amount necessary to pay the mortgage insurance premium when due. Refer to Section 4701.2(b) for special eligibility requirements for Mortgages with lender-paid mortgage insurance.

6101.7: Requirements for fixed-rate Cash Contracts through Cash-Released XChange® (04/12/23)

When Mortgages are sold under a Mandatory Cash or Best Efforts Contract through Cash-Released XChange®, Freddie Mac arranges for a Transferee Servicer, as identified by Freddie Mac, to accept a Concurrent Transfer of Servicing from the Seller at the time the Seller sells the Mortgage to Freddie Mac.

The requirements applicable to the sale of Mortgages through Cash-Released XChange are set forth in this chapter and Exhibit 28A, Loan Servicing Purchase and Sale Agreement for Cash-Released XChange®. Sellers approved to sell eMortgages may sell these Mortgages through Cash-Released XChange and must comply with the requirements of Chapter 1402 and Seller's other Purchase Documents.
The Seller agrees to, and shall comply with, the terms of Exhibit 28A, which include, but are not limited to, requirements for the Seller and for each Transferee Servicer.

The price the Seller receives for the Mortgages sold servicing- released reflects the Standard Remittance Cycle. The Seller should see Section 6101.6(c) for the applicable Minimum Contract Servicing Spread.

A Seller must apply to Freddie Mac for approval and access to participate in Cash-Released XChange. If Freddie Mac determines that the Seller is eligible to participate in Cash-Released XChange, Freddie Mac will approve the Seller's use of and provide appropriate access to Cash-Released XChange. The Seller must call their Freddie Mac representative or 800-FREDDIE to inquire about the approval process.

Freddie Mac reserves the right, upon notice, (i) to limit the aggregate UPB of all Mortgages that a Seller may sell to Freddie Mac through Cash-Released XChange, (ii) to impose any additional requirements with respect to Cash-Released XChange, or (iii) to suspend or terminate the Seller's ability to sell Mortgages to Freddie Mac through Cash-Released XChange.

(a) Cash-Released XChange pricing

The price provided by Freddie Mac to the Seller under a Mandatory Cash Contract or Best Efforts Contract through Cash-Released XChange includes:

- The price offered by Freddie Mac for the purchase of the Mortgage(s), and
- The price offered by the Transferee Servicer for the Servicing Contract Rights related to each Mortgage

Prices and fees provided when the Seller enters into a Mandatory Cash Contract or a Best Efforts Contract through Cash-Released XChange are not final; instead, they are determined as of the Funding Date and reflect the Mortgage data provided by the Seller. In addition, the price will not include late fees that must be paid to Freddie Mac pursuant to Section 6101.7(h) or to the Transferee Servicer as provided in Exhibit 28A. Such additional late fees include fees for late delivery of documents to the Transferee Servicer and fees for failure to transfer or reconcile funds in a timely manner.

(b) Availability of servicing-released prices

Only fixed-rate Mortgages for which Loan Selling Advisor® provides a servicing released price may be sold servicing-released under a Mandatory Cash Contract or Best Efforts Contract. Not all Transferee Servicers will provide a bid for the assumption of Servicing

Contract Rights for certain Mortgages. If no Transferee Servicer provides a bid for the assumption of Servicing Contract Rights for certain Mortgages, then Cash-Released XChange is not available for these Mortgages, which may otherwise be eligible for sale to Freddie Mac.

The Seller must supply all Mortgage data requested by Loan Selling Advisor (in the fields titled "Loan Fields Required for Pricing" and "Additional Loan Fields That Affect Pricing") so that a Transferee Servicer may provide an accurate bid for the assignment and assumption of the Servicing Contract Rights. Failure to provide all Mortgage data requested by Loan Selling Advisor may result in a subsequent rescission of the Transferee Servicer's bid. In that event, if there is no alternative Servicing bid and the Mortgage has been allocated to a Mandatory Cash Contract, the Seller will be subject to a pairoff fee as provided in Section 6401.1.

(c) Funding adjustments and net funding

Funding adjustments are comprised of the Escrow funds, interest adjustment, Servicing Spread, tax service fee, transaction fee and temporary subsidy buydown funds. The amount of funding adjustments will be identified on the Funding Date as follows:

- The Seller enters in Loan Selling Advisor the amounts held as Escrow funds and temporary subsidy buydown funds for each Mortgage sold servicing-released, and

- Loan Selling Advisor calculates the interest adjustment, Servicing Spread, tax service fee and transaction fee

Refer to Section 6302.26 for additional information regarding delivery requirements for Mortgages sold servicing-released under Mandatory Cash Contracts or Best Efforts Contracts.

The Seller is responsible for the accuracy of the Escrow fund amounts and temporary subsidy buydown fund amounts that the Seller submits via Loan Selling Advisor. Freddie Mac does not edit or validate these amounts. On the Funding Date, Freddie Mac will deduct the amount of the funding adjustments from the sales proceeds paid by Freddie Mac for the purchase of each Mortgage sold servicing-released. Freddie Mac will forward the deducted amount of the funding adjustments to the Transferee Servicer.

The Seller and Transferee Servicer are responsible for any reconciliation, correction or adjustment to the amount of Escrow funds or temporary subsidy buydown funds transferred to the Transferee Servicer. Freddie Mac will not adjust, calculate, refund or pay any amounts with respect to the Escrow funds or temporary subsidy buydown funds after the Funding Date.

(d) Identification of Transferee Servicers

The Seller authorizes Freddie Mac to select Freddie Mac-approved Servicers as Transferee Servicers to participate in Cash-Released XChange.

(e) Excluding Transferee Servicers

Through Loan Selling Advisor, Freddie Mac will inform the Seller of the identity of the Transferee Servicer(s) that may offer a price to assume the Seller's Servicing Contract Rights through Cash-Released XChange. The Seller has the right to exclude a Transferee Servicer from assuming the Seller's interest in the Servicing Contract Rights for Mortgages sold servicing-released.

Such exclusion will not apply to Mortgages sold servicing-released for which the Seller has already entered into a Mandatory Cash Contract or Best Efforts Contract before Seller excluded the Transferee Servicer.

When the Seller re-prices a servicing-released contract, a new bid for the assumption of the Seller's interest in the Servicing Contract Rights may be accepted. The Seller must verify the identity of the Transferee Servicer by reviewing the Contract Confirmation that will disclose the most current Transferee Servicer's bid.

If a Seller has excluded a Transferee Servicer under the first paragraph of this Section 6101.7(e), the Seller has the right to restore that Transferee Servicer's ability to assume the Seller's Servicing Contract Rights for Mortgages sold servicing-released.

(f) Authorization to disclose the Seller's identity

The Seller authorizes Freddie Mac to disclose and identify any Transferee Servicer or potential Transferee Servicer that the Seller is an eligible Seller of Mortgages and Transferor Servicer for the related Transfer of Servicing Contract Rights through Cash-Released XChange. In addition, Freddie Mac may, in its discretion, disclose the following information to any Transferee Servicer that services Mortgages that the Seller has sold to Freddie Mac through Cash-Released XChange:

- That the Seller is no longer a Freddie Mac-approved Seller/Servicer
- That the Seller is no longer eligible to sell Mortgages to Freddie Mac through Cash-Released XChange

(g) Servicer's rights to screen out the Seller

The Seller acknowledges that a Transferee Servicer may terminate the Seller's ability to transfer the Seller's Servicing Contract Rights to such Servicer at any time without notifying the Seller. The Seller will have no right of action, appeal or other recourse against Freddie Mac and releases all claims it may have against Freddie Mac and/or the Servicer in connection with such termination.

(h) Late fees

Freddie Mac may, in its sole discretion, charge the Seller a late fee of up to $500 for each Mortgage for which the Seller fails to:

- Comply with the requirements in Section 4.2 of Exhibit 28A
- Correctly identify all funding adjustments or to reconcile with the Transferee Servicer all funding adjustments as required in Section 6101.7(c) or as required in Section 5.1 of Exhibit 28A

These late fees are in addition to any fees that the Seller may be required to pay the Servicer as provided in Exhibit 28A.

(i) Warranties

For Mortgages sold through Cash-Released XChange under a Mandatory Cash Contract or Best Efforts Contract, the Seller remains solely liable to Freddie Mac for all sale representations, covenants and warranties in the Purchase Documents (the "sale representations and warranties") of the Mortgages for which the related Servicing Contract Rights are assigned to the Transferee Servicer. The Transferee Servicer is liable to Freddie Mac for all Servicing duties, obligations, responsibilities, representations, covenants, warranties, agreements and related liabilities in the Purchase Documents with respect to the Mortgages related to the Concurrent Transfer of Servicing. See Section 7101.15 for liabilities with respect to Subsequent Transfers of Servicing of these Mortgages.

Freddie Mac will conduct quality control activities relating to the sale representations and warranties with the Seller. The Seller agrees that Freddie Mac may share information with the Transferee Servicer regarding the Mortgages sold to Freddie Mac servicing released including, but not limited to, quality control findings, the Seller's response to quality control findings and defect reports.

(j) Document Custody

Sellers are required to deliver the Notes for Mortgages other than eMortgages that are sold through Cash-Released XChange to a Document Custodian listed in Exhibit 43. See Section 2202.3(c) for the document custody requirements for Mortgages sold through Cash-Released XChange. See Chapter 1402, **Directory 4** and the Seller's other Purchase Documents for the document custody requirements for eMortgages sold through Cash-Released XChange

6101.8: Pricing under Fixed-rate Cash (05/04/22)

Certain negotiated Credit Fees

Freddie Mac may, from time to time, assess certain negotiated Credit Fees. Any such pricing will be made available to the Seller on the Cash Purchase Contract loan-level fee breakdown screen in Loan Selling Advisor®.

In addition to the provisions of Section 1101.2(a)(ii), Freddie Mac may amend, supplement, revise or terminate any of the pricing or provisions implemented pursuant to this section in whole or in part, upon written notice to the Seller.

Chapter 6102: ARM Cash

6102.1: Eligible Sellers for ARM Cash (05/05/21)

In order to be eligible to sell Mortgages to Freddie Mac under ARM Cash, the Seller must have entered into Purchase Contracts with Freddie Mac.

Freddie Mac may, at its sole discretion, require Sellers to post margin in connection with transactions under this Chapter 6102. In all events, Freddie Mac shall be the sole calculation agent with respect to the required margin amount and whether the margin amount is to be posted or returned.

If Freddie Mac provides notice of a margin deficit by 10:00 a.m. Eastern time on any Business Day, the Seller shall transfer any required margin no later than the close of business on such Business Day; if such notice is received after 10:00 a.m. Eastern time on any Business Day or on a day that is not a Business Day, the Seller shall transfer such margin no later than the close of business on the next Business Day.

Approved Sellers may establish a securities trading account with Freddie Mac. For information regarding how to request approval and to establish such an account, refer to Section 6103.1.

6102.2: ARM Cash defined terms (08/03/20)

Sellers should be familiar with the definitions of the following terms as they relate to ARMs sold to Freddie Mac under ARM Cash:

- **Loan Attributes** — For ARMs sold under an ARM Cash Contract, the Loan Attributes are the Note Rate, Margin, Servicing Spread, Life Cap and Initial Period

- **Loan Level Tolerance** — For ARMs sold under an ARM Cash Contract, the Loan Level Tolerance is the range of values specified in the contract for the Loan Attributes of each ARM that may be allocated to the contract

6102.3: Eligible ARMs and purchase requirements for ARM Cash (10/01/21)

See Section 4401.5 for information regarding Initial Caps, Periodic Caps and Life Caps for ARMs sold under ARM Cash.

See Exhibit 17S, Available Mortgage Products, for more information regarding eligibility for ARMs sold under ARM Cash.

Under ARM Cash, the ARMs in a single contract may be delivered with Note Rates, Margins, Life Caps, Servicing Spreads and Initial Periods that vary within a specified range.

An Accounting Net Yield (ANY) will be calculated for each ARM delivered under an ARM Cash Contract and will be based on the individual ARM's Note Rate and Servicing Spread.

Unless specified otherwise in this chapter, the special eligibility requirements for ARMs set forth in Chapter 4401 apply to ARMs sold under ARM Cash.

Refer to Section 4401.4 for additional information about Margins for ARMs sold to Freddie Mac. Refer to Section 6102.5 for additional information about pricing for ARMs sold under ARM Cash.

6102.4: ARM Cash Contracts (12/07/20)

(a) Offer amounts and procedures

Freddie Mac will endeavor to announce prior to the offer day if commitments will not be available due to holidays or other reasons.

Contracts under ARM Cash are mandatory. Each Business Day, a Seller may take out contracts to sell ARMs under ARM Cash.

The minimum amount for each ARM Cash Contract is $1,000. Freddie Mac may, at its discretion and at any time, impose a maximum contract amount for individual ARM Cash Contracts. The Seller may enter into multiple mandatory cash contracts but may not exceed $200 million in aggregate fixed-rate (see Section 6101.3) and ARM commitment volume per day. The Seller may seek an exception to this amount by contacting the Cash Desk (**Cash_Ex@FreddieMac.com** or 571-382-5960). If this limit is exceeded without prior Freddie Mac approval, Freddie Mac may pair off the Seller's contract(s) or may require the Seller to pair off the contract(s) at the Seller's expense.

Under an ARM Cash Contract, the Seller must:

- Sell to Freddie Mac Mortgages that have an aggregate principal balance equal to the contract amount, plus or minus the greater of $10,000 or 2.5% of the contract amount, and

- Have completed all requirements for the sale of the Mortgages by the close of business on the Purchase Contract Expiration Date

(b) Contract periods for ARM Cash Contracts

Sellers may select a Purchase Contract period of between two and 90 days or such other time frame as permitted by Loan Selling Advisor®.

Mortgages under an ARM Cash Contract may settle one at a time; however, all of the requirements for the sale of all of the Mortgages under the contract must be completed by the Purchase Contract Expiration Date.

(c) ARM Cash Contract pairoffs

In the event an ARM Cash Contract will not be fulfilled by delivery of Mortgages, the Seller may request a pairoff via Loan Selling Advisor or may wait until the contract expires and Loan Selling Advisor will automatically calculate the pairoff fee. The pairoff process used in Loan Selling Advisor is "two-way" and may result in either a fee due Freddie Mac from the Seller or a fee due the Seller from Freddie Mac, depending on market conditions. See Section 6401.1(a) for additional information regarding pairoffs of Cash Purchase Contracts.

A pairoff fee calculated and provided by Loan Selling Advisor is non-negotiable. Pairoff fees will be included in the Seller's monthly invoice and paid as set forth in Chapter 6303. Freddie Mac reserves the right to amend the provisions of this section relating to the Loan Selling Advisor pairoff process without prior notice.

(d) ARM Cash Contract extensions

In the event the contract amount specified in a Mandatory ARM Cash Contract will not be fulfilled prior to the contract expiration date, the Seller may extend, in Loan Selling Advisor, the ARM Cash Contract at any time prior to the contract expiration date.

The Seller may extend the contract an unlimited number of times, as long as the total extension period does not exceed 30 days from the original contract expiration date.

In exchange for the contract extension, the Seller will be assessed a fee to be paid in accordance with Section 6303.2.

6102.5: Pricing under ARM Cash (05/04/22)

(a) Loan level tolerance

ARMs sold to Freddie Mac under an ARM Cash Contract may have Loan Attributes that vary within a specified range. The Loan Attributes are the:

- Life Caps
- Margin
- Note Rate

- Numbers of months to the next Interest Change Date
- Servicing Spread

When taking out an ARM Cash Contract, the Seller must provide all of the data required by Loan Selling Advisor®. Freddie Mac will use the data provided by the Seller to establish Loan Level Tolerances for each Loan Attribute.

(b) Obtaining pricing

Pricing for ARM Cash is available from Loan Selling Advisor each Business Day at **https://las.freddiemac.com/lsp_public/#/**. Once a Seller accepts and agrees to the contract price, the Seller may not increase the contract amount. The Seller may take out another contract to sell additional ARMs under ARM Cash.

(c) Certain negotiated Credit Fees

Freddie Mac may, from time to time, assess certain negotiated Credit Fees. Any such pricing will be made available to the Seller on the Cash Purchase Contract loan-level fee breakdown screen in Loan Selling Advisor.

In addition to the provisions of Section 1101.2(a)(ii), Freddie Mac may amend, supplement, revise or terminate any of the pricing or provisions implemented pursuant to this section in whole or in part, upon written notice to the Seller.

6102.6: Acceptance of offer under ARM Cash (08/03/20)

Except as provided in Section 1201.4(b), there is a binding commitment by Freddie Mac to purchase, and by the Seller to sell, ARMs under the contract terms (subject to conformity of each ARM to the requirements of the Purchase Documents) once the Seller has accepted and agreed to the contract price provided by Freddie Mac in Loan Selling Advisor®. The terms of the Purchase Contract are provided in Loan Selling Advisor.

6102.7: Servicing options for ARM Cash (03/06/24)

Subject to approval and conditions set by Freddie Mac, Sellers may sell ARMs under ARM Cash using the following Servicing options:

- **Servicing retained** — The Seller sells the Mortgage to Freddie Mac and agrees to service the Mortgages in accordance with the Guide and applicable Purchase Documents

- **Concurrent Transfer of Servicing** — The Seller sells the Mortgage to Freddie Mac and agrees to service the Mortgages in accordance with the Guide and applicable Purchase Documents and concurrently engages in a Transfer of Servicing initiated by a Seller to a Transferee Servicer with the purchase of the Mortgage and the Transfer of Servicing occurring on the Settlement Date. The Servicer selected by the Seller must be a Freddie Mac-approved Servicer eligible to service the particular Mortgage, and Freddie Mac must approve the Transfer of Servicing in accordance with Chapter 7101. Refer to Section 6302.51 for additional information regarding delivery requirements for Mortgages sold servicing-released under Mandatory Cash Contracts or Best Efforts Contracts.

6102.8: Remittance cycle and Servicing Spreads for ARM Cash Contracts (08/03/20)

(a) Remittance cycle

The Standard Remittance Cycle applies to Mortgages sold under ARM Cash Contracts.

(b) Servicing Spreads

The Servicing Spread applicable to any individual Mortgage delivered pursuant to a specific Purchase Contract may be greater than or equal to, but not less than, the Minimum Contract Servicing Spread selected by the Seller for that specific Purchase Contract. The Minimum Contract Servicing Spread is referred to in Loan Selling Advisor® as servicing fee rate.

The Minimum Contract Servicing Spread is selected by the Seller when taking out a Purchase Contract and is applicable to all the Mortgages delivered pursuant to that specific Purchase Contract. The Minimum Contract Servicing Spread must be equal to or greater than the Minimum Servicing Spread.

When entering into an ARM Cash Contract, the Seller must select a Minimum Contract Servicing Spread for the contract that is no less than 0.250% and no greater than 0.375%. Freddie Mac will use the Minimum Contract Servicing Spread selected by the Seller to establish the acceptable Servicing Spread for ARMs allocated to the contract (Loan Level Tolerance).

6102.9: Purchase and settlement under ARM Cash Contracts (04/12/23)

(a) Funding Date

By the close of business on the Purchase Contract Expiration Date, the Seller must have completed all the requirements for the sale of the Mortgages to Freddie Mac. Sellers may

request a specific Funding Date for each of the Mortgages sold under an ARM Cash Contract or may elect to have funding occur as soon as practicable after the requirements for sale of the Mortgages to Freddie Mac have been met ("ASAP funding").

(b) Funding amount

As each Mortgage funds, Freddie Mac will pay the Seller the amount calculated by multiplying the price (including all adjustments to price based on the ARM Loan Attributes) specified in the Cash Purchase Contract by the UPB of the Mortgage.

If a Mortgage is subject to Credit Fees or credits for Credit Fees, Freddie Mac will net the fee or credit amounts against the amount paid to the Seller. Any subsequent change to Credit Fees and credits for Credit Fees will appear on the Seller's monthly invoice.

(c) Interest paid to the Servicer in connection with Mortgage funding

In connection with the Mortgage funding, Freddie Mac will determine the amount of interest to pay the Servicer on each ARM purchased under ARM Cash by computing the interest on the UPB of the ARM from the first day of the Funding Date month through the day before the Funding Date using the Accounting Net Yield (ANY).

Thereafter, Freddie Mac will compensate the Servicer in an amount equal to the Servicing Spread for each ARM and authorizes the Servicer to retain the Servicing Spread out of the interest payments made by the Borrower and the Servicer will remit the ANY to Freddie Mac.

Chapter 6103: Securities Trading Account

6103.1: Establishing a securities trading account with Freddie Mac (03/02/22)

A Seller may establish a trading account with Freddie Mac that allows the Seller to engage in the purchase and sale of Uniform Mortgage-Backed Securities and Freddie Mac Mortgage Participation Certificates.

To request approval to establish such an account, Sellers may email or call the Cash Window Trading Desk at **cashdesk_traders@freddiemac.com**, or (571) 382-3080.

Any securities trading activities are subject to the margining terms and credit limits set forth in Exhibit 102, Securities Trading Customer Agreement. Freddie Mac will be the calculation agent for purposes of determining any and all amounts payable pursuant to the terms of any margin provisions, and such determinations by Freddie Mac shall be final and binding.

Chapter 6201: Guarantor and MultiLender Swap Programs

6201.1: Summary of Guarantor and MultiLender Swap programs (06/03/19)

The provisions of this chapter set forth the terms for selling eligible Mortgages to Freddie Mac in exchange for UMBS™, MBS, Supers™ or WAC ARM PCs. Mortgages may be sold in exchange for securities through one of the following purchase programs:

- Guarantor program
  - Fixed-rate Guarantor program

    Conventional fixed-rate Mortgages may be sold to Freddie Mac in exchange for a UMBS or MBS representing an undivided interest in the same Mortgages. FHA/VA Mortgages may be sold to Freddie Mac in exchange for an MBS representing an undivided interest in the same Mortgages.

  - WAC ARM Guarantor program

    Conventional ARMs may be sold to Freddie Mac in exchange for a WAC ARM PC representing an undivided interest in the same Mortgages.

- MultiLender Swap program

  Except as set forth in this Section 6201.1, conventional 15- and 30-year fixed-rate Mortgages may be sold to Freddie Mac in exchange for Supers backed by UMBS representing an undivided interest in the same Mortgages and, in some cases, Mortgages sold to Freddie Mac by one or more other Sellers.

  Conventional 10- and 20-year fixed-rate Mortgages may be sold to Freddie Mac in exchange for an MBS representing an undivided interest in the same Mortgages. In addition, under the MultiLender Swap program, conventional 10-year fixed-rate Mortgages may be sold to Freddie Mac in exchange for a Supers if they are pooled together with conventional 15-year fixed-rate Mortgages, and conventional 20-year fixed-rate Mortgages may be sold to Freddie Mac in exchange for Supers if they are pooled together with conventional 30-year fixed-rate Mortgages.

  The following fixed-rate Mortgages may be sold to Freddie Mac in exchange for an MBS representing an undivided interest in the same Mortgages:

  - FHA/VA Mortgages

- Section 184 Native American Mortgages
- Section 502 GRH Mortgages

Delivery under the Freddie Mac Guarantor and MultiLender Swap programs is not mandatory, but delivery under Pricing Identifier Terms may be mandatory. See Section 1501.6 for further information regarding mandatory delivery requirements.

Unless the context requires otherwise:

- The term "Mortgages" used in this chapter refers to fixed-rate Mortgages and ARMs
- The phrase "Guarantor program" refers to the fixed-rate Guarantor program and the WAC ARM Guarantor program
- The requirements of this chapter apply to the Guarantor program and the MultiLender Swap program

For additional information on the Guarantor and MultiLender Swap programs, refer to the following chapters in the Guide:

Topic	Location
Fixed-rate Guarantor	Chapters 6202 and 6203
WAC ARM Guarantor	Chapters 6202 and 6204
MultiLender Swap	Chapters 6202 and 6205

Sections 6201.1(a) and 6201.1(b) summarize the types of securities issued under the Guarantor program or MultiLender Swap program. For detailed information, see Exhibit 17S, Available Mortgage Products.

For current Prefix information, contact Investor Inquiry at (800) 336-3672.

(a) Securities issued under the fixed-rate Guarantor and MultiLender Swap programs

The fixed-rate Guarantor program issues securities for pools of the following types of fixed-rate Mortgages:

- Conventional fixed-rate Mortgages with 10-, 15-, 20-, and 30-year terms
- Conventional fixed-rate Mortgages with 10- and 15-year terms may be pooled together in a 15-year security

- Conventional fixed-rate Mortgages with 20- and 30-year terms may be pooled together in a 30-year security
- FHA/VA Mortgages with 15-, 20- and 30-year terms
- FHA/VA Mortgages with 20- and 30-year terms may be pooled together in a 30-year security

The MultiLender Swap program issues securities for pools of the following types of fixed-rate Mortgages:

- Conventional fixed-rate Mortgages with 10-, 15-, 20-, and 30-year terms
- Conventional fixed-rate Mortgages with 10- and 15-year terms may be pooled together in a 15-year security
- Conventional fixed-rate Mortgages with 20- and 30-year terms may be pooled together in a 30-year security
- FHA/VA Mortgages with 15-, 20- and 30-year terms
- FHA/VA Mortgages with 20- and 30-year terms may be pooled together in a 30-year security

(b) Securities issued under the WAC ARM Guarantor program

The WAC ARM Guarantor program issues WAC ARM PCs for the eligible ARM products. Separate WAC ARM PCs will be issued based on the characteristics of the ARM. The following characteristics are used to form WAC ARM PCs:

- Index
- Lookback Period
- Initial and Periodic Caps
- Length of Initial Period
- Length of subsequent adjustment periods, and
- Whether the ARMs are subject to prepayment penalties or not

See Chapter 4401 and Exhibit 17S for detailed information on the combination of ARM characteristics that are acceptable for WAC ARM PCs.

6201.2: Sellers eligible to submit offers under the Guarantor and MultiLender Swap programs (07/12/17)

All Sellers are eligible to submit offers under the Guarantor and MultiLender Swap programs, provided that the Seller first enters into Pricing Identifier Terms with Freddie Mac. A Seller should contact its Freddie Mac Account Manager to discuss how to enter into such terms.

6201.3: Purchase requirements for Mortgages sold under the Guarantor and MultiLender Swap programs (10/01/21)

Mortgages sold to Freddie Mac under the Guarantor program and the MultiLender Swap program must meet the requirements set forth in the Purchase Documents.

(a) Fixed-rate Guarantor program

Under the fixed-rate Guarantor program, Freddie Mac will purchase fixed-rate Mortgages that have a Note Rate at least equal to the requested Coupon plus the Credit Fee in Yield (as adjusted for buyup or buydown) plus the Minimum Contract Servicing Spread.

For fixed-rate Guarantor, the Minimum Contract Servicing Spread must be at least 0.250% and for Mortgages sold under fixed-rate Guarantor the maximum Servicing Spread, may not exceed 0.500%. The Minimum Contract Servicing Spread must be equal to or greater than the Minimum Servicing Spread. For Mortgages with lender-paid mortgage insurance that have annual or monthly renewal premiums, the Minimum Contract Servicing Spread must be at least 0.250%, must include the amount necessary to pay the mortgage insurance premium when due and must not exceed 0.500%.

Refer to Chapter 6202 for pooling requirements for fixed-rate Mortgages under the fixed-rate Guarantor program.

(b) MultiLender Swap program

Under the MultiLender Swap program, Freddie Mac will purchase fixed-rate Mortgages that have a Note Rate (as adjusted for buyup or buydown, and inclusive of any lender-paid mortgage insurance premium) within the specified posted Note Rate range for that program.

For MultiLender Swap, the Minimum Contract Servicing Spread must be at least 0.250% and for Mortgages sold under MultiLender Swap the maximum Servicing Spread may not exceed 0.500%. The Minimum Contract Servicing Spread must be equal to or greater than the Minimum Servicing Spread.

Refer to Chapter 6202 for pooling requirements for fixed-rate Mortgages under the MultiLender Swap program.

(c) WAC ARM Guarantor program

Refer to Section 4401.4 for Margin requirements for SOFR-indexed ARMs.

For WAC ARM Guarantor, the Minimum Contract Servicing Spread must be at least 0.250% and may not exceed 2.00%.

For ARMs with lender-paid mortgage insurance that have annual or monthly renewal premiums, the Minimum Contract Servicing Spread must include the amount necessary to pay the mortgage insurance premium when due.

In addition, under the WAC ARM Guarantor program, the Seller selects a value for three discrete Minimum Contract Servicing Spreads:

- Minimum coupon servicing spread
- Minimum margin servicing spread
- Minimum lifetime ceiling servicing spread

Subject to the requirements below, the Seller may select the same value or a different value for any of the three discrete Minimum Contract Servicing Spreads. When the Seller selects a different value for any of the three discrete Minimum Contract Servicing Spreads, the affected ARMs are referred to as having variable servicing spreads.

- **Minimum coupon servicing spread**

  The minimum coupon servicing spread is the Minimum Contract Servicing Spread applicable to an ARM from the date that Freddie Mac purchases the ARM and during the period of time that the adjusted Note Rate is limited by the Initial Cap or Periodic Cap, as applicable.

  The minimum coupon servicing spread may not vary by more than 0.250% from the minimum margin servicing spread and the minimum lifetime ceiling servicing spread.

- **Minimum margin servicing spread**

  The minimum margin servicing spread is the Minimum Contract Servicing Spread applicable to an ARM from the first time that the adjusted Note Rate is equal to the sum of the Index value plus the Margin.

  The minimum margin servicing spread may not vary by more than 0.250% from the minimum coupon servicing spread and the minimum lifetime ceiling servicing spread.

- **Minimum lifetime ceiling servicing spread**

  The minimum lifetime ceiling servicing spread is the Minimum Contract Servicing Spread applicable to an ARM, from the first time that the adjusted Note Rate is limited by the Lifetime Ceiling through the remaining term of the ARM.

  The minimum lifetime ceiling servicing spread may not vary by more than 0.250% from the minimum coupon servicing spread and the minimum margin servicing spread.

Refer to Chapter 6202 for pooling requirements for ARMs under the WAC ARM Guarantor program.

6201.4: MultiLender Swap posting information (06/03/19)

On the first Business Day of each month, Freddie Mac will announce at **https://capitalmarkets.freddiemac.com/mbs/data/FRE_Multilender_Table.txt** and through various market information vendors the following information with respect to Mortgages Freddie Mac will purchase under the MultiLender Swap program:

- Mortgage term and final Settlement Dates
- WA Net Interest Rate (Coupon)
- Permissible Note Rate range
- Prefix
- Security Identifier (Pool Number)
- CUSIP Number

Freddie Mac provides information about the Gold Rush® fees assessed for use of a Settlement Cycle of less than five days at **https://sf.freddiemac.com/general/gold-rush-fees-for-accelerated-settlement-cycles-in-freddie-macs-loan-selling-advisor** and through various market information vendors. See Section 6205.4 for more information.

6201.5: Review of Mortgages for compliance with Seller's Maximum Annual Mortgage Purchase Amount (03/02/16)

If Freddie Mac has established a Maximum Annual Mortgage Purchase Amount with respect to the Seller, Freddie Mac will, after the commitment has been made, review the aggregate amount of Mortgages purchased from the Seller to date in the current calendar year. Freddie Mac, in its sole and absolute discretion, may purchase Mortgages from the Seller in an amount that exceeds the Seller's Maximum Annual Mortgage Purchase Amount or may rescind, in whole or in part, its acceptance of the Seller's offer to sell any Mortgages that will result in the Seller's exceeding its Maximum Annual Mortgage Purchase Amount. Any such rescission shall be made without the payment by Freddie Mac of any Seller claims. Freddie Mac reserves the right to charge a fee on the entire amount of any Purchase Contract that causes the Seller to exceed its Maximum Annual Mortgage Purchase Amount.

6201.6: Freddie Mac's obligation to sell UMBS™, MBS, ARM PCs or Supers™ in exchange for Mortgages (06/03/19)

The obligation of Freddie Mac to sell UMBS™, MBS, ARM PCs or Supers™ in exchange for Mortgages is subject to the Mortgages' eligibility for purchase, the Seller's compliance with any Maximum Annual Mortgage Purchase Amount established for the Seller and all other requirements of the Purchase Documents.

6201.7: Seller's election to sell with or without recourse under the Guarantor and MultiLender Swap programs (03/02/22)

Mortgages may be sold to Freddie Mac with or without recourse, as elected by the Seller and as set forth in the Purchase Documents.

(a) With recourse

A Seller who elects to sell Mortgages to Freddie Mac with recourse bears all risks and costs of a Borrower default, including the costs of foreclosure. Under a recourse obligation, the Seller must repurchase the Mortgage, plus accrued interest, upon completion of the foreclosure sale (or upon delivery of a deed-in-lieu of foreclosure), whether or not the Borrower retains an equity of redemption. The Seller may, at its option, repurchase any Mortgage that is 90 days delinquent in accordance with the requirements in Sections 3602.4

through 3602.6. The Seller may also, at its option, repurchase any Mortgage for which foreclosure has been initiated.

If the Seller elects to sell Mortgages to Freddie Mac with recourse, the Seller's financial ability to fulfill the required recourse obligation will be reviewed. If Freddie Mac determines that the Seller's financial condition is not sufficient to support a recourse obligation, the Seller may be required to meet additional requirements. There may be instances in which additional recourse sales from the Seller will not be allowed because of the Seller's financial condition.

In addition, if the Seller elects to sell Mortgages to Freddie Mac with recourse, Freddie Mac will monitor the Seller's continuing ability to fulfill its recourse obligations and may:

- Require that the Seller submit specific financial information relating to the Seller's ability to fulfill its recourse obligations
- Require that the Seller provide Freddie Mac with additional assurances, including guaranties, or pledges of collateral, to support recourse obligations
- Treat the Seller's failure to provide Freddie Mac with requested additional assurances as a failure to fulfill an obligation under the Purchase Documents

The Seller who elects to sell Mortgages with recourse represents and warrants to Freddie Mac that on the Date of Seller's Offer, the Seller's aggregate recourse obligations comply with all applicable federal and State regulations. The Seller should be aware that in the event of a Transfer of Servicing, the Transferee Servicer must be approved by Freddie Mac and may be subject to the same recourse obligations as the Seller of the related Mortgages.

For Mortgages sold to Freddie Mac with recourse, the Note must bear the proper endorsement for sales with recourse, as set forth in Section 6301.3.

(b) Without recourse

If the Seller elects to sell Mortgages without recourse, Freddie Mac assumes the risk of loss from Borrower defaults, subject to the terms and conditions of the Purchase Documents.

6201.8: Remittance cycles under the Guarantor and MultiLender Swap programs (05/01/19)

The Standard Remittance Cycle applies to Mortgages sold under the Guarantor and MultiLender Swap programs.

6201.9: Guarantor Pricing (05/04/22)

This section applies when a Seller's Rate Sheet (as defined below) issued through Loan Selling Advisor[SM] states that the Seller is eligible to sell Mortgages to Freddie Mac through the Guarantor program or MultiLender Swap program.

(a) Defined terms

For purposes of this section, the following terms have the meanings ascribed to them below:

(i) "Guarantor Pricing" means Credit Fees in Yield, Credit Fee in Yield Add-Ons, negotiated Credit Fee in Yield adjustments, buyup and buydown ratios, maximum buyup and maximum buydown, and/or certain negotiated Credit Fees, credits for Credit Fees and/or such other components as Freddie Mac may include from time to time

(ii) "Pricing Day" means the day or days of the month on which Guarantor Pricing is available to the Seller in Loan Selling Advisor

(iii) "Rate Sheet" means the Rate Sheet Results screen that is in Loan Selling Advisor and that contains the information described in Section 6201.9(b)(ii)

(b) Pricing Day and Pricing Notification

(i) The Pricing Day will be stated on the Seller's Rate Sheet. If the Pricing Day is not a Business Day, Freddie Mac will make the Guarantor Pricing available to the Seller on the first Business Day after such Pricing Day.

(ii) The Rate Sheet will include all applicable components of Guarantor Pricing, the Mortgage products eligible under the Rate Sheet and the applicable effective dates and Settlements Dates covered by the Rate Sheet and any applicable additional terms stated in the Business Arrangement Stipulations section of the Rate Sheet.

(c) Taking out Purchase Contracts

The Seller may take out Purchase Contracts for settlement in a particular month only after Freddie Mac has entered Guarantor Pricing on the Rate Sheet for the Purchase Contract for Settlement in such particular month.

(d) Acceptance of Guarantor Pricing

The Seller's delivery of Mortgages eligible under a Rate Sheet will be deemed to be the Seller's acceptance of the Guarantor Pricing stated in the Rate Sheet.

(e) Amendment and termination of Guarantor Pricing provisions

In addition to the provisions of Section 1101.2(a)(ii) Freddie Mac may amend, supplement, revise or terminate any of the provisions of this section including, but not limited to, establishing Guarantor Pricing for a Seller more than one time in a calendar month and changing the Guarantor Pricing provided in accordance with the above provision, in whole or in part, upon written notice to the Seller. The written notice may be in the form of new Guarantor Pricing being made available to the Seller on the Rate Sheet in Loan Selling Advisor. The effective date of changes will be stated on the revised Rate Sheet. The changes will not apply to contracts the Seller has taken out prior to the effective date of the changes.

6201.10: Buyup and buydown programs under the fixed-rate Guarantor and MultiLender Swap programs (02/06/20)

(a) Adjustments to Credit Fees in Yield

When taking out a Fixed-Rate Guarantor Contract or MultiLender Swap Contract, the Seller may request an adjustment to the Credit Fee in Yield by selecting one of the following buyup and buydown programs:

- Note-level, or
- Loan-level (if permitted under the Seller's Pricing Identifier Terms under which the Seller is taking out the Purchase Contract)

The adjustment will be based on the Note Rate, the Coupon, and the Minimum Contract Servicing Spread. For the note-level program, the Credit Fee in Yield will be adjusted in the same manner for all Mortgages with that Note Rate and remaining maturity. For the loan-level program, the Seller may select the specific Mortgages for which the Credit Fee in Yield is to be adjusted.

For purposes of this section, Credit Fee in Yield means the total Credit Fee in Yield, which consists of the Credit Fee in Yield stated on the Seller's Rate Sheet plus all applicable Credit Fee in Yield Add-Ons and negotiated Credit Fee in Yield adjustments.

(b) Selection of applicable option

For the note-level program, at the time the Seller takes out a Purchase Contract, the Seller must select one of the following options:

- Buyup and buydown
- Buydown only

- Buyup only, or
- Neither buyup nor buydown

For the loan-level program, the Seller will select the applicable option for each Mortgage at the time the Seller delivers the Mortgage. Refer to Section 6302.35 for delivery requirements for such Mortgages. If the Seller fails to deliver the required loan-level buyup and buydown ULDD Data Points for a Mortgage, the Mortgage will not be allocated to the Seller's Purchase Contract.

For both the note-level and loan-level programs, the Seller may update the specified buyup or buydown amount, as applicable, until the Purchase Contract for which the buyup or buydown amount applies is in settlement locked status.

(c) Buyup and buydown fees

In exchange for an increase to the Credit Fee in Yield (buyup) for certain Mortgages, Freddie Mac will make a cash payment to the Seller.

In exchange for a decrease in the Credit Fee in Yield (buydown) for certain Mortgages, the Seller will make a cash payment to Freddie Mac.

Buyup payments to be made to the Seller will be netted against buydown fees to be paid by the Seller and the result will be paid in accordance with the provisions relating to fees in Section 6303.2.

(d) Calculation of buyup proceeds and buydown fees

Freddie Mac will determine the amount of the increase or decrease in the Credit Fee in Yield for each Mortgage delivered based on the following information specified when taking out a Purchase Contract:

- Coupon for which the Mortgage is delivered
- Minimum Contract Servicing Spread
- Note Rate
- Credit Fee in Yield
- Buyup maximum amount

In determining the amount of any increase or decrease in the Credit Fee in Yield, Freddie Mac will use the following formula:

Note Rate	-	Minimum Contract Servicing Spread	-	Total Credit Fee in Yield	-	Coupon	=	Amount of increase or decrease in Credit Fee in Yield *

* Expressed in basis points

If the result is a positive number, then the Credit Fee in Yield will be increased by the amount of that positive number, subject to the maximum buyup limit prevailing at the time the Purchase Contract is taken out. Any Mortgage with a positive number greater than the maximum buyup limit will retain a Servicing Spread greater than the Minimum Contract Servicing Spread specified at the time the Purchase Contract is taken out.

If the result is a negative number, then the Credit Fee in Yield will be decreased by the amount of that negative number, subject to the maximum buydown limit prevailing at the time the Purchase Contract is taken out, but will not be decreased to less than zero. A Note Rate must equal or exceed the Coupon plus the Credit Fee in Yield (as adjusted for the amount of the buyup or buydown) plus the Minimum Contract Servicing Spread to be accepted for purchase for the Coupon specified.

(e) Calculation of buyup and buydown fees

Buyup and buydown fees will be calculated in accordance with the following requirements:

For each basis point (0.010%) by which the Credit Fee in Yield for a Mortgage must be increased or decreased as determined by the preceding formula, a payment will be required in an amount equal to a fixed percent (expressed in basis points) of the UPB of the Mortgage. The number of basis points determined by Freddie Mac will depend on the Note Rate, the Mortgage product and whether a buyup or buydown is required.

(f) Application of buyup maximum amount for Note Rate program

Mortgages are subject to the buyup maximum amount applicable for Mortgage products as stated in the Seller's Purchase Documents. The Seller may enter a lower buyup maximum amount to be applied to the Fixed-Rate Guarantor Contract or MultiLender Swap Contract. If the Seller does not enter a value into the buyup maximum field for a Purchase Contract, Loan Selling Advisor® will apply the applicable buyup maximum amount as stated in the Seller's Purchase Documents.

(g) Buyup and buydown options under WAC ARM Guarantor program

The buyup and buy down options are not permitted under WAC ARM Guarantor program.

(h) Payment of buyup proceeds and buydown fees

All buyup proceeds and buydown fees will be paid in accordance with Section 6303.2.

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Note: For general billing information, call the Customer Support Contact Center at 800-FREDDIE.

6201.11: Security wire instructions for the Guarantor and MultiLender Swap programs (06/03/19)

(a) Acknowledgment and consent to electronic transactions

In accordance with Chapter 1401, the Seller is bound by the security wire instructions it provides to Freddie Mac.

(b) Security wire verification

For information about wire transfer instructions and delivery of UMBS™, MBS, ARM PCs and Supers™, see Sections 6203.8, 6204.8, or 6205.8, as applicable.

(c) Liability

Freddie Mac is not liable for errors in the delivery of UMBS, MBS, ARM PCs or Supers, provided that Freddie Mac delivered the securities pursuant to security wire instructions that were provided by the Seller in accordance with the requirements of the Purchase Documents.

6201.12: Settlement under the Guarantor and MultiLender Swap programs (05/04/22)

As of the Settlement Date, ownership of, and (subject to the terms of any recourse obligation) risk of loss with respect to, the Mortgages being sold on the Settlement Date will pass from the Seller to Freddie Mac; and Freddie Mac will, in accordance with Section 6201.18, deliver to the Seller in Book-Entry Form the UMBS™, MBS, ARM PCs or Supers™ representing interests therein in the amount determined by Freddie Mac and verified by the Seller in the Loan Selling Advisor® "View Wire Instructions" screen.

Freddie Mac will credit or remit to the Seller on a post-settlement basis the sum of:

- An amount of interest equal to one of the following:
  - With respect to Pools and Supers Pools backed by Pools without the Note-level buyup and buydown feature, interest at the Credit Fee in Yield on the Mortgages for the period from the Issue Date to the day before the Settlement Date, inclusive

- With respect to Pools and Supers Pools backed by Pools in which the Note-level buyup and buydown feature has been used, the weighted average Credit Fee in Yield of the Mortgages in the Pool for the period from the Issue Date to the day before the Settlement Date, inclusive

- The excess, if any, of the aggregate UPB as of the Settlement Date of the Mortgages, over the aggregate original principal balance of the related UMBS, MBS, ARM PCs or Supers

The sum will be credited against any fees payable by the Seller to Freddie Mac for monthly invoiced fees, including, but not limited to, buydown fees, Gold Rush® fees and Credit Fees. If this sum exceeds post-settlement fees, a net amount is payable to the Seller. Payment of the net amount due to the Seller will be made in accordance with the Credit Fee and funding fee provisions stated in Chapter 6303.

If the Seller fails for any reason to transfer all or any portion of the Mortgages accepted for purchase by Freddie Mac, Freddie Mac will have no obligation to sell all or any portion of the UMBS, MBS, ARM PCs or Supers to the Seller. If the Seller fails for any reason to purchase all or any portion of the UMBS, MBS, ARM PCs or Supers from Freddie Mac, Freddie Mac will have no obligation to purchase all or any portion of the Mortgages from the Seller.

6201.13: Special Seller representations and warranties under the Guarantor and MultiLender Swap programs (03/02/16)

In addition to the representations and warranties made elsewhere in the Purchase Documents, the Seller represents and warrants that:

- The purchase information will be true and correct as of the related Settlement Date

- The ending principal balance shown on the Loan-Level Transaction that the Servicer transmits as of the close of the first monthly accounting reporting period following the Settlement Date is equal to the aggregate UPB of the related Mortgages

- As of the Settlement Date, the appraised value of the Mortgaged Premises is at least equal to the appraised value as of the date of the origination of such Mortgage

- For Construction Conversion and Renovation Mortgages, as of the Settlement Date, the appraised value of the Mortgaged Premises is at least equal to the appraised value as of the effective date of the most recent appraisal report

6201.14: Postsettlement adjustments for Mortgages purchased under the Guarantor and MultiLender Swap programs (06/03/19)

If, after any Settlement Date, Freddie Mac determines that the aggregate UPB, as of the Settlement Date, of the Mortgages purchased on such date (the "settlement balance") was greater than the aggregate UPB verified for purchase (the "verified balance") and greater than the original principal balance of the related UMBS™, MBS, ARM PC or Supers™, Freddie Mac will transfer back to the Seller ownership of the smallest number of Mortgages ("unfunded Mortgages") having an aggregate UPB as of the Settlement Date at least equal to the excess of the settlement balance over the verified balance. If the aggregate UPB of the unfunded Mortgages transferred back to the Seller exceeds the difference between the settlement balance and the verified balance, the excess must be reported and remitted promptly by the Seller to Freddie Mac in accordance with Sections 8302.21 and 8303.18, as if such difference were a principal prepayment (Mortgage paid in full) on the related Mortgages.

Without Freddie Mac's prior written approval, the Seller may not remedy an incorrect verified balance by offsetting any difference between the settlement balance and the verified balance against principal collections received on the Mortgages by the Seller after the Settlement Date. The amount of principal reduction reported by the Seller via the Loan-Level Transaction (or any other report developed for reporting accounting information) must, for each accounting reporting period, accurately reflect all principal collections actually received by the Seller on the verified balance plus any prepayment resulting from the transfer of unfunded Mortgages.

If, after the Settlement Date, Freddie Mac determines that the settlement balance of the Mortgages purchased on such date was less than the verified balance and less than the original principal balance of the related UMBS, MBS, ARM PC or Supers, the Seller must, at Freddie Mac's option and within the time period and in the manner specified by Freddie Mac, either remit the amount of any such difference to Freddie Mac as a principal payment with respect to such Mortgages, or deliver additional Mortgages that would have been eligible for inclusion in the related Pool or Supers and that have an aggregate UPB at least equal to the difference between the verified balance and the settlement balance.

6201.15: UMBS™, MBS, ARM PCs, Supers™ and pool factors (06/03/19)

UMBS™ and MBS are offered for sale by Freddie Mac pursuant to the UMBS/MBS Offering Circular, and ARM PCs are offered for sale by Freddie Mac pursuant to the ARM PC Offering Circular. By entering into the Pricing Identifier Terms, the Seller acknowledges receipt of a copy of the applicable Offering Circular.

The Supers™ are offered for sale by Freddie Mac pursuant to the Supers Offering Circular. By entering into a MultiLender Swap Contract for a MultiLender Swap to exchange Mortgages for Supers, the Seller acknowledges receipt of a copy of the Supers Offering Circular.

A Seller may be identified as the Seller and/or Servicer of the Mortgages in such manner as Freddie Mac may determine, and will generally be identified on the published monthly list of pool factors for the Pools formed under the Guarantor program. Freddie Mac may, in its sole discretion, otherwise identify UMBS, MBS, ARM PCs or Supers sold pursuant to this chapter as representing interests in Pools or Supers Pools formed pursuant to the Guarantor or MultiLender Swap programs and release any information concerning the Mortgages, the UMBS, MBS, ARM PCs or the Supers.

6201.16: Disclosure requirements for UMBS™, MBS, ARM PCs and Supers™ (06/03/19)

(a) Disclosure for UMBS™, MBS and ARM PCs formed under the Guarantor program

For each Pool formed under the Guarantor program, Freddie Mac will provide a Pool Supplement on its website (**www.freddiemac.com/mbs**) and via a link in Loan Selling Advisor® to the Form 15 (Form 15A for UMBS™ and MBS, Form 15C for WAC ARM PCs) that contains information about the Mortgages in the Pool as of the Settlement Date. The Seller may also obtain a copy of the Pool Supplement by contacting Investor Inquiry at (800) 336-3672.

In preparing the Pool Supplement, Freddie Mac relies upon the accuracy and completeness of the Mortgage and Servicing information provided by the Seller. If the information in the Pool Supplement is inaccurate or incomplete, the Seller must immediately inform Freddie Mac and provide Freddie Mac with any corrections necessary. Neither the Seller nor any affiliate of the Seller (as affiliate is defined in Rule 405, 17 CFR SEC 230.405, promulgated under the Securities Act of 1933) may make any use of the Pool Supplement if any information contained therein is inaccurate or incomplete.

In addition to a Pool Supplement, Freddie Mac makes available on its web site and from information vendors, information about the Mortgages in the Pool that is updated on a monthly basis. Current information about information vendors may be obtained by contacting Freddie Mac **(see Directory 1)**.

Seller/Servicers will also find additional information about Freddie Mac's UMBS, MBS and WAC ARM PC disclosure in Section 6202.2.

(b) Disclosure for UMBS, MBS and Supers™ formed under the MultiLender Swap program

For each Pool or Supers™ Pool formed under the MultiLender Swap program, Freddie Mac will make available on its website (**www.freddiemac.com/mbs**) and via a link in Loan Selling Advisor to Form 15 a Pool Supplement containing information about the Mortgages in the Pool, or a Supers Pool Supplement containing information about the UMBS underlying the Supers Pool, as of the Settlement Date. The Pool Supplement and Supers Pool Supplement are available on the first Business Day following the Securities Industry and Financial Markets Association's (SIFMA) Class D monthly securities settlement date. The Seller may also obtain a copy of the Pool Supplement and Supers Pool Supplement by contacting Investor Inquiry at (800) 336-3672.

In preparing the Pool Supplement and Supers Pool Supplement, Freddie Mac relies upon the accuracy and completeness of the Mortgage and Servicing information provided by the Seller. If the information about the Mortgages sold under the MultiLender Swap program is inaccurate or incomplete, the Seller must immediately inform Freddie Mac and provide Freddie Mac with any corrections necessary. Neither the Seller nor any affiliate of the Seller (as affiliate is defined in Rule 405, 17 CFR SEC 230.405, promulgated under the Securities Act of 1933) may make any use of the Pool Supplement or Supers Pool Supplement if any information contained therein is inaccurate or incomplete.

In addition to a Pool Supplement or Supers Pool Supplement, Freddie Mac makes available on its web site and from information vendors, information about the Mortgages in the Pool or UMBS underlying the Supers Pool that is updated on a monthly basis. Current information about information vendors may be obtained by contacting Freddie Mac **(see Directory 1)**.

The aggregate information for Supers Pools formed under the MultiLender Swap program does not necessarily reflect, and may differ from, information derived from each of the Mortgages underlying each UMBS or Supers in that Supers Pool.

Seller/Servicers will find additional information about Freddie Mac's UMBS, MBS and Supers disclosure in Section 6202.2.

(c) Seller's disclosure obligations

The Seller's offer and sale of UMBS, MBS, ARM PCs and Supers must comply with all applicable federal securities laws and Freddie Mac requirements. If the Seller or an affiliate of the Seller offers for sale or sells any such security, the Seller must deliver to each person to whom the offer or sale is made, not later than the time a contract of sale is executed, all of the following:

- A copy of the most recent UMBS/MBS Offering Circular, ARM PC Offering Circular or Supers Offering Circular, as applicable, including any supplements in effect at the time of the related offer or sale

- Any applicable Pool Supplement or Supers Pool Supplement, and

- Any Additional Supplement required by applicable federal securities laws or by Section 6201.16(d)

If securities are sold to investment bankers, brokers, dealers or other entities for distribution, the Seller must assure that these entities will send or deliver such documents to investors before or with the confirmation of sale.

(d) Seller's obligations for Additional Supplements

In connection with the sale of Mortgages to Freddie Mac, the Seller must inform Freddie Mac in writing if any related offering materials, including the UMBS/MBS Offering Circular, ARM PC Offering Circular or Supers Offering Circular:

- Contain an untrue statement of a material fact, or

- Fail to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading

Such information may obligate the Seller to prepare an Additional Supplement for the Pool or Supers Pool. (The Seller will provide such information in the Additional Supplement and only such information as is agreed between the Seller and Freddie Mac.)

(e) Other information provided by the Seller

The information provided in the Pool Supplement and any Additional Supplement or Supers Pool Supplement is the only information about a UMBS, MBS, ARM PC or Supers or the Mortgages in the related Pool or Supers Pool that the Seller can disclose to the public.

In no event may the Seller make available to any third party information regarding principal paydowns on the Mortgages or pool factors, except as have been made available to the public by Freddie Mac. To make available to any third party any other information with respect to the Mortgages that is not made publicly available by Freddie Mac, the Seller must first obtain Freddie Mac's consent by contacting Investor Inquiry at (800) 336-3672.

After obtaining Freddie Mac's consent, the Seller must provide such information to the third party in writing, and the information must include, on the first page in distinguishing typeface, a statement that the information has been prepared by the Seller and that Freddie Mac is not responsible for the accuracy or completeness of the information. Within one Business Day after the writing is first made available by the Seller to any third party, the Seller must provide a copy of it to Freddie Mac, together with the date the writing was first made available and the Seller's name, address and telephone number, at the following address:

FREDDIE MAC
1551 PARK RUN DRIVE
ATTN OFFICE OF THE REGISTRAR
MCLEAN, VA 22102

The information received from the Seller may be made available by Freddie Mac to any person upon request.

6201.17: Indemnification for liability relating to Seller's sale of UMBS™, MBS, ARM PCs and Supers™ (06/03/19)

The Seller must indemnify and hold Freddie Mac, its directors, officers, employees, successors, assigns and fiscal and transfer agents harmless from and against any and all losses, damages, claims, demands, actions, suits or liabilities, joint or several, to which Freddie Mac may become subject and shall reimburse Freddie Mac for any legal or other expenses reasonably incurred by Freddie Mac in connection with investigating or defending any such loss, damage, claim, demand, suit, liability or action in respect thereof, insofar as such losses, claims, damages, demands, suits, liabilities or actions arise out of or are based upon:

- Any untrue statement or alleged untrue statement of a material fact made or contained in any offering materials (other than the applicable UMBS/MBS Offering Circular, ARM PC Offering Circular or Supers Offering Circular) used by the Seller or its underwriters or agents in connection with any public or private offering or sale of any UMBS, MBS, ARM PCs or Supers, or

- Any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, or

- Any other act or failure to act by the Seller or its underwriters or agents in connection with any such sale or offering, including without limitation, a breach of any of the terms or conditions contained in Section 6201.16 or a breach of any warranty or representation made by the Seller pursuant to Section 6201.16

6201.18: UMBS™, MBS, ARM PC and Supers™ delivery (06/03/19)

Subject to the provisions of this Section 6201.18, Freddie Mac will deposit the UMBS™, MBS, ARM PCs and Supers™ in accordance with the instructions the Seller specifies on the applicable screens in Loan Selling Advisor®.

With respect to Mortgages sold under the Guarantor and MultiLender Swap Program, the Seller must complete all applicable delivery information and indicate the depository institutions and beneficiaries in whose accounts the UMBS, MBS, ARM PCs or Supers issued in Book-Entry Form must be deposited.

The Seller is responsible for assigning and managing its wire instructions for Mortgages sold under the Guarantor and MultiLender Swap Program. For information regarding security wire instructions, see Sections 6203.8, 6204.8 and 6205.8.

For all Mortgages sold to Freddie Mac under the Guarantor Program and MultiLender Swap Program, the Seller agrees to indemnify and hold harmless Freddie Mac, its successors, assigns, fiscal and transfer agents, from and against any and all claims, damages, liabilities, losses, demands, actions, suits, costs and expenses, joint and several, of every nature and character as the same may arise or be made against or be incurred by any of them, as a result of their deposit of any UMBS, MBS, ARM PC or Supers to any account, if such security is deposited in accordance with the Seller's security wire instructions, as entered on the applicable screens in Loan Selling Advisor.

With respect to the delivery instructions provided by the Seller, all UMBS, MBS, ARM PCs and Supers will be deposited in the accounts of the beneficiaries in Book-Entry Form.

6201.19: Freddie Mac remedies for Seller's breach of representations and warranties relating to securitized loans (06/03/19)

If the Seller breaches any representation or warranty made pursuant to this chapter or any of the purchase information is found to be incorrect, Freddie Mac may at its option:

- Rescind the transaction
- Require the Seller to repurchase any UMBS™, MBS, ARM PCs or Supers™ that have been sold by the Seller
- Retain any fees otherwise refundable to the Seller pursuant to the Purchase Documents
- Require the Seller to take such other action as may be necessary or appropriate at Freddie Mac's sole discretion to remedy such breach or to cause the relevant Pool or Supers Pool to conform to the terms of the purchase information

The remedies set forth in this chapter are in addition to any remedies otherwise provided for in the Purchase Documents or available under applicable law including, without limitation, Freddie Mac's right to require repurchase or substitution of any Mortgage.

In addition to Freddie Mac's other remedies under this Guide, the breach by the Seller of any representation, warranty or agreement contained in this Guide will constitute grounds for suspension of the Seller's eligibility to sell Mortgages to Freddie Mac as provided in Chapter 2301.

Chapter 6202: Freddie Mac Swap Disclosure and Pooling Requirements

6202.1: Freddie Mac Swap disclosure and pooling requirements (07/01/19)

This chapter sets forth the pooling and disclosure requirements to ensure that eligible Mortgages delivered to Freddie Mac under the Guarantor and MultiLender Swap programs are pooled in a manner that promotes homogeneity and disclosure transparency.

Refer to:

- Section 6201.3 for Servicing Spread requirements
- Chapter 6201 for the terms under which the Seller may sell eligible Mortgages to Freddie Mac in exchange for UMBS®, MBS, ARM PCs or Supers®
- Chapter 6302 for specific delivery requirements
- Chapter 4401 for specific eligibility requirements for ARMs and Section 6302.7 for specific ARM delivery requirements

(a) Fixed-rate Guarantor program

Each UMBS or MBS Pool issued under the fixed-rate Guarantor program must consist of Mortgages acquired from a single Seller in exchange for a UMBS or MBS Pool representing an undivided interest in the same Mortgages. UMBS or MBS bear interest at the applicable Coupon and have an original principal balance rounded down to the nearest dollar.

In addition to selling Mortgages in exchange for UMBS or MBS with Coupons that are evenly divisible by 0.5%, a Seller may sell 15- and 30-year fixed-rate Mortgages in exchange for MBS with Coupons not divisible by 0.5%, provided that before selling such Mortgages to Freddie Mac, the Seller must obtain Freddie Mac's written approval by contacting its Freddie Mac representative or the Customer Support Contact Center at 800-FREDDIE.

(b) MultiLender Swap program

Each UMBS or MBS Pool issued under the MultiLender Swap program must consist of fixed-rate Mortgages that Freddie Mac has acquired from one or more Sellers.

Each Supers Pool issued under the MultiLender Swap program must consist of one or more UMBS representing an undivided interest in the fixed-rate Mortgages exchanged for those

UMBS. UMBS and Supers bear interest at the applicable Coupon and have an original principal balance rounded down to the nearest dollar.

(c) WAC ARM Guarantor program

Each WAC ARM PC Pool issued under the WAC ARM Guarantor program consists of ARMs acquired from a single Seller in exchange for a Pool that represents an undivided interest in the same Mortgages.

6202.2: Freddie Mac UMBS®, MBS, Supers® and WAC ARM PC disclosure (06/03/19)

(a) UMBS® and MBS disclosure

Freddie Mac's UMBS and MBS disclosure includes, in addition to the UMBS/MBS Offering Circular, original Pool level information, which is current information as of the Issue Date. UMBS or MBS Pool level information is updated monthly to reflect the Mortgages in a UMBS or MBS Pool paying off. The monthly updates for the UMBS or MBS Pool level information may be accessed at **http://www.freddiemac.com/mbs**.

Freddie Mac provides loan level information for each of the Mortgages backing Freddie Mac UMBS or MBS based on information furnished by the Sellers for Mortgages in a pool issued in December 2005 and later; the loan level information may be accessed at **http://www.freddiemac.com/mbs**.

For pools requiring Additional Supplements, Freddie Mac will post Additional Supplements on its website and can furnish them upon request for the convenience of investors.

For a complete listing and description of the disclosure data for UMBS or MBS that Freddie Mac provides for eligible fixed-rate Mortgages delivered to Freddie Mac under the Guarantor or, in certain cases, MultiLender Swap program, refer to the Disclosure Guide at **http://www.freddiemac.com/mbs/docs/disclosure_guide.pdf**.

(b) Supers® disclosure

Freddie Mac's Supers disclosure includes, in addition to the Supers Offering Circular and any related supplements, a pool supplement for each Supers Pool, available on the first Business Day following its Issue Date, that identifies the underlying Pools and/or Supers Pools. This aggregated information does not necessarily reflect, and may differ from, information derived from each of the Mortgages underlying each UMBS or Supers in the Supers Pool.

For a complete listing and description of the disclosure data for Supers, in addition to Pool Numbers and outstanding principal balances that Freddie Mac provides for the UMBS and

Supers that are backed by eligible fixed-rate Mortgages delivered to Freddie Mac, refer to the Disclosure Guide at **http://www.freddiemac.com/mbs/docs/disclosure_guide.pdf**.

(c) WAC ARM PC disclosure

Freddie Mac's WAC ARM PC disclosure includes, in addition to the ARM PC Offering Circular, original WAC ARM PC Pool level information, which is current information as of the Issue Date. Unless otherwise indicated below, WAC ARM PC Pool level information is updated monthly to reflect the Mortgages in a WAC ARM PC Pool paying off. The monthly updates for the WAC ARM PC Pool level information may be accessed at **http://www.freddiemac.com/mbs**.

Freddie Mac provides loan level information for each of the Mortgages backing Freddie Mac WAC ARM PCs based on information furnished by the Sellers for Mortgages in a pool issued in December 2005 and later; the loan level information may be accessed at **http://www.freddiemac.com/mbs**.

For pools requiring Additional Supplements, Freddie Mac will post Additional Supplements on its website and can furnish them upon request for the convenience of investors.

For a complete listing and description of the disclosure data for WAC ARM PCs that Freddie Mac provides for eligible adjustable-rate Mortgages delivered to Freddie Mac under the WAC ARM Guarantor program, refer to the Disclosure Guide at **http://www.freddiemac.com/mbs/docs/disclosure_guide.pdf**.

6202.3: Pooling requirements for UMBS® and MBS Pools and Supers® Pools (05/03/23)

This section outlines the pooling and disclosure requirements related to issuing UMBS® and MBS under the fixed-rate Guarantor program and UMBS, MBS and Supers® under the MultiLender Swap program.

(a) Term requirements

- **30-year UMBS or MBS Pool and 30-year Supers Pool**

  The underlying fixed-rate Mortgages in each 30-year UMBS and MBS Pool and 30-year Supers Pool must have original terms greater than 15 years (180 months), but not exceeding 30 years (360 months). For example, 20-year (240-month) fixed-rate Mortgages may be pooled with 30-year (360-month) fixed-rate Mortgages, without limit.

- **20-year UMBS or MBS Pool**

The underlying fixed-rate Mortgages in each 20-year UMBS and MBS Pool must have an original term greater than 15 years (180 months), but not exceeding 20 years (240 months).

- **15-year UMBS or MBS Pool and 15-year Supers Pool**

  The underlying fixed-rate Mortgages in each 15-year UMBS and MBS Pool and 15-year Supers Pool must have original terms greater than 84 months, but not exceeding 15 years (180 months). For example, 10-year (120-month) fixed-rate Mortgages may be pooled with 15-year (180-month) fixed-rate Mortgages, without limit.

- **10-year UMBS Pool**

  The underlying fixed-rate Mortgages in each 10-year UMBS Pool must have an original term greater than 84 months, but not exceeding 10 years (120 months).

(b) Final pool maturity at issuance for UMBS and Supers

The following requirements apply to Freddie Mac UMBS and Supers:

- The final maturity of a 30-year Freddie Mac UMBS and Supers must be greater than 15 years and one month at issuance
- The final maturity of a 30-year Freddie Mac UMBS and Supers shall not exceed 361 months
- The final maturity of a 15-year Freddie Mac UMBS and Supers shall not exceed 181 months

(c) Minimum pool size requirements

- **UMBS or MBS Pool**

  The underlying fixed-rate Mortgages in each UMBS and MBS Pool must have an aggregate UPB of at least $1,000,000. The minimum dollar amount for a commitment entered into under the MultiLender Swap program is $1,000.

- **Supers Pool**

  The minimum dollar amount for a commitment entered into under the MultiLender Swap program is $1,000. The underlying fixed-rate Mortgages in each Supers Pool must have an aggregate UPB of at least $1,000,000.

(d) Note Rate requirements

- **Fixed-rate Guarantor program**

The underlying fixed-rate Mortgages in each UMBS or MBS Pool must have Note Rates no less than 25 basis points above the Coupon, but no greater than 112.5 basis points above the Coupon.

- **MultiLender Swap program**

  The underlying fixed-rate Mortgages delivered in each UMBS, MBS or Supers Pool under the MultiLender Swap program must have Note Rates no less than 25 basis points above the posted Coupon, but no greater than 112.5 basis points above the posted Coupon.

(e) Requirements for fixed-rate Mortgages with special characteristics

The underlying Mortgages in each MBS Pool or MultiLender Swap delivery must have the same characteristics and features. Note that certain Mortgage types are not eligible for the MultiLender Swap program. In addition, unless otherwise noted, the Mortgage types listed below may not be included in a UMBS Pool.

The following are the pooling and disclosure requirements for fixed-rate Mortgages with special characteristics:

(i) FHA/VA Mortgages

The underlying Mortgages in each FHA/VA MBS Pool must be FHA/VA Mortgages, Section 184 Native American Mortgages or Section 502 GRH Mortgages.

Refer to Section 4205.4 for FHA/VA Mortgage eligibility requirements.

(ii) Section 184 Native American Mortgages

Section 184 Native American Mortgages must be pooled in an FHA/VA MBS Pool. The underlying Mortgages in each FHA/VA MBS Pool must be FHA/VA Mortgages, Section 184 Native American Mortgages or Section 502 GRH Mortgages.

Refer to Section 4205.3 for Section 184 Native American Mortgage eligibility requirements.

(iii) Section 502 GRH Mortgages

All Section 502 GRH Mortgages must be pooled in an FHA/VA MBS Pool. The underlying Mortgages in each FHA/VA MBS Pool must be FHA/VA Mortgages, Section 184 Native American Mortgages or Section 502 GRH Mortgages.

Refer to Section 4205.1 for Section 502 GRH Mortgage eligibility requirements.

(iv) Relocation Mortgages

If a fixed-rate Mortgage complies with the definition set forth below, the Mortgage must be sold to Freddie Mac as a relocation Mortgage in accordance with the terms of this section.

A relocation Mortgage is an owner-occupied purchase money Mortgage, originated pursuant to an established employee relocation program, administered by the employer (or its agent), where the employer relocates employees as part of its normal course of business.

Under the fixed-rate Guarantor program (UMBS), the aggregate UPB of all relocation Mortgages may not exceed 10% of the aggregate UPB of all Mortgages in the applicable UMBS Pool. If the UMBS Pool also includes Extended Buydown Mortgages and/or Cooperative Share Loans (if permitted under the Seller's Purchase Documents), the aggregate UPB of all relocation Mortgages, Extended Buydown Mortgages and Cooperative Share Loans (if permitted under the Seller's Purchase Documents) may not exceed 15% of the aggregate UPB of all Mortgages in the applicable UMBS Pool.

Under the fixed-rate Guarantor program (MBS), on a negotiated basis, the Seller may deliver MBS Pools that consist entirely of fixed-rate relocation Mortgages. The Seller should contact its Freddie Mac Account Manager for specific eligibility requirements.

Under the MultiLender Swap program, the aggregate UPB of all relocation Mortgages included in any delivery of Mortgages may not exceed 10% of the aggregate UPB of all Mortgages in that delivery. If the delivery also includes Extended Buydown Mortgages and/or Cooperative Share Loans (if permitted under the Seller's Purchase Documents), the aggregate UPB of all relocation Mortgages, Extended Buydown Mortgages and Cooperative Share Loans (if permitted under the Seller's Purchase Documents) may not exceed 15% of the aggregate UPB of all Mortgages in that delivery.

(v) Extended Buydown Mortgages

Under the Guarantor program (UMBS), the aggregate UPB of all Extended Buydown Mortgages may not exceed 10% of the aggregate UPB of all Mortgages in the applicable UMBS Pool. If the UMBS Pool also includes relocation Mortgages and/or Cooperative Share Loans (if permitted under the Seller's Purchase Documents), the aggregate UPB of all Extended Buydown Mortgages, relocation Mortgages and Cooperative Share Loans (if permitted under the Seller's Purchase Documents) may not exceed 15% of the aggregate UPB of all Mortgages in the applicable UMBS Pool.

Under the MultiLender Swap program, the aggregate UPB of all Extended Buydown Mortgages included in any delivery of Mortgages may not exceed 10% of the aggregate UPB of all Mortgages in that delivery. If the delivery also includes relocation Mortgages and/or Cooperative Share Loans (if permitted under the Seller's Purchase Documents), the aggregate UPB of all Extended Buydown Mortgages, relocation Mortgages and

Cooperative Share Loans (if permitted under the Seller's Purchase Documents) may not exceed 15% of the aggregate UPB of all Mortgages in that delivery.

Refer to Section 4204.4 for Extended Buydown Mortgage eligibility requirements.

(vi) Super conforming Mortgages

Under the fixed-rate Guarantor program (UMBS):

UMBS Pools may include both super conforming fixed-rate Mortgages and conforming fixed-rate Mortgages, subject to the following:

- For deliveries into 15-, 20-, and 30-year conforming UMBS, the aggregate UPB of all 15-, 20-, and/or 30-year fixed-rate super conforming Mortgages may not exceed 10% of the aggregate UPB of all fixed-rate Mortgages in the applicable UMBS Pool. If the UMBS Pool also includes relocation Mortgages, Extended Buydown Mortgages and/or Cooperative Share Loans (if permitted under the Seller's Purchase Documents), then relocation Mortgages, Extended Buydown Mortgages and Cooperative Share Loans (if permitted under the Seller's Purchase Documents) each may not comprise more than 10% of the UPB of all Mortgages in the UMBS Pool; provided, however, the aggregate UPB of all relocation Mortgages, Extended Buydown Mortgages and/or Cooperative Share Loans (if permitted under the Seller's Purchase Documents) combined may not exceed 15% of the aggregate UPB of all Mortgages in the applicable UMBS Pool. Thus, for each UMBS Pool, the aggregate UPB of super conforming Mortgages may not exceed 10%, and the aggregate UPB of relocation Mortgages, Extended Buydown Mortgages and/or Cooperative Share Loans (if permitted under the Seller's Purchase Documents) combined may not exceed 15% of the UPB of the UMBS Pool, or

Under the fixed-rate Guarantor program (MBS)

- On a negotiated basis, for deliveries into 15-, 20-, and 30-year super conforming MBS Pools, the aggregate UPB of all 15-, 20-, and/or 30-year fixed-rate super conforming Mortgages may be any percentage up to and including 100% of the aggregate UPB of all Mortgages in the applicable MBS Pool

For super conforming Mortgages with LTV ratios greater than 105%, the pooling and delivery requirements relating to Freddie Mac Enhanced Relief Refinance Mortgages® set forth in Section 6302.40 apply.

Under the MultiLender Swap program:

Supers Pools may include both super conforming fixed-rate Mortgages and fixed-rate Mortgages, subject to the following:

- For deliveries into 15-, 20-, and 30-year UMBS Pools and Supers Pools issued under the MultiLender Swap program, the aggregate UPB of all fixed-rate super conforming Mortgages included in any delivery of Mortgages may not exceed 10% of the aggregate UPB of all Mortgages in that delivery. If the delivery also includes relocation Mortgages, Extended Buydown Mortgages and/or Cooperative Share Loans (if permitted under the Seller's Purchase Documents), then relocation Mortgages, Extended Buydown Mortgages and Cooperative Share Loans (if permitted under the Seller's Purchase Documents) each may not comprise more than 10% of the UPB of all Mortgages in the delivery; provided, however, the aggregate UPB of all relocation Mortgages, Extended Buydown Mortgages and/or Cooperative Share Loans (if permitted under the Seller's Purchase Documents) combined may not exceed 15% of the aggregate UPB of all Mortgages in that delivery. Thus, for each delivery, the aggregate UPB of super conforming Mortgages may not exceed 10%, and the aggregate UPB of relocation Mortgages, Extended Buydown Mortgages and/or Cooperative Share Loans (if permitted under the Seller's Purchase Documents) combined may not exceed 15% of the aggregate UPB of all Mortgages in that delivery, or

- On a negotiated basis, for deliveries into 15-, 20-, and 30-year super conforming MBS Pools issued under the MultiLender Swap program, the aggregate UPB of all 15-, 20-, and/or 30-year fixed-rate super conforming Mortgages may be any percentage up to and including 100% of the aggregate UPB of all Mortgages in the applicable pool

Refer to Chapter 4603 for super conforming Mortgage eligibility requirements.

(vii) Cooperative Share Loans

Under the Guarantor program (UMBS), the aggregate UPB of all fixed-rate Cooperative Share Loans may not exceed 10% of the aggregate UPB of all Mortgages and Cooperative Share Loans in the applicable UMBS Pool. If the UMBS Pool also includes relocation Mortgages and/or Extended Buydown Mortgages, the aggregate UPB of any Cooperative Share Loans and/or Relocation Mortgages and/or Extended Buydown Mortgages may not exceed 15% of the aggregate UPB of all Mortgages and Cooperative Share Loans in the applicable UMBS Pool.

Under the fixed-rate Guarantor program (MBS), on a negotiated basis, the Seller may deliver MBS Pools that consist entirely of fixed-rate Cooperative Share Loans. The Seller should contact its Freddie Mac Account Manager for specific eligibility requirements.

Under the MultiLender Swap program, the aggregate UPB of all fixed-rate Cooperative Share Loans included in any delivery of Cooperative Share Loans may not exceed 10% of the aggregate UPB of all Mortgages and Cooperative Share Loans in that delivery. If the delivery also includes relocation Mortgages and/or Extended Buydown Mortgages, the aggregate UPB of any Cooperative Share Loans and/or Relocation Mortgages and/or Extended Buydown Mortgages may not exceed 15% of the aggregate UPB of all Mortgages in that delivery.

Refer to Chapter 5705 for Cooperative Share Loan eligibility requirements.

6202.3: Pooling requirements for UMBS® and MBS Pools and Supers® Pools (Future effective date 01/01/25)

This section outlines the pooling and disclosure requirements related to issuing UMBS® and MBS under the fixed-rate Guarantor program and UMBS, MBS and Supers® under the MultiLender Swap program.

(a) Term requirements

- **30-year UMBS or MBS Pool and 30-year Supers Pool**

  The underlying fixed-rate Mortgages in each 30-year UMBS and MBS Pool and 30-year Supers Pool must have original terms greater than 15 years (180 months), but not exceeding 30 years (360 months). For example, 20-year (240-month) fixed-rate Mortgages may be pooled with 30-year (360-month) fixed-rate Mortgages, without limit.

- **20-year UMBS or MBS Pool**

  The underlying fixed-rate Mortgages in each 20-year UMBS and MBS Pool must have an original term greater than 15 years (180 months), but not exceeding 20 years (240 months).

- **15-year UMBS or MBS Pool and 15-year Supers Pool**

  The underlying fixed-rate Mortgages in each 15-year UMBS and MBS Pool and 15-year Supers Pool must have original terms greater than 84 months, but not exceeding 15 years (180 months). For example, 10-year (120-month) fixed-rate Mortgages may be pooled with 15-year (180-month) fixed-rate Mortgages, without limit.

- **10-year UMBS Pool**

  The underlying fixed-rate Mortgages in each 10-year UMBS Pool must have an original term greater than 84 months, but not exceeding 10 years (120 months).

(b) Final pool maturity at issuance for UMBS and Supers

The following requirements apply to Freddie Mac UMBS and Supers:

- The final maturity of a 30-year Freddie Mac UMBS and Supers must be greater than 15 years and one month at issuance
- The final maturity of a 30-year Freddie Mac UMBS and Supers shall not exceed 361 months
- The final maturity of a 15-year Freddie Mac UMBS and Supers shall not exceed 181 months

(c) Minimum pool size requirements

- **UMBS or MBS Pool**

  The underlying fixed-rate Mortgages in each UMBS and MBS Pool must have an aggregate UPB of at least $1,000,000. The minimum dollar amount for a commitment entered into under the MultiLender Swap program is $1,000.

- **Supers Pool**

  The minimum dollar amount for a commitment entered into under the MultiLender Swap program is $1,000. The underlying fixed-rate Mortgages in each Supers Pool must have an aggregate UPB of at least $1,000,000.

(d) Note Rate requirements

- **Fixed-rate Guarantor program**

  The underlying fixed-rate Mortgages in each UMBS or MBS Pool must have Note Rates no less than 25 basis points above the Coupon, but no greater than 112.5 basis points above the Coupon.

- **MultiLender Swap program**

  The underlying fixed-rate Mortgages delivered in each UMBS, MBS or Supers Pool under the MultiLender Swap program must have Note Rates no less than 25 basis points above the posted Coupon, but no greater than 112.5 basis points above the posted Coupon.

(e) Requirements for fixed-rate Mortgages with special characteristics

The underlying Mortgages in each MBS Pool or MultiLender Swap delivery must have the same characteristics and features. Note that certain Mortgage types are not eligible for the

MultiLender Swap program. In addition, unless otherwise noted, the Mortgage types listed below may not be included in a UMBS Pool.

The following are the pooling and disclosure requirements for fixed-rate Mortgages with special characteristics:

(i) FHA/VA Mortgages

The underlying Mortgages in each FHA/VA MBS Pool must be FHA/VA Mortgages, Section 184 Native American Mortgages or Section 502 GRH Mortgages.

Refer to Section 4205.4 for FHA/VA Mortgage eligibility requirements.

(ii) Section 184 Native American Mortgages

Section 184 Native American Mortgages must be pooled in an FHA/VA MBS Pool. The underlying Mortgages in each FHA/VA MBS Pool must be FHA/VA Mortgages, Section 184 Native American Mortgages or Section 502 GRH Mortgages.

Refer to Section 4205.3 for Section 184 Native American Mortgage eligibility requirements.

(iii) Section 502 GRH Mortgages

All Section 502 GRH Mortgages must be pooled in an FHA/VA MBS Pool. The underlying Mortgages in each FHA/VA MBS Pool must be FHA/VA Mortgages, Section 184 Native American Mortgages or Section 502 GRH Mortgages.

Refer to Section 4205.1 for Section 502 GRH Mortgage eligibility requirements.

(iv) Relocation Mortgages

If a fixed-rate Mortgage complies with the definition set forth below, the Mortgage must be sold to Freddie Mac as a relocation Mortgage in accordance with the terms of this section.

A relocation Mortgage is an owner-occupied purchase money Mortgage, originated pursuant to an established employee relocation program, administered by the employer (or its agent), where the employer relocates employees as part of its normal course of business.

Under the fixed-rate Guarantor program (UMBS), the aggregate UPB of all relocation Mortgages may not exceed 10% of the aggregate UPB of all Mortgages in the applicable UMBS Pool. If the UMBS Pool also includes Extended Buydown Mortgages and/or Cooperative Share Loans (if permitted under the Seller's Purchase Documents), the aggregate UPB of all relocation Mortgages, Extended Buydown Mortgages and

Cooperative Share Loans (if permitted under the Seller's Purchase Documents) may not exceed 15% of the aggregate UPB of all Mortgages in the applicable UMBS Pool.

Under the fixed-rate Guarantor program (MBS), on a negotiated basis, the Seller may deliver MBS Pools that consist entirely of fixed-rate relocation Mortgages. The Seller should contact its Freddie Mac Account Manager for specific eligibility requirements.

Under the MultiLender Swap program, the aggregate UPB of all relocation Mortgages included in any delivery of Mortgages may not exceed 10% of the aggregate UPB of all Mortgages in that delivery. If the delivery also includes Extended Buydown Mortgages and/or Cooperative Share Loans (if permitted under the Seller's Purchase Documents), the aggregate UPB of all relocation Mortgages, Extended Buydown Mortgages and Cooperative Share Loans (if permitted under the Seller's Purchase Documents) may not exceed 15% of the aggregate UPB of all Mortgages in that delivery.

(v) Extended Buydown Mortgages

Under the Guarantor program (UMBS), the aggregate UPB of all Extended Buydown Mortgages may not exceed 10% of the aggregate UPB of all Mortgages in the applicable UMBS Pool. If the UMBS Pool also includes relocation Mortgages and/or Cooperative Share Loans (if permitted under the Seller's Purchase Documents), the aggregate UPB of all Extended Buydown Mortgages, relocation Mortgages and Cooperative Share Loans (if permitted under the Seller's Purchase Documents) may not exceed 15% of the aggregate UPB of all Mortgages in the applicable UMBS Pool.

Under the MultiLender Swap program, the aggregate UPB of all Extended Buydown Mortgages included in any delivery of Mortgages may not exceed 10% of the aggregate UPB of all Mortgages in that delivery. If the delivery also includes relocation Mortgages and/or Cooperative Share Loans (if permitted under the Seller's Purchase Documents), the aggregate UPB of all Extended Buydown Mortgages, relocation Mortgages and Cooperative Share Loans (if permitted under the Seller's Purchase Documents) may not exceed 15% of the aggregate UPB of all Mortgages in that delivery.

Refer to Section 4204.4 for Extended Buydown Mortgage eligibility requirements.

(vi) Super conforming Mortgages

Under the fixed-rate Guarantor program (UMBS):

UMBS Pools may include both super conforming fixed-rate Mortgages and conforming fixed-rate Mortgages, subject to the following:

- For deliveries into 15-, 20-, and 30-year conforming UMBS, the aggregate UPB of all 15-, 20-, and/or 30-year fixed-rate super conforming Mortgages may not exceed 10% of the aggregate UPB of all fixed-rate Mortgages in the applicable UMBS Pool. If the UMBS Pool also includes relocation Mortgages, Extended Buydown Mortgages

and/or Cooperative Share Loans (if permitted under the Seller's Purchase Documents), then relocation Mortgages, Extended Buydown Mortgages and Cooperative Share Loans (if permitted under the Seller's Purchase Documents) each may not comprise more than 10% of the UPB of all Mortgages in the UMBS Pool; provided, however, the aggregate UPB of all relocation Mortgages, Extended Buydown Mortgages and/or Cooperative Share Loans (if permitted under the Seller's Purchase Documents) combined may not exceed 15% of the aggregate UPB of all Mortgages in the applicable UMBS Pool. Thus, for each UMBS Pool, the aggregate UPB of super conforming Mortgages may not exceed 10%, and the aggregate UPB of relocation Mortgages, Extended Buydown Mortgages and/or Cooperative Share Loans (if permitted under the Seller's Purchase Documents) combined may not exceed 15% of the UPB of the UMBS Pool, or

Under the fixed-rate Guarantor program (MBS):

- On a negotiated basis, for deliveries into 15-, 20-, and 30-year super conforming MBS Pools, the aggregate UPB of all 15-, 20-, and/or 30-year fixed-rate super conforming Mortgages may be any percentage up to and including 100% of the aggregate UPB of all Mortgages in the applicable MBS Pool

For super conforming Mortgages with LTV ratios greater than 105%, the pooling and delivery requirements relating to Freddie Mac Enhanced Relief Refinance Mortgages® set forth in Section 6302.40 apply.

Under the MultiLender Swap program:

Supers Pools may include both super conforming fixed-rate Mortgages and fixed-rate Mortgages, subject to the following:

- For deliveries into 15-, 20-, and 30-year UMBS Pools and Supers Pools issued under the MultiLender Swap program, the aggregate UPB of all fixed-rate super conforming Mortgages included in any delivery of Mortgages may not exceed 10% of the aggregate UPB of all Mortgages in that delivery. If the delivery also includes relocation Mortgages, Extended Buydown Mortgages and/or Cooperative Share Loans (if permitted under the Seller's Purchase Documents), then relocation Mortgages, Extended Buydown Mortgages and Cooperative Share Loans (if permitted under the Seller's Purchase Documents) each may not comprise more than 10% of the UPB of all Mortgages in the delivery; provided, however, the aggregate UPB of all relocation Mortgages, Extended Buydown Mortgages and/or Cooperative Share Loans (if permitted under the Seller's Purchase Documents) combined may not exceed 15% of the aggregate UPB of all Mortgages in that delivery. Thus, for each delivery, the aggregate UPB of super conforming Mortgages may not exceed 10%, and the aggregate UPB of relocation Mortgages, Extended Buydown Mortgages and/or Cooperative Share Loans (if permitted under the Seller's Purchase Documents) combined may not exceed 15% of the aggregate UPB of all Mortgages in that delivery, or

- On a negotiated basis, for deliveries into 15-, 20-, and 30-year super conforming MBS Pools issued under the MultiLender Swap program, the aggregate UPB of all 15-, 20-, and/or 30-year fixed-rate super conforming Mortgages may be any percentage up to and including 100% of the aggregate UPB of all Mortgages in the applicable pool

Refer to Chapter 4603 for super conforming Mortgage eligibility requirements.

(vii) Cooperative Share Loans

Under the Guarantor program (UMBS), the aggregate UPB of all fixed-rate Cooperative Share Loans may not exceed 10% of the aggregate UPB of all Mortgages and Cooperative Share Loans in the applicable UMBS Pool. If the UMBS Pool also includes relocation Mortgages and/or Extended Buydown Mortgages, the aggregate UPB of any Cooperative Share Loans and/or Relocation Mortgages and/or Extended Buydown Mortgages may not exceed 15% of the aggregate UPB of all Mortgages and Cooperative Share Loans in the applicable UMBS Pool.

Under the fixed-rate Guarantor program (MBS), on a negotiated basis, the Seller may deliver MBS Pools that consist entirely of fixed-rate Cooperative Share Loans. The Seller should contact its Freddie Mac Account Manager for specific eligibility requirements.

Under the MultiLender Swap program, the aggregate UPB of all fixed-rate Cooperative Share Loans included in any delivery of Cooperative Share Loans may not exceed 10% of the aggregate UPB of all Mortgages and Cooperative Share Loans in that delivery. If the delivery also includes relocation Mortgages and/or Extended Buydown Mortgages, the aggregate UPB of any Cooperative Share Loans and/or Relocation Mortgages and/or Extended Buydown Mortgages may not exceed 15% of the aggregate UPB of all Mortgages in that delivery.

Refer to Chapter 5705 for Cooperative Share Loan eligibility requirements.

(f) Requirements for Mortgages eligible for fixed-rate Green MBS

The underlying Mortgages in each Green MBS must:

- Be secured by a Mortgaged Premises with a Home Energy Rating System (HERS) score <=55 (Energy Efficiency) and/or an ENERGY STAR Single-Family New Homes National Program, Version 3.2 or higher certification, as reflected in the RESNET database

- Be secured by a Mortgaged Premises with a Property Overall Condition Type = C1 (New Construction loan)

- Be delivered by the Seller into a designated green contract

Sellers may form Guarantor Green MBS that are comprised entirely of Green MBS eligible collateral. To take out a green contract, in the contract screen in Loan Selling Advisor®, the Seller must select "Yes" for Specified Pool and "Green" in the drop-down menu for Specified Pool Type.

Refer to Section 6302.3(c)(i) for delivery instructions for Mortgages sold for Green MBS.

6202.4: Pooling requirements for WAC ARM PC Pools (10/01/21)

This section outlines the pooling and disclosure requirements related to issuing WAC ARM PCs under the WAC ARM Guarantor program. ARMs may not be sold under the MultiLender Swap program.

(a) Term requirements

The underlying ARMs in each WAC ARM PC Pool must have an original term of 30 years (360 months) or less. For example, a 15-year (180-month) term ARM may be pooled with a 30-year (360-month) term ARM.

Refer to Section 4201.4 for original maturity requirements for Mortgages.

(b) Minimum pool size requirements

The underlying ARMs in each WAC ARM PC Pool must have an aggregate UPB of at least $500,000.

(c) Note Rate requirements

The underlying ARMs in each WAC ARM PC Pool may have different Note Rates.

(d) Margin requirements

The underlying ARMs in each WAC ARM PC Pool may have different Margins.

(e) Lifetime Ceiling requirements

The underlying ARMs in each WAC ARM PC Pool may have different Lifetime Ceilings.

(f) Minimum Contract Servicing Spread requirements

Refer to Section 6201.3(c) for Servicing Spread requirements.

(g) Index requirements

The underlying ARMs in each WAC ARM PC Pool must adjust based on the same Index.

Refer to Section 4401.3 for the ARM Indices descriptions applicable to each eligible ARM product.

(h) Lookback Period requirements

The underlying ARMs in each WAC ARM PC Pool must have the same Lookback Period.

Refer to Section 4401.3 for the Lookback Period applicable to each eligible ARM product.

(i) Initial Period requirements

The underlying ARMs in each WAC ARM PC Pool must have the same Initial Period. For example, 3/6-Month ARMs may only be pooled with other 3/6-Month ARMs.

Refer to Section 4401.2 for the Initial Period applicable to each eligible ARM product.

(j) Periodic adjustments

The Initial Period of an ARM is followed by subsequent Note Rate adjustments that occur on a periodic basis. The underlying ARMs in each WAC ARM PC Pool must have the same time interval between subsequent periodic adjustments.

Refer to Section 4401.2 for the periodic adjustments applicable to each eligible ARM product.

(k) Note Rate adjustment cap requirements

(i) Initial Cap

The underlying ARMs in each WAC ARM PC Pool must have the same Initial Cap.

(ii) Periodic Cap

The underlying ARMs in each WAC ARM PC Pool must have the same Periodic Cap.

(iii) Life Cap

The underlying ARMs in each WAC ARM PC Pool may have different Life Caps.

Refer to Exhibit 17S, Available Mortgage Products, for the specific Note Rate adjustment caps for each eligible ARM product.

(l) Assumability feature requirements

The underlying ARMs in each WAC ARM PC Pool must be assumable but may have different assumability features.

Refer to Section 4101.10 for the specific assumability feature for each eligible ARM product. Refer to Section 4101.10 for a description of due-on-sale provisions.

(m) Pooling requirements for ARMs with special characteristics

The underlying Mortgages in each WAC ARM PC Pool must have the same characteristics and features.

The following are the pooling and disclosure requirements for ARMs with special characteristics:

- Under the WAC ARM Guarantor program, the aggregate UPB of all Extended Buydown Mortgages may not exceed 10% of the aggregate UPB of all the Mortgages in the applicable WAC ARM PC Pool

- Refer to Section 6302.18 for the delivery requirements for Extended Buydown Mortgages. Refer to Section 4204.4 for Extended Buydown Mortgage eligibility requirements

Chapter 6203: Sale of Mortgages through Loan Selling Advisor® under Fixed-Rate Guarantor Program

6203.1: Eligible Sellers for the fixed-rate Guarantor program through Loan Selling Advisor® (12/11/17)

In addition to meeting the requirements of Chapter 6201, the Seller must receive access to the fixed-rate Guarantor program functionality in Loan Selling Advisor® from Freddie Mac before the Seller can submit offers under the fixed-rate Guarantor program (see Section 2403.1).

6203.2: Eligible Mortgages sold through Loan Selling Advisor® under the fixed-rate Guarantor program (12/11/17)

Freddie Mac will purchase fixed-rate Mortgages under the fixed-rate Guarantor program.

See Exhibit 17S, Available Mortgage Products, for more information regarding eligibility and coding requirements for fixed-rate Mortgages sold under the fixed-rate Guarantor program.

6203.3: Purchase requirements for Mortgages sold through Loan Selling Advisor® under the fixed-rate Guarantor program (06/03/19)

Freddie Mac will purchase eligible fixed-rate Mortgages that meet the requirements of the Purchase Documents under the fixed-rate Guarantor program. The eligible Mortgages must have a Note Rate at least equal to the requested Coupon plus the Credit Fee in Yield (as adjusted for buyup or buydown) plus the Minimum Contract Servicing Spread, which for Mortgages with annual or monthly premium lender-paid mortgage insurance must be at least 0.250%, must include the amount necessary to pay the lender-paid mortgage insurance premium when due and must not exceed 0.500%.

Unless specified otherwise in this chapter, the provisions set forth in Chapter 6201 regarding the fixed-rate Guarantor program and the applicable provisions set forth in Chapter 6202 regarding Freddie Mac swap disclosure and pooling requirements for fixed-rate Mortgages under the fixed-rate Guarantor program apply to Mortgages sold to Freddie Mac under the fixed-rate Guarantor program.

6203.4: Offer procedures/amounts/optional delivery/contract cancelation for Fixed-Rate Guarantor Contracts (12/05/22)

The Seller may take out one or more Fixed-Rate Guarantor Contracts each Business Day. When taking out a Fixed-Rate Guarantor Contract, the information that the Seller must provide includes, but is not limited to, the Settlement Date and the Settlement Cycle:

- The Seller must select a Settlement Date that is a Business Day on or before the latest Settlement Date associated with the applicable Pricing Identifier (i.e., the Pricing Identifier Expiration Date)

- The Seller must select a 2, 3-, 4- or 5-day Settlement Cycle or for early pool disclosure select a 6- to 15-day Settlement Cycle

The Seller may change the Settlement Date as follows:

- If the Settlement Cycle has not commenced, the Seller may change the Settlement Date to a Business Day in the same month or another month provided that the new Settlement Date is on or before the latest Settlement Date associated with the applicable Pricing Identifier. It is also possible to change the Final Delivery Date.

- If the Settlement Cycle has commenced, the Seller may change the Settlement Date to a later Business Day in the same month provided that the new Settlement Date is on or before the latest Settlement Date associated with the applicable Pricing Identifier. The Final Delivery Date cannot change.

For Sellers that have selected a 6- to 15-day Settlement Cycle, Mortgage(s) may be removed from the early pool disclosure contract due to the Mortgage(s) being paid if the Settlement Cycle has commenced and the removal occurs 48 hours prior to the Settlement Date. Sellers must still meet the requirements of Chapter 6202 if any Mortgages are removed. To submit a request for a Mortgage to be removed, Sellers should contact the Customer Support Contact Center at 800-FREDDIE.

If the Seller selects a 2, 3- or 4-day Settlement Cycle, the Seller will be assessed a Gold Rush® fee, to be paid in accordance with Section 6303.2.

Gold Rush fee rates are:

- Expressed in basis points

- Applied to the aggregate UPB of the Mortgages allocated to a Fixed-Rate Guarantor Contract funded by Freddie Mac on the requested Settlement Date

- Subject to change on a monthly basis

- Posted at the following website:
  https://sf.freddiemac.com/general/gold-rush-fees-for-accelerated-settlement-cycles-in-freddie-macs-loan-selling-advisor

Refer to Section 6202.3 for minimum pool amount requirements for UMBS™ and MBS.

Delivery under a Fixed-Rate Guarantor Contract is optional. The Seller may cancel a Fixed-Rate Guarantor Contract in Loan Selling Advisor® until 8:00 p.m. Eastern time on the Business Day immediately preceding the Settlement Date.

6203.5: Purchase and sale obligations and Commitment Amounts for Fixed-Rate Guarantor Contracts (12/11/17)

(a) Purchase and sale obligations

The Seller makes an offer to sell Mortgages to Freddie Mac when the Seller enters the required data into Loan Selling Advisor® to take out a Fixed-Rate Guarantor Contract. A binding contract is created when the Seller accepts the Fixed-Rate Guarantor Contract's terms and conditions made available to the Seller by Freddie Mac.

(b) Commitment Amounts

The Seller must monitor the aggregate UPB of all Mortgages the Seller delivers to Freddie Mac under Pricing Identifier Terms to ensure that the Commitment Amount tolerance is not exceeded.

6203.6: Providing data for Mortgages sold through Loan Selling Advisor® under the fixed-rate Guarantor program (12/11/17)

The Seller must provide the data for all loans sold under the Guarantor program by:

- Importing the required data into Loan Selling Advisor® or
- Importing the relevant Loan Product Advisor® loan data, based on the Key Number, into Loan Selling Advisor, or
- Manually entering the loan data for each Mortgage into Loan Selling Advisor

The Seller must then allocate those loans to a Fixed-Rate Guarantor Contract.

Loan Selling Advisor will automatically assign Freddie Mac loan numbers to Mortgages sold under the fixed-rate Guarantor program.

6203.7: Remittance cycle and Servicing Spreads for Mortgages sold through Loan Selling Advisor® under the fixed-rate Guarantor program (06/03/19)

Information and requirements relating to the remittance cycle and Servicing Spreads applicable to fixed-rate Mortgages sold under the fixed-rate Guarantor program through Loan Selling Advisor® are those set forth in Chapter 6201 as amended or supplemented by this chapter or Loan Selling Advisor.

(a) Remittance cycle

The Standard Remittance Cycle applies to Mortgages sold under a Fixed-Rate Guarantor Contract.

(b) Servicing Spread

In Loan Selling Advisor, Minimum Required Servicing Spread means Minimum Contract Servicing Spread as that term is defined in the Guide. The Minimum Contract Servicing Spread must be at least 0.25% and for Mortgages sold under fixed-rate Guarantor the maximum Servicing Spread may not exceed 0.500%. For fixed-rate Mortgages with lender-paid mortgage insurance that have annual or monthly renewal premiums, the Minimum Contract Servicing Spread must be at least 0.25%, must include the amount necessary to pay the mortgage insurance premium when due and must not exceed 0.500%.

6203.8: Wire transfer instructions/delivery of UMBS® and MBS for Mortgages sold through Loan Selling Advisor® under the fixed-rate Guarantor program (02/02/22)

The Seller must assign and manage their wire instructions for Mortgages sold under the fixed-rate Guarantor program through Loan Selling Advisor®.

Pursuant to Section 2403.11, the Seller must provide information to Freddie Mac regarding authorized Loan Selling Advisor users. Any employee or employees designated to perform the Setup Manager Role on the Seller's behalf must be designated by the Seller as one of the employees authorized to provide Freddie Mac with instructions (or modify instructions) to

transfer funds or securities on the Seller's behalf in connection with the sale of Mortgages to Freddie Mac on the Seller's Form 988SF, Certificate of Incumbency for a Bank, Savings Bank, Savings and Loan Association, Credit Union, Corporation or Limited Liability Company, or Form 989SF, Certificate of Incumbency for Limited Partnerships, as applicable. See Section 2201.1 for additional information regarding Certificate of Incumbency requirements.

In order for the Fixed-Rate Guarantor Contract to enter the Settlement Cycle, wiring instructions must be completed in Loan Selling Advisor no later than 8:00 p.m. Eastern time on the Final Delivery Date. If changes need to be made to the wire instructions, the Seller must provide the revised wire transfer instructions in Loan Selling Advisor no later than 8:00 p.m. Eastern time on the last Business Day before the Settlement Date.

In addition, if Pledged Mortgages are allocated to a contract, the Warehouse Lender must submit Form 996E, Warehouse Provider Release and Transfer through Loan Selling Advisor by no later than 8:00 p.m. Eastern time on the Final Delivery Date. However, the Seller may revise and resubmit the Form 996E by 12:30 p.m. Eastern time the last Business Day before the Settlement Date, if the wire instructions change.

The Seller is responsible to Freddie Mac for the accuracy of information provided by the Seller, including but not limited to the security wire instructions it transmits electronically through any mode of transmission (Section 6201.11). In addition, Freddie Mac shall not be liable for errors in the delivery of UMBS® or MBS, provided that Freddie Mac delivered the UMBS or MBS pursuant to information (provided by the Seller) that was not modified in accordance with the requirements of the Purchase Documents.

6203.9: Loan Purchase Statements and UMBS™ and MBS disclosure for Mortgages sold through Loan Selling Advisor® under the fixed-rate Guarantor program (12/05/22)

(a) Loan Purchase Statement

Form 15, Loan Purchase Statement (Form 15A for UMBS™ or MBS), will be accessible to the Seller in Loan Selling Advisor® by the first day of the Settlement Cycle.

Sellers that have selected a 6- to 15- day Settlement Cycle and removed Mortgages from an early pool disclosure contract, as permitted in Section 6203.4, should access updated Form 15.

(b) Disclosure for UMBS and MBS formed under the fixed-rate Guarantor program

For each Pool formed under the fixed-rate Guarantor program, Freddie Mac will provide a Pool Supplement on its website (**www.freddiemac.com/mbs/**) and via a link in Loan Selling

Advisor to the Form 15 (Form 15A for UMBS or MBS), which will be available on the first day of the Settlement Cycle. The Pool Supplement contains information about the Mortgages in the Pool as of the Settlement Date. The Seller may also obtain a copy of the Pool Supplement by contacting Investor Inquiry at (800) 336-3672.

Refer to Section 6201.16(a) for additional information regarding the Pool Supplement and other information Freddie Mac makes available on its website and through information vendors about the Mortgages in a Pool.

Chapter 6204: Sale of Mortgages through Loan Selling Advisor® under WAC ARM Guarantor Program

6204.1: Eligible Sellers for the WAC ARM Guarantor program through Loan Selling Advisor® (12/11/17)

In addition to meeting the requirements of Chapter 6201, the Seller must receive access to the WAC ARM Guarantor program functionality in Loan Selling Advisor® from Freddie Mac before the Seller can submit offers under the WAC ARM Guarantor program (see Section 2403.1).

6204.2: Eligible ARMs sold through Loan Selling Advisor® under the WAC ARM Guarantor program (12/11/17)

Under the WAC ARM Guarantor program, Freddie Mac will purchase the ARM products described in Section 4401.2 and Exhibit 17S, Available Mortgage Products.

See Section 4401.5 for information regarding Initial Caps, Periodic Caps and Life Caps for ARMs sold under the WAC ARM Guarantor program.

See Exhibit 17S for more information regarding eligibility requirements for ARMs sold under the WAC ARM Guarantor program.

6204.3: Purchase requirements for Mortgages sold through Loan Selling Advisor® under the WAC ARM Guarantor program (12/11/17)

ARMs eligible for sale to Freddie Mac under the WAC ARM Guarantor program must be non-convertible first lien Mortgages that fully amortize with an original maturity not exceeding 30 years. See Chapter 4401 for additional information regarding the eligibility requirements for ARMs sold to Freddie Mac.

In addition, ARMs eligible for sale under the WAC ARM Guarantor program:

- Must be sold in accordance with the WAC ARM Guarantor Contract

- Must have a Margin that is at least the sum of the Credit Fee in Yield plus the Minimum Contract Servicing Spread, which includes, for Mortgages with annual or monthly premium lender-paid mortgage insurance, the amount necessary to pay the lender-paid mortgage insurance premium when due

In addition, unless specified otherwise in this chapter, the provisions set forth in Chapter 6201 regarding the Guarantor program, as well as the applicable provisions set forth in Chapter 6202 regarding Freddie Mac swap disclosure and pooling requirements for ARMs under the WAC ARM Guarantor program, apply to Mortgages sold to Freddie Mac under the WAC ARM Guarantor program.

6204.4: Offer procedures/amounts/optional delivery/contract cancelation for WAC ARM Guarantor Contracts (12/05/22)

The Seller may take out one or more WAC ARM Guarantor Contracts each Business Day. When taking out a WAC ARM Guarantor Contract, the information that the Seller must provide includes, but is not limited to, the Settlement Date and the Settlement Cycle:

- The Seller must select a Settlement Date that is a Business Day on or before the latest Settlement Date associated with the applicable Pricing Identifier (i.e., the Pricing Identifier Expiration Date)

- The Seller must select a 2, 3, 4- or 5-day Settlement Cycle or for early pool disclosure select a 6- to 15-day Settlement Cycle

The Seller may change the Settlement Date provided that the Settlement Cycle has not commenced. The new Settlement Date must be a Business Day on or before the latest Settlement Date associated with the applicable Pricing Identifier. It is also possible to change the Final Delivery Date.

The Seller cannot change the Settlement Date if the Settlement Cycle has commenced.

For Sellers that have selected a 6- to 15-day Settlement Cycle, Mortgage(s) may be removed from the early pool disclosure contract due to the Mortgage(s) being paid if the Settlement Cycle has commenced and the removal occurs 48 hours prior to the Settlement Date. Sellers must still meet the requirements of Chapter 6202 if any Mortgages are removed. To submit a request for a Mortgage to be removed, Sellers should contact the Customer Support Contact Center at 800-FREDDIE.

If the Seller selects a 2, 3- or 4-day Settlement Cycle, the Seller will be assessed a Gold Rush® fee, to be paid in accordance with Section 6303.2.

Gold Rush fee rates are:

- Expressed in basis points
- Applied to the aggregate UPB of the Mortgages allocated to the WAC ARM Guarantor Contract funded by Freddie Mac on the requested Settlement Date
- Subject to change on a monthly basis
- Posted at the following website: **https://sf.freddiemac.com/general/gold-rush-fees-for-accelerated-settlement-cycles-in-freddie-macs-loan-selling-advisor**

The underlying Mortgages allocated to a WAC ARM Guarantor Contract must have an aggregate UPB of at least $500,000. See Section 6202.4 for additional information on aggregate UPB limitations for specific types of ARMs.

Delivery under a WAC ARM Guarantor Contract is optional. The Seller may cancel a WAC ARM Guarantor Contract in Loan Selling Advisor® until 8:00 p.m. Eastern time on the Business Day immediately preceding the Settlement Date.

6204.5: Purchase and sale obligations and Commitment Amounts for WAC ARM Guarantor Contracts (12/11/17)

(a) Purchase and sale obligations

The Seller makes an offer to sell Mortgages to Freddie Mac when the Seller enters the required data into Loan Selling Advisor® to take out a WAC ARM Guarantor Contract. A binding contract is created when the Seller accepts the WAC ARM Guarantor Contract's terms and conditions made available to the Seller by Freddie Mac in Loan Selling Advisor.

(b) Commitment Amounts

The Seller must monitor the aggregate UPB of all Mortgages the Seller delivers to Freddie Mac under Pricing Identifier Terms to ensure that the Commitment Amount tolerance is not exceeded.

6204.6: Providing data for Mortgages sold through Loan Selling Advisor® under the WAC ARM Guarantor program (12/11/17)

The Seller must provide the data for all loans sold under the WAC ARM Guarantor program by:

- Importing the required data into Loan Selling Advisor® or
- Importing the relevant Loan Product Advisor® data, based on the Key Number, into Loan Selling Advisor, or
- Manually entering the loan data for each Mortgage into Loan Selling Advisor

The Seller must then allocate those loans to a WAC ARM Guarantor Contract.

Loan Selling Advisor will automatically assign Freddie Mac loan numbers to Mortgages sold under the WAC ARM Guarantor program.

6204.7: Remittance cycle and Servicing Spreads for Mortgages sold through Loan Selling Advisor® under the WAC ARM Guarantor program (05/01/19)

(a) Remittance cycle

Information and requirements relating to the remittance cycle and Servicing Spreads applicable to ARMs sold under the WAC ARM Guarantor program are those set forth in Chapter 6201 as amended or supplemented by this chapter or Loan Selling Advisor®.

The Standard Remittance Cycle applies to Mortgages sold under a WAC ARM Guarantor Contract.

(b) Servicing Spreads

(i) In Loan Servicing Advisor, Minimum Required Servicing Spread means Minimum Contract Servicing Spread as that term is defined in the Guide. The Minimum Contract Servicing Spread for each ARM in a WAC ARM Guarantor Contract must be at least 0.250% and may not exceed 2.00%. For ARMs with lender-paid mortgage insurance that have annual or monthly renewal premiums, the Minimum Contract Servicing Spread must include the amount necessary to pay the mortgage insurance premium when due.

(ii) For ARMs sold under the WAC ARM Guarantor program, the Seller selects three discrete Minimum Contract Servicing Spreads:

- Minimum coupon servicing spread
- Minimum margin servicing spread
- Minimum lifetime ceiling servicing spread

Subject to the requirements of Section 6201.3(c), the Seller may select the same or a different value for any of the three discrete Minimum Contract Servicing Spreads. When the Seller selects a different value for any of the three discrete Minimum Contract Servicing Spreads, the affected ARMs are referred to as having variable servicing spreads.

6204.8: Wire transfer instructions/delivery of ARM PCs for Mortgages sold through Loan Selling Advisor® under the WAC ARM Guarantor program (02/02/22)

The Seller must assign and manage their wire instructions for Mortgages sold under the WAC ARM Guarantor program through Loan Selling Advisor®.

Pursuant to Section 2403.11, the Seller must provide information to Freddie Mac regarding authorized Loan Selling Advisor users and their designated user roles. Any employee or employees designated to perform the Setup Manager Role on the Seller's behalf must be designated by the Seller as one of the employees authorized to provide Freddie Mac with instructions (or modify instructions) to transfer funds or securities on the Seller's behalf in connection with the sale of Mortgages to Freddie Mac on the Form 988SF, Certificate of Incumbency for a Bank, Savings Bank, Savings and Loan Association, Credit Union, Corporation or Limited Liability Company, or Form 989SF, Certificate of Incumbency for Limited Partnerships, as applicable. See Section 2201.1 for additional information regarding Certificate of Incumbency requirements.

In order for the WAC ARM Guarantor Contract to enter the Settlement Cycle, wiring instructions must be completed in Loan Selling Advisor no later than 8:00 p.m. Eastern time on the Final Delivery Date. If changes need to be made to the wire instructions, the Seller must provide the revised wire transfer instructions in Loan Selling Advisor no later than 8:00 p.m. Eastern time on the last Business Day before the Settlement Date.

In addition, if Pledged Mortgages are allocated to a contract, the Warehouse Lender must submit Form 996E, Warehouse Provider Release and Transfer, through Loan Selling Advisor by no later than 8:00 p.m. Eastern time on the Final Delivery Date. However, the Seller may revise and resubmit the Form 996E by 12:30 p.m. Eastern time the last Business Day before the Settlement Date, if the wire instructions change.

The Seller is responsible to Freddie Mac for the accuracy of information provided, including but not limited to, the security wire instructions it transmits electronically through any mode of transmission (see Section 6201.11). In addition, Freddie Mac shall not be liable for errors in the delivery of WAC ARM PCs, provided that Freddie Mac delivered the WAC ARM PCs pursuant to information (provided by the Seller) that was not modified in accordance with the requirements of the Purchase Documents.

6204.9: Loan Purchase Statements and ARM PC disclosure for Mortgages sold through Loan Selling Advisor® under the WAC ARM Guarantor program (12/05/22)

(a) Loan Purchase Statement

Form 15, Loan Purchase Statement (Form 15C for WAC ARM PC®s), will be accessible to the Seller in Loan Selling Advisor® by the first day of the Settlement Cycle.

Sellers that have selected a 6- to 15- day Settlement Cycle and removed Mortgages from early pool disclosure, as permitted in Section 6203.4, should access updated Form 15.

(b) Disclosure for ARM PCs formed under the WAC ARM Guarantor program

For each Pool formed under the WAC ARM Guarantor program, Freddie Mac will provide a Pool Supplement on its website (**www.freddiemac.com/mbs/**) and via a link in Loan Selling Advisor to the Form 15C, which will be available on the first day of the Settlement Cycle. The Pool Supplement contains information about the Mortgages in the WAC ARM PC Pool as of the Settlement Date. The Seller may also obtain a copy of the Pool Supplement by contacting Investor Inquiry at (800) 336-3672.

Refer to Section 6202.2 for additional information regarding the Pool Supplement and other information Freddie Mac makes available on its website and through information vendors about the Mortgages in a Pool.

Chapter 6205: Sale of Mortgages through Loan Selling Advisor® under MultiLender Swap Program

6205.1: Eligible Sellers for the MultiLender Swap program through Loan Selling Advisor® (12/11/17)

In addition to meeting the requirements of Chapter 6201, the Seller must receive access to the MultiLender Swap program functionality in Loan Selling Advisor® from Freddie Mac before the Seller can submit offers under the MultiLender Swap program (see Section 2403.1).

6205.2: Eligible fixed-rate Mortgages sold through Loan Selling Advisor® under the MultiLender Swap program (05/03/23)

See Exhibit 17S, Available Mortgage Products, for information regarding eligibility and coding requirements for fixed-rate Mortgages sold under the MultiLender Swap program.

6205.3: Purchase and pooling requirements for Mortgages sold through Loan Selling Advisor® under the MultiLender Swap program (06/03/19)

Under the MultiLender Swap program, Freddie Mac will purchase conventional fixed-rate Mortgages that have a Note Rate (as adjusted for buyup or buydown, and inclusive of any annual or monthly lender-paid mortgage insurance premium) within the specified posted Note Rate range for that program.

Mortgages sold under the MultiLender Swap program must have Note Rates at least 0.250% above the Security Coupon (or Coupon), but no greater than 1.125% above the Security Coupon.

Refer to Chapter 6202 for pooling requirements for fixed-rate Mortgages under the MultiLender Swap program.

Under the MultiLender Swap program, the minimum dollar amount for a commitment is $1,000.

Unless specified otherwise in this chapter, the provisions set forth in Chapter 6201 regarding the MultiLender Swap program and the applicable provisions set forth in Chapter 6202 regarding

Freddie Mac swap disclosure and pooling requirements for fixed-rate Mortgages apply to Mortgages sold to Freddie Mac under the MultiLender Swap program.

6205.4: Offer procedures/amounts/optional delivery/contract cancelation for MultiLender Swap Contracts (06/03/19)

The Seller may take out one or more MultiLender Swap Contracts each Business Day. When taking out a MultiLender Swap Contract, the information that the Seller must provide includes, but is not limited to, the Settlement Month, the Pool or Supers Pool, the Settlement Date and the Settlement Cycle:

- The Seller must select a Settlement Month (the month when Freddie Mac issues a MultiLender Swap pool) that is no later than the month in which the latest Settlement Date associated with the applicable Pricing Identifier occurs
- The Seller must select a Pool or Supers Pool with a Final Settlement Date on or before the last day of the selected Settlement Month
- The Seller must select a Settlement Date that is on or before the Final Settlement Date of the selected Pool or Supers Pool
- The Seller must select a 1-, 3-, 4- or 5-day Settlement Cycle

The Seller may change the Settlement Date regardless of whether the Settlement Cycle has commenced or not. In addition:

- The new Settlement Date must be on or before the Final Settlement Date of the selected Pool or Supers Pool (the date on which the Pool or Supers Pool settles)
- If the Settlement Cycle has not commenced, it is also possible to change the Final Delivery Date
- If the Settlement Cycle has commenced, the Final Delivery Date cannot change

If the Seller selects a 1-, 3-, or 4-day Settlement Cycle:

- The requirements of Section 6302.4(f) must be met
- The Seller will be assessed a Gold Rush® fee, to be paid in accordance with Section 6303.2

Gold Rush fee rates are:

- Expressed in basis points

- Applied to the aggregate UPB of the Mortgages allocated to the MultiLender Swap Contract funded by Freddie Mac on the requested Settlement Date

- Subject to change on a monthly basis

- Posted at the following website: **https://sf.freddiemac.com/general/gold-rush-fees-for-accelerated-settlement-cycles-in-freddie-macs-loan-selling-advisor**

Delivery under a MultiLender Swap Contract is optional. The Seller may cancel a MultiLender Swap Contract in Loan Selling Advisor® until 8:00 p.m. Eastern time on the Business Day immediately preceding the Settlement Date.

6205.5: Purchase and sale obligations and Commitment Amounts for MultiLender Swap Contracts (12/11/17)

(a) Purchase and sale obligations

The Seller makes an offer to sell Mortgages to Freddie Mac when the Seller enters the required loan data into Loan Selling Advisor® to take out a MultiLender Swap Contract. A binding contract is created when the Seller accepts the contract's terms and conditions made available to the Seller by Freddie Mac in Loan Selling Advisor.

(b) Commitment Amounts

The Seller must monitor the aggregate UPB of all Mortgages the Seller delivers to Freddie Mac under Pricing Identifier Terms to ensure that the Commitment Amount tolerance is not exceeded.

6205.6: Providing data for Mortgages sold through Loan Selling Advisor® under the MultiLender Swap program (12/11/17)

The Seller must provide the data for all loans sold under the MultiLender Swap program by:

- Importing the required data into Loan Selling Advisor®, or

- Importing the relevant Loan Prospector® data, based on the Key Number, into Loan Selling Advisor, or

- Manually entering the loan data for each Mortgage into Loan Selling Advisor

The Seller must then allocate those loans to a MultiLender Swap Contract.

Loan Selling Advisor will automatically assign Freddie Mac loan numbers to Mortgages sold under the MultiLender Swap program.

6205.7: Remittance cycle, Credit Fee in Yield and Servicing Spread for Mortgages sold through Loan Selling Advisor® under the MultiLender Swap program (06/03/19)

(a) Remittance cycle options

Information and requirements relating to the remittance cycle and Servicing Spreads applicable to fixed-rate Mortgages sold under the MultiLender Swap program through Loan Selling Advisor® are those set forth in Chapter 6201 as amended or supplemented by this chapter or Loan Selling Advisor.

The remittance cycle that applies to Mortgages sold under the MultiLender Swap program is the Standard Remittance Cycle.

(b) Credit Fee in Yield

For the MultiLender Swap program, the Credit Fee in Yield is as specified in the applicable Pricing Identifier Terms.

(c) Servicing Spread

For MultiLender Swap the Minimum Contract Servicing Spread is 0.250% and for Mortgages sold under the MultiLender Swap program the maximum Servicing Spread must not exceed 0.500%. The Minimum Contract Servicing Spread must be equal to or greater than the Minimum Servicing Spread.

6205.8: Wire transfer instructions/delivery of UMBS®, MBS and Supers® for Mortgages sold through Loan Selling Advisor® under the MultiLender Swap program (02/02/22)

The Seller must assign and manage its wire instructions for Mortgages sold under the MultiLender Swap program through Loan Selling Advisor®.

Pursuant to Section 2403.11, the Seller must provide information to Freddie Mac regarding authorized Loan Selling Advisor users and their designated user roles. Any employee or employees designated to perform the Setup Manager Role on the Seller's behalf must be designated by the Seller as one of the employees authorized to provide Freddie Mac with instructions (or modify instructions) to transfer funds or securities on the Seller's behalf in connection with the sale of Mortgages to Freddie Mac on the Seller's Form 988SF, Certificate of Incumbency for a Bank, Savings Bank, Savings and Loan Association, Credit Union, Corporation or Limited Liability Company, or Form 989SF, Certificate of Incumbency for Limited Partnerships, as applicable. See Section 2201.1 for additional information regarding Certificate of Incumbency requirements.

In order for the MultiLender Swap Contract to enter the Settlement Cycle, wiring instructions must be completed in Loan Selling Advisor no later than 8:00 p.m. Eastern time on the Final Delivery Date. If changes need to be made to the wire instructions, the Seller must provide the revised wire transfer instructions in Loan Selling Advisor no later than 8:00 p.m. Eastern time on the last Business Day before the Settlement Date.

In addition, if Pledged Mortgages are allocated to a contract, the Warehouse Lender must submit Form 996E, Warehouse Provider Release and Transfer, through Loan Selling Advisor by no later than 8:00 p.m. Eastern time on the Final Delivery Date. However, the Seller may revise and resubmit the Form 996E by 12:30 p.m. Eastern time the last Business Day before the Settlement Date, if the wire instructions change.

The Seller is responsible to Freddie Mac for the accuracy of information provided by the Seller, including but not limited to the security wire instructions it transmits electronically through any mode of transmission (see Section 6201.11). In addition, Freddie Mac shall not be liable for errors in the delivery of UMBS®, MBS or Supers®, provided that Freddie Mac delivered the UMBS, MBS or Supers pursuant to information (provided by the Seller) that was not modified in accordance with the requirements of the Purchase Document.

6205.9: Loan Purchase Statements and UMBS®/MBS/Supers® disclosure for Mortgages sold

through Loan Selling Advisor® under the MultiLender Swap program (06/03/19)

(a) Loan Purchase Statement

The Form 15, Loan Purchase Statement (Form 15A for UMBS® or MBS), will be accessible to the Seller in Loan Selling Advisor® by the first day of the Settlement Cycle for Mortgages sold under the MultiLender Swap program.

(b) Disclosure for UMBS, MBS and Supers® formed under the MultiLender Swap program

For each Pool or Supers Pool formed under the MultiLender Swap program, Freddie Mac will make available on its website (**www.freddiemac.com/mbs**), and via a link in Loan Selling Advisor to the Form 15 (Form 15A UMBS or MBS), a Pool Supplement containing information about the Mortgages in a UMBS or MBS Pool or a Supers Pool Supplement containing information about the UMBS underlying the Supers Pool as of the Settlement Date. The Pool Supplement and Supers Pool Supplement are available on the first Business Day following the Securities Industry and Financial Markets Association (SIFMA) Class D Monthly Securities Settlement Date. The Seller may also obtain a copy of the Pool Supplement and the Supers Pool Supplement by contacting Investor Inquiry at (800) 336-3672.

Refer to Section 6201.11 or 6201.16(b) for additional information regarding the Pool Supplement, the Supers Pool Supplement and other information Freddie Mac makes available on its website and through information vendors about the Mortgages in the Pools or Supers Pool.

Chapter 6301: Documentation Delivery

6301.1: Home Mortgage documentation delivery (03/02/16)

The Seller agrees, at its own expense and within the delivery period required under the purchase program, to deliver to Freddie Mac, or its designee, the documents required under the Purchase Documents, subject to Freddie Mac's approval regarding proper form and execution.

The Seller should plan for a reasonable processing and review period before the Funding Date or Settlement Date. The amount of the purchase price is adjusted for interest accrued through the day before the Funding Date or Settlement Date.

6301.2: Pledged Mortgage delivery (09/10/18)

Pledged Mortgages must be delivered as required by Section 6302.38 and Chapter 6305; see Section 1402.16 for Pledged eMortgages.

6301.3: Endorsement of Notes (08/19/20)

(a) Without recourse

For each Mortgage delivered to Freddie Mac (except for Mortgages sold with recourse under the Guarantor or MultiLender Swap program, pursuant to Section 6201.7(a)), the original of the Note must be delivered pursuant to the requirements of this chapter; and the Note must bear the following endorsement signed by the Seller's duly authorized representative:

PAY TO THE ORDER OF _____

WITHOUT RECOURSE

(Name of Seller-endorser) _____

(Signature of duly authorized representative) _____

(Typed name and title of signatory) _____

This endorsement "without recourse" will in no way affect the Seller/Servicer's repurchase obligations under the Purchase Documents. If the Seller is a corporation, the person endorsing the Notes must be a duly authorized officer of the Seller. If the Seller is a partnership or other type of organization that is not a corporation, the person endorsing the

Notes must be duly authorized by the Seller, in accordance with the organization's constituent documents and applicable law, to take such action on behalf of the Seller. Endorsement may not be made pursuant to a power of attorney.

(b) With recourse

For each Mortgage sold with recourse under the Guarantor or MultiLender Swap program, the original of the Note must be delivered bearing the following endorsement signed by the Seller's duly authorized representative:

PAY TO THE ORDER OF _____

(Name of Seller-endorser) _____

(Signature of duly authorized representative) _____
(Typed name and title of signatory) _____

If the Seller is a corporation, the person endorsing the Notes must be a duly authorized officer of the Seller. If the Seller is a partnership or other type of organization that is not a corporation, the person endorsing the Notes must be duly authorized by the Seller, in accordance with the organization's constituent documents and applicable law, to take such action on behalf of the Seller. Endorsement may not be made pursuant to a power of attorney.

(c) Chain of endorsement

If the Seller is not the original payee on the Note, the chain of endorsements must be proper and complete from the original payee shown on the Note to the Seller. At the time the Mortgage is sold to Freddie Mac, the Seller must endorse the Note in blank, in accordance with (a) or (b) above. With respect to each Note, Seller is responsible for all endorsement negotiability issues and represents and warrants to Freddie Mac that (i) each endorsement is valid for preservation of negotiability, and (ii) the Document Custodian did not endorse such Note. When a Transfer of Servicing occurs, the Transferor Servicer may not complete the blank endorsement or further endorse the Note.

Note: Endorsements are not applicable for eNotes because eNotes are Transferable Records under the Uniform Electronic Transactions Act (UETA) and the Electronic Signatures in Global and National Commerce Act (E-SIGN) and not subject to the UCC endorsement requirements applicable to paper promissory notes and other negotiable instruments.

(d) Facsimile signature

Notes may be endorsed by use of a facsimile signature stamp if the following conditions are met:

- The signature is that of a corporate officer of the Seller who has authority pursuant to a resolution of the Seller's Board of Directors

- The corporate officer whose signature is imprinted on the stamp authenticates his signature by affidavit which will be made available to Freddie Mac upon request

- Before the Delivery Date, the Seller must obtain an opinion of the Seller's counsel that the use of a facsimile signature constitutes a valid signature for an endorsement on each Note so endorsed. The Seller must furnish this opinion to Freddie Mac upon request.

(e) Use of an Allonge for the endorsement of a Note

The Seller may use an Allonge to endorse a Note if the following conditions are met:

- The Allonge is permanently affixed to the Note

- The Allonge references the Borrower's name, the property address and the original principal balance of the Note

- The form of the Allonge, and its use, complies with all applicable laws

- The use of the Allonge does not impair Freddie Mac's status as a "holder in due course" or any of Freddie Mac's rights under the Purchase Documents

6301.4: Power of attorney (05/05/21)

For Mortgages with Application Received Dates prior to June 30, 2021, the following power of attorney requirements apply:

Freddie Mac will permit the Note, the Security Instrument and other closing documents to be executed by a person acting as attorney-in-fact pursuant to authority granted by a Borrower under a power of attorney (POA) in the following circumstances:

- In a hardship or emergency situation; and

- When a Seller determines that applicable law requires use of a POA

The person acting as attorney-in-fact should have a familial, personal or fiduciary relationship with the Borrower, and should not be employed by or affiliated with any party to the loan transaction other than the Borrower. Each POA must be notarized and the Mortgage must be covered by a title insurance policy in accordance with Section 4702.1.

If the use of a POA is required by law, the Seller must include a written statement that explains the circumstances in the Mortgage file and deliver a copy of the statement to the Document Custodian with the POA.

Please refer to the POA delivery requirements outlined later in this section, which apply to all Mortgages with documents executed using a POA regardless of the Application Received Date or Note Date.

For all Mortgages with Application Received Dates on or after June 30, 2021, the Seller must comply with the following power of attorney requirements. Sellers may also choose to implement these requirements for Mortgages with Application Received Dates prior to June 30, 2021:

Sellers may allow use of a POA to close a Mortgage, including an eMortgage, in accordance with the following requirements. In accordance with Section 4201.10, relating to Wholesale Home Mortgages, the Seller's obligations herein may be performed by the broker, correspondent or other originator and the Seller remains responsible for compliance with this section and its representations and warranties relating to this section.

A POA may only be used when:

- There is an event such as a medical emergency, natural disaster, military deployment or other hardship preventing the Borrower from executing the requisite documents in person, by electronic signature or through other alternative electronic means (e.g., Remote online Notarization, eClosing), or

- Applicable law requires the Seller to accept use of a POA

A POA may not be used merely for the convenience of the parties. The POA must comply with the laws of the applicable jurisdiction, and the Borrower must have had the capacity to grant the POA at the time it was made. A notation, description or other information about the reason why a POA was used must be included in the Mortgage file whenever a POA is used. If the acceptance of a POA is required by law, the Seller must include a written statement that explains the circumstances in the Mortgage file.

The person using the POA to sign on behalf of the Borrower is called an "attorney-in-fact." The attorney-in-fact must:

- Have a familial or fiduciary relationship with the Borrower;

- Be an individual employed by the title insurer underwriting the title insurance product insuring the Mortgage; or

- Be an individual employed or engaged contractually by the title agency issuing the title insurance product for the Mortgage and closing the transaction, but only if the title insurer has issued a closing protection letter relating to the transaction (or has similar contractual indemnity to the Seller and assignees of the Seller) for such policy issuing agent

Neither the seller of the property in a purchase transaction nor an employee of the originating lender is eligible to be an attorney-in-fact under a POA.

A POA may be used to execute any of the Initial Loan Documents and Closing Documents in connection with any Mortgage type. The Borrower may execute the POA using an electronic signature. The POA must be executed by the Borrower prior to its use by an attorney-in-fact. The POA does not have to be specific to the Mortgage transaction.

For cash-out refinances only, after the terms of the Mortgage have been finalized and prior to closing, an employee of the originating lender or settlement agent must explain and discuss the terms of the Mortgage and use of the POA with the Borrower to confirm that the Borrower understands them. However, if the Borrower is in a Period of Military Service as defined in Section 8503.1 and is unavailable for the discussion or the Borrower is incapacitated such that he or she cannot participate in a discussion, then this requirement is waived as to that Borrower.

At a minimum, the discussion must include:

- Review of the rate, term and principal balance of the Mortgage,
- The address of the Mortgaged Premises,
- The fact that the attorney-in-fact uses the Borrower's POA to sign documents on behalf of the Borrower, and
- The scheduled or estimated closing date

This discussion must take place in person, telephonically or using a video conference system. It may take place just before closing and does not require the presence of the attorney-in-fact. It must be memorialized by a Borrower acknowledgment that may be in:

- Writing
- An e-mail exchange with the Borrower at an e-mail address provided by the Borrower, or
- A recording or a transcript of the telephone or video discussion with the Borrower

The acknowledgement must be retained in the Mortgage file and made available to Freddie Mac upon request.

The POA must be notarized; however, it may be remotely notarized where permitted by applicable law. The Mortgage must be covered by a title insurance product in accordance with Section 4702.1.

Please refer to the POA delivery requirements outlined below, which apply to all Mortgages with documents executed using a POA regardless of the Application Received Date or Note Date.

POA delivery requirements for all Mortgages with documents executed using a POA:

If the Note, Security Instrument and other closing documents were executed under a paper POA, the Seller must comply with the following delivery requirements, regardless of the Mortgage Application Received Date or Note Date:

- The Seller must deliver one of the following with the Note:
  - The original POA (signed in ink by the Borrower); or
  - A copy of the POA; or
  - A copy of the POA showing the recordation information

  Note: If applicable law requires an original POA (signed in ink by the Borrower) for enforcement or foreclosure purposes, the Seller must deliver an original POA (signed in ink by the Borrower) to the Document Custodian.

- If the POA is recorded, whether or not it is required, and the copy of the POA with recordation information is not delivered to the Document Custodian along with the Note, the Seller must deliver the copy of the POA with recordation information received from the recording office to the Document Custodian within 30 days of receipt

If the Note, Security Instrument and other closing documents are executed under an Electronic POA, the following requirements apply:

- The Seller must deliver the Electronic POA along with the Note

- If the POA is recorded, whether or not it is required, and the copy of the Electronic POA with recordation information is not delivered to the Document Custodian along with the Note, the Seller must deliver the copy of the Electronic POA with recordation information received from the recording office to the Document Custodian within 30 days of receipt

Note: If the Document Custodian is not able to accept electronic documents, the Seller must send a paper copy of the POA to the Document Custodian.

Refer to Sections 1401.14 and 1401.15 for additional delivery requirements.

Refer to Section 1402.8 for power of attorney-originated eMortgage delivery requirements.

6301.5: Modifying instrument or assumption of indebtedness agreement (03/02/16)

The Seller must deliver the following documents with the original Note:

- If a Mortgage has been modified or converted from an ARM to a fixed-rate Mortgage: the original modification or conversion agreement, unless it is recorded with the Security Instrument. If the original modification or conversion agreement is recorded with the Security Instrument, a copy of the modification or conversion agreement must be delivered.

- For a Construction Conversion Mortgage or a Renovation Mortgage that uses Modification Construction Conversion Documentation, the original Construction Conversion Modification Agreement, unless it is recorded with the Security Instrument. If the original Construction Conversion Modification Agreement is recorded with the Security Instrument, a copy of the Construction Conversion Modification Agreement must be delivered.

- If the ownership of the Mortgaged Premises has been transferred in any way the ownership transfer instrument and assumption of indebtedness agreement

The Seller need not submit a modifying instrument that by its terms ceases to be effective upon purchase of the modified Mortgage by Freddie Mac.

6301.6: Assignment of Security Instrument (02/07/24)

The Seller/Servicer is not required to prepare an assignment of the Security Instrument to Freddie Mac. However, Freddie Mac may, at its sole discretion and at any time, require a Seller/Servicer, at the Seller/Servicer's expense, to prepare, execute and/or record assignments of the Security Instrument to Freddie Mac.

If an assignment of the Security Instrument to Freddie Mac has been prepared, the Seller/Servicer must not record it unless directed to do so by Freddie Mac. Any statement in the assignment to the effect that the assignment is made without recourse will in no way affect the Seller/Servicer's repurchase obligations under the Purchase Documents.

For transfer or assignment of Freddie Mac's interest in the Mortgage, the Seller/Servicer shall prepare at its own expense any assignment necessary to transfer the Security Instrument to Freddie Mac's assignee, designee or transferee.

Intervening Assignments must be prepared in accordance with the requirements of this section.

NOTE: Special provisions for preparing assignments for Mortgages secured by Manufactured Homes located in certificate of title States where there is no provision for surrender and cancelation of the certificate of title are set forth in Section 5703.4(c), paragraph 3. Mortgages secured by Manufactured Homes located in certificate of title States where there is no provision for surrender and cancelation of the certificate of title may not be registered with MERS®.

(a) Mortgages not registered with MERS

For a Mortgage not registered with MERS, the Seller/Servicer must ensure that the chain of assignments is complete and recorded from the original mortgagee on the Security Instrument to the Seller. If the Seller enters into a Concurrent or Subsequent Transfer of Servicing, an assignment to the Transferee Servicer must be completed and recorded where required, thus keeping the chain complete.

If a State does not accept assignments for recordation, the Seller must so state in an affidavit maintained with the unrecorded assignment.

(b) Mortgages registered with MERS

For a Mortgage registered with MERS, if MERS is not the original mortgagee of record, the Seller/Servicer must ensure that:

- An assignment of the Security Instrument to MERS has been prepared, duly executed and recorded in all places necessary to perfect a First Lien security interest in the Mortgaged Premises in favor of MERS, solely as nominee for the lender named in the Security Instrument and the Note, and the lender's successors and assigns. Mortgages subsequently assigned to MERS in the States of Montana, Oregon and Washington are not eligible for sale to Freddie Mac.

- The chain of assignments is complete and recorded from the original mortgagee to MERS

If the Seller/Servicer engages in a Concurrent or Subsequent Transfer of Servicing related to a Mortgage registered with MERS, no further assignments are required if the Transferee Servicer is a MERS Member. If the Transferee Servicer is not a MERS Member, or if the Mortgage has not been, or is no longer, registered with MERS, the Seller/Servicer must complete the assignments in accordance with the requirements in Section 6301.6(a).

(c) Mortgages registered with MERS naming MERS as original mortgagee of record

No assignments are required for a Mortgage registered with MERS if:

- The Mortgage is originated naming MERS as the original mortgagee of record, solely as nominee for the lender named in the Security Instrument and the Note, and the lender's successors and assigns, and

- The Seller/Servicer has ensured that the Security Instrument is properly executed, acknowledged, delivered and recorded in all places necessary to perfect a First Lien security interest in the Mortgaged Premises in favor of MERS, solely as nominee for the lender named in the Security Instrument and the Note, and the lender's successors and assigns

(d) Concurrent Transfers of Servicing

If the Mortgage is registered with MERS, and the Transferee Servicer is not a MERS Member, then the requirements for Mortgages not registered with MERS must be followed.

For a Concurrent Transfer of Servicing when a Mortgage is registered with MERS:

- The Seller must notify MERS of the Transfer of Servicing and reflect such Transfer of Servicing on the MERS System

- The Transferee Servicer must follow the document custodial procedures in Section 7101.9, and deliver the assignments to the Transferee Document Custodian to be verified and certified in accordance with the requirements of Section 6304.2, unless the Transferee Servicer has elected to retain all assignments for MERS-registered Mortgages in the Mortgage files. The Transferee Servicer must also supply its Document Custodian with any documentation necessary for the Document Custodian to determine whether the Seller/Servicer has elected to hold all assignments in the Mortgage files.

For a Concurrent Transfer of Servicing when a Mortgage is not registered with MERS:

- The Seller must record any Intervening Assignments to complete the chain of assignments from the original mortgagee to the Seller, in accordance with Section 6301.6(a)

- The Seller must then assign the Security Instruments to the Transferee Servicer and record the assignments

- The Transferee Servicer must follow the document custodial procedures set forth in Section 7101.9, and deliver the assignments to the Transferee Document Custodian, to be verified and certified in accordance with the requirements of Section 6304.2

Special provisions for Concurrent Transfers of Servicing of Mortgages secured by Manufactured Homes located in certificate of title States where there is no provision for surrender and cancelation of the certificate of title are set forth in Section 5703.4(c), paragraph 3.

6301.7: Accuracy and preparation of Mortgage data submitted (03/02/16)

The Seller warrants that the Mortgage data provided are true, complete and accurate. Erroneous data or omissions discovered may result in rejection of the Mortgage(s) involved when discovered before purchase or repurchase of the Mortgage(s) involved when discovered after purchase.

The essential accounting data for each Mortgage must agree with the underlying documents and the Seller's individual mortgagor accounting records.

Freddie Mac purchases Mortgage balances as reflected in the Seller's individual Mortgage accounts. The records or accounts used for Mortgages to be sold to Freddie Mac must be updated within 10 days before delivery of Mortgage documents to Freddie Mac **(see Directory 8)**.

Using the most recent Mortgage trial balance or updated Mortgage records, the Seller must indicate the UPB and provide the remaining information required by Chapter 6302. It should not be assumed that payments due as of or before the date the balances are taken from the detailed Mortgage record have been paid. An installment that was due as of or before the date the balances are taken from the individual Mortgage records, but is unpaid, is considered delinquent. For example, a payment that was due on the first of a month, and is unpaid on the second or thereafter, is delinquent for this purpose.

6301.8: Completion of delivery (04/12/23)

Settlement cannot occur until delivery is complete. Delivery is complete upon:

- The delivery to, and acceptance by, Freddie Mac of all loan data and other information and documentation required by the Purchase Documents. When a Seller/Servicer registers a Mortgage on the MERS® System, the Seller/Servicer must, in addition to any requirements set forth in the MERS Governing Documents, register such Mortgages with MERS *prior* to loan delivery to Freddie Mac, and must supply the MIN for Mortgages registered with MERS at the time of delivery. The Seller/Servicer must indicate the MIN on the Security Instrument and related documents, regardless of whether the Seller/Servicer retains the documents or sends them to the Document Custodian.

  For further information on MERS, refer to Exhibit 5A, Authorized Changes to Notes, Riders, Security Instruments and the Uniform Residential Loan Application.

- The delivery of the Notes and all other required documentation to, and certification of the Notes by, the Document Custodian. The Seller/Servicer must provide the Document Custodian with sufficient information so that if there is a Subsequent Transfer of Servicing, the Transferor Servicer and Freddie Mac can determine whether a Mortgage that is included in such Subsequent Transfer of Servicing is registered with MERS at the time of the transfer, as required by Section 7101.9.

Prior to certification, the Seller must identify and track the Notes and other loan documents on its system as Mortgages to be sold to Freddie Mac. In addition, Freddie Mac may require that, at the Seller's expense, the Freddie Mac loan number be affixed to the face of each Note.

In the event the Seller does not complete its Guarantor or MultiLender Swap delivery by 8:00 PM Eastern Time on the day immediately preceding the scheduled Settlement Date, Freddie Mac has the right, in its sole discretion, to cancel or postpone the settlement or funding until delivery

has been completed. For information regarding pair-off of Cash contracts, refer to Section 6401.1.

The Seller indemnifies and holds Freddie Mac, its directors, officers, employees, successors, assigns and fiscal and transfer agents, harmless from and against any and all losses, damages, claims, demands, actions, suits or liabilities, joint or several, to which Freddie Mac may become subject, and shall reimburse Freddie Mac for any legal or other expenses reasonably incurred by Freddie Mac in connection with any losses, damages, claims, demands, suits, liabilities or actions with respect to Freddie Mac's cancelation or postponement of any settlement or funding insofar as such losses, claims, damages, demands, suits, liabilities or actions arise out of or are based upon Freddie Mac's cancelation or postponement of a settlement or funding.

(a) Delivery and certification

The requirements of Sections 2202.2 and 2202.3 must be met, in addition to the following requirements:

- The Document Custodian must have received and certified, as required by Sections 6304.2 and 6304.3, the following:

  - Form 1034E, Custodial Certification Schedule, or the "Note Delivery Cover Sheet." Form 1034E and the Note Delivery Cover Sheet are available only through Loan Selling Advisor®. The Seller is not required to maintain a copy of the Form 1034E or the Note Delivery Cover Sheet.

  - For each Mortgage, the original Note, endorsed as required by Section 6301.3, along with the originals of any addenda or other modifying instruments to the Note

  - Any documentation, if applicable, indicating that the Mortgages were closed with MERS as original mortgagee of record

  - The original assignments of the Security Instruments, prepared and completed as required by Section 6301.6, unless the Mortgages are registered with MERS and the Seller/Servicer has elected to retain all required assignments in the Mortgage files

    The Seller/Servicer must supply its Document Custodian with any documentation necessary for the Document Custodian to determine if it should expect to receive assignments for MERS-registered Mortgages.

    If a recorder's office has not yet returned a recorded Intervening Assignment to the Seller/Servicer, the Seller/Servicer must deliver a certified copy of the assignment sent for recordation to the Document Custodian.

    The original recorded assignment must be delivered to the Document Custodian immediately after the Seller/Servicer receives it from the recorder's office. If a jurisdiction does not accept assignments for recordation, the Seller/Servicer must so

indicate in an affidavit delivered to the Document Custodian with the unrecorded Intervening Assignment.

- ❑ The following documents, if applicable:

  1. The original Freddie Mac Multistate Agreement to Convert, Form 3180

  2. The original assumption agreement

  3. The original addendum

  4. The original or a certified copy of the power of attorney, if original is sent for recordation

  5. The original, or a certified copy if the original is sent for recordation, of the Multistate Loan Modification Agreement (to a Fixed Interest Rate), Form 5161, or comparable modification agreement that complies with the Guide

  6. The original or a certified copy of Form 3172, New York Consolidation, Extension and Modification Agreement (NY CEMA), if original was sent for recordation. See Section 4101.5 for additional documentation delivery requirements for Mortgages originated using a NY CEMA.

  7. For a Construction Conversion Mortgage or a Renovation Mortgage that uses Modification Construction Conversion Documentation, the original, or a certified copy if the original is sent for recordation, of the Construction Conversion Modification Agreement

- ❑ Any other documentation that Freddie Mac, at its discretion, may require

- ■ Freddie Mac's Mortgage Purchase Department **(see Directory 8)** must receive the following by the Delivery Date:

  - ❑ For Pledged Mortgages: the forms required by Sections 6305.3, 6305.4 and 6305.5

  - ❑ Any other documentation that Freddie Mac, at its discretion, may require

- ■ Freddie Mac **(see Directory 9)** must have received any other documentation that Freddie Mac, at its discretion, may require

(b) Additional Seller, Servicer, and Document Custodian Responsibilities

Prior to or immediately after settlement, the Seller must enter the Freddie Mac loan numbers assigned to the Mortgages into the Seller's system and associate such numbers with the Mortgages so that Seller can identify, track and service the Mortgages for Freddie Mac. If there is a Concurrent Transfer of Servicing, the Transferee Servicer must enter the Freddie

Mac loan numbers assigned to the Mortgages by Freddie Mac into the Transferee Servicer's computerized servicing system and associate such numbers with the Mortgages so that the Transferee Servicer may identify, track and service the Mortgages for Freddie Mac.

For all Mortgages, the Seller, Servicer, and Document Custodian must comply with all requirements in the Guide and other Purchase Documents.

The Seller, Servicer, Document Custodian, and/or their successors, assigns and transferees, as applicable, are fully responsible, on an ongoing basis, for the proper delivery, certification, identification and tracking of all Notes for Mortgages sold to Freddie Mac.

6301.9: Mortgage substitutions (03/02/16)

To substitute a Mortgage for another Mortgage previously delivered to Freddie Mac for sale, as permitted or required by Freddie Mac, the Seller must submit the documents required by Section 6301.8.

Upon confirmation of Freddie Mac's acceptance of a substitute Mortgage, the Seller/Servicer may obtain the Note and related documents for the previously delivered Mortgage from the Document Custodian in accordance with Section 8107.2(c).

If Freddie Mac requires substitution for a Mortgage, the Seller will deliver a Mortgage that meets all of the requirements of the Purchase Documents and has an outstanding principal balance that enables the Seller to fulfill the contract commitment amount. The Seller can change the terms of the contract to increase the commitment amount, by executing a contract change request; Seller will be required to pay a fee, if Freddie Mac deems this necessary. The Seller will be required to pay Freddie Mac any differential between the outstanding principal balance of the Mortgage being purchased by Freddie Mac and the Mortgage for which it is being substituted.

The Seller must deliver such substitute Mortgage by the contract Due Date. If a substitute Mortgage has a different Note Rate from that of the previously delivered Mortgage, it must be within the Note Rate range established for the contract.

6301.10: Purchase and settlement procedures (02/06/19)

(a) Preparation of Form 15/A/C, Loan Purchase Statement

After reviewing the submitted Mortgages, Freddie Mac will generate Form 15/A/C, Loan Purchase Statement, which will summarize the pertinent data, and will include a computation of the amount to be funded to the Seller.

Depending on the type of purchase, Freddie Mac will generate one of the following forms:

- Loan Purchase Statement for Cash sales
- Form 15A for fixed-rate Guarantor
- Form 15C for WAC ARM Guarantor

(b) Wire transfers

Wire transfers made in connection with the purchase of Mortgages will be made only to the account of the Seller maintained with an eligible banking institution, such as a Federal Home Loan Bank, a commercial bank or a Federal Reserve Bank. The Seller may maintain an account with the Federal Reserve Bank for clearing checks only or for receiving and disbursing of wire transfers. Before instructing Freddie Mac to make a wire transfer to an account at a Federal Reserve Bank, the Seller must ensure that the account is eligible to receive direct wire transfers and the Seller must have submitted to Freddie Mac, as applicable, an approved Form 988SF, Certificate of Incumbency for a Bank, Savings Bank, Savings and Loan Association, Credit Union, Corporation or Limited Liability Company, or Form 989SF, Certificate of Incumbency for Limited Partnerships, that designates employees who are authorized to provide Freddie Mac with instructions (or to modify instructions) to transfer funds or securities on the Seller's behalf in connection with the sale of Mortgages to Freddie Mac. See Chapter 6305 regarding wire transfer instructions for the purchase by Freddie Mac of Mortgages subject to financing arrangements with Warehouse Lenders. Freddie Mac will not wire transfer funds for the credit of a Servicing Agent.

6301.11: Postsettlement purchase adjustments (03/02/16)

Generally, purchase balances cannot be adjusted after settlement because the Mortgages have been pooled for resale. After settlement and before pooling has taken place, however, it may be possible to adjust a purchase balance. If the Seller has any question regarding purchase balances before funding, the Seller should contact 800-FREDDIE immediately. Thereafter, any questions must be directed to the Seller's accounting representative at Freddie Mac **(see Directory 8)**.

Chapter 6302: Mortgage Delivery Instructions

6302.1: Organization of delivery instructions for ULDD Data Points (03/06/24)

In addition to complying with the document delivery requirements set forth in Chapter 6301, Mortgages sold to Freddie Mac must comply with the delivery requirements of this chapter.

- General data and documentation delivery requirements
- Organization of data delivery requirements
- Relationship between this chapter and Appendix A
- Other delivery instructions in this chapter
- Seller's warranties regarding accuracy of data

The following sections of this chapter describe the data that must be provided by the Seller in connection with Mortgages sold to Freddie Mac. The data delivery instructions set forth in this chapter are consistent with the data requirements for the Uniform Loan Delivery Dataset (ULDD). The technical document for implementing Freddie Mac's loan data delivery requirements for the ULDD is the Freddie Mac Implementation Guide for Loan Delivery Data ("Freddie Mac IG-LD"), which includes, among other resources:

- Appendix A, XML Data Requirements ("Appendix A"), which details the subset of loan delivery data points specified in the MISMO® Version 3.0 Reference Model ("MISMO v3.0") that is used for the ULDD
- Appendix A Addendum ("ULDD Addendum"), which sets forth corrections to the data contained in Appendix A and amends Appendix A, as published

For purposes of this chapter, references to Appendix A include the changes specified in the Appendix A Addendum.

The Freddie Mac IG-LD, Appendix A and the other technical documentation relating to implementing the ULDD are found under the Technical Resources tab on the ULDD page at: **https://sf.freddiemac.com/tools-learning/uniform-mortgage-data-program/uldd#technical-resources**. Appendix G now contains Document Versions 1-4 of the Implementation Guide for Loan Delivery Data (Phases 1 through 3) Appendix D - Freddie Mac XML Data Requirements Reference Tool.

(a) General data and documentation delivery requirements

(i) Effective dates of Mortgage data delivery requirements

For Mortgages delivered to Freddie Mac, the Seller must comply with the requirements for Mortgage data as applicable to the Application Received Dates and Delivery Dates specified in the table below:

Mortgage Data Requirements According to Mortgage Application Received Date		
Application Received Date	**Delivery Date**	**Mortgage Data Requirements**
On or after January 1, 2023	On or after May 22, 2023	The Seller must provide the applicable Mortgage data required for Phase 4a implementation specified in Appendix A on the "Phase 4a Complete" tab.
On or after March 3, 2025	On or after July 28, 2025	The Seller must provide the applicable Mortgage data required for Phase 5 implementation specified in Appendix A on the "Phase 5 Complete" tab.

(ii) Data delivered in MISMO v3.0 format

The Mortgage data must be delivered in the MISMO v3.0 format pursuant to the guidance in the Freddie Mac IG-LD.

(iii) Documentation of delivery requirements

The documentation that the Seller must deliver for all Mortgages includes the delivery of Note(s) as described in Section 6304.2 and wire transfer instructions, if applicable, as described in Sections 2201.2, 6203.8, 6204.8, 6205.8, 6305.3 and 6305.4.

(iv) Timing of delivering data and documentation

For each Mortgage sold to Freddie Mac, the Seller must deliver all Mortgage data and documentation required by this chapter and other applicable sections of the Purchase Documents prior to:

- The Purchase Contract Expiration Date for Mortgages sold under the Cash program; or
- The Final Delivery Date for Mortgages sold under the Guarantor or MultiLender Swap program

(b) Organization of data delivery requirements

The data delivery instructions set forth in this chapter are grouped by the following general topics:

- Mortgages sold under the Cash, Guarantor and MultiLender Swap programs (Sections 6302.2 through 6302.4)

- All Mortgage Products sold to Freddie Mac (Section 6302.5)

- The specific attributes of fixed-rate Mortgages and ARMs (Sections 6302.6 and 6302.7)

- The property and Borrower information that is required for each Mortgage (Sections 6302.8 through 6302.9)

- The underwriting information required for each Mortgage (Sections 6302.10 and 6302.11)

- Mortgages with specific characteristics that require singular delivery instructions (Section 6302.12 et seq.)

The data delivery instructions are presented throughout this chapter in a tabular format, and include the following information:

- The column titled "Sort ID" refers to the ID number used in Appendix A for the particular ULDD Data Point

- The column titled "ULDD Data Point" sets forth the MISMO Data Point used in Appendix A

- The column titled "Valid Value" sets forth the Freddie Mac supported enumerations specified in Appendix A that are applicable to the Mortgages described in the table. If a value must be selected for a ULDD Data Point, all permissible values are listed in the "Valid Values" column. If there are no valid values specified for a particular ULDD Data Point, the Seller should refer to the "Notes" for specific instructions on completing the "ULDD Data Point" field.

- The column titled "Notes" provides specific delivery instructions for the ULDD Data Point that are consistent with the Implementation Notes set forth in Appendix A. If there are no notes for a particular ULDD Data Point, the Seller should enter the appropriate data based on the data point name and definition.

- The column headers are followed by rows that map the listed data points to Loan Selling Advisor® graphical user interface (GUI) screen headings and tabs

The data delivery instructions are organized so that those with more general applicability (for example, eligible delivery programs and Mortgage loan product types) appear earlier in this chapter, and the instructions relating to Mortgages with special characteristics follow. The delivery instructions are cumulative, so that, for example, the Seller must provide data

regarding the specific delivery program, the particular Mortgage product, the property, loan and Borrower, as well as any special characteristics that the loan may have.

The data delivery instructions set forth in this chapter include requirements for delivery of Investor Feature Identifiers (IFIs) in connection with the sale of Mortgages to Freddie Mac, where applicable. IFIs identify a loan feature not defined by other attributes. A listing of IFIs is available in Exhibit 34, Investor Feature Identifiers.

(c) Relationship between this chapter and Appendix A

The data delivery instructions in this chapter are consistent with the data requirements set forth in Appendix A, and provide much of the same information as Appendix A. For example, the delivery instructions in this chapter provide the valid values for each of the ULDD Data Points required, together with any notes necessary to clarify the appropriate valid value; this information is similar to the columns of Appendix A titled "FRE-Supported Enumerations" and "Freddie Mac Implementation Notes."

The delivery instructions in this chapter differ from Appendix A in that they do not include, for example, cross-references to the phase-in information, and some information such as conditionality, loan role or party role type is presented in a narrative form rather than in a chart format. Additionally, the delivery information in this chapter is organized by Mortgage characteristics rather than in the ULDD Sort ID order format used in Appendix A.

For a complete description of the delivery data required for Mortgages sold to Freddie Mac, the Seller must refer to Appendix A and any published addenda.

(d) Other delivery instructions in this chapter

This chapter also provides delivery instructions relating to eligible programs and pooling information. Additionally, this chapter describes the special delivery requirements applicable to modified Mortgages.

(i) Eligible delivery programs

The sections of this chapter relating to the specific attributes of fixed-rate Mortgages and ARMs (Sections 6302.6 and 6302.7) and to Mortgages with special characteristics (Section 6302.12 et seq.) specify any limitations in the delivery programs. For purposes of these sections:

- "Cash" means the Mortgage Product or offering is eligible under fixed-rate Cash and ARM Cash

- "Guarantor" means the Mortgage Product or offering is eligible under the fixed-rate Guarantor and WAC ARM Guarantor programs

- "MultiLender Swap" means the Mortgage Product or offering is eligible under the MultiLender Swap program

If the delivery programs are not specifically limited, the Mortgage Product or offering is eligible for all delivery programs.

(ii) Pooling information

The sections of this chapter relating to Mortgages with special characteristics (Section 6302.12 et seq.) also specify any special pooling requirements applicable to the Mortgages. If no pooling requirements are specified, refer to Chapter 6202 for general pooling requirements for fixed-rate Mortgages under the fixed-rate Guarantor or MultiLender Swap programs, and for ARMs under the WAC ARM Guarantor program.

(iii) Special instructions for modified Mortgages

The sections of this chapter relating to modified Mortgages (Section 6302.27 with respect to Seller-Owned Modified Mortgages and Section 6302.28(b)(iv) with respect to Construction Conversion or Renovation Mortgages with modification agreements) describe the special delivery instructions that are required to capture information about the Mortgage, both as modified and prior to modification. For modified Mortgages, all the applicable delivery data must be delivered under the "Modification" tab of the Loan Selling Advisor GUI rather than under the "Closing" tab of the GUI; data relating to the Mortgage prior to modification must be delivered under the "Closing" tab of the GUI. Additional loan data requirements specific to modified Mortgages are set forth in Sections 6302.27 and 6302.28(b)(iv).

(e) Seller's warranties regarding accuracy of data

By delivering the required Mortgage data to Freddie Mac, the Seller warrants that the data is true, complete and accurate. Incorrect or missing loan or delivery information may result in rejection of the Mortgage(s) involved if discovered before purchase, or repurchase of the Mortgage(s) involved if discovered after purchase. Additionally, Freddie Mac may pursue all other remedies available to it under the Purchase Documents and applicable law.

6302.2: Cash program delivery instructions (08/03/20)

- General requirements
- Purchase tolerance
- Data delivery instructions

(a) General requirements

The Seller may deliver eligible fixed-rate Mortgages after taking out a Cash Contract, as described in Sections 6101.3 and 6101.4, or eligible ARMs after taking out an ARM Cash contract, as described in Section 6102.4.

For Mortgages sold under the Cash program, a contract number (ULDD Data Point "Investor Contract Identifier") will be available to a Seller immediately upon taking out a Cash Contract.

Delivery is mandatory unless the contract is a Best Efforts Contract. See Section 6101.4 for additional information regarding Best Efforts Contracts.

The Contract Commitment Amount specified on each Purchase Contract Confirmation must be at least $1,000.

(b) Purchase tolerance

The purchase tolerance for Mortgages delivered under the Cash program is equal to the Contract Commitment Amount specified in the Cash Purchase Contract, plus or minus the greater of $10,000 or 2.5% of the Contract Commitment Amount specified in the Cash Purchase Contract.

See Section 6401.1 for pairoff instructions if the delivery does not meet the Contract Commitment Amount less the purchase tolerance.

(c) Data delivery instructions

(i) Mortgages delivered under the Cash program

For Mortgages purchased by Freddie Mac under the Cash program, the Seller must deliver the following ULDD Data Points:

Data Required for Mortgages Delivered under the Cash Program			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Current			
→ Payment Information → Payment Details			
385	Loan Acquisition Scheduled UPB Amount		For fixed-rate Mortgages, enter the scheduled UPB of the Mortgage as of the Funding Date. For ARMs, enter either the scheduled or the actual UPB of the Mortgage as of the Funding Date. The scheduled UPB must include reductions for: ■ The principal due in the Funding Date month (even if not collected) and all prior months ■ The principal portion of any advanced (prepaid) installments received prior to the Funding Date ■ Any partial prepayments (curtailments) received on or before the Delivery Date
440	Last Paid Installment Due Date		For newly originated Mortgages, enter the date through which interest is scheduled to be paid. For Mortgages for which there has been an advanced (prepaid) installment of interest, enter the date through which advanced (prepaid) installments of interest have been made. The related Glossary term is DDLPI.

(ii) Mortgages with lender crediting the Borrower interest at closing

For Mortgages with respect to which the lender credits a Borrower interest at closing in an amount equal to the interest due from the first day of the month through the day before the Note Date, the Borrower's first monthly principal and interest payment is due the first day of the month immediately following the Mortgage closing. For such Mortgages, the

Seller represents and warrants that the lender credited the Borrower with interest at closing, and the Seller must deliver the following ULDD Data Point:

Data Required for Mortgages Sold under Cash when Lender Credits Borrower Interest at Closing			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Current			
→ Payment Information → Payment Details			
440	Last Paid Installment Due Date		For fixed-rate Mortgages, enter the Note Date or the first day of the month of closing. For ARMs, enter the first day of the month of closing. The related Glossary term is DDLPI.

See Exhibit 8, Delivery Balance Examples.

6302.3: Guarantor program delivery instructions (06/03/19)

- Guarantor program requirements and instructions
- Purchase tolerance
- Data delivery instructions
- Pooling requirements
- Security wire instructions
- Use of a Settlement Cycle of less than five days for Guarantor deliveries

(a) Guarantor program requirements and instructions

For Mortgages sold under the Guarantor program, a contract number (ULDD Data Point "Investor Contract Identifier") will be made available to the Seller immediately upon taking out a Guarantor contract.

In connection with each WAC ARM Guarantor Contract, the Seller must select the appropriate WAC ARM Security Product based on the characteristics of the ARMs.

(b) Purchase tolerance

For Guarantor contracts, any part of the Contract Commitment Amount specified in the Guarantor contract may be delivered, provided the minimum pool size is met.

The Seller can increase a Guarantor contract amount up to the remaining balance of the Commitment Amount plus the applicable tolerance.

(c) Data delivery instructions

(i) Mortgages sold under the Guarantor program

For Mortgages purchased by Freddie Mac under the Guarantor program, the Seller must deliver the following ULDD Data Points:

Data Required for Mortgages Sold under the Guarantor Program			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Current			
→ Payment Information → Payment Details			
385	Loan Acquisition Scheduled UPB Amount		The scheduled UPB must include reductions for: ■ The principal due in the month of settlement (even if not collected) and all prior months ■ The principal portion of any advanced (prepaid) installments received prior to the Settlement Date ■ Any partial prepayments (curtailments) received on or before the Delivery Date
440	Last Paid Installment Due Date		For newly originated Mortgages, enter the date through which interest is scheduled to be paid. For Mortgages for which there has been an advanced (prepaid) installment of interest, enter the date through which advanced (prepaid) installments of interest have been made.

Data Required for Mortgages Sold under the Guarantor Program			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			The related Glossary term is DDLPI.

(ii) Mortgages with lender crediting Borrower interest at closing

If a lender credits the Borrower interest at closing in an amount equal to the interest due from the first day of the month through the day before the Note Date, the Borrower's first monthly principal and interest payment is due the first day of the month immediately following the Mortgage closing. For such Mortgages, the Seller represents and warrants that the lender credited the Borrower with interest at closing, and the Seller must deliver the following ULDD Data Point:

Data Required for Mortgages Sold under Guarantor when Lender Credits Borrower Interest at Closing			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Current			
→ Payment Information → Payment Details			
440	Last Paid Installment Due Date		For fixed-rate Mortgages, enter the Note Date or first day of the month of closing. For ARMs, enter the first day of the month of closing. The related Glossary term is DDLPI.

See Exhibit 8, Delivery Balance Examples.

(iii) ARMs with next Interest Change Dates in the month of settlement

For ARMs, if the next Interest Change Date is during the month of settlement, the Seller must deliver the following ULDD Data Points as if the Interest Change Date had already occurred. For example, if the Seller delivers an annually adjusting ARM on February 27 for settlement on March 23, and the Interest Change Date is March 1, the Seller must enter the following values:

ULDD Data Point	Calculation Instructions
Next Rate Adjustment Effective Date	March 1 of the following year
Per Change Rate Adjustment Effective Date	March 1 of the current year

ULDD Data Point	Calculation Instructions
For Adjustment Rule Type = “First”	
Current Interest Rate Percent	The Note Rate in effect as of March 1 of the current year
Principal And Interest Payment Amount	The amount of the principal and interest (P&I) payment due as of March 1 of the current year

(iv) ARMs past the first Interest Change Date

ARMs that are past the first Interest Change Date may be delivered with ARMs that are not past the first Interest Change Date.

(d) Pooling requirements

Refer to Chapter 6202 for pooling requirements for fixed-rate Mortgages under the fixed-rate Guarantor or MultiLender Swap programs and for pooling requirements for ARMs under the WAC ARM Guarantor program.

(e) Security wire instructions

Security wire instructions are required for all pools. See Section 2201.1 for information regarding Certificate of Incumbency requirements. See Sections 6203.8 and 6204.8 for information about security wire instructions. See also Section 2403.11 for information regarding authorized Loan Selling Advisor® users and their designated user roles and completion and submission of required forms.

(f) Use of a Settlement Cycle of less than five days for Guarantor deliveries

For Mortgages delivered to Freddie Mac with a Settlement Cycle of less than five days, the Document Custodian must certify the Mortgages in Loan Selling Advisor by no later than 8:00 p.m. Eastern time on the Final Delivery Date to satisfy the requirements for completion of delivery set forth in Section 6301.8. Refer to Section 6301.8(a) for additional requirements.

6302.3: Guarantor program delivery instructions (Future effective date 01/01/25)

- Guarantor program requirements and instructions
- Purchase tolerance
- Data delivery instructions

- Pooling requirements
- Security wire instructions
- Use of a Settlement Cycle of less than five days for Guarantor deliveries

(a) Guarantor program requirements and instructions

For Mortgages sold under the Guarantor program, a contract number (ULDD Data Point "Investor Contract Identifier") will be made available to the Seller immediately upon taking out a Guarantor contract.

In connection with each WAC ARM Guarantor Contract, the Seller must select the appropriate WAC ARM Security Product based on the characteristics of the ARMs.

(b) Purchase tolerance

For Guarantor contracts, any part of the Contract Commitment Amount specified in the Guarantor contract may be delivered, provided the minimum pool size is met.

The Seller can increase a Guarantor contract amount up to the remaining balance of the Commitment Amount plus the applicable tolerance.

(c) Data delivery instructions

(i) Mortgages sold under the Guarantor program

For Mortgages purchased by Freddie Mac under the Guarantor program, the Seller must deliver the following ULDD Data Points:

Data Required for Mortgages Sold under the Guarantor Program			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Current			
→ Payment Information → Payment Details			
385	Loan Acquisition Scheduled UPB Amount		The scheduled UPB must include reductions for: ■ The principal due in the month of settlement (even if not collected) and all prior months ■ The principal portion of any advanced (prepaid) installments received prior to the Settlement Date ■ Any partial prepayments (curtailments) received on or before the Delivery Date
440	Last Paid Installment Due Date		For newly originated Mortgages, enter the date through which interest is scheduled to be paid. For Mortgages for which there has been an advanced (prepaid) installment of interest, enter the date through which advanced (prepaid) installments of interest have been made. The related Glossary term is DDLPI.
→ Product Information → Product Details			
368	Investor Feature Identifier	J99	For Mortgages sold for Green MBS, enter this value to indicate the Mortgage is secured by property with a qualifying Home Energy Rating System (HERS) score and/or ENERGY STAR certification, as described in Section 6202.3(f).

(ii)Mortgages with lender crediting Borrower interest at closing

If a lender credits the Borrower interest at closing in an amount equal to the interest due from the first day of the month through the day before the Note Date, the Borrower's first

monthly principal and interest payment is due the first day of the month immediately following the Mortgage closing. For such Mortgages, the Seller represents and warrants that the lender credited the Borrower with interest at closing, and the Seller must deliver the following ULDD Data Point:

Data Required for Mortgages Sold under Guarantor when Lender Credits Borrower Interest at Closing			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Current			
→ Payment Information → Payment Details			
440	Last Paid Installment Due Date		For fixed-rate Mortgages, enter the Note Date or first day of the month of closing. For ARMs, enter the first day of the month of closing. The related Glossary term is DDLPI.

See Exhibit 8, Delivery Balance Examples.

(iii) ARMs with next Interest Change Dates in the month of settlement

For ARMs, if the next Interest Change Date is during the month of settlement, the Seller must deliver the following ULDD Data Points as if the Interest Change Date had already occurred. For example, if the Seller delivers an annually adjusting ARM on February 27 for settlement on March 23, and the Interest Change Date is March 1, the Seller must enter the following values:

ULDD Data Point	Calculation Instructions
Next Rate Adjustment Effective Date	March 1 of the following year
Per Change Rate Adjustment Effective Date For Adjustment Rule Type = "First"	March 1 of the current year
Current Interest Rate Percent	The Note Rate in effect as of March 1 of the current year
Principal And Interest Payment Amount	The amount of the principal and interest (P&I) payment due as of March 1 of the current year

(iv)ARMs past the first Interest Change Date

ARMs that are past the first Interest Change Date may be delivered with ARMs that are not past the first Interest Change Date.

(d) Pooling requirements

Refer to Chapter 6202 for pooling requirements for fixed-rate Mortgages under the fixed-rate Guarantor or MultiLender Swap programs and for pooling requirements for ARMs under the WAC ARM Guarantor program.

(e) Security wire instructions

Security wire instructions are required for all pools. See Section 2201.1 for information regarding Certificate of Incumbency requirements. See Sections 6203.8 and 6204.8 for information about security wire instructions. See also Section 2403.11 for information regarding authorized Loan Selling Advisor® users and their designated user roles and completion and submission of required forms.

(f) Use of a Settlement Cycle of less than five days for Guarantor deliveries

For Mortgages delivered to Freddie Mac with a Settlement Cycle of less than five days, the Document Custodian must certify the Mortgages in Loan Selling Advisor by no later than 8:00 p.m. Eastern time on the Final Delivery Date to satisfy the requirements for completion of delivery set forth in Section 6301.8. Refer to Section 6301.8(a) for additional requirements.

6302.4: MultiLender Swap program delivery instructions (12/11/17)

- General requirements
- Purchase tolerance
- Data delivery instructions
- Minimum commitment amount
- Security wire instructions
- Use of a Settlement Cycle of less than five days for MultiLender Swap program

(a) General requirements

For Mortgages sold under the MultiLender Swap program, a contract number (ULDD Data Point “Investor Contract Identifier”) will be made available to the Seller immediately upon taking out a MultiLender Swap Contract. For more information, see Chapter 6205.

The Seller must complete delivery of all Mortgages on or before the Final Delivery Date as provided in the MultiLender Swap Contract.

The Contract Commitment Amount specified in the MultiLender Swap Contract must be in an amount at least equal to the minimum commitment amount specified in Section 6302.4(d).

(b) Purchase tolerance

For MultiLender Swap Contracts, any part of the Contract Commitment Amount specified in the MultiLender Swap Contract may be delivered, provided the minimum commitment amount is met. The maximum amount that Freddie Mac will purchase is the Contract Commitment Amount specified in the MultiLender Swap Contract, plus the greater of $100,000 or 5% of the Contract Commitment Amount.

The Seller can increase a MultiLender Swap Contract amount up to an amount that does not exceed the remaining balance of the Commitment Amount plus the applicable tolerance.

(c) Data delivery instructions

(i) Mortgages sold under MultiLender Swap

For Mortgages purchased by Freddie Mac under the MultiLender Swap program, the Seller must deliver the following ULDD Data Point:

Data Required for Mortgages Sold under MultiLender Swap			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Current			
→ Payment Information → Payment Details			
385	Loan Acquisition Scheduled UPB Amount		The scheduled UPB must include reductions for: ■ The principal due in the month of settlement (even if not collected) and all prior months ■ The principal portion of any advanced (prepaid) installments received prior to the Settlement Date ■ Any partial prepayments (curtailments) received on or before the Delivery Date
440	Last Paid Installment Due Date		For newly originated Mortgages, enter the date

Data Required for Mortgages Sold under MultiLender Swap			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			through which interest is scheduled to be paid. For Mortgages for which there has been an advanced (prepaid) installment of interest, enter the date through which advanced (prepaid) installments of interest have been made. The related Glossary term is DDLPI.

(ii) Mortgages with lender crediting Borrower interest at closing

If a lender credits the Borrower interest at closing in an amount equal to the interest due from the first day of the month through the day before the Note Date, the Borrower's first monthly principal and interest payment is due the first day of the month immediately following the Mortgage closing. For such Mortgages, the Seller represents and warrants that the lender credited the Borrower with interest at closing, and the Seller must deliver the following ULDD Data Point:

Data Required for Mortgages Sold under MultiLender Swap program when Lender Credits Borrower Interest at Closing			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Current			
→ Payment Information → Payment Details			
440	Last Paid Installment Due Date		For fixed-rate Mortgages, enter the Note Date or first day of the month of closing. The related Glossary term is DDLPI.

See Exhibit 8, Delivery Balance Examples.

(d) Minimum commitment amount

The minimum dollar amount for a commitment entered into under the MultiLender Swap program is $1,000.

(e) Security wire instructions

Security wire instructions are required for all MultiLender pools. See Section 2201.1 for information regarding Certificate of Incumbency requirements. See Section 6205.8 for information about security wire instructions. See also Section 2403.11 for information regarding authorized Loan Selling Advisor® users and their designated user roles and completion and submission of required forms.

(f) Use of a Settlement Cycle of less than five days for MultiLender Swap program

For Mortgages delivered to Freddie Mac with a Settlement Cycle of less than five days, the Document Custodian must certify the Mortgages in Loan Selling Advisor by no later than 8:00 p.m. Eastern time on the Final Delivery Date to satisfy the requirements for completion of delivery set forth in Section 6301.8. Refer to Section 6301.8(a) for additional requirements.

6302.5: Loan data required for all Mortgages (10/02/24)

Refer to Bulletin 2024-3, which announced revisions to certain ULDD Data Point requirements for Uniform Loan Delivery Dataset (ULDD) Phase 5. Sellers may begin delivering applicable ULDD Phase 5 data points and values prior to the mandatory effective July 28, 2025 version of this section. However, Sellers must comply with ULDD Phase 5 requirements for deliveries provided in the July 28, 2025 effective version of this section beginning on July 28, 2025 for Mortgages with Application Received Dates on or after March 3, 2025.

- General requirements
- Data delivery instructions

(a) General requirements

This section sets forth the ULDD Data Points that have general applicability for all Mortgages sold to Freddie Mac. The delivery instructions in subsequent sections of this chapter relate to the specific attributes of the Mortgage Product, the property and Borrower information, and the special features or characteristics of the Mortgage. The delivery instructions in subsequent sections are cumulative and may supplement or modify the instructions in this section. See Section 6302.1 for further information.

See Sections 6302.2 through 6302.4 for instructions for specific programs under which the Mortgage is delivered.

(b) Data delivery instructions

(i) All Mortgages

For every Mortgage sold to Freddie Mac, the Seller must deliver the following ULDD Data Points:

Loan Data Required for All Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Closing			
93	Loan Role Type[1, 2]	Subject Loan	
252	Loan State Date[1]		Enter the Note Date of the Mortgage.
253	Loan State Type[1, 2]	At Closing	
→ Product Information → Product Details			
313	Lien Priority Type	First Lien	
317/318	Mortgage Type/Mortgage Type Other Description (In Loan Selling Advisor®, this appears as "Mortgage Type.")	▪ Conventional ▪ FHA ▪ Other – Public And Indian Housing ▪ USDA Rural Housing ▪ VA	Enter "Conventional" unless the Mortgage is a government loan. The related Glossary term for "Conventional" is Home Mortgage. The related Glossary term for "USDA Rural Housing" is Section 502 GRH Mortgage.
215	Interest Calculation Type	Simple	
214	Interest Calculation Period Type	Month	
270	Payment Frequency Type	Monthly	
226	Balloon Indicator	False	
238	Loan Affordable Indicator	▪ false ▪ true	Enter "false" unless the Mortgage is a Home Possible Mortgage.
138	Loan Amortization Type[2]	▪ Adjustable Rate ▪ Fixed	
137	Loan Amortization Period Type	Month	
136	Loan Amortization Period Count		

Loan Data Required for All Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
→Note Information			
→→Note Details			
320	Note Date		Enter the original Note Date.
319	Note Amount[2]		
321	Note Rate Percent		Enter the original interest rate as indicated on the Note.
194	Borrower Paid Discount Points Total Amount		Enter the dollar amount of all discount points that were paid by the Borrower.
272	Scheduled First Payment Date		
268	Initial Principal And Interest Payment Amount		
258	Loan Maturity Period Type	Month	
256	Loan Maturity Date		
257	Loan Maturity Period Count		
→→Temporary Buydown Details			
228	Buydown Temporary Subsidy Indicator	▪ false ▪ true	Enter "false" unless the Mortgage has a temporary subsidy buydown.
→→Conversion Option Details			
232	Convertible Indicator	▪ false ▪ true	Enter "false" unless the Mortgage has, or ever had, a conversion option.
→→Assumability Details			
225	Assumability Indicator	▪ false ▪ true	Enter "false" unless the Mortgage is assumable as of the Note Date.
→→Prepayment Penalty Details			
240	Prepayment Penalty Indicator	false	Freddie Mac considers a Mortgage to be a Prepayment Penalty Mortgage if it is currently subject to, or has ever been subject to, a penalty for prepayments of principal. Enter "false" unless the Mortgage has, or ever had, a prepayment penalty provision.
→→Interest Only Details			

Loan Data Required for All Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
237	Interest Only Indicator	False	
→Origination Information			
→→ Origination Details			
224	Application Received Date		Enter the date on which receipt of the Borrower's financial information first triggers the federal Truth-in-Lending disclosure requirements to the Borrower in connection with the Mortgage.
311	Price Lock Datetime		Enter the value that corresponds with the Rate Set Date used in determining Sort ID 208-HMDARateSpreadPercent in accordance with the 2015 HMDA Final Rule. Only the date is required; the time will be ignored.
227	Borrower Count		Enter the total number of Borrowers on the Note (can be more than five).
229	Capitalized Loan Indicator	▪ false ▪ true	Enter "false" unless the capitalized balance was added to the unpaid principal balance (UPB) of the Note prior to delivery.
234	Escrow Indicator	▪ false ▪ true	Enter "false" unless there is an Escrow associated with this Mortgage.
207	HMDA HOEPA Loan Status Indicator	false	Required even if the Seller is not covered by HMDA.
208	HMDA Rate Spread Percent		Enter the spread (difference) between the annual percentage rate (APR) on the Mortgage and the Average Prime Offer Rate (APOR). Do not enter the APR, APOR or *Note Rate*. Freddie Mac will not accept any value that is less than 1.5%.

Loan Data Required for All Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			The rate spread should be calculated consistent with the methodology provided in HMDA (Regulation C) and the requirements for determining Higher Priced Mortgage Loans (Regulation Z). For Mortgages with a rate spread reported under HMDA, a Seller should deliver to Freddie Mac the same rate spread reported under HMDA.
→→ Funds Needed to Close Details			
172	Down Payment Amount		If available, enter Down Payment data. The Down Payment amount is the difference between the purchase price and the original UPB of the Mortgage (excluding any financed mortgage insurance premium amounts). See ULDD Appendix A – Freddie Mac XML Data Requirements for specific mapping of ULAD enumerations to the valid values of ULDD Data Points *Down Payment Source Type* and *Down Payment Type*. For Mortgages originated with gifts and grants from the Seller as the originating lender, enter the valid value of "Originating Lender" for ULDD Data Point *Down Payment Source Type* and "Other Type of Down
173/174	Down Payment Source Type/Down Payment Source Type Other Description (In Loan Selling Advisor®, this appears as "Down Payment Source Type.")	• Borrower • Community Non Profit • Employer • Federal Agency • Local Agency • Relative • Religious Non Profit • State Agency • Originating Lender • Other - Aggregated Remaining Source Types • Other - FHLB Affordable Housing Program • Other - USDA Rural Housing	

175/176	Down Payment Type/Down Payment Type Other Description (In Loan Selling Advisor, this appears as "Down Payment Type.")	• Bridge Loan • Cash On Hand • Checking Savings • Equity On Sold Property • Equity On Subject Property • Forgivable Secured Loan • Gift Funds • Life Insurance Cash Value • Lot Equity • Rent With Option To Purchase • Sale Of Chattel • Secured Borrowed Funds • Stocks And Bonds • Sweat Equity • Trade Equity • Trust Funds • Unsecured Borrowed Funds • Other Type Of Down Payment - Aggregated Remaining Types • Other Type Of Down Payment - Grant • Other Type Of Down Payment -	Payment – Grant" for ULDD Data Point *Down Payment Type Other Description*. Enter "Originating Lender" for all lender sources. Enter Down Payment ULDD Data points as follows: 1. Sort all Down Payment amounts by "Down Payment Source Type" (source) and "Down Payment Type" (type) combinations. 2. Sum together amounts from like source – type pairs 3. After summing: a. If there are 4 or fewer source – type pairs, enter the values for each "Down Payment Amount" (amount) source and type combination. b. If there are more than 4 source – type pairs, use the following prioritization for the first 3 values: ▪ Enter in descending order the amount, source and type for pairs with "Down Payment Source Type – Borrower." ▪ Enter in descending order the amount, source and type for any remaining source – type pairs, up to a total of three. c. Sum the amounts for any remaining source – type pairs and enter this as the

Loan Data Required for All Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
		Secondary Financing • Closed End • Other Type Of Down Payment - Secondary Financing HELOC	fourth value for "Down Payment Amount." Enter "Other - Aggregated Remaining Source Types" as the fourth "Down Payment Source Type" value. Enter "Other - Aggregated Remaining Types" as the fourth "Down Payment Type" value.
151	Closing Cost Contribution Amount		If available, enter Closing Cost data.

152/153	Closing Cost Funds Type/Closing Cost Funds Type Other Description (In Loan Selling Advisor, this appears as "Closing Cost Funds Type.")	• Bridge Loan • Cash On Hand • Checking Savings • Contribution • Credit Card • Equity On Sold Property • Equity On Subject Property • Forgivable Secured Loan • Gift Funds • Grant • Life Insurance Cash Value • Lot Equity • Premium Funds • Rent With Option To Purchase • Retirement Funds • Sale Of Chattel • Secured Loan • Stocks And Bonds • Sweat Equity • Trade Equity • Trust Funds • Unsecured Borrowed Funds • Other - Aggregated Remaining Types • Other - Secondary Financing Closed End	For Mortgages originated with lender credit, enter the valid value of "Premium Funds" for ULDD Data Point, *Closing Cost Funds Type*, and "Lender" for ULDD Data Point, *Closing Cost Source Type*. Enter Closing Cost ULDD Data Points as follows: 1. Sort all Closing Cost contributions by "Closing Cost Funds Type" (type) and "Closing Cost Source Type" (source). 2. Sum together amounts from like type – source pairs. 3. After summing: a. If there are 4 or fewer type – source pairs, enter the values for each "Closing Cost Contribution Amount" (amount), type and source combination. b. If there are more than 4 type – source pairs, use the following prioritization for the first 3 values: • Enter in descending order the amount, type, and source for pairs with "Closing Cost Source Type" = "Borrower." • Enter in descending order the amount, type and source for any

Loan Data Required for All Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
		• Other - Secondary Financing HELOC	remaining pairs, up to a total of three. c. Sum the amounts for any remaining type – source pairs and enter this as the fourth value for "Closing Cost Contribution Amount." Enter "Other-Aggregated Remaining Types" as the fourth "Closing Cost Funds Type" value. Enter "Other-Aggregated Remaining Source Types" as the fourth "Closing Cost Source Type" value.
154/155	Closing Cost Source Type/Closing Cost Source Type Other Description (In Loan Selling Advisor, this appears as "Closing Cost Source Type.")	▪ Borrower ▪ Community Non Profit ▪ Employer ▪ Federal Agency ▪ Lender ▪ Local Agency ▪ Property Seller ▪ Relative ▪ Religious Non Profit ▪ State Agency ▪ Other – Aggregated Remaining Source Types ▪ Other – FHLB Affordable Housing Program ▪ Other – USDA Rural Housing	
→Underwriting / Credit Information			
→→Loan Details			
315	Loan Purpose Type	▪ Purchase ▪ Refinance	Enter "Purchase" for purchase transaction Mortgages.
195	Purchase Price Amount		For purchase transaction Mortgages, enter the purchase price of the property, net of any adjustments made for sales concessions. Not required for refinance transaction Mortgages.
241	Relocation Loan Indicator	▪ false ▪ true	Enter "false" unless the Mortgage is a fixed-rate

Loan Data Required for All Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			Mortgage that complies with Section 6202.3.
243	Shared Equity Indicator	▪ false ▪ true	Enter "false" unless the Mortgage is a shared equity Mortgage that meets the requirements of Section 4204.5.
→→Construction Details			
231	Construction Loan Indicator	▪ false ▪ true	Enter "false" unless the Mortgage is a Construction Conversion or Renovation Mortgage.
→→Underwriting Details			
328	Loan Manual Underwriting Indicator	▪ false ▪ true	Enter "false" unless the loan underwriting decision is based on manual underwriting and not the recommendation from an automated underwriting system.
→→Additional Underwriting Details			
291	Total Monthly Income Amount		Enter the aggregate of ULDD Data Point *Borrower Qualifying Income Amount* (Sort ID 573) for all Borrowers. Round to the nearest dollar.
287	Borrower Reserves Monthly Payment Count		Enter the total number of monthly payments available from all Borrowers' reserves, as described in Sections 5501.2 and 5501.3.
244	Total Mortgaged Properties Count		Enter the total number of financed one- to four-unit properties that any of the Borrowers are obligated on. Do not include commercial properties or timeshares. The subject property is included in the property count.

Loan Data Required for All Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
292	Total Monthly Proposed Housing Expense Amount		Enter the sum of the monthly charges on the Borrowers' Primary Residences as described in Section 5401.1 for all Borrowers. Round to the nearest dollar. For *ARMs*, enter the monthly housing expense calculated using the Mortgage payment the Borrower is making at the time the Seller delivers the Mortgage. Round to the nearest dollar. For second home or Investment Property Mortgages, do not include the housing expense of the subject property.
290	Total Liabilities Monthly Payment Amount		Enter the monthly debt payment as defined in Section 5401.2. Round to the nearest dollar. For *ARMs*, enter the monthly debt payment calculated using the monthly housing expense determined using the Mortgage payment the Borrower is making at the time the Seller delivers the Mortgage. Round to the nearest dollar.
→→Delivered LTV Values			
254	Base LTV Ratio Percent		If there is no financed mortgage insurance, "Base LTV Ratio Percent" equals "LTV Ratio Percent." See Section 4701.2(a).
255	LTV Ratio Percent		Enter the LTV Ratio calculated in accordance with Section 4203.2.
LOAN – Current			
352	Loan Role Type[1, 2]	Subject Loan	

Loan Data Required for All Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
405	Loan State Date[1]		Enter the date the data is retrieved from the lender's delivery system.
406	Loan State Type[1, 2]	Current	
→Product Information			
→→Modification Details			
397	Mortgage Modification Indicator	▪ false ▪ true	Enter "false" unless the Mortgage is a Seller-Owned Modified Mortgage or a Construction Conversion or Renovation Mortgage with Modification Documentation.
→→Product Details			
403.1/403.2	Loan Identifier (in Loan Selling Advisor this appears as "Universal Loan Identifier")		Enter the Universal Loan Identifier, if available.
401	MERS MIN Identifier		Enter if the Mortgage is registered with MERS®.
402	Seller Loan Identifier[2]		Enter the seller loan identifier, and not the Freddie Mac loan number.
378	Investor Ownership Percent	100	Value must always be "100."
→Payment Information →Payment Details			
385	Loan Acquisition Scheduled UPB Amount		Enter value as required in Sections 6302.2, 6302.3 and 6302.4.
440	Last Paid Installment Due Date		Enter value as required in Sections 6302.2, 6302.3 and 6302.4. The related Glossary term is DDLPI.
442	UPB Amount[3] (In Loan Selling Advisor, this appears as "Current UPB Amount.")		Enter the actual balance of the Mortgage as of the last paid installment.
452	Delinquent Payments Over Past Twelve Months Count		The related Glossary term is Delinquency.
TOTAL LOANS			

Loan Data Required for All Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
→ Additional LTV Details → Delivered LTV Values			
91	Combined LTV Ratio Percent		Enter the total loan-to-value (TLTV) ratio calculated in accordance with Section 4203.2.
PARTY			
→ Party Information → Loan Originator Details			
628	Party Role Type[1]	Loan Origination Company	
627	Party Role Identifier (In Loan Selling Advisor, this appears as "Loan Origination Company Identifier.")		Enter the loan origination company's unique identifier as assigned by the Nationwide Mortgage Licensing System (NMLS) and Registry.
637	Party Role Type[1]	Loan Originator	
634	Party Role Identifier (In Loan Selling Advisor, this appears as "Loan Originator Identifier.")		Either: ■ Enter the loan officer's unique identifier as assigned by the Nationwide Mortgage Licensing System and Registry; or ■ If a loan officer is exempt from obtaining or is not required to obtain a loan originator identifier through the NMLS, enter "1000"
635	Loan Originator Type	▪ Broker ▪ Correspondent ▪ Lender	See Glossary terms for Mortgage Broker and Correspondent and select applicable value. For Retail Mortgages, select "Lender."
PARTY			
→ Party Information → Warehouse Lender Details			
398.1	Warehouse Lender Indicator[4]	▪ false ▪ true	Enter "false" unless the Mortgage was a Pledged Mortgage subject to a warehouse financing arrangement at delivery.

[1] This data point name does not appear as a Loan Selling Advisor input field, but instead is reflected in a screen heading or tab.

[2] This data point must be populated to save the file in Loan Selling Advisor.

[3] The UPB amount on the loan is the actual balance of the Mortgage as of the last paid installment.

[4] This data point was made available in Loan Selling Advisor beginning June 5, 2017. See Bulletin 2017-2.

See Section 6302.10 for Loan Product Advisor® Mortgages and Section 6302.11 for Non-Loan Product Advisor Mortgages.

(ii) Mortgages with electronic documentation

(A) Data delivery requirements for eMortgages

For eMortgages, the Seller must deliver the following ULDD Data Points:

Data Required for eMortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Closing			
→ Note Information →Note Details			
233	ENote Indicator	true	Enter "true" for eMortgages, as described in Chapter 1402.
LOAN – Current			
→ Product Information → Product Details			
401	*MERS MIN Identifier*		*Required for all eMortgages*

(B) Data delivery requirements for loans closed with Remote Online Notarization

For Mortgages with Remote Online Notarization, the Seller must deliver the following ULDD Data Points:

Data Required for Mortgages with Remote Online Notarization			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Current			
→ Product Information → Product Details			
368	Investor Feature Identifier	J22	Enter this value for Mortgages with Remote Online Notarization, as described in Section 1401.16.

(iii) Mortgages closed with Remote Ink Notarization

For Mortgages closed with Remote Ink Notarization, the Seller must deliver the following ULDD Data Points:

Data Required for Mortgages closed with Remote Ink Notarization			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Current			
→ Product Information → Product Details			
368	Investor Feature Identifier	J95	Enter this value for Mortgages with Remote Ink Notarization, as described in Section 1401.24.

6302.5: Loan data required for all Mortgages (Future effective date 07/28/25)

- General requirements
- Data delivery instructions

(a) General requirements

This section sets forth the ULDD Data Points that have general applicability for all Mortgages sold to Freddie Mac. The delivery instructions in subsequent sections of this chapter relate to the specific attributes of the Mortgage Product, the property and Borrower information, and the special features or characteristics of the Mortgage. The delivery instructions in subsequent sections are cumulative and may supplement or modify the instructions in this section. See Section 6302.1 for further information.

See Sections 6302.2 through 6302.4 for instructions for specific programs under which the Mortgage is delivered.

(b) Data delivery instructions

(i) All Mortgages

For every Mortgage sold to Freddie Mac, the Seller must deliver the following ULDD Data Points:

Loan Data Required for All Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Closing			
93	Loan Role Type[1, 2]	Subject Loan	
252	Loan State Date[1]		Enter the Note Date of the Mortgage.
253	Loan State Type[1, 2]	At Closing	
→ Product Information → Product Details			
313	Lien Priority Type	First Lien	
317/318	Mortgage Type/Mortgage Type Other Description (In Loan Selling Advisor®, this appears as "Mortgage Type.")	▪ Conventional ▪ FHA ▪ Other – Public And Indian Housing ▪ USDA Rural Housing ▪ VA	Enter "Conventional" unless the Mortgage is a government loan. The related Glossary term for "Conventional" is Home Mortgage. The related Glossary term for "USDA Rural Housing" is Section 502 GRH Mortgage.
215	Interest Calculation Type	Simple	
214	Interest Calculation Period Type	Month	
270	Payment Frequency Type	Monthly	
226	Balloon Indicator	False	
238	Loan Affordable Indicator	▪ false ▪ true	Enter "false" unless the Mortgage is a Home Possible Mortgage.
138	Loan Amortization Type[2]	▪ Adjustable Rate ▪ Fixed	
137	Loan Amortization Period Type	Month	
136	Loan Amortization Period Count		
→Note Information			
→→Note Details			
320	Note Date		Enter the original Note Date.
319	Note Amount[2]		

Loan Data Required for All Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
321	Note Rate Percent		Enter the original interest rate as indicated on the Note.
194	Borrower Paid Discount Points Total Amount		Enter the dollar amount of all discount points that were paid by the Borrower.
272	Scheduled First Payment Date		
268	Initial Principal And Interest Payment Amount		
258	Loan Maturity Period Type	Month	
256	Loan Maturity Date		
257	Loan Maturity Period Count		
→→Temporary Buydown Details			
228	Buydown Temporary Subsidy Indicator	▪ false ▪ true	Enter "false" unless the Mortgage has a temporary subsidy buydown.
→→Conversion Option Details			
232	Convertible Indicator	▪ false ▪ true	Enter "false" unless the Mortgage has, or ever had, a conversion option.
→→Assumability Details			
225	Assumability Indicator	▪ false ▪ true	Enter "false" unless the Mortgage is assumable as of the Note Date.
→→Prepayment Penalty Details			
240	Prepayment Penalty Indicator	false	Freddie Mac considers a Mortgage to be a Prepayment Penalty Mortgage if it is currently subject to, or has ever been subject to, a penalty for prepayments of principal. Enter "false" unless the Mortgage has, or ever had, a prepayment penalty provision.
→→Interest Only Details			
237	Interest Only Indicator	False	

Loan Data Required for All Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
→Origination Information			
→→ Origination Details			
224	Application Received Date		Enter the date on which receipt of the Borrower's financial information first triggers the federal Truth-in-Lending disclosure requirements to the Borrower in connection with the Mortgage.
311	Price Lock Datetime		Enter the value that corresponds with the Rate Set Date used in determining Sort ID 208-HMDARateSpreadPercent in accordance with the 2015 HMDA Final Rule. Only the date is required; the time will be ignored.
227	Borrower Count		Enter the total number of Borrowers on the Note (can be more than five).
229	Capitalized Loan Indicator	▪ false ▪ true	Enter "false" unless the capitalized balance was added to the unpaid principal balance (UPB) of the Note prior to delivery.
234	Escrow Indicator	▪ false ▪ true	Enter "false" unless there is an Escrow associated with this Mortgage.
207	HMDA HOEPA Loan Status Indicator	false	Required even if the Seller is not covered by HMDA.
208	HMDA Rate Spread Percent		Enter the spread (difference) between the annual percentage rate (APR) on the Mortgage and the Average Prime Offer Rate (APOR). Do not enter the APR, APOR or *Note Rate*. The rate spread should be calculated consistent with the methodology provided in HMDA (Regulation C) and the

Loan Data Required for All Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			requirements for determining Higher Priced Mortgage Loans (Regulation Z). For Mortgages with a rate spread reported under HMDA, a Seller should deliver to Freddie Mac the same rate spread reported under HMDA.
→→ Funds Needed to Close Details			
172	Down Payment Amount		If available, enter Down Payment data. The Down Payment amount is the difference between the purchase price and the original UPB of the Mortgage (excluding any financed mortgage insurance premium amounts). See ULDD Appendix A – Freddie Mac XML Data Requirements for specific mapping of ULAD enumerations to the valid values of ULDD Data Points *Down Payment Source Type* and *Down Payment Type*. For Mortgages originated with gifts and grants from the Seller as the originating lender, enter the valid value of "Originating Lender" for ULDD Data Point *Down Payment Source Type* and "Other Type of Down
173/174	Down Payment Source Type/Down Payment Source Type Other Description (In Loan Selling Advisor®, this appears as "Down Payment Source Type.")	• Borrower • Community Non Profit • Employer • Federal Agency • Local Agency • Relative • Religious Non Profit • State Agency • Originating Lender • Other - Aggregated Remaining Source Types • Other - FHLB Affordable Housing Program • Other - USDA Rural Housing	

175/176	Down Payment Type/Down Payment Type Other Description (In Loan Selling Advisor, this appears as "Down Payment Type.")	• Bridge Loan • Cash On Hand • Checking Savings • Equity On Sold Property • Equity On Subject Property • Forgivable Secured Loan • Gift Funds • Life Insurance Cash Value • Lot Equity • Rent With Option To Purchase • Sale Of Chattel • Secured Borrowed Funds • Stocks And Bonds • Sweat Equity • Trade Equity • Trust Funds • Unsecured Borrowed Funds • Other Type Of Down Payment - Aggregated Remaining Types • Other Type Of Down Payment - Grant • Other Type Of Down Payment -	Payment – Grant" for ULDD Data Point *Down Payment Type Other Description*. Enter "Originating Lender" for all lender sources. Enter Down Payment ULDD Data Points as follows: 1. Sort all Down Payment amounts by "Down Payment Source Type" (source) and "Down Payment Type" (type) combinations. 2. Sum together amounts from like source – type pairs 3. After summing: a. If there are 4 or fewer source – type pairs, enter the values for each "Down Payment Amount" (amount) source and type combination. b. If there are more than 4 source – type pairs, use the following prioritization for the first 3 values: ▪ Enter in descending order the amount, source and type for pairs with "Down Payment Source Type – Borrower." ▪ Enter in descending order the amount, source and type for any remaining source – type pairs, up to a total of three. c. Sum the amounts for any remaining source – type pairs and enter this as the

Loan Data Required for All Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
		Secondary Financing • Closed End • Other Type Of Down Payment - Secondary Financing HELOC	fourth value for "Down Payment Amount." Enter "Other - Aggregated Remaining Source Types" as the fourth "Down Payment Source Type" value. Enter "Other - Aggregated Remaining Types" as the fourth "Down Payment Type" value.
151	Closing Cost Contribution Amount		If available, enter Closing Cost data.

152/153	Closing Cost Funds Type/Closing Cost Funds Type Other Description (In Loan Selling Advisor, this appears as "Closing Cost Funds Type.")	• Bridge Loan • Cash On Hand • Checking Savings • Contribution • Credit Card • Equity On Sold Property • Equity On Subject Property • Forgivable Secured Loan • Gift Funds • Grant • Life Insurance Cash Value • Lot Equity • Premium Funds • Rent With Option To Purchase • Retirement Funds • Sale Of Chattel • Secured Loan • Stocks And Bonds • Sweat Equity • Trade Equity • Trust Funds • Unsecured Borrowed Funds • Other - Aggregated Remaining Types • Other - Secondary Financing Closed End	For Mortgages originated with lender credit, enter the valid value of "Premium Funds" for ULDD Data Point, *Closing Cost Funds Type*, and "Lender" for ULDD Data Point, *Closing Cost Source Type*. Enter Closing Cost ULDD Data Points as follows: 4. Sort all Closing Cost contributions by "Closing Cost Funds Type" (type) and "Closing Cost Source Type" (source). 5. Sum together amounts from like type – source pairs. 6. After summing: a. If there are 4 or fewer type – source pairs, enter the values for each "Closing Cost Contribution Amount" (amount), type and source combination. b. If there are more than 4 type – source pairs, use the following prioritization for the first 3 values: • Enter in descending order the amount, type, and source for pairs with "Closing Cost Source Type" = "Borrower." • Enter in descending order the amount, type and source for any

Loan Data Required for All Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
		• Other - Secondary Financing HELOC	remaining pairs, up to a total of three. c. Sum the amounts for any remaining type – source pairs and enter this as the fourth value for "Closing Cost Contribution Amount." Enter "Other-Aggregated Remaining Types" as the fourth "Closing Cost Funds Type" value. Enter "Other-Aggregated Remaining Source Types" as the fourth "Closing Cost Source Type" value.
154/155	Closing Cost Source Type/Closing Cost Source Type Other Description (In Loan Selling Advisor, this appears as "Closing Cost Source Type.")	▪ Borrower ▪ Community Non Profit ▪ Employer ▪ Federal Agency ▪ Lender ▪ Local Agency ▪ Property Seller ▪ Relative ▪ Religious Non Profit ▪ State Agency ▪ Other – Aggregated Remaining Source Types ▪ Other – FHLB Affordable Housing Program ▪ Other – USDA Rural Housing	
→Underwriting / Credit Information			
→→Loan Details			
315	Loan Purpose Type	▪ Purchase ▪ Refinance	Enter "Purchase" for purchase transaction Mortgages.
195	Purchase Price Amount		For purchase transaction Mortgages, enter the purchase price of the property, net of any adjustments made for sales concessions. Not required for refinance transaction Mortgages.
241	Relocation Loan Indicator	▪ false ▪ true	Enter "false" unless the Mortgage is a fixed-rate

Loan Data Required for All Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			Mortgage that complies with Section 6202.3.
243	Shared Equity Indicator	▪ false ▪ true	Enter "false" unless the Mortgage is a shared equity Mortgage that meets the requirements of Section 4204.5.
→→Construction Details			
231	Construction Loan Indicator	▪ false ▪ true	Enter "false" unless the Mortgage is a Construction Conversion or Renovation Mortgage.
→→Underwriting Details			
328	Loan Manual Underwriting Indicator	▪ false ▪ true	Enter "false" unless the loan underwriting decision is based on manual underwriting and not the recommendation from an automated underwriting system.
→→Additional Underwriting Details			
291	Total Monthly Income Amount		Enter the aggregate of ULDD Data Point *Borrower Qualifying Income Amount* (Sort ID 573) for all Borrowers. Round to the nearest dollar.
287	Borrower Reserves Monthly Payment Count		Enter the total number of monthly payments available from all Borrowers' reserves, as described in Sections 5501.2 and 5501.3.
244	Total Mortgaged Properties Count		Enter the total number of financed one- to four-unit properties that any of the Borrowers are obligated on. Do not include commercial properties or timeshares. The subject property is included in the property count.

Loan Data Required for All Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
292	Total Monthly Proposed Housing Expense Amount		Enter the sum of the monthly charges on the Borrowers' Primary Residences as described in Section 5401.1 for all Borrowers. Round to the nearest dollar. For *ARMs*, enter the monthly housing expense calculated using the Mortgage payment the Borrower is making at the time the Seller delivers the Mortgage. Round to the nearest dollar. For second home or Investment Property Mortgages, do not include the housing expense of the subject property.
290	Total Liabilities Monthly Payment Amount		Enter the monthly debt payment as defined in Section 5401.2. Round to the nearest dollar. For *ARMs*, enter the monthly debt payment calculated using the monthly housing expense determined using the Mortgage payment the Borrower is making at the time the Seller delivers the Mortgage. Round to the nearest dollar.
→→Delivered LTV Values			
254	Base LTV Ratio Percent		If there is no financed mortgage insurance, "Base LTV Ratio Percent" equals "LTV Ratio Percent." See Section 4701.2(a).
255	LTV Ratio Percent		Enter the LTV Ratio calculated in accordance with Section 4203.2.
LOAN – Current			
352	Loan Role Type[1, 2]	Subject Loan	

Loan Data Required for All Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
405	Loan State Date[1]		Enter the date the data is retrieved from the lender's delivery system.
406	Loan State Type[1, 2]	Current	
→Product Information			
→→Modification Details			
397	Mortgage Modification Indicator	▪ false ▪ true	Enter "false" unless the Mortgage is a Seller-Owned Modified Mortgage or a Construction Conversion or Renovation Mortgage with Modification Documentation.
→→Product Details			
403.1/403.2	Loan Identifier (in Loan Selling Advisor this appears as "Universal Loan Identifier")		Enter the Universal Loan Identifier, if available.
401	MERS MIN Identifier		Enter if the Mortgage is registered with MERS®.
408.1/408.2	MERS Registration Status Type/MERS Registration Status Type Other Description (In Loan Selling Advisor, this appears as "MERS Registration Status Type")	▪ Active ▪ Other – Not Registered On MERS System	Enter "Active" if the loan registration status is currently active on the MERS System. Enter "Other - Not Registered On MERS System" if the loan registration status is not active or not registered on the MERS System.
402	Seller Loan Identifier[2]		Enter the seller loan identifier, and not the Freddie Mac loan number.
398.2	Remote Online Notarization Indicator	▪ false ▪ true	Enter "true" for Mortgages with remote online notarization, as described in Section 1401.16.
378	Investor Ownership Percent	100	Value must always be "100."
→Payment Information →Payment Details			
385	Loan Acquisition Scheduled UPB Amount		Enter value as required in Sections 6302.2, 6302.3 and 6302.4.

Loan Data Required for All Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
440	Last Paid Installment Due Date		Enter value as required in Sections 6302.2, 6302.3 and 6302.4. The related Glossary term is DDLPI.
442	UPB Amount[3] (In Loan Selling Advisor, this appears as "Current UPB Amount.")		Enter the actual balance of the Mortgage as of the last paid installment.
452	Delinquent Payments Over Past Twelve Months Count		The related Glossary term is Delinquency.
TOTAL LOANS			
→ Additional LTV Details → Delivered LTV Values			
91	Combined LTV Ratio Percent		Enter the total loan-to-value (TLTV) ratio calculated in accordance with Section 4203.2.
PARTY			
→ Party Information → Loan Originator Details			
628	Party Role Type[1]	Loan Origination Company	
627	Party Role Identifier (In Loan Selling Advisor, this appears as "Loan Origination Company Identifier.")		Enter the loan origination company's unique identifier as assigned by the Nationwide Mortgage Licensing System (NMLS) and Registry.
637	Party Role Type[1]	Loan Originator	
634	Party Role Identifier (In Loan Selling Advisor, this appears as "Loan Originator Identifier.")		Either: ■ Enter the loan officer's unique identifier as assigned by the Nationwide Mortgage Licensing System and Registry; or ■ If a loan officer is exempt from obtaining or is not required to obtain a loan

Loan Data Required for All Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			originator identifier through the NMLS, enter "1000"
635	Loan Originator Type	▪ Broker ▪ Correspondent ▪ Lender	See Glossary terms for Mortgage Broker and Correspondent and select applicable value. For Retail Mortgages, select "Lender."
PARTY			
→ Party Information → Warehouse Lender Details			
398.1	Warehouse Lender Indicator[4]	▪ false ▪ true	Enter "false" unless the Mortgage was a Pledged Mortgage subject to a warehouse financing arrangement at delivery.

[1] This data point name does not appear as a Loan Selling Advisor input field, but instead is reflected in a screen heading or tab.

[2] This data point must be populated to save the file in Loan Selling Advisor.

[3] The UPB amount on the loan is the actual balance of the Mortgage as of the last paid installment.

[4] This data point was made available in Loan Selling Advisor beginning June 5, 2017. See Bulletin 2017-2.

See Section 6302.10 for Loan Product Advisor® Mortgages and Section 6302.11 for Non-Loan Product Advisor Mortgages.

(ii) Mortgages with electronic documentation

For eMortgages, the Seller must deliver the following ULDD Data Points:

Data Required for eMortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Closing			
→ Note Information →Note Details			
233	ENote Indicator	true	Enter "true" for eMortgages, as described in Chapter 1402.
LOAN – Current			
→ Product Information → Product Details			
401	*MERS MIN Identifier*		*Required for all eMortgages*

(iii) Mortgages closed with Remote Ink Notarization

For Mortgages closed with Remote Ink Notarization, the Seller must deliver the following ULDD Data Points:

Data Required for Mortgages closed with Remote Ink Notarization			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Current			
→ Product Information → Product Details			
368	Investor Feature Identifier	J95	Enter this value for Mortgages with Remote Ink Notarization, as described in Section 1401.24.

6302.6: Loan data required for fixed-rate Mortgages (06/03/19)

- General requirements
- Data delivery instructions
- Delivery programs
- Pooling requirements for UMBS®, MBS and Supers®

(a) General requirements

Refer to Exhibit 17S, Available Mortgage Products, for more information about eligibility requirements for fixed-rate Mortgages sold under fixed-rate Cash, the fixed-rate Guarantor program or the MultiLender Swap program.

(b) Data delivery instructions

For conventional fixed-rate Mortgages, the Seller must deliver the following ULDD Data Point:

Loan Data Required for All Fixed-Rate Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Closing			
→ Product Information →Product Details			
138	*Loan Amortization Type*[1]	*Fixed*	*Enter "Fixed" for a fixed-rate Mortgage.*

[1] This data point must be populated to save the file in Loan Selling Advisor®.

See Section 6302.26(b) for instructions for delivering data for Mortgages sold through Cash-Released XChange® under fixed-rate Cash.

(c) Delivery programs

10-, 15-, 20- and 30-year fixed-rate Mortgages may be sold only under the following:

- Fixed-rate Cash
- Fixed-rate Guarantor
- MultiLender Swap

(d) Pooling requirements for UMBS, MBS and Supers

Refer to Chapter 6202 for general pooling requirements for fixed-rate Mortgages sold under the fixed-rate Guarantor or MultiLender Swap programs.

6302.7: Loan data required for ARMs (10/01/21)

- General requirements
- Data delivery instructions
- Delivery programs
- Additional requirements for WAC ARM Guarantor Contracts
- Pooling requirements for WAC ARM PCs

(a) General requirements

Refer to Chapter 4401 for special eligibility requirements for ARMs.

Refer to Exhibit 17S, Available Mortgage Products, for more information about eligibility requirements for ARM products sold under ARM Cash and the WAC ARM Guarantor program.

(b) Data delivery instructions

For ARMs, the Seller must deliver the following ULDD Data Points:

Loan Data Required for ARMs			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Closing			
→Product Information → Product Details			
138	*Loan Amortization Type*[2]	*Adjustable Rate*	*Enter "Adjustable Rate" for an ARM.*
→Note Information			
→→ Note Details			
321	*Note Rate Percent*		
272	*Scheduled First Payment Due Date*		*Must occur on the first day of the month.*
→→ ARM Details			
236	Initial Fixed Period Effective Months Count		The related Glossary term is Initial Period.
115	First Rate Change Payment Effective Date		Must occur on the first day of the month following each Interest Change Date. The related Glossary term is Payment Change Date.
110/111	Index Source Type/Index Source Type Other Description (In Loan Selling Advisor® this appears as "Index Source Type")	▪ Other – 30-day Average SOFR	Enter "30DayAverageSOFR" for SOFR-indexed ARMs.
312	Disclosed Index Rate Percent		Enter the value of the index (Sort ID 110 – "Index Source Type") used to generate the Settlement/Closing Disclosure Statement. Enter the value of the index used to calculate the initial Note Rate for an ARM (not taking into account any discounts or premiums). This is the value of the index in effect the day the Settlement/Closing Disclosure Statement provided to the Borrower was prepared.

Loan Data Required for ARMs			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
113	Interest And Payment Adjustment Index Lead Days Count	45	Enter the number of days preceding the "Per Change Rate Adjustment Effective Date" (Interest Change Date). The related Glossary term is Lookback Period.
119	Margin Rate Percent		The related Glossary term is Margin.
114	Ceiling Rate Percent		Enter the sum of the Note Rate at origination plus the Life Cap. The related Glossary term is Lifetime Ceiling.
116	Floor Rate Percent		If a Lifetime Floor is stated in the Note, the Seller is encouraged to deliver this ULDD Data Point. The Lifetime Floor must equal the Margin. For ARMs with Note Dates on or after October 1, 2016, if the Seller does not deliver this ULDD Data Point Freddie Mac will populate this ULDD Data Point with the Margin that the Seller delivers in the ULDD Data Point *Margin Rate Percent* (Sort ID 119). The related Glossary term is Lifetime Floor.
118	Interest Rate Rounding Type	Nearest	Enter if interest rate rounding is specified in the Note.
117	Interest Rate Rounding Percent	0.125	The value for interest rate rounding is "0.125."
→→→ First Adjustment			
120	Adjustment Rule Type[1]	First	Use to describe the initial adjustment structure and caps.

Loan Data Required for ARMs			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
124	Per Change Rate Adjustment Frequency Months Count		Enter the number of months between the initial rate adjustment and the second rate adjustment.
123	Per Change Rate Adjustment Effective Date (In Loan Selling Advisor®, this appears as "First Rate Adjustment Effective Date.")		The related Glossary term is Interest Change Date.
122	Per Change Maximum Increase Rate Percent		Enter the Initial Cap.
121	Per Change Maximum Decrease Rate Percent		Enter the Initial Cap if it exists.
→ →→Subsequent Adjustment			
120	Adjustment Rule Type[1]	Subsequent	Use to identify the periodic adjustment structure and caps.
124	Per Change Rate Adjustment Frequency Months Count		Enter the number of months between the second rate adjustment and the third rate adjustment.
123	Per Change Rate Adjustment Effective Date (In Loan Selling Advisor, this appears as "Subsequent Rate Adjustment Effective Date.")		Enter the second (first periodic) Interest Change Date.
122	Per Change Maximum Increase Rate Percent		Enter the Periodic Cap.
121	Per Change Maximum Decrease Rate Percent		Enter the Periodic Cap if it exists.
LOAN – Current			
→ Payment Information			
→→ ARM Details			
355	Next Rate Adjustment Effective Date		Enter the next Interest Change Date occurring after the Mortgage is delivered to Freddie Mac. The related Glossary

Loan Data Required for ARMs			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			term is Interest Change Date.
436	Principal And Interest Payment Amount		Enter the value as of the Funding Date.
395	Current Interest Rate Percent		Enter the value as of the Funding Date.

[1] This data point name does not appear as a Loan Selling Advisor input field, but instead is reflected in a screen heading or tab.

[2] This data point must be populated to save the file in Loan Selling Advisor.

(c) Delivery programs

ARMs may be sold only under the following:

- ARM Cash
- WAC ARM Guarantor

(d) Additional requirements for WAC ARM Guarantor Contracts

Refer to Sections 6201.1(b) and 6204.1 for eligible ARM products that may be sold under the WAC ARM Guarantor program. Refer to Chapter 6201 for specific requirements for selling ARMs under the WAC ARM Guarantor program.

(e) Pooling requirements for WAC ARM PCs

Refer to Chapter 6202 for pooling requirements for ARMs under the WAC ARM Guarantor program.

6302.8: Property data required for all Mortgages (09/04/24)

Refer to Bulletin 2024-3, which announced revisions to certain ULDD Data Point requirements for Uniform Loan Delivery Dataset (ULDD) Phase 5. Sellers may begin delivering applicable ULDD Phase 5 data points and values prior to the mandatory effective July 28, 2025 version of this section. However, Sellers must comply with ULDD Phase 5 requirements for deliveries provided in the July 28, 2025 effective version of this section beginning on July 28, 2025 for Mortgages with Application Received Dates on or after March 3, 2025.

- Property data for all Mortgages

- Data for Investment Property Mortgages
- Data required when an appraisal is obtained in connection with valuing the Mortgaged Premises
- Data if appraisal is signed by supervisor

(a) Property data for all Mortgages

To describe the Mortgaged Premises that secure Mortgages sold to Freddie Mac, the Seller must deliver the following ULDD Data Points:

Property Data Required for All Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
PROPERTY			
→ Property Information			
→→Subject Property Address			
10	Address Line Text (In Loan Selling Advisor®, this appears as "Street Address.")		Enter the complete street address for the property.
14	City Name		
18	State Code[1]		Enter the state abbreviation maintained by the United States Postal Service (USPS). Refer to USPS (Publication 28 – Postal Addressing Standards) for guidance about state codes.
16	Postal Code[1]		
→→Property Details			
63/64	Property Estate Type/ Property Estate Type Other Description (In Loan Selling Advisor, this appears as "Property Estate Type.")	▪ Fee Simple ▪ Leasehold ▪ Other Life Estate	
69	Property Usage Type	▪ Investment ▪ Primary Residence ▪ Second Home	Enter "Primary Residence" when a valid value of "D76" is used for Sort ID 368-Investor Feature Identifier (IFI).

Property Data Required for All Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
50	Attachment Type	▪ Attached ▪ Detached ▪ Semi Detached	Used to describe an individual dwelling. Enter "Attached" if the dwelling unit has a common wall or other direct physical connection with another dwelling unit, and the appraisal or other property valuation method does not indicate "Semi Detached." Enter "Detached" if the dwelling unit has no common wall nor any other direct physical connection with another dwelling unit. Enter "Semi Detached" if the dwelling unit is an end unit or one of a pair of houses built side-by-side sharing a common wall, such as a duplex. The difference between this ULDD Data Point and *Project Attachment Type* (Sort ID 41) in Section 6302.20 is that this ULDD Data Point is used to describe if the dwelling is attached to any adjacent dwellings. *Project Attachment Type* is used to describe if the units in the project are attached to each other.
67	Property Structure Built Year		Enter the year the property was built from the appraisal. Enter "9999" if Home Value Explorer® (HVE®) was used to value the subject property. Leave blank or enter "9999" if the Seller accepts an appraisal waiver.
57	Financed Unit Count[1]	▪ 1 ▪ 2	

Property Data Required for All Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
		▪ 3 ▪ 4	
24	Special Flood Hazard Area Indicator	▪ false ▪ true	Enter "true" if the flood zone designated on Federal Emergency Management Agency (FEMA) Standard Flood Hazard Determination Form contains the letter "A" or "V" and the property has no applicable FEMA Letter of Map Revision (LOMR), FEMA Letter of Determination Review (LODR) or FEMA Letter of Map Amendment (LOMA). Enter "false" if the only structure on the Mortgaged Premises in the Special Flood Hazard Area is detached from the primary residential structure and does not serve as a residence.
77	Bedroom Count		If the subject property was valued by a "Full Appraisal" or "Hybrid Appraisal": ▪ For 1-unit properties, enter the above-grade bedrooms ▪ For two- to four-unit properties, enter the number of bedrooms for each dwelling unit, including both above and below-grade bedrooms Enter "0" if the unit is a studio/efficiency. Leave blank if HVE was used to value the subject property.
78	Property Dwelling Unit Eligible Rent Amount		For two-to four-unit properties, enter the gross monthly rental income for each non-owner occupied dwelling unit as indicated on the signed lease(s) for the Mortgaged Premises.

Property Data Required for All Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			If there is no active lease for a unit, or the Borrower rents the unit to a family member, enter the gross monthly rental income as estimated on the applicable appraisal report or addenda.
65	Property Flood Insurance Indicator	▪ false ▪ true	Enter "true" if there is flood insurance coverage.
49	PUD Indicator	▪ false ▪ true	Enter "true" if the Mortgaged Premises is located in a Planned Unit Development (PUD). The related Glossary term is Planned Unit Development.
→→Appraisal/Valuation Property Details			
89/90	Property Valuation Method Type/Property Valuation Method Type Other Description (In Loan Selling Advisor, this appears as "Property Valuation Method Type.")	▪ Automated Valuation Model ▪ Desktop Appraisal ▪ Drive By ▪ Full Appraisal ▪ None ▪ Other – Desk Review ▪ Other – Field Review ▪ Other – Hybrid Appraisal	Enter the Property Valuation Method Type for the method that yielded the value used to calculate the loan-to-value (LTV) ratio for the delivered loan. Enter "Automated Valuation Model" for Home Value Explorer (HVE). Enter "Desktop Appraisal" if FRE 70D/FNM 1004 Desktop – Uniform Residential Appraisal Report (Desktop) was used to value the subject property. Enter "Drive By" if an exterior-only appraisal was used to value the subject property. Enter "Full Appraisal" if an interior and exterior inspection appraisal was used to value the subject property. Enter "None" if an automated collateral evaluation (ACE) appraisal waiver or ACE+ PDR was used to originate the Mortgage.

Property Data Required for All Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			Enter "Other – Desk Review" if a desk review was used to value the subject property. Enter "Other – Field Review" if a field review was used to value the subject property. Enter "Other – Hybrid Appraisal" if FRE 70H/FNM 1004 Hybrid – Uniform Residential Appraisal Report (Hybrid) or FRE 465H/FNM 1073 Hybrid – Individual Condominium Unit Appraisal Report (Hybrid) was used to value the subject property.
85/86	Property Valuation Form Type / Property Valuation Form Type Other Description (In Loan Selling Advisor® this appears as "Property Valuation Form Type.")	▪ Appraisal Update and/or Completion Report ▪ Exterior Only Inspection Individual Condominium Unit Appraisal Report ▪ Exterior Only Inspection Residential Appraisal Report ▪ Individual Condominium Unit Appraisal Report ▪ Manufactured Home Appraisal Report ▪ One Unit Residential Appraisal Field Review Report ▪ Other – One Unit Residential Appraisal Desk Review Report ▪ Small Residential Income Property Appraisal Report ▪ Two To Four Unit Residential Appraisal	Enter the name of the property valuation form used to provide the property value upon which the loan underwriting decision was based, according to Section 5604.2. The form numbers for the valid values are: ▪ FRE 70/FNM 1004 – Uniform Residential Appraisal Report ❑ If FRE 70D/FNM 1004 Desktop – Uniform Residential Appraisal Report (Desktop) was used, enter "Uniform Residential Appraisal Report" ❑ If FRE 70H/FNM 1004 Hybrid – Uniform Residential Appraisal Report (Hybrid) was used, enter "Uniform Residential Appraisal Report" ▪ FRE 70B/FNM 1004C – Manufactured Home Appraisal Report

Property Data Required for All Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
		▪ Uniform Residential Appraisal Report	▪ FRE 72/FNM 1025 – Small Residential Income Property Appraisal Report ▪ FRE 442/FNM 1004D – Appraisal Update and/or Completion Report ▪ FRE 465/ FNM 1073 – Individual Condominium Unit Appraisal Report ❑ If FRE 465H/FNM 1073 Hybrid – Individual Condominium Unit Appraisal Report (Hybrid) was used, enter "Individual Condominium Unit Appraisal Report" ▪ FRE 466/FNM 1075 – Exterior Only Inspection Individual Condominium Unit Appraisal Report ▪ FRE 1032/ FNM 2000 – One Unit Residential Appraisal Field Review Report ▪ FRE 1033 – One Unit Residential Appraisal Desk Review Report ▪ FRE 1072/FNM 2000A – Two To Four Unit Residential Appraisal Field Review Report ▪ FRE 2055/FNM 2055 – Exterior Only Inspection Residential Appraisal Report
83	Property Valuation Amount		If an appraisal has been obtained, enter the appraised value. If ACE or ACE+ PDR was offered and accepted by the Seller, enter the Purchase Price for a purchase transaction or the estimated value used to underwrite the loan for a refinance transaction.
84	Property Valuation Effective Date		For Mortgages with appraisals, enter the effective date of the most recent appraisal.

Property Data Required for All Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			For Mortgages using any other property valuation type, enter the effective date on the most recent inspection, LP Feedback Certificate or estimate.
→→Construction Details			
51	Construction Method Type	▪ Manufactured ▪ Site Built	Enter "Manufactured" for Manufactured Homes. Enter "Site Built" for homes built on site and modular homes, panelized housing, or other types of factory-built housing.
LOAN – Current			
→ Product Information → Product Details			
368	Investor Feature Identifier	D76	Enter this value for Borrowers that meet the requirements in Section 4201.14 for Primary Residence for active-duty military Borrowers.
368	Investor Feature Identifier	J66	Enter this value for Mortgages with rental income from an Accessory Dwelling Unit on a Primary Residence, as described in Section 5306.3.

1 This data point must be populated to save the file in Loan Selling Advisor.

(b) Data for Investment Property Mortgages

For all Investment Property Mortgages for which an appraisal was performed, the Seller must deliver the following ULDD Data Points:

Data Required for Investment Property Mortgages			
Sort ID	**ULDD Data Point Name**	**Valid Value**	**Notes**
PROPERTY			
→ Property Information → Property Details			
69	*Property Usage Type*	*Investment*	
77	Bedroom Count		*Enter the number of bedrooms for each dwelling unit.* For one-unit properties, include only above-grade

Data Required for Investment Property Mortgages			
Sort ID	**ULDD Data Point Name**	**Valid Value**	**Notes**
			bedrooms. For two- to four-unit properties, include both above and below-grade bedrooms. *Enter "0" if the unit is a studio/efficiency.* *Leave blank if HVE was used to value the subject property.*
78	*Property Dwelling Unit Eligible Rent Amount*		*Enter the gross monthly rental income for each unit as indicated on the signed lease(s) for the Mortgaged Premises.* *If there is no active lease for a unit, or the Borrower rents the unit to a family member, enter the gross monthly rental income as estimated on the applicable appraisal report or addenda.*

(c) Data required when an appraisal is obtained in connection with valuing the Mortgaged Premises

When an appraisal is used to value the Mortgaged Premises, the Seller must deliver the following ULDD Data Points:

Data Required when an Appraisal was used to Value the Subject Property			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
PROPERTY			
→ Property Information → Appraisal Details			
89/90	*Property Valuation Method Type/Property Valuation Method Type Other Description* *(In Loan Selling Advisor, this appears as Property Valuation Method Type.)*	▪ *Desktop Appraisal* ▪ *Drive By* ▪ *Full Appraisal* ▪ *Other – Desk Review* ▪ *Other – Field Review* ▪ *Other – Hybrid Appraisal*	*Enter "Desktop Appraisal" if a desktop appraisal was used to value the subject property.* *Enter "Drive By" if an exterior-only appraisal was used to value the subject property.*

Data Required when an Appraisal was used to Value the Subject Property			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			Enter "Full Appraisal" if an interior and exterior inspection appraisal was used to value the subject property. *Enter "Other – Desk Review" if a desk review was used to value the subject property.* *Enter "Other – Field Review" if a field review was used to value the subject property.* *Enter "Other – Hybrid Appraisal" if an interior and exterior inspection appraisal was used.*
82	Appraisal Identifier		For conventional Mortgages only, enter the "Document File Identifier" assigned to the appraisal by the Uniform Collateral Data Portal® (UCDP®). The Document File Identifier assigned by the UCDP must be entered even if the appraisal value used to calculate the LTV ratio was determined using a subsequent appraisal review on a form not required to be submitted to the UCDP.
PARTY			
→ Party Information → Appraiser Details			
528	Party Role Type[1]	Appraiser	
525	Appraiser License Identifier		Enter the state license number of the appraiser who completed the final estimate of value. ■ When the appraiser is a trainee and: ❑ Has a license identifier, deliver the trainee's license identifier

Data Required when an Appraisal was used to Value the Subject Property			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			❑ Does not have a license identifier, deliver the word "trainee" ■ When the appraiser is not a trainee and there is no supervisory appraiser, deliver the Appraiser License Identifier

[1] This data point name does not appear as a Loan Selling Advisor input field, but instead is reflected in a screen heading or tab.

(d) Data if appraisal is signed by supervisor

When the appraisal is signed by the appraiser's supervisor, the Seller must deliver the following ULDD Data Points:

Data Required when the Appraisal was Signed by a Supervisor			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
PARTY			
→ Party Information → Appraiser Details			
537	Party Role Type[1]	Appraiser Supervisor	
534	Appraiser License Identifier (In Loan Selling Advisor, this appears as "Appraiser Supervisor Identifier.")		Enter the state license number of the supervisor who signed the appraisal. ■ When Sort ID 528, Party Role Type "Appraiser," is a trainee, always deliver the Appraiser Supervisor Identifier, whether or not the appraiser supervisor signed the appraisal AND whether or not the appraiser trainee has a license identifier ■ When the appraiser is not a trainee and there is no supervisory appraiser, leave the field blank (do not make any entry such as N/A or none)

[1] This data point name does not appear as a Loan Selling Advisor input field, but instead is reflected in a screen heading or tab.

6302.8: Property data required for all Mortgages (Future effective date 07/28/25)

- Property data for all Mortgages
- Data for Investment Property Mortgages
- Data required when an appraisal is obtained in connection with valuing the Mortgaged Premises
- Data if appraisal is signed by supervisor

(a) Property data for all Mortgages

To describe the Mortgaged Premises that secure Mortgages sold to Freddie Mac, the Seller must deliver the following ULDD Data Points:

Property Data Required for All Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
PROPERTY			
→ Property Information			
→→Subject Property Address			
10	Address Line Text (In Loan Selling Advisor®, this appears as "Street Address.")		Enter the complete street address for the property. If the Address Unit Identifier is not provided, enter the unit number preceded by any United States Postal Service (USPS) address unit designator (e.g., apartment, suite or unit) if applicable.
13	Address Unit Identifier		Enter if the unit number has not been included in the Address Line Text. Do not include the address unit designator (e.g., apartment, suite or unit).
14	City Name		
18	State Code[1]		Enter the state abbreviation maintained by the USPS. Refer to USPS (Publication 28 – Postal Addressing Standards) for guidance about state codes.

Property Data Required for All Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
16	Postal Code[1]		
→→Property Details			
63	Property Estate Type	▪ Fee Simple ▪ Leasehold	
69	Property Usage Type	▪ Investment ▪ Primary Residence ▪ Second Home	Enter "Primary Residence" when a valid value of "D76" is used for Sort ID 368-Investor Feature Identifier (IFI).
50	Attachment Type	▪ Attached ▪ Detached ▪ Semi Detached	Used to describe an individual dwelling. Enter "Attached" if the dwelling unit has a common wall or other direct physical connection with another dwelling unit, and the appraisal or other property valuation method does not indicate "Semi Detached." Enter "Detached" if the dwelling unit has no common wall nor any other direct physical connection with another dwelling unit. Enter "Semi Detached" if the dwelling unit is an end unit or one of a pair of houses built side-by-side sharing a common wall, such as a duplex. The difference between this ULDD Data Point and *Project Attachment Type* (Sort ID 41) in Section 6302.20 is that this ULDD Data Point is used to describe if the dwelling is attached to any adjacent dwellings. *Project Attachment Type* is used to describe if the units in the project are attached to each other.

Property Data Required for All Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
67	Property Structure Built Year		Enter the year the property was built from the appraisal. Enter "9999" if Home Value Explorer® (HVE®) was used to value the subject property. Leave blank or enter "9999" if the Seller accepts an appraisal waiver.
57	Financed Unit Count[1]	▪ 1 ▪ 2 ▪ 3 ▪ 4	
24	Special Flood Hazard Area Indicator	▪ false ▪ true	Enter "true" if the flood zone designated on Federal Emergency Management Agency (FEMA) Standard Flood Hazard Determination Form contains the letter "A" or "V" and the property has no applicable FEMA Letter of Map Revision (LOMR), FEMA Letter of Determination Review (LODR) or FEMA Letter of Map Amendment (LOMA). Enter "false" if the only structure on the Mortgaged Premises in the Special Flood Hazard Area is detached from the primary residential structure and does not serve as a residence.
77	Bedroom Count		If the subject property was valued by a "Full Appraisal" or "Hybrid Appraisal": ▪ For 1-unit properties, enter the above-grade bedrooms ▪ For two- to four-unit properties, enter the number of bedrooms for each dwelling unit, including both above and below-grade bedrooms

Property Data Required for All Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			Enter "0" if the unit is a studio/efficiency. Leave blank if HVE was used to value the subject property.
78	Property Dwelling Unit Eligible Rent Amount		For two-to four-unit properties, enter the gross monthly rental income for each non-owner occupied dwelling unit as indicated on the signed lease(s) for the Mortgaged Premises. If there is no active lease for a unit, or the Borrower rents the unit to a family member, enter the gross monthly rental income as estimated on the applicable appraisal report or addenda.
65	Property Flood Insurance Indicator	▪ false ▪ true	Enter "true" if there is flood insurance coverage.
49	PUD Indicator	▪ false ▪ true	Enter "true" if the Mortgaged Premises is located in a Planned Unit Development (PUD). The related Glossary term is Planned Unit Development.
→→Appraisal/Valuation Property Details			
89/90	Property Valuation Method Type/Property Valuation Method Type Other Description (In Loan Selling Advisor, this appears as "Property Valuation Method Type.")	▪ Automated Valuation Model ▪ Desktop Appraisal ▪ Drive By ▪ Full Appraisal ▪ None ▪ Other – Desk Review ▪ Other – Field Review ▪ Other – Hybrid Appraisal	Enter the Property Valuation Method Type for the method that yielded the value used to calculate the loan-to-value (LTV) ratio for the delivered loan. Enter "Automated Valuation Model" for Home Value Explorer (HVE). Enter "Desktop Appraisal" if FRE 70D/FNM 1004 Desktop - Uniform Residential Appraisal Report (Desktop) was used to value the subject property.

Property Data Required for All Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			Enter "Drive By" if an exterior-only appraisal was used to value the subject property. Enter "Full Appraisal" if an interior and exterior inspection appraisal was used to value the subject property. Enter "None" if an automated collateral evaluation (ACE) appraisal waiver or ACE+ PDR was used to originate the Mortgage. Enter "Other – Desk Review" if a desk review was used to value the subject property. Enter "Other – Field Review" if a field review was used to value the subject property. Enter "Other – Hybrid Appraisal" if FRE 70H/FNM 1004 Hybrid – Uniform Residential Appraisal Report (Hybrid) or FRE 465H/FNM 1073 Hybrid – Individual Condominium Unit Appraisal Report (Hybrid) was used to value the subject property.
85/86	Property Valuation Form Type / Property Valuation Form Type Other Description (In Loan Selling Advisor® this appears as "Property Valuation Form Type.")	▪ Appraisal Update and/or Completion Report ▪ Exterior Only Inspection Individual Condominium Unit Appraisal Report ▪ Exterior Only Inspection Residential Appraisal Report ▪ Individual Condominium Unit Appraisal Report	Enter the name of the property valuation form used to provide the property value upon which the loan underwriting decision was based, according to Section 5604.2. The form numbers for the valid values are: ▪ FRE 70/FNM 1004 – Uniform Residential Appraisal Report ❑ If FRE 70D/FNM 1004 Desktop – Uniform Residential Appraisal

Property Data Required for All Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
		▪ Manufactured Home Appraisal Report ▪ One Unit Residential Appraisal Field Review Report ▪ Other – One Unit Residential Appraisal Desk Review Report ▪ Small Residential Income Property Appraisal Report ▪ Two To Four Unit Residential Appraisal ▪ Uniform Residential Appraisal Report	Report (Desktop) was used, enter "Uniform Residential Appraisal Report" ❑ If FRE 70H/FNM 1004 Hybrid – Uniform Residential Appraisal Report (Hybrid) was used, enter "Uniform Residential Appraisal Report" ▪ FRE 70B/FNM 1004C – Manufactured Home Appraisal Report ▪ FRE 72/FNM 1025 – Small Residential Income Property Appraisal Report ▪ FRE 442/FNM 1004D – Appraisal Update and/or Completion Report ▪ FRE 465/ FNM 1073 – Individual Condominium Unit Appraisal Report ❑ If FRE 465H/FNM 1073 Hybrid – Individual Condominium Unit Appraisal Report (Hybrid) was used, enter "Individual Condominium Unit Appraisal Report" ▪ FRE 466/FNM 1075 – Exterior Only Inspection Individual Condominium Unit Appraisal Report ▪ FRE 1032/ FNM 2000 – One Unit Residential Appraisal Field Review Report ▪ FRE 1033 – One Unit Residential Appraisal Desk Review Report ▪ FRE 1072/FNM 2000A – Two To Four Unit Residential Appraisal Field Review Report ▪ FRE 2055/FNM 2055 – Exterior Only Inspection Residential Appraisal Report
83	Property Valuation Amount		If an appraisal has been obtained, enter the appraised value.

Property Data Required for All Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			If ACE or ACE+ PDR was offered and accepted by the Seller, enter the Purchase Price for a purchase transaction or the estimated value used to underwrite the loan for a refinance transaction.
84	Property Valuation Effective Date		For Mortgages with appraisals, enter the effective date of the most recent appraisal. For Mortgages using any other property valuation type, enter the effective date on the most recent inspection, LP Feedback Certificate or estimate.
→→Construction Details			
51	Construction Method Type	▪ Manufactured ▪ Site Built	Enter "Manufactured" for Manufactured Homes. Enter "Site Built" for homes built on site and modular homes, panelized housing, or other types of factory-built housing.
LOAN -- Current			
→ Product Information → Product Details			
368	Investor Feature Identifier	D76	Enter this value for Borrowers that meet the requirements in Section 4201.14 for Primary Residence for active-duty military Borrowers.
368	Investor Feature Identifier	J66	Enter this value for Mortgages with rental income from an Accessory Dwelling Unit on a Primary Residence, as described in Section 5306.3.

[1] This data point must be populated to save the file in Loan Selling Advisor.

(b) Data for Investment Property Mortgages

For all Investment Property Mortgages for which an appraisal was performed, the Seller must deliver the following ULDD Data Points:

Data Required for Investment Property Mortgages			
Sort ID	**ULDD Data Point Name**	**Valid Value**	**Notes**
PROPERTY			
→ Property Information → Property Details			
69	*Property Usage Type*	*Investment*	
77	Bedroom Count		*Enter the number of bedrooms for each dwelling unit.* For one-unit properties, include only above-grade bedrooms. For two- to four-unit properties, include both above and below-grade bedrooms. *Enter "0" if the unit is a studio/efficiency.* *Leave blank if HVE was used to value the subject property.*
78	*Property Dwelling Unit Eligible Rent Amount*		*Enter the gross monthly rental income for each unit as indicated on the signed lease(s) for the Mortgaged Premises.* *If there is no active lease for a unit, or the Borrower rents the unit to a family member, enter the gross monthly rental income as estimated on the applicable appraisal report or addenda.*

(c) Data required when an appraisal is obtained in connection with valuing the Mortgaged Premises

When an appraisal is used to value the Mortgaged Premises, the Seller must deliver the following ULDD Data Points:

Data Required when an Appraisal was used to Value the Subject Property			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
PROPERTY			
→ Property Information → Appraisal Details			
89/90	*Property Valuation Method Type/Property Valuation Method Type Other Description* (In Loan Selling Advisor, this appears as Property Valuation Method Type.)	▪ *Desktop Appraisal* ▪ *Drive By* ▪ *Full Appraisal* ▪ *Other – Desk Review* ▪ *Other – Field Review* ▪ *Other – Hybrid Appraisal*	*Enter "Desktop Appraisal" if a desktop appraisal was used to value the subject property.* *Enter "Drive By" if an exterior-only appraisal was used to value the subject property.* *Enter "Full Appraisal" if an interior and exterior inspection appraisal was used to value the subject property.* *Enter "Other – Desk Review" if a desk review was used to value the subject property.* *Enter "Other – Field Review" if a field review was used to value the subject property.* *Enter "Other - Hybrid Appraisal" if an interior and exterior inspection appraisal was used.*
82	Appraisal Identifier		For conventional Mortgages only, enter the "Document File Identifier" assigned to the appraisal by the Uniform Collateral Data Portal® (UCDP®). The Document File Identifier assigned by the UCDP must be entered even if the appraisal value used to calculate the LTV ratio was determined using a subsequent appraisal review on a form not required to be submitted to the UCDP.
PARTY			
→ Party Information → Appraiser Details			
528	Party Role Type[1]	Appraiser	

Data Required when an Appraisal was used to Value the Subject Property			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
525	Appraiser License Identifier		Enter the state license number of the appraiser who completed the final estimate of value. ■ When the appraiser is a trainee and: ❑ Has a license identifier, deliver the trainee's license identifier ❑ Does not have a license identifier, deliver the word "trainee" ■ When the appraiser is not a trainee and there is no supervisory appraiser, deliver the Appraiser License Identifier

[1] This data point name does not appear as a Loan Selling Advisor input field, but instead is reflected in a screen heading or tab.

(d) Data if appraisal is signed by supervisor

When the appraisal is signed by the appraiser's supervisor, the Seller must deliver the following ULDD Data Points:

Data Required when the Appraisal was Signed by a Supervisor			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
PARTY			
→ Party Information → Appraiser Details			
537	Party Role Type[1]	Appraiser Supervisor	
534	Appraiser License Identifier (In Loan Selling Advisor, this appears as "Appraiser Supervisor Identifier.")		Enter the state license number of the supervisor who signed the appraisal. ■ When Sort ID 528, Party Role Type "Appraiser," is a trainee, always deliver the Appraiser Supervisor Identifier, whether or not the appraiser supervisor signed the appraisal AND whether or not the appraiser trainee has a license identifier

Data Required when the Appraisal was Signed by a Supervisor			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
PARTY			
→ Party Information → Appraiser Details			
			■ When the appraiser is not a trainee and there is no supervisory appraiser, leave the field blank (do not make any entry such as N/A or none)

[1] This data point name does not appear as a Loan Selling Advisor input field, but instead is reflected in a screen heading or tab.

6302.9: Data required for all Borrowers (06/03/24)

Refer to Bulletin 2024-3, which announced revisions to certain ULDD Data Point requirements for Uniform Loan Delivery Dataset (ULDD) Phase 5. Sellers may begin delivering applicable ULDD Phase 5 data points and values prior to the mandatory effective July 28, 2025 version of this section. However, Sellers must comply with ULDD Phase 5 requirements for deliveries provided in the July 28, 2025 effective version of this section beginning on July 28, 2025 for Mortgages with Application Received Dates on or after March 3, 2025.

- Data for all Borrowers
- Data for individual Borrowers and Underwritten Settlors
- Data for non-individual Borrowers

(a) Data for all Borrowers

(i) General Borrower information

For each Borrower (up to a total of five) on every Mortgage sold to Freddie Mac, the Seller must deliver the following ULDD Data Points:

Data Required for All Borrowers			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
BORROWER			
→ Borrower Information			
→→ Borrower Details			
611	Party Role Type[1,2]	Borrower	

Data Required for All Borrowers			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
571	Borrower Classification Type	▪ Primary ▪ Secondary	Enter "Primary" if there is one Borrower. If there is more than one Borrower, enter "Primary" for one Borrower and "Secondary" for up to 4 additional Borrowers.
568	Borrower Birth Date		
567	Borrower Age At Application Years Count		
613	Taxpayer Identifier Type	▪ Employer Identification Number ▪ Individual Taxpayer Identification Number ▪ Social Security Number	Enter "Individual Taxpayer Identification Number" or "Social Security Number" for individual Borrowers Enter "Employer Identification Number" for non-individual Borrowers unless the Borrower is a Living Trust as defined in the Glossary. If the Borrower is a Living Trust, enter either "Individual Taxpayer Identification Number" or "Social Security Number" of the Underwritten Settlor as defined in the Glossary.
614	Taxpayer Identifier Value		
→→ Borrower Data Required for Government Reporting			
609.1	HMDA Ethnicity Type	▪ Hispanic Or Latino ▪ Information Not Provided By Applicant In Mail Internet Or Telephone Application ▪ Not Applicable ▪ Not Hispanic Or Latino	Enter the ethnicity as provided by the Borrower on the loan application. If the Borrower is a Living Trust, enter the ethnicity as provided by the Underwritten Settlor on the loan application. For individual Borrowers and Underwritten Settlors

Data Required for All Borrowers			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			(in the case of Borrowers that are Living Trusts): ▪ This data point may be left blank if the Borrower did not report Sort ID 609.1-*HMDA Ethnicity Type* but has reported Sort ID 609.2-*HMDA Ethnicity Origin Type* or Sort ID 609.3-*HMDA Ethnicity Origin Type Other Description* ▪ If the Borrower did not provide any ethnicity data and the loan application was taken by face-to-face interview (including electronic media with video component), enter the ethnicity collected based on visual observation or surname ▪ If the loan application was taken via telephone interview, fax, mail, e-mail or internet and the Borrower did not provide the ethnicity on the loan application, enter "Information Not Provided By Applicant In Mail Internet Or Telephone Application" Enter "Not Applicable" for non-individual Borrowers other than Living Trusts.
609.5	HMDA Ethnicity Refusal Indicator	▪ false ▪ true	Enter "false" if the ethnicity information is provided. Enter "true" if the Borrower has refused to provide

Data Required for All Borrowers			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			ethnicity information or has selected the checkbox on the loan application "I do not wish to provide this information" related to ethnicity. If the Borrower is a Living Trust, enter "true" if the Underwritten Settlor has refused to provide ethnicity information or has selected the checkbox on the loan application "I do not wish to provide this information" related to ethnicity. If the Borrower is a "Native American Tribe Or Tribal Organization", leave this data point blank.
608.3	HMDA Gender Type	▪ Applicant Selected Both Male And Female ▪ Female ▪ Information Not Provided Unknown ▪ Male ▪ Not Applicable	Enter the gender as provided by the Borrower on the loan application. If the Borrower is a Living Trust, enter the gender as provided by the Underwritten Settlor on the loan application. For individual Borrowers and Underwritten Settlors (in the case of Borrowers that are Living Trusts): ▪ If the Borrower did not provide the gender and the loan application was taken by face-to-face interview (including electronic media with video component), enter the gender collected based on visual observation or name

Data Required for All Borrowers			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			▪ If the loan application was taken via telephone interview, fax, mail, e-mail or internet and the Borrower did not provide the gender, enter "Information Not Provided Unknown". Enter "Not Applicable" for non-individual Borrowers other than Living Trusts.
610.5	HMDA Race Type	▪ American Indian Or Alaska Native ▪ Asian ▪ Black Or African American ▪ Information Not Provided By Applicant In Mail Internet Or Telephone Application ▪ Native Hawaiian Or Other Pacific Islander ▪ Not Applicable ▪ White	Enter the race as provided by the Borrower on the loan application. If the Borrower is a Living Trust, enter the race as provided by the Underwritten Settlor on the loan application. For individual Borrowers and Underwritten Settlors (in the case of Borrowers that are Living Trusts): ▪ This data point may be left blank if the Borrower did not report Sort ID 610.5-*HMDA Race Type* but has reported Sort ID 610.3-*HMDA Race Designation Type*, Sort ID 610.6-*HMDA Race Type Additional Description*, 610.21-*HMDA Race Designation Other Asian Description*, or 610.22-*HMDA Race Designation Other Pacific Islander Description* ▪ If the Borrower did not provide any race data and the loan application was taken by face-to-face

Data Required for All Borrowers			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			interview (including electronic media with video component), enter the race collected based on visual observation or surname ▪ If the loan application was taken via telephone interview, fax, mail, e-mail or internet, and the Borrower did not provide the race on the loan application, enter "Information Not Provided By Applicant In Mail Internet Or Telephone Application" Enter "Not Applicable" for non-individual Borrowers other than Living Trusts.
610.6	HMDA Race Type Additional Description		For each Borrower, indicate any further designations reported on the loan application under "American Indian or Alaska Native - Enter name of enrolled or principal tribe". If the Borrower is a Living Trust, for the Underwritten Settlor indicate any further designations reported on the loan application under "American Indian or Alaska Native - Enter name of enrolled or principal tribe". For individual Borrowers and Underwritten Settlors (in the case of Borrowers that are Living Trusts): If the Borrower did not report the data on the loan

Data Required for All Borrowers			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			application, leave this data point blank. If the Borrower is a "Native American Tribe Or Tribal Organization", leave this data point blank.
610.2	HMDA Race Refusal Indicator	▪ false ▪ true	Enter "false" if the race information is provided. Enter "true" if the Borrower has selected the checkbox on the loan application "I do not wish to provide this information" related to race. If the Borrower is a Living Trust, enter "true" if the Underwritten Settlor has selected the checkbox on the loan application "I do not wish to provide this information" related to race. If the Borrower is a "Native American Tribe Or Tribal Organization", leave this data point blank.
609.4	HMDA Ethnicity Collected Based On Visual Observation Or Surname Indicator	▪ false ▪ true	For each Borrower, enter "true" if the ethnicity was collected based on visual observation or surname; otherwise enter "false". If the Borrower is a Living Trust, enter "true" if the ethnicity of the Underwritten Settlor was collected based on visual observation or surname; otherwise enter "false". If the Borrower is a "Native American Tribe Or Tribal

Data Required for All Borrowers			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			Organization", leave this data point blank.
608.1	HMDA Gender Collected Based On Visual Observation Or Name Indicator	▪ false ▪ true	For each Borrower, enter "true" if the gender was collected based on visual observation or name; otherwise enter "false". If the Borrower is a Living Trust, "enter true" if the gender of the Underwritten Settlor was collected based on visual observation or name; otherwise enter "false". If the Borrower is a "Native American Tribe Or Tribal Organization", leave this data point blank.
610.1	HMDA Race Collected Based On Visual Observation Or Surname Indicator	▪ false ▪ true	For each Borrower, "enter true" if the race was collected based on visual observation or surname; otherwise, enter "false". If the Borrower is a Living Trust, enter "true" if the race of the Underwritten Settlor was collected based on visual observation or surname; otherwise, enter "false". If the Borrower is a "Native American Tribe Or Tribal Organization", leave this data point blank.
609.2	HMDA Ethnicity Origin Type	▪ Cuban ▪ Mexican ▪ Other ▪ Puerto Rican	For each Borrower, indicate any further designations reported on the loan application under "Hispanic or Latino". If the Borrower is a Living Trust, for the Underwritten

Data Required for All Borrowers			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			Settlor indicate any further designations reported on the loan application under "Hispanic or Latino". For individual Borrowers and Underwritten Settlors (in the case of Borrowers that are Living Trusts): ▪ If the Borrower did not report this data on the loan application, leave this data point blank ▪ This data point may be left blank if the Borrower did not report Sort ID 609.2-*HMDA Ethnicity Origin Type* but has reported Sort ID 609.3-*HMDA Ethnicity Origin Type Other Description* If the Borrower is a "Native American Tribe Or Tribal Organization", leave this data point blank.
609.3	HMDA Ethnicity Origin Type Other Description		For each Borrower, indicate any further designations reported on the loan application under "Other Hispanic or Latino - Enter Origin". If the Borrower is a Living Trust, for the Underwritten Settlor indicate any further designations reported on the loan application under "Other Hispanic or Latino - Enter Origin". For individual Borrowers and Underwritten Settlors (in the case of Borrowers

Data Required for All Borrowers			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			that are Living Trusts): If the Borrower did not report the data on the loan application, leave this data point blank. If the Borrower is a "Native American Tribe Or Tribal Organization", leave this data point blank.
608.2	HMDA Gender Refusal Indicator	▪ false ▪ true	Enter "false" if the gender information is provided. Enter "true" if the Borrower has refused to provide gender information or has selected the checkbox on the loan application "I do not wish to provide this information" related to sex. If the Borrower is a Living Trust, enter "true" if the Underwritten Settlor has refused to provide gender information or has selected the checkbox on the loan application "I do not wish to provide this information" related to sex. If the Borrower is a "Native American Tribe Or Tribal Organization", leave this data point blank.
610.3	HMDA Race Designation Type	▪ Asian Indian ▪ Chinese ▪ Filipino ▪ Guamanian Or Chamorro ▪ Japanese ▪ Korean ▪ Native Hawaiian ▪ Other Asian ▪ Other Pacific Islander	For each Borrower, indicate any further designations reported on the loan application under "Asian" or "Native Hawaiian or Other Pacific Islander". If the Borrower is a Living Trust, for the Underwritten Settlor indicate any further designations reported on the

Data Required for All Borrowers			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
		▪ Samoan ▪ Vietnamese	loan application under "Asian" or "Native Hawaiian or Other Pacific Islander". For individual Borrowers and Underwritten Settlors (in the case of Borrowers that are Living Trusts): ▪ If the Borrower did not report this data on the loan application, leave this data point blank ▪ This data point may be blank if the Borrower did not report Sort ID 610.3-*HMDA Race Designation Type* but has reported Sort ID 610.6-*HMDA Race Type Additional Description*, 610.21-*HMDA Race Designation Other Asian Description*, or 610.22 HMDA -*Race Designation Other Pacific Islander Description* If the Borrower is a "Native American Tribe Or Tribal Organization", leave this data point blank.
610.21	HMDA Race Designation Other Asian Description		For each Borrower, indicate any further designations reported on the loan application under "Other Asian - Print Race:". If the Borrower is a Living Trust, for the Underwritten Settlor indicate any further designations reported on the loan application under "Other Asian - Print Race:".

Data Required for All Borrowers			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			For individual Borrowers and Underwritten Settlors (in the case of Borrowers that are Living Trusts): If the Borrower did not report the data on the loan application, leave this data point blank. If the Borrower is a "Native American Tribe Or Tribal Organization", leave this data point blank.
610.22	HMDA Race Designation Other Pacific Islander Description		For each Borrower, indicate any further designations reported on the loan application under "Other Pacific Islander - Print Race:". If the Borrower is a Living Trust, for the Underwritten Settlor indicate any further designations reported on the loan application under "Other Pacific Islander - Print Race:". For individual Borrowers and Underwritten Settlors (in the case of Borrowers that are Living Trusts): If the Borrower did not report the data on the loan application, leave this data point blank. If the Borrower is a "Native American Tribe Or Tribal Organization", leave this data point blank.

[1] This data point name does not appear as a Loan Selling Advisor® input field, but instead is reflected in a screen heading or tab.

[2] This data point must be populated for the Primary Borrower in order to save the file in Loan Selling Advisor.

(ii) Primary Borrower mailing information

See Section 1301.2(j) for mailing address requirements for Borrowers participating in an address confidentiality program.

With respect to the mailing address of the primary Borrower or Underwritten Settlor, as applicable, the Seller must deliver the following ULDD Data Points:

Data Required for Primary Borrower's Mailing Address			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
BORROWER			
→ Borrower Information			
→→ Borrower Details			
571	*Borrower Classification Type*[1]	*Primary*	
→→Borrower Mailing Address (Borrower *1*) (*Primary Borrower*)			
572	Borrower Mail To Address Same As Property Indicator	▪ false ▪ true	Enter "true" if the mailing address of the primary Borrower or Underwritten Settlor, as applicable, is the same as the Mortgaged Premises. Enter "false" if the mailing address of the primary Borrower or Underwritten Settlor, as applicable, is not the same as the Mortgaged Premises. If applicable, see Section 1301.2(j) for mailing address requirements for Borrowers participating in an address confidentiality program.
548	Address Line Text (In Loan Selling Advisor, this appears as "Street Address.")		If the mailing address is the same as the Mortgaged Premises, leave this data point blank; otherwise, enter the complete mailing street address. If the mailing address is outside of the United States or Canada, include the

Data Required for Primary Borrower's Mailing Address			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			"state" if applicable, after the street address.
554	City Name		
560	State Code		Enter the state abbreviation maintained by the United States Postal Service (USPS). Refer to USPS (Publication 28 – Postal Addressing Standards) for guidance about state codes.
557	Postal Code		
555	Country Code		Enter two-character codes from the International Organization for Standardization (ISO) 3166-1-alpha-2 code list at **https://www.iso.org/iso-3166-country-codes.html**
549	Address Type	Mailing	

[1] This data point must be populated to save the file in Loan Selling Advisor.

(b) Data for individual Borrowers and Underwritten Settlors

(i) All individual Borrowers and Underwritten Settlors

In addition to the data set forth in Section 6302.9(a), the Seller must deliver the following ULDD Data Points for each individual Borrower and, as applicable, Underwritten Settlor:

Data Required for All Individual Borrowers and Underwritten Settlors			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
BORROWER			
→ Borrower Information – Borrower			
→→ Borrower Details			
540	First Name[1]		Not required for Underwritten Settlor.
542	Middle Name		Enter if exists for individual Borrower; not required for Underwritten Settlor.

Data Required for All Individual Borrowers and Underwritten Settlors			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
541	Last Name[1]		Not required for Underwritten Settlor.
543	Suffix Name		Enter if exists for individual Borrower; not required for Underwritten Settlor.
598	Citizenship Residency Type	▪ Permanent Resident Alien ▪ Nonpermanent Resident Alien ▪ US Citizen	
600	Employment Borrower Self Employed Indicator	▪ false ▪ true	Enter "true" if the *Borrower* or Underwritten Settlor, as applicable, is considered to be self-employed according to Section 5301.1.
→→→ First Time Homebuyer Details			
597	Borrower First Time Homebuyer Indicator	▪ false ▪ true	Enter "true" if the *Borrower* or Underwritten Settlor, as applicable, on the Mortgage is a First-Time Homebuyer as defined in the Glossary. *Borrower* data must be delivered for each First-Time Homebuyer.
→ → Borrower Underwriting Details			
573	Borrower Qualifying Income Amount		Enter the stable monthly income, as defined in Topic 5300 for each qualifying Borrower or Underwritten Settlor, as applicable.
596	Bankruptcy Indicator	▪ false ▪ true	Enter "true" if the Uniform Residential Loan Application (URLA), credit report, or other loan documents indicate that the *Borrower* or Underwritten Settlor, as applicable, has declared bankruptcy within the past 7 years.
599	Loan Foreclosure Or Judgment Indicator		Enter "true" if the Uniform Residential Loan Application (URLA), credit

Data Required for All Individual Borrowers and Underwritten Settlors			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
		▪ false ▪ true	report, or other loan documents indicate the Borrower or Underwritten Settlor, as applicable, has been directly or indirectly obligated on a loan that resulted in foreclosure, transfer of title in lieu of foreclosure, or judgment. Enter "true" if, on the redesigned URLA, any of the responses are "yes" in Section 5b, About Your Finances, to questions G, J or L; or if indicated on the credit report, or other loan documents. ▪*Outstanding Judgments Indicator* (ULAD Unique ID 8.0029) ▪*Prior Property Deed In Lieu Conveyed Indicator* (ULAD Unique ID 8.0036) ▪*Prior Property Foreclosure Completed Indicator* (ULAD Unique ID 8.0042)
→→→ Borrower Credit Score			
590	Credit Score Value		Enter the FICO® score that is selected as the Underwriting Score for each qualifying Borrower or each Underwritten Settlor, as applicable, if such FICO score exists. The related Glossary term is Underwriting Score.
580	Credit Report Identifier		Enter the associated credit reference number if a merged credit report was used to underwrite the Borrower.

Data Required for All Individual Borrowers and Underwritten Settlors			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
582	Credit Repository Source Indicator	▪ false ▪ true	Enter "true" if a single credit repository (Equifax, Experian, or TransUnion) or a merged credit report (Merged Data) was the source for the Borrower's Credit Score.
583	Credit Repository Source Type	▪ Equifax ▪ Experian ▪ Merged Data ▪ TransUnion	
591.1	Credit Score Provider Name		Enter "###" for Credit Repository Companies, where "####" is the 4-digit Credit Repository Company Code. Enter "#nnn" for Technical Affiliates, where "#" is the first digit of the Credit Repository Company Code and "nnn" is the 3-digit Technical Affiliate Code. See **https://sf.freddiemac.com/tools-learning/loan-advisor/crc** for current Technical Affiliate Codes.

[1]This data point must be populated for the Primary Borrower in order to save the file in Loan Selling Advisor.

(ii) All individual Borrowers and Underwritten Settlors when all individual Borrowers and Underwritten Settlors have Noncredit Payment References

See Sections 5201.1 and 5202.1 for requirements related to the use of Noncredit Payment References.

See Section 5103.6 for requirements related to homeownership education.

For Mortgages when all individual Borrowers and Underwritten Settlors have Noncredit Payment References, the Seller must deliver the following ULDD Data Points:

Data Required for all Borrowers and Underwritten Settlors when all individual Borrowers and Underwritten Settlors have Noncredit Payment References			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
BORROWER			
→ Borrower Information			
→→ Borrower Details			
576/577	Counseling Confirmation Type/Counseling Confirmation Type Other Description (In Loan Selling Advisor, this appears as "Counseling Confirmation Type.")	▪ Government Agency ▪ HUD Approved Counseling Agency ▪ Lender Trained Counseling ▪ No Borrower Counseling ▪ Other – Borrower Did Not Participate ▪ Other – Mortgage Insurance Company ▪ Other – Non Profit Organization	When required, at least one Borrower on the Mortgage must complete homeownership education prior to loan closing. Enter "Government Agency" if the Borrower completed homeownership education using Freddie Mac's online **CreditSmart® Homebuyer U**, OR if the homeownership education was provided by a Housing Finance Agency (HFA), OR if the homeownership education was provided by a for-profit CDFI. Enter "HUD Approved Counseling Agency" if the Borrower completed homeownership education that was provided by a HUD-approved nonprofit counseling agency. Do not enter "Lender Trained Counseling." Enter "No Borrower Counseling" if the Borrower is not required to participate in homeownership education, such as for a refinance transaction. Enter "Other – Borrower Did Not Participate" if the

Data Required for all Borrowers and Underwritten Settlors when all individual Borrowers and Underwritten Settlors have Noncredit Payment References			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			referenced Borrower did not participate in homeownership education, and the required homeownership education was completed by another Borrower on the loan. Enter "Other – Mortgage Insurance Company" if the counseling was a program provided by a mortgage insurance company Enter "Other – Non Profit Organization" if the homeownership education was provided by a Community Development Financial Institution (CDFI), or a program that meets the standards of the National Industry Standards for Homeownership Education and Counseling.
578/579	Counseling Format Type/ Counseling Format Type Other Description (In Loan Selling Advisor, this appears as "Counseling Format Type.")	▪ Borrower Education Not Required ▪ Classroom ▪ Home Study ▪ Individual ▪ Other – Borrower Did Not Participate	When required, at least one Borrower on the Mortgage must complete homeownership education prior to loan closing. Enter "Borrower Education Not Required" if the Borrower is not required to participate in homeownership education, such as for a refinance transaction. Enter "Classroom" if instructor-led homeownership education

			was completed (not one-on-one). Enter "Home Study" if the Borrower completed homeownership education using Freddie Mac's online **CreditSmart® Homebuyer U**. Enter "Individual" if one-on-one counseling was performed. Enter "Other – Borrower Did Not Participate" if the referenced Borrower did not participate in homeownership education, and the required homeownership education was completed by an occupying Borrower on the loan.

(c) Data for non-individual Borrowers

(i) One or more Borrowers is a Living Trust

If one or more Borrowers on a loan is a Living Trust, the Seller must deliver the ULDD data points below for each Borrower that is a Living Trust. The Seller must identify the Borrower as a "Living Trust," and complete the personal information fields based on the personal data of the Underwritten Settlor(s) of the trust. See Section 5103.5 for requirements regarding Mortgages with respect to which the Borrower is a Living Trust.

Data Required for Non-Individual Borrowers when one or more Borrowers is a Living Trust			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
BORROWER			
→ Borrower Information			
→→ Borrower Details			
545/546	Legal Entity Type/Legal Entity Type Other Description (In Loan Selling Advisor, this appears as "Non-Individual Borrower Type.")	Other – Living Trust	
544	Full Name[1] (In Loan Selling Advisor, this appears as "Non-Individual Borrower Name.")		If the Borrower is a Living Trust, indicate the complete unparsed name of the Underwritten Settlor. For example, "John W. Johnson"

[1] This data point must be populated for the Primary Borrower in order to save the file in Loan Selling Advisor.

(ii) Borrower is a Native American tribe or tribal organization

Refer to Section 6302.13 for delivery requirements applicable to Section 184 Native American Mortgages when the non-individual Borrower is a Native American tribe or tribal organization.

6302.9: Data required for all Borrowers (Future effective date 07/28/25)

- Data for all Borrowers
- Data for individual Borrowers and Underwritten Settlors
- Data for non-individual Borrowers

(a) Data for all Borrowers

(i) General Borrower information

For each Borrower (up to a total of five) on every Mortgage sold to Freddie Mac, the Seller must deliver the following ULDD Data Points:

Data Required for All Borrowers			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
BORROWER			
→ Borrower Information			
→→ Borrower Details			
611	Party Role Type[1,2]	Borrower	
571	Borrower Classification Type	▪ Primary ▪ Secondary	Enter "Primary" if there is one Borrower. If there is more than one Borrower, enter "Primary" for one Borrower and "Secondary" for up to 4 additional Borrowers.
568	Borrower Birth Date		
567	Borrower Age At Application Years Count		
613	Taxpayer Identifier Type	▪ Employer Identification Number ▪ Individual Taxpayer Identification Number ▪ Social Security Number	Enter "Individual Taxpayer Identification Number" or "Social Security Number" for individual Borrowers Enter "Employer Identification Number" for non-individual Borrowers unless the Borrower is a Living Trust as defined in the Glossary. If the Borrower is a Living Trust, enter either "Individual Taxpayer Identification Number" or "Social Security Number" of the Underwritten Settlor as defined in the Glossary.
614	Taxpayer Identifier Value		
→→ Borrower Data Required for Government Reporting			
609.1	HMDA Ethnicity Type	▪ Hispanic Or Latino ▪ Information Not Provided By Applicant In Mail	Enter the ethnicity as provided by the Borrower on the loan application. If

Data Required for All Borrowers			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
		Internet Or Telephone Application ▪ Not Applicable ▪ Not Hispanic Or Latino	the Borrower is a Living Trust, enter the ethnicity as provided by the Underwritten Settlor on the loan application. For individual Borrowers and Underwritten Settlors (in the case of Borrowers that are Living Trusts): ▪ This data point may be left blank if the Borrower did not report Sort ID 609.1-*HMDA Ethnicity Type* but has reported Sort ID 609.2-*HMDA Ethnicity Origin Type* or Sort ID 609.3-*HMDA Ethnicity Origin Type Other Description* ▪ If the Borrower did not provide any ethnicity data and the loan application was taken by face-to-face interview (including electronic media with video component), enter the ethnicity collected based on visual observation or surname ▪ If the loan application was taken via telephone interview, fax, mail, e-mail or internet and the Borrower did not provide the ethnicity on the loan application, enter "Information Not Provided By Applicant In Mail Internet Or Telephone Application"

Data Required for All Borrowers			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			Enter "Not Applicable" for non-individual Borrowers other than Living Trusts.
609.5	HMDA Ethnicity Refusal Indicator	▪ false ▪ true	Enter "false" if the ethnicity information is provided. Enter "true" if the Borrower has refused to provide ethnicity information or has selected the checkbox on the loan application "I do not wish to provide this information" related to ethnicity. If the Borrower is a Living Trust, enter "true" if the Underwritten Settlor has refused to provide ethnicity information or has selected the checkbox on the loan application "I do not wish to provide this information" related to ethnicity. If the Borrower is a "Native American Tribe Or Tribal Organization", leave this data point blank.
608.3	HMDA Gender Type	▪ Applicant Selected Both Male And Female ▪ Female ▪ Information Not Provided Unknown ▪ Male ▪ Not Applicable	Enter the gender as provided by the Borrower on the loan application. If the Borrower is a Living Trust, enter the gender as provided by the Underwritten Settlor on the loan application. For individual Borrowers and Underwritten Settlors (in the case of Borrowers that are Living Trusts): ▪ If the Borrower did not provide the gender and the loan application was

Data Required for All Borrowers			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			taken by face-to-face interview (including electronic media with video component), enter the gender collected based on visual observation or name ▪ If the loan application was taken via telephone interview, fax, mail, e-mail or internet and the Borrower did not provide the gender, enter "Information Not Provided Unknown". Enter "Not Applicable" for non-individual Borrowers other than Living Trusts.
610.5	HMDA Race Type	▪ American Indian Or Alaska Native ▪ Asian ▪ Black Or African American ▪ Information Not Provided By Applicant In Mail Internet Or Telephone Application ▪ Native Hawaiian Or Other Pacific Islander ▪ Not Applicable ▪ White	Enter the race as provided by the Borrower on the loan application. If the Borrower is a Living Trust, enter the race as provided by the Underwritten Settlor on the loan application. For individual Borrowers and Underwritten Settlors (in the case of Borrowers that are Living Trusts): ▪ This data point may be left blank if the Borrower did not report Sort ID 610.5-*HMDA Race Type* but has reported Sort ID 610.3-*HMDA Race Designation Type*, Sort ID 610.6-*HMDA Race Type Additional Description*, 610.21-*HMDA Race Designation Other Asian Description*, or 610.22-*HMDA Race*

Data Required for All Borrowers			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			Designation Other Pacific Islander Description ▪ If the Borrower did not provide any race data and the loan application was taken by face-to-face interview (including electronic media with video component), enter the race collected based on visual observation or surname ▪ If the loan application was taken via telephone interview, fax, mail, e-mail or internet, and the Borrower did not provide the race on the loan application, enter "Information Not Provided By Applicant In Mail Internet Or Telephone Application" Enter "Not Applicable" for non-individual Borrowers other than Living Trusts.
610.6	HMDA Race Type Additional Description		For each Borrower, indicate any further designations reported on the loan application under "American Indian or Alaska Native - Enter name of enrolled or principal tribe". If the Borrower is a Living Trust, for the Underwritten Settlor indicate any further designations reported on the loan application under "American Indian or Alaska Native - Enter name of enrolled or principal tribe".

Data Required for All Borrowers			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			For individual Borrowers and Underwritten Settlors (in the case of Borrowers that are Living Trusts): If the Borrower did not report the data on the loan application, leave this data point blank. If the Borrower is a "Native American Tribe Or Tribal Organization", leave this data point blank.
610.2	HMDA Race Refusal Indicator	▪ false ▪ true	Enter "false" if the race information is provided. Enter "true" if the Borrower has selected the checkbox on the loan application "I do not wish to provide this information" related to race. If the Borrower is a Living Trust, enter "true" if the Underwritten Settlor has selected the checkbox on the loan application "I do not wish to provide this information" related to race. If the Borrower is a "Native American Tribe Or Tribal Organization", leave this data point blank.
609.4	HMDA Ethnicity Collected Based On Visual Observation Or Surname Indicator	▪ false ▪ true	For each Borrower, enter "true" if the ethnicity was collected based on visual observation or surname; otherwise enter "false". If the Borrower is a Living Trust, enter "true" if the ethnicity of the Underwritten Settlor was

Data Required for All Borrowers			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			collected based on visual observation or surname; otherwise enter “false”. If the Borrower is a “Native American Tribe Or Tribal Organization”, leave this data point blank.
608.1	HMDA Gender Collected Based On Visual Observation Or Name Indicator	▪ false ▪ true	For each Borrower, enter “true” if the gender was collected based on visual observation or name; otherwise enter “false”. If the Borrower is a Living Trust, “enter true” if the gender of the Underwritten Settlor was collected based on visual observation or name; otherwise enter “false”. If the Borrower is a “Native American Tribe Or Tribal Organization”, leave this data point blank.
610.1	HMDA Race Collected Based On Visual Observation Or Surname Indicator	▪ false ▪ true	For each Borrower, “enter true” if the race was collected based on visual observation or surname; otherwise, enter “false”. If the Borrower is a Living Trust, enter “true” if the race of the Underwritten Settlor was collected based on visual observation or surname; otherwise, enter “false”. If the Borrower is a “Native American Tribe Or Tribal Organization”, leave this data point blank.
609.2	HMDA Ethnicity Origin Type	▪ Cuban ▪ Mexican	For each Borrower, indicate any further designations

Data Required for All Borrowers			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
		▪ Other ▪ Puerto Rican	reported on the loan application under "Hispanic or Latino". If the Borrower is a Living Trust, for the Underwritten Settlor indicate any further designations reported on the loan application under "Hispanic or Latino". For individual Borrowers and Underwritten Settlors (in the case of Borrowers that are Living Trusts): ▪ If the Borrower did not report this data on the loan application, leave this data point blank ▪ This data point may be left blank if the Borrower did not report Sort ID 609.2-*HMDA Ethnicity Origin Type* but has reported Sort ID 609.3-*HMDA Ethnicity Origin Type Other Description* If the Borrower is a "Native American Tribe Or Tribal Organization", leave this data point blank.
609.3	HMDA Ethnicity Origin Type Other Description		For each Borrower, indicate any further designations reported on the loan application under "Other Hispanic or Latino - Enter Origin". If the Borrower is a Living Trust, for the Underwritten Settlor indicate any further designations reported on the loan application under

Data Required for All Borrowers			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			"Other Hispanic or Latino - Enter Origin". For individual Borrowers and Underwritten Settlors (in the case of Borrowers that are Living Trusts): If the Borrower did not report the data on the loan application, leave this data point blank. If the Borrower is a "Native American Tribe Or Tribal Organization", leave this data point blank.
608.2	HMDA Gender Refusal Indicator	▪ false ▪ true	Enter "false" if the gender information is provided. Enter "true" if the Borrower has refused to provide gender information or has selected the checkbox on the loan application "I do not wish to provide this information" related to sex. If the Borrower is a Living Trust, enter "true" if the Underwritten Settlor has refused to provide gender information or has selected the checkbox on the loan application "I do not wish to provide this information" related to sex. If the Borrower is a "Native American Tribe Or Tribal Organization", leave this data point blank.
610.3	HMDA Race Designation Type	▪ Asian Indian ▪ Chinese ▪ Filipino ▪ Guamanian Or Chamorro	For each Borrower, indicate any further designations reported on the loan application under "Asian" or

Data Required for All Borrowers			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
		▪ Japanese ▪ Korean ▪ Native Hawaiian ▪ Other Asian ▪ Other Pacific Islander ▪ Samoan ▪ Vietnamese	"Native Hawaiian or Other Pacific Islander". If the Borrower is a Living Trust, for the Underwritten Settlor indicate any further designations reported on the loan application under "Asian" or "Native Hawaiian or Other Pacific Islander". For individual Borrowers and Underwritten Settlors (in the case of Borrowers that are Living Trusts): ▪ If the Borrower did not report this data on the loan application, leave this data point blank ▪ This data point may be blank if the Borrower did not report Sort ID 610.3-*HMDA Race Designation Type* but has reported Sort ID 610.6-*HMDA Race Type Additional Description*, 610.21-*HMDA Race Designation Other Asian Description*, or 610.22 HMDA -*Race Designation Other Pacific Islander Description* If the Borrower is a "Native American Tribe Or Tribal Organization", leave this data point blank.
610.21	HMDA Race Designation Other Asian Description		For each Borrower, indicate any further designations reported on the loan application under "Other Asian - Print Race:".

Data Required for All Borrowers			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			If the Borrower is a Living Trust, for the Underwritten Settlor indicate any further designations reported on the loan application under "Other Asian - Print Race:". For individual Borrowers and Underwritten Settlors (in the case of Borrowers that are Living Trusts): If the Borrower did not report the data on the loan application, leave this data point blank. If the Borrower is a "Native American Tribe Or Tribal Organization", leave this data point blank.
610.22	HMDA Race Designation Other Pacific Islander Description		For each Borrower, indicate any further designations reported on the loan application under "Other Pacific Islander - Print Race:". If the Borrower is a Living Trust, for the Underwritten Settlor indicate any further designations reported on the loan application under "Other Pacific Islander - Print Race:". For individual Borrowers and Underwritten Settlors (in the case of Borrowers that are Living Trusts): If the Borrower did not report the data on the loan application, leave this data point blank.

Data Required for All Borrowers			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			If the Borrower is a "Native American Tribe Or Tribal Organization", leave this data point blank.

[1] This data point name does not appear as a Loan Selling Advisor® input field, but instead is reflected in a screen heading or tab.

[3] This data point must be populated for the Primary Borrower in order to save the file in Loan Selling Advisor.

(ii) Primary Borrower mailing information

See Section 1301.2(j) for mailing address requirements for Borrowers participating in an address confidentiality program.

With respect to the mailing address of the primary Borrower or Underwritten Settlor, as applicable, the Seller must deliver the following ULDD Data Points:

Data Required for Primary Borrower's Mailing Address			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
BORROWER			
→ Borrower Information			
→→ Borrower Details			
571	*Borrower Classification Type*[1]	*Primary*	
→→Borrower Mailing Address (Borrower *1*) (*Primary Borrower*)			
572	Borrower Mail To Address Same As Property Indicator	▪ false ▪ true	Enter "true" if the mailing address of the primary Borrower or Underwritten Settlor, as applicable, is the same as the Mortgaged Premises. Enter "false" if the mailing address of the primary Borrower or Underwritten Settlor, as applicable, is not the same as the Mortgaged Premises. If applicable, see Section 1301.2(j) for mailing address requirements for Borrowers participating in an address confidentiality program.

Data Required for Primary Borrower's Mailing Address			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
548	Address Line Text (In Loan Selling Advisor, this appears as "Street Address.")		If the mailing address is the same as the Mortgaged Premises, leave this data point blank; otherwise, enter the complete mailing street address. If the mailing address is outside of the United States or Canada, include the "state" if applicable, after the street address. If the Address Unit Identifier is not provided, enter the unit number preceded by any United States Postal Service (USPS) address unit designator (e.g., apartment, suite or unit) if applicable.
553	Address Unit Identifier		Enter only if the unit number has not been included in Address Line Text. Do not include the address unit designator (e.g., apartment, suite or unit).
554	City Name		
560	State Code		Enter the state abbreviation maintained by the United States Postal Service (USPS). Refer to USPS (Publication 28 – Postal Addressing Standards) for guidance about state codes.
557	Postal Code		
555	Country Code		Enter two-character codes from the International Organization for Standardization (ISO) 3166-1-alpha-2 code list at

Data Required for Primary Borrower's Mailing Address			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			https://www.iso.org/iso-3166-country-codes.html
549	Address Type	Mailing	

[1] This data point must be populated to save the file in Loan Selling Advisor.

(b) Data for individual Borrowers and Underwritten Settlors

(i) All individual Borrowers and Underwritten Settlors

In addition to the data set forth in Section 6302.9(a), the Seller must deliver the following ULDD Data Points for each individual Borrower and, as applicable, Underwritten Settlor:

Data Required for All Individual Borrowers and Underwritten Settlors			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
BORROWER			
→ Borrower Information – Borrower			
→→ Borrower Details			
540	First Name[1]		Not required for Underwritten Settlor.
542	Middle Name		Enter if exists for individual Borrower; not required for Underwritten Settlor.
541	Last Name[1]		Not required for Underwritten Settlor.
543	Suffix Name		Enter if exists for individual Borrower; not required for Underwritten Settlor.
598	Citizenship Residency Type	▪ Permanent Resident Alien ▪ Nonpermanent Resident Alien ▪ US Citizen	
600	Employment Borrower Self Employed Indicator	▪ false ▪ true	Enter "true" if the *Borrower* or Underwritten Settlor, as applicable, is considered to be self-employed according to Section 5301.1.
598.1	Intent To Occupy Type	▪ No ▪ Yes	Enter "Yes" if the property will be occupied as the *Borrower's Primary Residence*.

Data Required for All Individual Borrowers and Underwritten Settlors			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			Enter "No" if the property will not be occupied as the *Borrower's Primary Residence*.
→→→ First Time Homebuyer Details			
597	Borrower First Time Homebuyer Indicator	▪ false ▪ true	Enter "true" if the *Borrower* or Underwritten Settlor, as applicable, on the Mortgage is a First-Time Homebuyer as defined in the Glossary. *Borrower* data must be delivered for each First-Time Homebuyer.
→ → Borrower Underwriting Details			
573	Borrower Qualifying Income Amount		Enter the stable monthly income, as defined in Topic 5300 for each qualifying Borrower or Underwritten Settlor, as applicable.
596	Bankruptcy Indicator	▪ false ▪ true	Enter "true" if the Uniform Residential Loan Application (URLA), credit report, or other loan documents indicate that the *Borrower* or Underwritten Settlor, as applicable, has declared bankruptcy within the past 7 years.
599	Loan Foreclosure Or Judgment Indicator	▪ false ▪ true	Enter "true" if the URLA, credit report, or other loan documents indicate the Borrower or Underwritten Settlor, as applicable, has been directly or indirectly obligated on a loan that resulted in foreclosure, transfer of title in lieu of foreclosure, or judgment. Enter "true" if, on the redesigned URLA, any of the responses are "yes" in

Data Required for All Individual Borrowers and Underwritten Settlors			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			Section 5b, About Your Finances, to questions G, J or L; or if indicated on the credit report, or other loan documents. ▪*Outstanding Judgments Indicator* (ULAD Unique ID 8.0029) ▪*Prior Property Deed In Lieu Conveyed Indicator* (ULAD Unique ID 8.0036) ▪*Prior Property Foreclosure Completed Indicator* (ULAD Unique ID 8.0042)
599.1	Prior Property Short Sale Completed Indicator	▪ false ▪ true	Enter "true" if the response on the redesigned URLA is "yes" in Section 5b, About Your Finances, to question K; or if indicated on the credit report or other loan documents. Corresponds to PriorPropertyShortSaleCompletedIndicator in Loan Product Advisor® Unique ID 275.00.
→→→ Borrower Credit Score			
590	Credit Score Value		Enter the FICO® score that is selected as the Underwriting Score for each qualifying Borrower or each Underwritten Settlor, as applicable, if such FICO score exists. The related Glossary term is Underwriting Score.
580	Credit Report Identifier		Enter the associated credit reference number if a merged credit report was used to underwrite the Borrower.

Data Required for All Individual Borrowers and Underwritten Settlors			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
582	Credit Repository Source Indicator	▪ false ▪ true	Enter "true" if a single credit repository (Equifax, Experian, or TransUnion) or a merged credit report (Merged Data) was the source for the Borrower's Credit Score.
583	Credit Repository Source Type	▪ Equifax ▪ Experian ▪ Merged Data ▪ TransUnion	
591.1	Credit Score Provider Name		Enter "###" for Credit Repository Companies, where "####" is the 4-digit Credit Repository Company Code. Enter "#nnn" for Technical Affiliates, where "#" is the first digit of the Credit Repository Company Code and "nnn" is the 3-digit Technical Affiliate Code. See **https://sf.freddiemac.com/tools-learning/loan-advisor/crc** for current Technical Affiliate Codes.

[1]This data point must be populated for the Primary Borrower in order to save the file in Loan Selling Advisor.

(ii) All individual Borrowers and Underwritten Settlors when all individual Borrowers and Underwritten Settlors have Noncredit Payment References

See Sections 5201.1 and 5202.1 for requirements related to the use of Noncredit Payment References.

See Section 5103.6 for requirements related to homeownership education.

For Mortgages when all individual Borrowers and Underwritten Settlors have Noncredit Payment References, the Seller must deliver the following ULDD Data Points:

Data Required for all Borrowers and Underwritten Settlors when all individual Borrowers and Underwritten Settlors have Noncredit Payment References			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
BORROWER			
→ Borrower Information			
→→ Borrower Details			
576/577	Counseling Confirmation Type/Counseling Confirmation Type Other Description (In Loan Selling Advisor, this appears as "Counseling Confirmation Type.")	▪ Government Agency ▪ HUD Approved Counseling Agency ▪ Lender Trained Counseling ▪ No Borrower Counseling ▪ Other – Borrower Did Not Participate ▪ Other – Mortgage Insurance Company ▪ Other – Non Profit Organization	When required, at least one Borrower on the Mortgage must complete homeownership education prior to loan closing. Enter "Government Agency" if the Borrower completed homeownership education using Freddie Mac's online **CreditSmart® Homebuyer U**, OR if the homeownership education was provided by a Housing Finance Agency (HFA), OR if the homeownership education was provided by a for-profit CDFI. Enter "HUD Approved Counseling Agency" if the Borrower completed homeownership education that was provided by a HUD-approved nonprofit counseling agency. Do not enter "Lender Trained Counseling." Enter "No Borrower Counseling" if the Borrower is not required to participate in homeownership education, such as for a refinance transaction. Enter "Other – Borrower Did Not Participate" if the

Data Required for all Borrowers and Underwritten Settlors when all individual Borrowers and Underwritten Settlors have Noncredit Payment References			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			referenced Borrower did not participate in homeownership education, and the required homeownership education was completed by another Borrower on the loan. Enter "Other – Mortgage Insurance Company" if the counseling was a program provided by a mortgage insurance company Enter "Other – Non Profit Organization" if the homeownership education was provided by a Community Development Financial Institution (CDFI), or a program that meets the standards of the National Industry Standards for Homeownership Education and Counseling.
578/579	Counseling Format Type/ Counseling Format Type Other Description (In Loan Selling Advisor, this appears as "Counseling Format Type.")	▪ Borrower Education Not Required ▪ Classroom ▪ Home Study ▪ Individual ▪ Other – Borrower Did Not Participate	When required, at least one Borrower on the Mortgage must complete homeownership education prior to loan closing. Enter "Borrower Education Not Required" if the Borrower is not required to participate in homeownership education, such as for a refinance transaction. Enter "Classroom" if instructor-led homeownership education

			was completed (not one-on-one). Enter "Home Study" if the Borrower completed homeownership education using Freddie Mac's online **CreditSmart® Homebuyer U**. Enter "Individual" if one-on-one counseling was performed. Enter "Other – Borrower Did Not Participate" if the referenced Borrower did not participate in homeownership education, and the required homeownership education was completed by an occupying Borrower on the loan.

(c) Data for non-individual Borrowers

(i) One or more Borrowers is a Living Trust

If one or more Borrowers on a loan is a Living Trust, the Seller must deliver the ULDD data points below for each Borrower that is a Living Trust. The Seller must identify the Borrower as a "Living Trust," and complete the personal information fields based on the personal data of the Underwritten Settlor(s) of the trust. See Section 5103.5 for requirements regarding Mortgages with respect to which the Borrower is a Living Trust.

Data Required for Non-Individual Borrowers when one or more Borrowers is a Living Trust			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
BORROWER			
→ Borrower Information			
→→ Borrower Details			
545/546	Legal Entity Type/Legal Entity Type Other Description (In Loan Selling Advisor, this appears as "Non-Individual Borrower Type.")	Other – Living Trust	
544	Full Name[1] (In Loan Selling Advisor, this appears as "Non-Individual Borrower Name.")		If the Borrower is a Living Trust, indicate the complete unparsed name of the Underwritten Settlor. For example, "John W. Johnson"

[1] This data point must be populated for the Primary Borrower in order to save the file in Loan Selling Advisor.

(ii) Borrower is a Native American tribe or tribal organization

Refer to Section 6302.13 for delivery requirements applicable to Section 184 Native American Mortgages when the non-individual Borrower is a Native American tribe or tribal organization.

6302.10: Loan Product Advisor® Mortgage underwriting data delivery requirements (09/04/24)

- General requirements
- Data for Loan Product Advisor® Mortgages
- Special delivery requirements for Mortgages with an automated collateral evaluation (ACE) appraisal waiver or ACE+ PDR

(a) General requirements

For each Loan Product Advisor Mortgage delivered to Freddie Mac, the Seller is required to include the Key Number. A Mortgage delivered without a Key Number will be considered a Non-Loan Product Advisor Mortgage.

Refer to Chapter 5101 for additional information on Loan Product Advisor Mortgages.

(b) Data for Loan Product Advisor Mortgages

If the Mortgage is a Loan Product Advisor Mortgage, the Seller must deliver the following ULDD Data Points:

Loan Product Advisor Mortgage Underwriting Data Requirements			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Closing			
→ Underwriting / Credit Information → Underwriting Details			
328	*Loan Manual Underwriting Indicator*	▪ *false* ▪ *true*	*Enter "false" if the loan underwriting decision is not based on manual underwriting and is based on the recommendation of Loan Prospector or Loan Product Advisor.* *Enter "true" if the LP or LPA Risk Class is Caution and the loan was manually underwritten prior to delivery.*
326/327	Automated Underwriting System Type / Automated Underwriting System Type Other Description (In Loan Selling Advisor®, this appears as "Automated Underwriting System Type.")	Loan Prospector Other – Loan Product Advisor	For Loan Prospector Mortgages, enter "Loan Prospector." Enter "Other – Loan Product Advisor" if Loan Product Advisor was used to assess the loan.
325	Automated Underwriting Recommendation Description	▪ Accept ▪ Caution	Enter the applicable Risk Class/Classification for Loan Prospector or Loan Product Advisor Mortgages.
322	Automated Underwriting Case Identifier		Enter the Loan Prospector AUS Key Number. The related Glossary term is Key Number.
LOAN – Current			
→ Product Information → Product Details			
→→Modification Details			

Loan Product Advisor Mortgage Underwriting Data Requirements			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
397	*Mortgage Modification Indicator*	*false*	

(c) Special delivery requirements for Mortgages with an ACE appraisal waiver or ACE+ PDR

See Section 5602.3 for more information on automated collateral evaluation.

For Mortgages for which the Seller accepts an ACE appraisal waiver or ACE+ PDR, the Seller must deliver the following ULDD Data Points:

Data Required for Mortgages with Appraisal Waivers			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
PROPERTY			
→ Property Information			
→→ Property Details			
67	*Property Structure Built Year*		*Leave blank or enter "9999" if the Seller accepts ACE or ACE+ PDR.*
→→ Appraisal / Valuation Property Details			
89	*Property Valuation Method Type*	*None*	
83	*Property Valuation Amount*		*For refinance Mortgages, enter the "Borrower Estimated Value" that was provided in Loan Product Advisor®.* *For purchase Mortgages, enter the Purchase Price Amount of the delivered loan.*
LOAN – Current			
→ Product Information → Product Details			
368	Investor Feature Identifier	J44	Enter this value to identify loans that have been upgraded from ACE+ PDR to a hybrid appraisal, as described in Section 5604.1.

Data Required for Mortgages with Appraisal Waivers			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
376	Investor Collateral Program Identifier	▪ Automated Collateral Evaluation ▪ Property Data Collection	Enter "Automated Collateral Evaluation" for ACE. Enter "Property Data Collection" for ACE+ PDR.

6302.11: Non-Loan Product Advisor® Mortgage data delivery requirements (03/05/18)

- General requirements
- Data for Non-Loan Product Advisor® Mortgages

(a) General requirements

The Seller must not deliver any Key Number for Non-Loan Product Advisor Mortgages.

(b) Data for Non-Loan Product Advisor Mortgages

For Non-Loan Product Advisor Mortgages, the Seller must deliver the following ULDD Data Points:

Non-Loan Product Advisor Mortgage Underwriting Data Requirements			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Closing			
→ Underwriting / Credit Information → Loan Level Credit Details			
328	*Loan Manual Underwriting Indicator*	*true*	*Enter "true" if the loan underwriting decision is based on manual underwriting.*
251	Loan Level Credit Score Value		Enter if the Indicator Score exists. The related Glossary term is Indicator Score.
249	Loan Level Credit Score Selection Method Type	▪ Average Then Average ▪ Middle Or Lower Then Average ▪ Middle Or Lower Then Lowest	Enter if the Indicator Score exists.
247	Credit Score Impairment Type	▪ Insufficient Credit History ▪ Significant Errors Score	Enter if the Indicator Score does not exist or is not usable.

6302.12: Special delivery requirements for FHA/VA Mortgages (06/03/19)

- General requirements
- Data delivery instructions
- Delivery programs
- Pooling requirements for MBS

(a) General requirements

See Section 4205.4 for special eligibility requirements for FHA/VA Mortgages.

See Exhibit 17S, Available Mortgage Products, for more information about eligibility requirements for fixed-rate FHA/VA Mortgages.

(b) Data delivery instructions

For FHA/VA Mortgages, the Seller must not deliver mortgage insurance ULDD Data Points.

(i) FHA Mortgages

For FHA Mortgages, the Seller must deliver the following ULDD Data Points:

Data Required for FHA Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Closing			
→ Product Information → Product Details			
317	*Mortgage Type*	*FHA*	*Enter this value for FHA Mortgages.*
198	Section Of Act Type	▪ 203B ▪ 234C	Enter “234C” for condominiums and “203B” for all other FHA Mortgages.

(ii) VA Mortgages

For VA Mortgages, the Seller must deliver the following ULDD Data Point:

Data Required for VA Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Closing			
→ Product Information → Product Details			
317	*Mortgage Type*	*VA*	*Enter this value for VA Mortgages.*

(c) Delivery programs

FHA/VA Mortgages may be sold only under the following:

- Fixed-rate Cash
- Fixed-rate Guarantor
- MultiLender Swap

(d) Pooling requirements for MBS

Refer to Chapter 6202 for pooling requirements for FHA/VA Mortgages under the fixed-rate Guarantor or MultiLender Swap programs.

6302.13: Special delivery requirements for Section 184 Native American Mortgages (06/03/19)

- General requirements
- Data delivery instructions
- Delivery programs
- Pooling requirements for MBS

(a) General requirements

See Section 4205.3 for special eligibility requirements for Section 184 Native American Mortgages.

See Exhibit 17S, Available Mortgage Products, for more information about eligibility requirements for Section 184 Native American Mortgages.

(b) Data delivery instructions

For Section 184 Native American Mortgages, the Seller must not deliver mortgage insurance ULDD Data Points.

(i) All Section 184 Native American Mortgages

For Section 184 Native American Mortgages with no special characteristics, the Seller must deliver the following ULDD Data Points:

Loan Data Required for Section 184 Native American Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Closing			
→Product Information → Product Details			
317/318	Mortgage Type/Mortgage Type Other Description (In Loan Selling Advisor®, this appears as "Mortgage Type.")	Other – Public And Indian Housing	
198	Section Of Act Type	184	

(ii) Section 184 Native American Mortgages with special characteristics

For Section 184 Native American Mortgages with the indicated property characteristics, the Seller must deliver the following ULDD Data Points:

Loan Data Required for Section 184 Native American Mortgages If Applicable			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
PROPERTY			
→ Property Information → Property Details			
63	*Property Estate Type*	*Leasehold*	*Enter this value if the subject property is located on tribal trust land.*
LOAN – Current			
→ Product Information → Product Details			
368	Investor Feature Identifier	130	Enter this value if the subject property is located on allotted land.

(iii) Borrower is a tribe or tribal organization

If the Borrower is a Native American tribe or tribal organization, the Seller must not deliver First-Time Homebuyer or Co-Borrower ULDD Data Points.

If the Borrower is a Native American tribe or tribal organization, the Seller must deliver the following ULDD Data Points:

Data Required for Native American Tribe or Tribal Organization			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
PROPERTY			
→ Property Information → Property Details			
69	*Property Usage Type*	*Investment*	
LOAN – Closing			
→Origination Information → Origination Details			
227	*Borrower Count*	*1*	*Do not provide information about secondary Borrower(s).*
BORROWER			
→Borrower Information – Borrower *1* (*Primary Borrower*)			
→ →Borrower Details (Borrower *1*)			
571	*Borrower Classification Type*[1]	*Primary*	*Enter "Primary" when there is one Borrower.*

Data Required for Native American Tribe or Tribal Organization			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
545/546	*Legal Entity Type /Legal Entity Type Other Description* *(In Loan Selling Advisor, this appears as "Non-Individual Borrower Type.")*	*Other - Native American Tribe Or Tribal Organization*	*Enter this value when a Native American tribe or tribal organization is the non-individual title holder of the Mortgaged Premises.*
544	*Full Name*[1] *(In Loan Selling Advisor, this appears as "Non-Individual Borrower Name.")*		*Enter the name of the Native American tribe or tribal organization.*

[1] This data point must be populated to save the file in Loan Selling Advisor.

(c) Delivery programs

Section 184 Native American Mortgages may be sold only under the following:

- Fixed-rate Cash
- Fixed-rate Guarantor
- MultiLender Swap

(d) Pooling requirements for MBS

Refer to Section 6202.3 for special pooling requirements for Section 184 Native American Mortgages under the fixed-rate Guarantor or MultiLender Swap programs.

6302.14: Special delivery requirements for Home Possible® Mortgages (09/04/24)

- General requirements
- Data delivery instructions
- Delivery programs

(a) General requirements

See Chapter 4501 for special eligibility requirements for Home Possible® Mortgages.

See Section 5103.6 for requirements related to homeownership education.

See Section 4501.2 for requirements for Home Possible Mortgages with temporary subsidy buydowns.

See Section 4205.2 for special eligibility requirements for Home Possible Mortgages with RHS Leveraged Seconds.

See Exhibit 17S, Available Mortgage Products, for more information about eligibility requirements for Home Possible Mortgages.

(b) Data delivery instructions

(i) All Home Possible Mortgages

For Home Possible Mortgages, the Seller must deliver the following ULDD Data Points:

Data Required for Home Possible Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Closing			
→Product Information → Product Details			
238	*Loan Affordable Indicator*	*true*	*Enter "true" for Home Possible Mortgages.*
→Origination Information			
→→ Funds Needed to Close Details			
Underwriting / Credit Information→ Underwriting Details			
326/327	*Automated Underwriting System Type/Automated Underwriting System Type Other Description* *(In Loan Selling Advisor®, this appears as "Automated Underwriting System Type.")*	*Loan Prospector* *Other – Loan Product Advisor®*	

Data Required for Home Possible Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
322	*Automated Underwriting Case Identifier*		*Enter the Loan Prospector® (LP) AUS Key Number for all Home Possible Mortgages, if available. The related Glossary term is Key Number.*
LOAN – Current			
→ Product Information → Product Details			
404	Loan Program Identifier	▪ Home Possible Mortgage	
BORROWER			
→Borrower Information			
→→ Borrower Details			
576/577	Counseling Confirmation Type/ Counseling Confirmation Type Other Description (In Loan Selling Advisor, this appears as "Counseling Confirmation Type.")	▪ Government Agency ▪ HUD Approved Counseling Agency ▪ Lender Trained Counseling ▪ No Borrower Counseling ▪ Other – Borrower Did Not Participate ▪ Other – Mortgage Insurance Company ▪ Other – Non Profit Organization	When required, at least one Borrower on the Mortgage must complete homeownership education prior to loan closing. Enter "Government Agency" if the Borrower completed homeownership education using Freddie Mac's online **CreditSmart® Homebuyer U**, OR if the homeownership education was provided by a Housing Finance Agency (HFA), OR if the homeownership education was provided by a for-profit CDFI. Enter "HUD Approved Counseling Agency" if the Borrower completed homeownership education that was provided by a HUD-approved nonprofit counseling agency.

Data Required for Home Possible Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			Do not enter "Lender Trained Counseling." Enter "No Borrower Counseling" if the Borrower is not required to participate in homeownership education, such as for a refinance transaction. Enter "Other – Borrower Did Not Participate" if the referenced Borrower did not participate in homeownership education, and the required homeownership education was completed by another Borrower on the loan. Enter "Other – Mortgage Insurance Company" if the counseling was a program provided by a mortgage insurance company. Enter "Other – Non Profit Organization" if the homeownership education was provided by a Community Development Financial Institution (CDFI), or a program that meets the standards of the National Industry Standards for Homeownership Education and Counseling.
578/579	Counseling Format Type/ Counseling Format Type Other Description (In Loan Selling Advisor,	▪ Borrower Education Not Required ▪ Classroom ▪ Home Study ▪ Individual ▪ Other – Borrower Did Not Participate	When required, at least one Borrower on the Mortgage must complete homeownership education prior to loan closing.

Data Required for Home Possible Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
	this appears as "Counseling Format Type.")		Enter "Borrower Education Not Required" if the Borrower is not required to participate in homeownership education, such as for a refinance transaction. Enter "Classroom" if instructor-led homeownership education was completed (not one-on-one). Enter "Home Study" if the Borrower completed homeownership education using Freddie Mac's online **CreditSmart® Homebuyer U**. Enter "Individual" if one-on-one counseling was performed. Enter "Other – Borrower Did Not Participate" if the referenced Borrower did not participate in homeownership education, and the required homeownership education was completed by an occupying Borrower on the loan.

(ii) Home Possible Mortgages with special characteristics

For Home Possible Mortgages with the indicated characteristics, the Seller must deliver the following ULDD Data Points in addition to the ULDD Data Points required for Home Possible Mortgages in Section 6302.14(b)(i):

Data Required for Home Possible Mortgages if Applicable			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Current			
→ Product Information → Product Details			
368	Investor Feature Identifier	532	Enter this value when the Mortgage satisfies the minimum number of payment reference requirement using Noncredit Payment References.

(iii) Home Possible Mortgages with secondary financing including Affordable Seconds®

For delivery requirements for Home Possible Mortgages with secondary financing, including Home Possible Mortgages with Affordable Seconds, see Section 6302.34.

(iv) Home Possible Mortgages with RHS Leveraged Seconds

For Home Possible Mortgages with RHS Leveraged Seconds, the Seller must deliver the following ULDD Data Points in addition to the ULDD Data Points required for Home Possible Mortgages in Section 6302.14(b)(i):

Data Required for Home Possible Mortgages with RHS Leveraged Seconds			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Current			
→ Secondary Financing / Related Loan Details			
517	*Lien Priority Type*	*Second Lien*	
519	*Mortgage Type*	*USDA Rural Housing*	

(v) Home Possible Mortgages originated with sweat equity

For Home Possible Mortgages originated with sweat equity as a credit towards the Down Payment and/or Closing Costs, the Seller must deliver the following ULDD Data Points in addition to the ULDD Data Points required for Home Possible Mortgages in Section 6302.14(b)(i):

Data Required for Home Possible Mortgages with Sweat Equity			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Current			
→ Product Information →→ Product Details			

Data Required for Home Possible Mortgages with Sweat Equity			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
368	Investor Feature Identifier	J11	Enter this value indicating Duty to Serve (DTS) sweat equity.

(c) Delivery programs

Home Possible Mortgages may be sold under the following:

- Cash
- Guarantor
- MultiLender Swap

6302.15: Special delivery requirements for Section 502 GRH Mortgages (03/06/24)

- General requirements
- Data delivery instructions
- Delivery programs
- Pooling requirements for MBS

(a) General requirements

See Section 4205.1 for special eligibility requirements for Section 502 GRH Mortgages.

See Exhibit 17S, Available Mortgage Products, for more information about eligibility requirements for fixed-rate Section 502 GRH Mortgages.

(b) Data delivery instructions

For Section 502 GRH Mortgages, the Seller must not deliver mortgage insurance ULDD Data Points.

For Section 502 GRH Mortgages, the Seller must deliver the following ULDD Data Points:

Data Required for Section 502 GRH Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Closing			
→ Product Information → Product Details			
317	*Mortgage Type*	*USDA Rural Housing*	*Enter "USDA Rural Housing" for Section 502 GRH Mortgages.*
198	Section Of Act Type	502	Enter "502" with Mortgage Type = "USDA Rural Housing."

(c) Delivery programs

Assumable and nonassumable Section 502 GRH Mortgages may be sold only under the following:

- Fixed-rate Cash
- Fixed-rate Guarantor
- MultiLender Swap

Nonassumable Section 502 GRH Mortgages sold under the fixed-rate Guarantor or MultiLender Swap programs cannot be pooled with conventional Mortgages.

(d) Pooling requirements for MBS

Refer to Section 6202.3 for special pooling requirements for assumable and nonassumable Section 502 GRH Mortgages under the fixed-rate Guarantor or MultiLender Swap programs.

6302.16: Special delivery requirements for refinance Mortgages (11/06/24)

- General requirements
- Data delivery instructions

(a) General requirements

See Chapter 4301 for special eligibility requirements for refinance Mortgages.

(b) Data delivery instructions

See Section 6302.40 for delivery requirements for Freddie Mac Enhanced Relief Refinance Mortgages®.

(i) All refinance Mortgages

For refinance Mortgages, the Seller must deliver the following ULDD Data Points:

Data Required for Refinance Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – At Closing			
→ Underwriting / Credit Information → Loan Details			
315	*Loan Purpose Type*	*Refinance*	
195	*Purchase Price Amount*		*Not required for Refinances.*
294	Refinance Cash Out Determination Type	▪ Cash Out ▪ No Cash Out	
293	Refinance Cash Out Amount		Required for cash-out refinance Mortgages. Enter the Note Amount (Sort ID 319) minus the following amounts paid with the proceeds of the refinanced Mortgage: ▪ Existing first lien (including prepayment penalty) ▪ The amount paid on any subordinate liens secured by the Mortgaged Premises that were used in their entirety to purchase the subject property ▪ Closing Costs ▪ The outstanding balance of a land contract or contract for deed (see Section 4404.1) ▪ A Property Assessed Clean Energy (PACE) or PACE-like obligation (see Section 4301.8) ▪ For GreenCHOICE Mortgages®, the eligible improvements (see

Data Required for Refinance Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – At Closing			
→ Underwriting / Credit Information → Loan Details			
			Sections 4606.1(b) and 4606.3) ▪ For CHOICERenovation® Mortgages, the eligible renovations (see Sections 4607.6 and 4607.7(c))

(ii) Refinance Mortgages with special characteristics

For refinance Mortgages with the indicated characteristics, the Seller must deliver the following ULDD Data Points:

Data Required for Refinance Mortgages with Special Characteristics			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – At Closing **→ Underwriting / Credit Information → Loan Details**			Enter if the Mortgage is a special purpose cash-out refinance Mortgage when cash was used by an owner to buy out the equity of a co-owner.
294	*Refinance Cash Out Determination Type*	*Cash Out*	
LOAN – Current **→ Product Details**			
368	Investor Feature Identifier	203	
LOAN – At Closing **→ Underwriting / Credit Information**			Enter if the Mortgage is a Freddie Mac-owned "no cash-out" refinance Condominium Unit Mortgage (Section 5701.7) or a Freddie Mac-owned "no cash-out" refinance Cooperative Share Loan (Section 5705.7). If available, enter ULDD Data Point *Related Investor Loan Identifier* (Sort ID 221). This is the 9-digit Freddie Mac-supplied number assigned to the original Mortgage by the Seller when the Mortgage was initially sold to Freddie Mac.
→ →Loan Details			
294	*Refinance Cash Out Determination Type*	*No Cash Out*	
→→Streamlined Loan Details			
222	Related Loan Investor Type	FRE	
221	Related Investor Loan Identifier	<Associated FRE Loan #>	

Data Required for Refinance Mortgages with Special Characteristics			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – At Closing → Underwriting / Credit Information			Enter if the HomeOne® Mortgage is a "no cash-out" refinance Mortgage. See Chapter 4605 for special eligibility requirements for HomeOne Mortgages. If available, enter ULDD Data Point *Related Investor Loan Identifier* (Sort ID 221). This is the 9-digit Freddie Mac-supplied number assigned to the original Mortgage by the Seller when the Mortgage was initially sold to Freddie Mac.
→ →Loan Details			
294	*Refinance Cash Out Determination Type*	*No Cash Out*	
→→Streamlined Loan Details			
222	Related Loan Investor Type	FRE	
221	Related Investor Loan Identifier	<Associated FRE Loan #>	
LOAN – At Closing → Underwriting / Credit Information→ Loan Details			Enter if the Mortgage is a Freddie Mac-owned "no cash-out" refinance Mortgage and a PACE obligation is paid off with the Mortgage proceeds.
294	*Refinance Cash Out Determination Type*	*No Cash Out*	
LOAN – Current → Product Details			
368	Investor Feature Identifier	H61	
LOAN – Current			
→ Product Information → Product Details			
451	Refinance Program Identifier	Texas Equity	Enter if the Mortgage is a Texas Equity Section 50(a)(6) Mortgage.

6302.17: Special delivery requirements for fixed-rate relocation Mortgages (06/03/19)

- General requirements
- Data delivery instructions
- Delivery programs
- Pooling requirements for UMBS®, MBS and Supers®

(a) General requirements

See Section 6202.3 for the definition of a relocation Mortgage. A 10-, 15-, 20- or 30-year fixed-rate Mortgage that complies with the definition must be sold to Freddie Mac as a relocation Mortgage.

(b) Data delivery instructions

For relocation Mortgages that comply with Section 6202.3, the Seller must deliver the following ULDD Data Point:

Data Required for Relocation Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – At Closing			
→ Underwriting / Credit Information → Loan Details			
241	*Relocation Loan Indicator*	*true*	*Enter "true" only if the Mortgage is a fixed-rate Mortgage that complies with Section 6202.3.*

(c) Delivery programs

Fixed-rate relocation Mortgages may be sold only under the following:

- Fixed-rate Cash
- Fixed-rate Guarantor
- MultiLender Swap

(d) Pooling requirements for UMBS, MBS and Supers

Refer to Section 6202.3 for pooling requirements for fixed-rate relocation Mortgages under the fixed-rate Guarantor or MultiLender Swap programs.

6302.18: Special delivery requirements for subsidy buydown Mortgages (09/04/24)

- General requirements
- Data delivery instructions
- Pooling requirements for UMBS®, MBS, Supers® and WAC ARM PCs

(a) General requirements

See Section 4204.4 for special eligibility requirements for Mortgages with temporary subsidy buydowns.

See Section 4501.2 for eligibility requirements for Home Possible® Mortgages with temporary subsidy buydowns.

See Section 6302.26 for data requirements for loans with temporary subsidy buydowns sold through Cash-Released XChange®.

(b) Data delivery instructions

For Mortgages with temporary subsidy buydowns (including Seller-Owned Modified Mortgages), the Seller must deliver the following ULDD Data Points:

Data Required for Subsidy Buydown Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Closing and LOAN – Modification			
→ Note Information			
→ Note Details			
321	*Note Rate Percent*		*Enter the interest rate shown on the Note (without reference to the temporary buydown subsidy).*
268	*Initial Principal and Interest Payment Amount*		*Enter the monthly payment shown on the Note (without reference to the temporary buydown subsidy).*
→ Temporary Buydown Details			
228	*Buydown Temporary Subsidy Indicator*	*true*	
145/146	Buydown Contributor Type/Buydown Contributor Type Other Description	▪ Borrower ▪ Lender ▪ Other – Interested Third Party	Enter "Other-Interested Third Party" if the contributor is an Interested Party as described in the Guide. Enter "Borrower" for all other temporary buydown contributors.
147	Buydown Change Frequency Months Count		Enter the number of months between each Note Rate increase during the buydown period.
148	Buydown Duration Months Count		Enter the total number of months during which any buydown is in effect.
149	Buydown Increase Rate Percent		Enter the percent by which the Note Rate can increase at each adjustment period.

Data Required for Subsidy Buydown Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Closing and LOAN – Modification			
→ Note Information			
→ Note Details			
150	Buydown Initial Discount Percent		For non-modified Mortgages, enter the percent by which the Note Rate was bought down effective as of the Note Date. For Seller-Owned Modified Mortgages, enter the percent by which the Note Rate was bought down as of the modification date.
→ Underwriting / Credit Information			
→→ Additional Underwriting Details			
292	*Total Monthly Proposed Housing Expense Amount*		*Enter the monthly housing expense calculated using the Mortgage payment the Borrower is making at the time the Seller delivers the Mortgage. Round to the nearest dollar.*
290	*Total Liabilities Monthly Payment Amount*		*Enter the monthly debt payment calculated using the monthly housing expense determined using the Mortgage payment the Borrower is making at the time the Seller delivers the Mortgage. Round to the nearest dollar.*

(c) Pooling requirements for UMBS, MBS, Supers and WAC ARM PCs

Refer to Section 6202.3 for pooling requirements for fixed-rate Mortgages with Extended Buydowns under the fixed-rate Guarantor or MultiLender Swap programs.

Refer to Section 6202.4 for pooling requirements for ARMs with Extended Buydowns under the WAC ARM Guarantor program.

6302.19: Special delivery requirements for Seller-Owned Converted Mortgages (12/11/17)

- General requirements
- Data delivery instructions
- Delivery programs

(a) General requirements

See Chapter 4402 for special eligibility requirements for Seller-Owned Converted Mortgages.

(b) Data delivery instructions

For Seller-Owned Converted Mortgages, the Seller must deliver all required loan data for the original ARM, as well as ULDD Data Points for the Converted Mortgage:

Data Required for Seller-Owned Converted Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Closing			
→ Product Information → Conversion Option Details			
232	*Convertible Indicator*	*true*	
102	Conversion Type	To Fixed Rate	
→ Underwriting / Credit Information → Streamlined Loan Details			
222	Related Loan Investor Type	Seller	Enter "Seller" for Seller-Owned Converted Mortgages.
LOAN – Current			
→ Product Information → Conversion Details			
354	Convertible Status Type	Exercised	Enter "Exercised" when the conversion option has been exercised prior to delivery.
LOAN – Conversion			
459	Loan Role Type[2]	Subject Loan	
465	Loan State Date[1]		Enter the Conversion Date.
466	Loan State Type[1], [2]	At Conversion	
→ Conversion Information			

Data Required for Seller-Owned Converted Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
474	Note Amount[2]		Enter the loan amount of the resulting Converted Mortgage.
476	Note Rate Percent		Enter the interest rate of the resulting converted Note in effect as of the Conversion Date.
468	Initial Principal And Interest Payment Amount		Enter the principal and interest (P&I) payment as stated on the Note after the conversion.
460	Latest Conversion Effective Date[2]		Enter the Conversion Date.
467	Loan Maturity Date		Enter the maturity date of the resulting Converted Mortgage.
471	Scheduled First Payment Date		Enter the date of the first scheduled Mortgage payment after conversion.
→ Product Information → Product Details			
463	Interest Calculation Type	Simple	Enter the interest calculation type of the Converted Mortgage.
472	Mortgage Type	Conventional	The related Glossary term for "Conventional" is Home Mortgage.
464.1	Balloon Indicator	false	
469	Payment Frequency Type	Monthly	Enter the payment frequency of the Converted Mortgage.
461	Loan Amortization Type[2]	Fixed	

[1] This data point name does not appear as a Loan Selling Advisor® input field, but instead is reflected in a screen heading or tab.

[2] This data point must be populated to save the file in Loan Selling Advisor.

(c) Delivery programs

Seller-Owned Converted Mortgages may be sold only under the following:

- Fixed-rate Cash
- Fixed-rate Guarantor
- MultiLender Swap

6302.20: Special delivery requirements for Condominium Unit Mortgages (06/03/24)

Refer to Bulletin 2024-3, which announced revisions to certain ULDD Data Point requirements for Uniform Loan Delivery Dataset (ULDD) Phase 5. Sellers may begin delivering applicable ULDD Phase 5 data points and values prior to the mandatory effective July 28, 2025 version of this section. However, Sellers must comply with ULDD Phase 5 requirements for deliveries provided in the July 28, 2025 effective version of this section beginning on July 28, 2025 for Mortgages with Application Received Dates on or after March 3, 2025.

- General requirements
- Data delivery instructions

(a) General requirements

See Chapter 5701 for special eligibility requirements for Condominium Unit Mortgages.

(b) Data delivery instructions

(i) All Condominium Unit Mortgages

For Condominium Unit Mortgages, the Seller must deliver the following ULDD Data Points:

Data Required for Condominium Unit Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
PROPERTY			
→ Property Information			
→→Property Details			
57	*Financed Unit Count*[1]	***1***	
47	Project Legal Structure Type	Condominium	
641.5/ 641.6	Taxpayer Identifier Type/Taxpayer Identifier Value (In Loan Selling Advisor®, this appears as "HOA or Cooperative Housing Corporation Taxpayer Identifier")		If available, enter the Employer Identification Number (EIN) for the Homeowners Association (HOA) or Cooperative Housing Corporation. The EIN is also referred to as the Taxpayer Identification Number (TIN).

Data Required for Condominium Unit Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			If the unit is located in a project having its own HOA within a Master Association or Umbrella Planned Unit Development (PUD), enter the EIN of the HOA associated with the project. Do not enter the EIN of the Master Association or Umbrella PUD.
→→Condominium Details			
42	Project Classification Identifier	▪ Condominium Project Manager Review ▪ Exempt From Review ▪ FHA_Approved ▪ Full Review ▪ Streamlined Review	Enter "Full Review" if the project review has been performed in compliance with Section 5701.5 or 5701.6. For reciprocal reviews performed in compliance with Section 5701.9, enter the applicable value: ▪ Condominium Project Manager Review ▪ FHA_Approved For reciprocal reviews performed in accordance with Section 5701.9(a), enter "CondominiumProjectManagerReview" for Fannie Mae approved projects designated with the status "Approved by Fannie Mae" in Condo Project Manager™ and for projects certified by a Seller and designated with "Certified by Lender" in Condo Project Manager™. Refer to 6302.20 (b)(iv) when applicable. Enter "Streamlined Review" if a review was performed in compliance with

Data Required for Condominium Unit Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			Section 5701.4, including for a *Condominium Project* containing a mix of attached, detached and semi detached units. Enter "Exempt From Review" for Freddie Mac-owned "no cash-out" refinance Condominium Unit Mortgages, Refi Possible® Mortgages, Mortgages secured by Detached Condominium Units or by Condominium Units in 2- to 4-Unit Condominium Projects or Condominium Projects with a Project Certified status PAR finding. See Sections 5701.7 or 5701.10.

1 This data point must be populated to save the file in Loan Selling Advisor.

(ii) Condominium Unit Mortgages that are not delivered as Exempt From Review

(A) All Condominium Unit Mortgages that are not delivered as Exempt From Review

See Section 5701.7 for eligibility requirements for Exempt From Review.

See Section 6302.25 for required ULDD Data Points to be delivered for Mortgages secured by Manufactured Homes.

For Condominium Unit Mortgages that are not delivered as Exempt From Review, the Seller must deliver the following ULDD Data Points:

Data Required for Condominium Unit Mortgages other than Exempt From Review			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
PROPERTY			
→ Property Information			
→→Property Details			
→→Condominium Details			
48	Project Name		Enter the legal name of the project.

Data Required for Condominium Unit Mortgages other than Exempt From Review			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
42	*Project Classification Identifier*	▪ *Condominium Project Manager Review* ▪ *FHA_Approved* ▪ *Full Review* ▪ *Streamlined Review*	
41	Project Attachment Type	▪ Attached ▪ Detached	Enter "Attached" if any of the units in the project have a common wall or other direct physical connection with another unit. Enter "Detached" only if all of the units in the project have no common wall or other direct physical connection with another unit.
38	Condominium Project Status Type	▪ Established ▪ New	Enter "Established" if condominium meets Section 5701.5 and Glossary definition of "Established Condominium Project." Enter "New" if condominium meets Section 5701.6 and Glossary definition of "New Condominium Project."

(B) Mortgages secured by attached or semi detached Condominium Units that are not delivered as Exempt From Review

See Section 5701.7 for eligibility requirements for Exempt From Review.

For Mortgages secured by attached or semi detached Condominium Units that are not delivered as Exempt from Review, the Seller must deliver the following ULDD Data Points:

Data Required for Mortgages Secured by Attached or Semi Detached Condominium Units that are not delivered as Exempt From Review			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
PROPERTY			
→ Property Information			
→→Property Details			

Data Required for Mortgages Secured by Attached or Semi Detached Condominium Units that are not delivered as Exempt From Review			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
50	*Attachment Type*	▪ *Attached* ▪ *Semi Detached*	
→→Condominium Details			
42	*Project Classification Identifier*	▪ *Condominium Project Manager Review* ▪ *FHA_Approved* ▪ *Full Review* ▪ *Streamlined Review*	
43/44	Project Design Type/Project Design Type Other Description (In Loan Selling Advisor®, this appears as "Project Design Type.")	▪ Garden Project ▪ Highrise Project ▪ Midrise Project ▪ Other – Other Selected On Valuation Documentation ▪ Townhouse Rowhouse	All floors above ground are included in the number of stories. Any half basements used for residential purposes are counted as a floor. Enter "Garden Project" if the project has 1-3 stories. Enter "Midrise Project" if the project has 4-7 stories. Enter "Highrise Project" if the project has 8 or more stories. Enter "Townhouse Rowhouse" if one in a row of identical houses or having a common wall; attached to another unit via common wall (e.g., a brownstone). Enter "Other – Other Selected On Valuation Documentation" if the appraisal indicates "Other" or the data is not available and a limited review is allowed.
45	Project Dwelling Unit Count		Enter the number of units in the project (including phases that are not yet complete).
46	Project Dwelling Units Sold Count		Enter the number of units sold (including phases that are not yet complete).

(iii) Mortgages secured by Detached Condominium Units

The Sellers must deliver the following applicable ULDD Data Point:

Data Required for Mortgages Secured by Detached Condominium Units			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
PROPERTY			
→ Property Information			
→→Property Details			
50	*Attachment Type*	*Detached*	

(iv) Mortgages secured by Condominium Units in Condominium Projects approved by Fannie Mae as indicated with a Condo Project Manager™ status designation of "Approved by Fannie Mae"

The Seller must deliver the following applicable ULDD Data Points:

Data Required for Mortgages Secured by Condominium Units Designated with the status "Approved by Fannie Mae" in Condo Project Manager			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
PROPERTY			
→ Property Information			
→→ Condominium Details			
42	*Project Classification Identifier*	*Condominium Project Manager Review*	
LOAN – Current			
→ Product Information → Product Details			
368	Investor Feature Identifier	K02	Enter "K02" if the project received the Fannie Mae Condo Project Manager status designation of "Approved by Fannie Mae", as described in Section 5701.9.

(v) Mortgages secured by a Condominium Unit in a Condominium Project with a Condo Project Advisor® Project Assessment Request (PAR)

The Seller must deliver the following applicable ULDD Data Points:

Data Required for Mortgages Secured by Condominium Units with Condo Project Advisor Project Assessment Requests			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
PROPERTY			
→ Property Information			
→→ Condominium Details			

38	Condominium Project Status Type	Established	
42	Project Classification Identifier	▪ Full Review ▪ Streamlined Review	
LOAN – Current			
→ Product Information → Product Details			
368	Investor Feature Identifier	K01	Enter "K01" if the Condominium Project received a Green or Yellow status PAR finding, as described in Section 5701.10.

(vi) Mortgages secured by a Condominium Unit in a Condominium Project with a Project Certified status PAR

The Seller must deliver the following applicable ULDD Data Points:

Data Required for Mortgages secured by a Condominium Unit in a Condominium Project with a Project Certified status PAR			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
PROPERTY			
→ Property Information			
→→ Condominium Details			
42	Project Classification Identifier	Exempt From Review	
LOAN – Current			
→Product Information → Product Details			
368	Investor Feature Identifier	J97	Enter "J97" if the Condominium Project received a Project Certified status PAR finding, as described in Section 5701.10.

6302.20: Special delivery requirements for Condominium Unit Mortgages (Future effective date 07/28/25)

- General requirements
- Data delivery instructions

(a) General requirements

See Chapter 5701 for special eligibility requirements for Condominium Unit Mortgages.

(b) Data delivery instructions

(i) All Condominium Unit Mortgages

For Condominium Unit Mortgages, the Seller must deliver the following ULDD Data Points:

Data Required for Condominium Unit Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
PROPERTY			
→ Property Information			
→→Property Details			
57	*Financed Unit Count*[1]	***1***	
47	Project Legal Structure Type	Condominium	
641.5/ 641.6	Taxpayer Identifier Type/Taxpayer Identifier Value (In Loan Selling Advisor®, this appears as "HOA or Cooperative Housing Corporation Taxpayer Identifier")		If available, enter the Employer Identification Number (EIN) for the Homeowners Association (HOA) or Cooperative Housing Corporation. The EIN is also referred to as the Taxpayer Identification Number (TIN). If the unit is located in a project having its own HOA within a Master Association or Umbrella Planned Unit Development (PUD), enter the EIN of the HOA associated with the project. Do not enter the EIN of the Master Association or Umbrella PUD.
→→Condominium Details			
42	Project Classification Identifier	▪ Condominium Project Manager Review ▪ Exempt From Review ▪ FHA_Approved ▪ Full Review ▪ Streamlined Review	Enter "Full Review" if the project review has been performed in compliance with Section 5701.5 or 5701.6.

Data Required for Condominium Unit Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			For reciprocal reviews performed in compliance with Section 5701.9, enter the applicable value: ▪ Condominium Project Manager Review ▪ FHA_Approved For reciprocal reviews performed in accordance with Section 5701.9(a), enter "Condominium Project Manager Review" for Fannie Mae approved projects designated with the status "Approved by Fannie Mae" in Condo Project Manager™ and for projects certified by a Seller and designated with "Certified by Lender" in Condo Project Manager™. Refer to 6302.20 (b)(iv) when applicable. Enter "Streamlined Review" if a review was performed in compliance with Section 5701.4, including for a *Condominium Project* containing a mix of attached, detached and semi detached units. Enter "Exempt From Review" for Freddie Mac-owned "no cash-out" refinance Condominium Unit Mortgages, Refi Possible® Mortgages, Mortgages secured by Detached Condominium Units or by Condominium Units in 2- to 4-Unit Condominium Projects or Condominium Projects with

Data Required for Condominium Unit Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			a Project Certified status PAR finding. See Sections 5701.7 or 5701.10.

1 This data point must be populated to save the file in Loan Selling Advisor.

(ii) Condominium Unit Mortgages that are not delivered as Exempt From Review

(A) All Condominium Unit Mortgages that are not delivered as Exempt From Review

See Section 5701.7 for eligibility requirements for Exempt From Review.

See Section 6302.25 for required ULDD Data Points to be delivered for Mortgages secured by Manufactured Homes.

For Condominium Unit Mortgages that are not delivered as Exempt From Review, the Seller must deliver the following ULDD Data Points:

Data Required for Condominium Unit Mortgages other than Exempt From Review			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
PROPERTY			
→ Property Information			
→→Property Details			
→→Condominium Details			
48	Project Name		Enter the legal name of the project.
42	*Project Classification Identifier*	▪ *Condominium Project Manager Review* ▪ *FHA_Approved* ▪ *Full Review* ▪ *Streamlined Review*	
41	Project Attachment Type	▪ Attached ▪ Detached	Enter "Attached" if any of the units in the project have a common wall or other direct physical connection with another unit. Enter "Detached" only if all of the units in the project have no common wall or other direct physical connection with another unit.

Data Required for Condominium Unit Mortgages other than Exempt From Review			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
38	Condominium Project Status Type	▪ Established ▪ New	Enter "Established" if condominium meets Section 5701.5 and Glossary definition of "Established Condominium Project." Enter "New" if condominium meets Section 5701.6 and Glossary definition of "New Condominium Project."

(B) Mortgages secured by attached or semi detached Condominium Units that are not delivered as Exempt From Review

See Section 5701.7 for eligibility requirements for Exempt From Review.

For Mortgages secured by attached or semi detached Condominium Units that are not delivered as Exempt from Review, the Seller must deliver the following ULDD Data Points:

Data Required for Mortgages Secured by Attached or Semi Detached Condominium Units that are not delivered as Exempt From Review			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
PROPERTY			
→ Property Information			
→→Property Details			
50	*Attachment Type*	▪ *Attached* ▪ *Semi Detached*	
→→Condominium Details			
42	*Project Classification Identifier*	▪ *Condominium Project Manager Review* ▪ *FHA_Approved* ▪ *Full Review* ▪ *Streamlined Review*	
43/44	Project Design Type/Project Design Type Other Description (In Loan Selling Advisor®, this appears as "Project Design Type.")	▪ Garden Project ▪ Highrise Project ▪ Midrise Project ▪ Other – Other Selected On Valuation Documentation ▪ Townhouse Rowhouse	All floors above ground are included in the number of stories. Any half basements used for residential purposes are counted as a floor. Enter "Garden Project" if the project has 1-3 stories.

Data Required for Mortgages Secured by Attached or Semi Detached Condominium Units that are not delivered as Exempt From Review			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			Enter "Midrise Project" if the project has 4-7 stories. Enter "Highrise Project" if the project has 8 or more stories. Enter "Townhouse Rowhouse" if one in a row of identical houses or having a common wall; attached to another unit via common wall (e.g., a brownstone). Enter "Other – Other Selected On Valuation Documentation" if the appraisal indicates "Other" or the data is not available and a limited review is allowed.
45	Project Dwelling Unit Count		Enter the number of units in the project (including phases that are not yet complete).
46	Project Dwelling Units Sold Count		Enter the number of units sold (including phases that are not yet complete).

(iii) Mortgages secured by Detached Condominium Units

The Sellers must deliver the following applicable ULDD Data Point:

Data Required for Mortgages Secured by Detached Condominium Units			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
PROPERTY			
→ Property Information			
→→Property Details			
50	*Attachment Type*	*Detached*	

(iv) Mortgages secured by Condominium Units in Condominium Projects approved by Fannie Mae as indicated with a Condo Project Manager™ status designation of "Approved by Fannie Mae"

The Seller must deliver the following applicable ULDD Data Points:

Data Required for Mortgages Secured by Condominium Units Designated with the status "Approved by Fannie Mae" in Condo Project Manager			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
PROPERTY			
→ Property Information			
→→ Condominium Details			
42	*Project Classification Identifier*	*Condominium Project Manager Review*	
LOAN – Current			
→ Product Information → Product Details			
368	Investor Feature Identifier	K02	Enter "K02" if the project received the Fannie Mae Condo Project Manager status designation of "Approved by Fannie Mae", as described in Section 5701.9.

(v) Mortgages secured by a Condominium Unit in a Condominium Project with a Green or Yellow Status Project Assessment Request (PAR) finding

The Seller must deliver the following applicable ULDD Data Points:

Data Required for Mortgages Secured by Condominium Units in a Condo Project Green or Yellow Status Project Assessment Request finding			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
PROPERTY			
→ Property Information			
→→ Condominium Details			
38	Condominium Project Status Type	Established	
42	Project Classification Identifier	▪ Full Review ▪ Streamlined Review	
49.3	FRE Condo Project Advisor Project Assessment Request Identifier		Enter the "Project Assessment Results #" received on the Condo Project Advisor *Feedback Certificate*.

(vi) Mortgages secured by a Condominium Unit in a Condominium Project with a Project Certified Status (PCS) PAR finding

The Seller must deliver the following applicable ULDD Data Points:

Data Required for Mortgages secured by a Condominium Unit in a Condominium Project with a Project Certified Status PAR finding			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
PROPERTY			
→ Property Information			
→→ Condominium Details			
42	Project Classification Identifier	Exempt From Review	
49.3	FRE Condo Project Advisor Project Assessment Request Identifier		Enter the "PCS #" found on the Condo Project Advisor *Feedback Certificate*, if applicable. If the project received a Project Certified Status PAR finding, enter the PAR # from the Condo Project Advisor *Feedback Certificate*.

(vii) Mortgages secured by a Condominium Unit in a Condominium Project with a Project Waiver Request (PWR)

The Seller must deliver the following applicable ULDD Data Points:

Data Required for Mortgages secured by a Condominium Unit in a Condominium Project with a Project Waiver Request			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
PROPERTY			
→ Property Information			
→→ Condominium Details			
42	Project Classification Identifier	Full Review	
49.4	FRE Condo Project Advisor Project Waiver Request Identifier		Enter the "Condo Project Waiver Request #" received on the Condo Project Advisor *Feedback Certificate*.

6302.21: Special delivery requirements for Mortgages with mortgage insurance (06/03/24)

Refer to Bulletin 2024-3, which announced revisions to certain ULDD Data Point requirements for Uniform Loan Delivery Dataset (ULDD) Phase 5. Sellers may begin delivering applicable ULDD Phase 5 data points and values prior to the mandatory effective July 28, 2025 version of this section. However, Sellers must comply with ULDD Phase 5 requirements for deliveries provided in the July 28, 2025 effective version of this section beginning on July 28, 2025 for Mortgages with Application Received Dates on or after March 3, 2025.

- General requirements
- Data delivery instructions

(a) General requirements

See Section 4701.1 for general mortgage insurance requirements.

(b) Data delivery instructions

(i) Mortgages with mortgage insurance

For conventional Mortgages with mortgage insurance, the Seller must deliver the following ULDD Data Points:

Data Required for Mortgages with Mortgage Insurance			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Current			

Data Required for Mortgages with Mortgage Insurance			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
→ Origination Information → Mortgage Insurance Information → Mortgage Insurance Details			
413/414	MI Company Name Type/ MI Company Name Type Other Description (In Loan Selling Advisor®, this appears as "MI Company Name Type.")	▪ Essent ▪ MGIC ▪ Radian ▪ UGI ▪ Other – ArchMI ▪ Other – Enact ▪ Other – MIF ▪ Other – NMI	Enter a valid insurer from Exhibit 10.
412	MI Certificate Identifier		Enter a value between five and 10 characters, as defined in Exhibit 10.
416	MI Coverage Percent		See Section 4701.1 for required coverage levels.
423	MI Premium Financed Indicator	▪ false ▪ true	Enter "false" unless the mortgage insurance premium is included as part of the principal amount of the Mortgage.
426	MI Premium Source Type	▪ Borrower ▪ Lender	Enter the source ("Borrower" or "Lender") of the payment of the premium(s). If the premiums are paid both monthly and upfront, enter the source of the monthly premium payment only.

(ii) Mortgages with financed mortgage insurance premiums

See Section 4701.2(a) for special eligibility requirements for Mortgages with financed mortgage insurance premiums.

For conventional Mortgages with financed mortgage insurance, the Seller must deliver the following ULDD Data Points:

Data Required for Mortgages with Financed Mortgage Insurance Premiums			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Current			
→ Origination Information → Mortgage Insurance Information → Mortgage Insurance Details			

Data Required for Mortgages with Financed Mortgage Insurance Premiums			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
423	MI Premium Financed Indicator	true	
422	MI Premium Financed Amount		Enter the dollar amount of the single payment premium.

(iii) Mortgages with lender-paid mortgage insurance

See Section 4701.2(b) for special eligibility requirements for Mortgages with lender-paid mortgage insurance.

For conventional Mortgages with lender-paid mortgage insurance, the Seller must deliver the following ULDD Data Points:

Data Required for Mortgages with Lender-Paid Mortgage Insurance			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Current			
→ Origination Information → Mortgage Insurance Information → Mortgage Insurance Details			
426	MI Premium Source Type	Lender	
411	Lender Paid MI Interest Rate Adjustment Percent		
368	Investor Feature Identifier	019	Enter this value for Mortgages with lender-paid mortgage insurance.

(iv) Mortgages without mortgage insurance

For conventional Mortgages without mortgage insurance, the Seller must deliver the following ULDD Data Points:

Data Required for Mortgages without Mortgage Insurance			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Current			
→ Origination Information → Mortgage Insurance Information → Mortgage Insurance Details			
429/430	Primary MI Absence Reason Type/ Primary MI Absence Reason Type Other Description (In Loan Selling Advisor, this appears as "Primary MI Absence Reason Type.")	▪ MI Canceled Based On Current LTV ▪ No MI Based On Original LTV ▪ Other - Indemnification In Lieu Of MI ▪ Other - Recourse In Lieu Of MI	Enter "No MI Based On Original LTV" if the loan-to-value (LTV) ratio is less than or equal to 80%.

6302.21: Special delivery requirements for Mortgages with mortgage insurance (Future effective date 07/28/25)

- General requirements
- Data delivery instructions

(a) General requirements

See Section 4701.1 for general mortgage insurance requirements.

(b) Data delivery instructions

(i) Mortgages with mortgage insurance

For conventional Mortgages with mortgage insurance, the Seller must deliver the following ULDD Data Points:

Data Required for Mortgages with Mortgage Insurance			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Current			
→ Origination Information → Mortgage Insurance Information → Mortgage Insurance Details			

Data Required for Mortgages with Mortgage Insurance			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
413/414	MI Company Name Type/ MI Company Name Type Other Description (In Loan Selling Advisor®, this appears as "MI Company Name Type.")	▪ Essent ▪ MGIC ▪ Radian ▪ UGI ▪ Other – ArchMI ▪ Other – Enact ▪ Other – MIF ▪ Other – NMI	Enter a valid insurer from Exhibit 10.
412	MI Certificate Identifier		Enter a value between five and 10 characters, as defined in Exhibit 10.
416	MI Coverage Percent		See Section 4701.1 for required coverage levels.
423	MI Premium Financed Indicator	▪ false ▪ true	Enter "false" unless the mortgage insurance premium is included as part of the principal amount of the Mortgage.
426/427	MI Premium Source Type/MI Premium Source Type Other Description (In Loan Selling Advisor, this appears as "MI Premium Source Type")	▪ Borrower ▪ Lender ▪ Other – Investor	▪ Enter the source ("Borrower" or "Lender") of the payment of the premium(s) ▪ If the premiums are paid both monthly and upfront, enter the source of the monthly premium payment only ▪ Enter "Investor" if permitted by Seller's negotiated term
430.1	MI Interest Rate Adjustment Percent		Enter the ongoing monthly amount expressed as a percent.
430.2	MI Premium Plan Type	▪ Annual ▪ Monthly ▪ Single ▪ Split	Enter "Single" for any single premium payment plan.

(ii) Mortgages with financed mortgage insurance premiums

See Section 4701.2(a) for special eligibility requirements for Mortgages with financed mortgage insurance premiums.

For conventional Mortgages with financed mortgage insurance, the Seller must deliver the following ULDD Data Points:

Data Required for Mortgages with Financed Mortgage Insurance Premiums			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Current			
→ Origination Information → Mortgage Insurance Information → Mortgage Insurance Details			
423	MI Premium Financed Indicator	true	
422	MI Premium Financed Amount		Enter the dollar amount of the single payment premium.

(iii) Mortgages with lender-paid mortgage insurance

See Section 4701.2(b) for special eligibility requirements for Mortgages with lender-paid mortgage insurance.

For conventional Mortgages with lender-paid mortgage insurance, the Seller must deliver the following ULDD Data Points:

Data Required for Mortgages with Lender-Paid Mortgage Insurance			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Current			
→ Origination Information → Mortgage Insurance Information → Mortgage Insurance Details			
426	MI Premium Source Type	Lender	
368	Investor Feature Identifier	019	Enter this value for Mortgages with lender-paid mortgage insurance.

(iv) Mortgages without mortgage insurance

For conventional Mortgages without mortgage insurance, the Seller must deliver the following ULDD Data Points:

Data Required for Mortgages without Mortgage Insurance			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Current			
→ Origination Information → Mortgage Insurance Information → Mortgage Insurance Details			
429/430	Primary MI Absence Reason Type/ Primary MI Absence Reason Type Other Description (In Loan Selling Advisor, this appears as "Primary MI Absence Reason Type.")	▪ MI Canceled Based On Current LTV ▪ No MI Based On Original LTV ▪ Other - Indemnification In Lieu Of MI ▪ Other - Recourse In Lieu Of MI	Enter "No MI Based On Original LTV" if the loan-to-value (LTV) ratio is less than or equal to 80%.

6302.22: Special delivery requirements for Mortgages with capitalized balances (03/02/16)

- General requirements
- Data delivery instructions
- Delivery programs

(a) General requirements

Refer to Chapter 4403 for special eligibility requirements for Mortgages having principal balances that include capitalization of interest, taxes, hazard insurance premiums and/or late charges.

(b) Data delivery instructions

For Mortgages with capitalized balances, the Seller must deliver the following ULDD Data Points:

Data Required for Mortgages with Capitalized Balances			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Closing			
→ Note Information → Note Details			
272	*Scheduled First Payment Date*		*Enter the current DDLPI.*

Data Required for Mortgages with Capitalized Balances			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
256	*Loan Maturity Date*		*Enter the actual recomputed maturity date based on the actual principal and interest payment currently applicable.*
→ Origination Information → Origination Details			
229	*Capitalized Loan Indicator*	*true*	*Enter true if the capitalized balances were added to the UPB of the Mortgage prior to delivery to Freddie Mac.*
LOAN - Current			
→ Payment Information → Payment Details			
385	*Loan Acquisition Scheduled UPB Amount*		*Enter the UPB of the Mortgage rounded up to the next dollar, including all capitalized amounts, as of the date of the most recent monthly payment on the Mortgage.*

(c) Delivery programs

Mortgages with capitalized balances must be sold under the Guarantor program only.

6302.23: Special delivery requirements for GreenCHOICE Mortgages® (11/06/24)

- General requirements
- Data delivery instructions

(a) General requirements

See Chapter 4606 for special eligibility requirements for GreenCHOICE Mortgages®.

(b) Data delivery instructions

For GreenCHOICE Mortgages, the Seller must deliver the following ULDD Data Points:

Data Required for GreenCHOICE Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
PROPERTY			
→ Property Information →Affordable Details			
90.2	*Renewable Energy Component Type*	*Geothermal* *OtherEnergyComponent* *Solar* *WindTurbine*	*Enter "Geothermal" for heat energy derived from the earth.* *Enter "OtherEnergyComponent" for other source.* *Enter "Solar" for energy derived from the sun.* *Enter "WindTurbine" if electrical energy is obtained using wind.*
LOAN – Closing			
→ Note Information →Note Details			
320	*Note Date*		*Enter the date of GreenCHOICE Mortgage funding and not the anticipated date of final disbursement of the Escrow Funds.*
→ Origination Information →Origination Details			
234	*Escrow Indicator*	*true*	
LOAN – Closing and LOAN – Modification			
→ Affordable Information → Affordable Details			
244.1	*Energy Improvement Amount*		*Enter the cost of the eligible improvements as described in Section 4606.1(b) or the amount to pay an Existing Debt (as defined in Section 4606.1(c)).* *The amount entered must be greater than "0" (zero).*
LOAN – Current			
→ Product Information → Product Details			

404	Loan Program Identifier	GreenCHOICE	Enter “GreenCHOICE” to indicate GreenCHOICE Mortgage, for a purchase or “no cash-out” refinance Mortgage to finance eligible improvements, subject to the additional requirements in Section 4606.3(a).
404	Loan Program Identifier	GreenCHOICE To Pay Off Outstanding Energy Debt	Enter “GreenCHOICE To Pay Off Outstanding Energy Debt” to indicate GreenCHOICE Mortgage to pay an Existing Debt, for a “no cash-out” refinance Mortgage, subject to the additional requirements in Section 4606.3(b).
→ Origination Information → Escrow Details			
363	Escrow Balance Amount		Enter the Escrow balance amount sufficient to cover the cost of the eligible improvements.

6302.24: Special delivery requirements for Financed Permanent Buydown Mortgages (06/29/16)

- General requirements
- Data delivery instructions

(a) General requirements

See Chapter 4601 for special eligibility requirements for Financed Permanent Buydown Mortgages.

(b) Data delivery instructions

(i) Mortgages with financed permanent buydowns

For all Mortgages with financed permanent buydowns, the Seller must deliver the following ULDD Data Points:

Data Required for All Mortgages with Financed Permanent Buydowns			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Closing			
→ Note Information → Note Details			
321	*Note Rate Percent*		*Enter the permanently bought down initial Note Rate.*
268	*Initial Principal And Interest Payment Amount*		*Enter the initial principal and interest (P&I) payment amount at the permanently bought down Note Rate.*
→ Underwriting / Credit Information			
→→ Additional Underwriting Details			
292	*Total Monthly Proposed Housing Expense Amount*		*Calculate using the initial P&I payment amount at the permanently bought down Note Rate. Round to the nearest dollar.*
→ Delivered LTV Values			
255	*LTV Ratio Percent*		*Calculate this value using the Mortgage amount that includes the financed discount points.*
TOTAL LOANS			
→ Additional LTV Details → Delivered LTV Values			
91	*Combined LTV Ratio Percent*		*Calculate this value using the Mortgage amount that includes the financed discount points.*

(ii) ARMs with financed permanent buydowns

For ARMs with financed permanent buydowns, the Seller must deliver the following ULDD Data Point:

Data Required for ARMs with Financed Permanent Buydowns			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Closing			
→ Note Information			
→→ ARM Details			
114	*Ceiling Rate Percent*		*Calculate this value using the permanently bought down initial Note Rate.*

6302.25: Special delivery requirements for Mortgages secured by Manufactured Homes (05/22/23)

- General requirements
- Data delivery instructions

(a) General requirements

See Chapter 5703 for eligibility requirements for Mortgages secured by Manufactured Homes.

(b) Data delivery instructions

(i) Mortgages secured by Manufactured Homes

For Mortgages secured by Manufactured Homes, the Seller must deliver the following ULDD Data Points:

Data Required for Mortgages Secured by Manufactured Homes			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
PROPERTY			
→ Property Information → Construction Details			
51	*Construction Method Type*	*Manufactured*	
33	Manufactured Home Width Type	▪ Multi Wide ▪ Single Wide	

Data Required for Mortgages Secured by Manufactured Homes			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Closing			
→ Underwriting/Credit Information → Underwriting Details			
326/327	*Automated Underwriting System Type /Automated Underwriting System Type Other Description* *(In Loan Selling Advisor®, this appears as "Automated Underwriting System Type")*	*Loan Prospector®* *Other – Loan Product Advisor®*	Enter "Other – Loan Product Advisor" if Loan Product Advisor was used to assess the loan.
322	*Automated Underwriting Case Identifier*		*Enter the Loan Prospector (LP) AUS Key Number for all Mortgages secured by Manufactured Homes, if available. The related Glossary term is Key Number.*

(ii) Mortgages secured by a CHOICEHome®

For Mortgages secured by a CHOICEHome, the Seller must deliver the following ULDD Data Points:

Data Required for Mortgages Secured by a CHOICEHome			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
PROPERTY			
→ Property Information → Construction Details			
51	*Construction Method Type*	*Manufactured*	
33	*Manufactured Home Width Type*	*Multi Wide*	
LOAN – Current			
→ Product Information → Product Details			
404	Loan Program Identifier	CHOICEHome	

6302.26: Special delivery requirements for fixed-rate Mortgages sold through Cash-Released XChange® (09/01/21)

- General requirements
- Data delivery instructions

(a) General requirements

For information on selling fixed-rate Mortgages through Cash-Released XChange® under the Cash program, see Section 6101.7.

For a list of fixed-rate Mortgages eligible for sale under Mandatory Cash Contracts and Best Efforts Contracts through Cash-Released XChange, see the Loan Selling Advisor® Availability Matrix at **https://sf.freddiemac.com/content/_assets/resources/pdf/other/available_products.pdf**.

(b) Data delivery instructions

(i) Mortgages with Funding Dates no more than 10 days past the DDLPI, when the DDLPI and the Funding Date are in the same month

For Mortgages sold through Cash-Released XChange when the Funding Date is no more than 10 days past the DDLPI and when the DDLPI and the Funding Date are in the same month, the Seller must deliver the following ULDD Data Points:

Data Required for Mortgages with Funding Dates No More than 10 Days Past the DDLPI, When the DDLPI and the Funding Date are in the Same Month			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Current			
→ Payment Information → Payment Details			
385	*Loan Acquisition Scheduled UPB Amount*		*Enter the scheduled UPB of the Mortgage as of the Funding Date.* *The scheduled UPB must include reductions for:* ▪ *The principal due **in the Funding Date month** (even if not collected) and all prior months* ▪ *The principal portion of any advanced (prepaid)*

Data Required for Mortgages with Funding Dates No More than 10 Days Past the DDLPI, When the DDLPI and the Funding Date are in the Same Month			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			installments received prior to the Funding Date ▪ *Any partial prepayments (curtailments) received on or before the Delivery Date*
440	*Last Paid Installment Due Date*		*For newly originated Mortgages with respect to which the first payment due date has not yet occurred, enter the date through which interest has been paid in the month of funding.* *For Mortgages for which there has been an advanced (prepaid) installment of interest, enter the date through which advanced (prepaid) installments of interest have been made.* *For all other Mortgages, enter the date of the Borrower's last paid installment.* The related Glossary term is DDLPI.

(ii) Mortgages with Funding Dates more than 10 days after the DDLPI, when the DDLPI and the Funding Date are in the same month

For Mortgages sold through Cash-Released XChange when the Funding Date is more than 10 days after the DDLPI, and when the DDLPI and the Funding Date are in the same month, the Seller must deliver the following ULDD Data Points:

Data Required for Mortgages with Funding Dates More than 10 Days after the DDLPI, When the DDLPI and the Funding Date are in the Same Month			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Current			
→ Payment Information → Payment Details			
385	*Loan Acquisition Scheduled UPB Amount*		*The scheduled UPB must include reductions for:* ▪ *The principal due in the **month after the Funding Date**, the principal due in the month of*

Data Required for Mortgages with Funding Dates More than 10 Days after the DDLPI, When the DDLPI and the Funding Date are in the Same Month			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			settlement (even if not collected) and all prior months ▪ *The principal portion of any advanced (prepaid) installments received prior to the Funding Date* ▪ *Any partial prepayments (curtailments) received on or before the Delivery Date*
440	*Last Paid Installment Due Date*		*For newly originated Mortgages with respect to which the first payment due date has not yet occurred, enter the date through which interest has been paid in the month of funding.* *For Mortgages for which there has been an advanced (prepaid) installment of interest, enter the date through which advanced (prepaid) installments of interest have been made.* *For all other Mortgages, enter the date of the Borrower's last paid installment.* The related Glossary term is DDLPI.

See Exhibit 8, Delivery Balance Examples.

(iii) Mortgages with Escrow accounts

For Mortgages with Escrow accounts sold through Cash-Released XChange, the Seller must deliver the following ULDD Data Points:

Data Required for Mortgages with Escrow Accounts, Sold through Cash-Released XChange			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Closing			
→ Origination Information			
→ →Origination Details			
234	*Escrow Indicator*	*True*	

Data Required for Mortgages with Escrow Accounts, Sold through Cash-Released XChange			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
→→ Other Funds Collected at Closing Details			
158	Other Funds Collected At Closing Type	Escrow Funds	
157	Other Funds Collected At Closing Amount		Enter the total amount of all Escrow funds.
LOAN – Current			
→ Origination Information → Escrow Details			
363	Escrow Balance Amount		Enter the Escrow balance amount.
364/365	Escrow Item Type/ Escrow Item Type Other Description (In Loan Selling Advisor, this appears as "Escrow Item Type.")	▪ Borough Property Tax ▪ City Property Tax ▪ County Property Tax ▪ District Property Tax ▪ Earthquake Insurance ▪ Flood Insurance ▪ Hazard Insurance ▪ Mortgage Insurance ▪ Other - Assessment Tax ▪ Other - City Bond Tax ▪ Other - Condominium Association Dues ▪ Other - Condominium Association Special Assessment ▪ Other - Construction Completion Funds ▪ Other - Cooperative Association Dues ▪ Other - Cooperative Association Special Assessment ▪ Other - County Bond Tax	Enter the applicable valid value for each insurance or tax to be paid from Escrow.

Data Required for Mortgages with Escrow Accounts, Sold through Cash-Released XChange			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
		▪ Other - Credit Disability Insurance ▪ Other - Credit Life Insurance ▪ Other - Credit Property Insurance ▪ Other - Credit Unemployment Insurance ▪ Other - Debt Cancelation Insurance ▪ Other - Debt Suspension Insurance ▪ Other - Energy Efficient Improvement Funds ▪ Other - Ground Rent ▪ Other - Hail Insurance Premium ▪ Other - Homeowners Association Dues ▪ Other - Homeowners Association Special Assessment ▪ Other - Homeowners Insurance ▪ Other - Leasehold ▪ Other - Parish Tax ▪ Other - Property Tax ▪ Other - Rehabilitation Funds ▪ Other - Volcano Insurance ▪ Other Tax ▪ Pest Insurance ▪ School Property Tax	

Data Required for Mortgages with Escrow Accounts, Sold through Cash-Released XChange			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
		▪ State Property Tax ▪ Storm Insurance ▪ Town Property Tax ▪ Township Property Tax ▪ Village Property Tax ▪ Windstorm Insurance	
366	Escrow Monthly Payment Amount		Enter the amount for the associated Escrow item type.

(iv) Mortgages with temporary subsidy buydowns

For Mortgages with temporary subsidy buydowns sold through Cash-Released XChange, the Seller must deliver the following ULDD Data Points:

Data Required for Temporary Subsidy Buydown Mortgages Sold through Cash-Released XChange			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Closing			
→ Origination Information → Other Funds Collected at Closing Details			
158/159	Other Funds Collected At Closing Type/ Other Funds Collected At Closing Type Other Description (In Loan Selling Advisor, this appears as "Other Funds Collected At Closing Type.")	Other – Buydown	
157	Other Funds Collected At Closing Amount		Enter the amount provided to subsidize the Borrower's interest rate on the Mortgage for the remaining time during which the lower interest rate applies.

(v) Underwriting information

With respect to the credit underwriting of Mortgages that are sold through Cash-Released XChange, the Seller must deliver the following ULDD Data Points regardless of whether the Mortgage is a Loan Product Advisor® Mortgage or a Manually Underwritten Mortgage:

Cash-Released XChange Underwriting Data Requirements			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Closing			
→ Underwriting / Credit Information → Loan Level Credit Details			
251	Loan Level Credit Score Value		The related Glossary term is Indicator Score. Enter if the Indicator Score exists.
249	Loan Level Credit Score Selection Method Type	▪ Average Then Average ▪ Middle Or Lower Then Average ▪ Middle Or Lower Then Lowest	Enter if the Indicator Score exists.
247	*Credit Score Impairment Type*	▪ *Insufficient Credit History* ▪ *Significant Errors Score*	*Enter if the Indicator Score does not exist or is not usable.*

6302.27: Special delivery requirements for Seller-Owned Modified Mortgages (12/11/17)

- General requirements
- Data delivery instructions

(a) General requirements

See Chapter 4402 for special eligibility requirements for Seller-Owned Modified Mortgages.

(b) Data delivery instructions

For Seller-Owned Modified Mortgages, the Seller must deliver all required loan data for the original loan that was modified, as well as the ULDD Data Points for the modified Mortgage.

(i) Seller-Owned Modified Mortgages

For Seller-Owned Modified Mortgages, the Seller must deliver the following ULDD Data Points:

Data Required for Seller-Owned Modified Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Modification			
252	*Loan State Date*[1]		*Enter the effective date of the modification agreement.*
253	*Loan State Type*[1, 2]	*At Modification*	
→ Modification Information → Modification Details			
259	Loan Modification Effective Date[2]		Enter the effective date of the modification agreement.
→ Product Information → Product Details			
313	*Lien Priority Type*		*Not required for Seller-Owned Modified Mortgages.*
→ Note Information → Note Details			
320	*Note Date*		*Not required for Seller-Owned Modified Mortgages.*
→ Underwriting / Credit Information →Streamlined Loan Details			
222	Related Loan Investor Type	Seller	Enter "Seller" for Seller-Owned Modified Mortgages.
LOAN – Current			
→ Product Information → Product Details			
→→Modification Details			
397	*Mortgage Modification Indicator*	*true*	

1 This data point name does not appear as a Loan Selling Advisor® input field, but instead is reflected in a screen heading or tab.

2 This data point must be populated to save the file in Loan Selling Advisor.

(ii) Original loan that was modified

For Seller-Owned Modified Mortgages, with respect to the original loan that was modified, the Seller must deliver the following ULDD Data Points:

Original Loan Data Required for Seller-Owned Modified Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Closing (*Origination information for the loan prior to modification*)			
332	Loan Role Type[1]	Subject Loan	Enter "Subject Loan" to indicate that the loan data applies to the Mortgage being delivered to Freddie Mac.

Original Loan Data Required for Seller-Owned Modified Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
338	Loan State Date[1]		Enter the original Note Date of the modified Mortgage.
339	Loan State Type[1]	At Closing	Enter "At Closing" to indicate that the associated loan data is accurate as of the Note Date.
→Product Information			
→→ Product Details			
345	Lien Priority Type	First Lien	Enter the original lien priority of the Mortgage prior to modification.
347	Mortgage Type	Conventional	Enter the original mortgage type of the Mortgage prior to modification.
335	Interest Calculation Type	Simple	Enter the interest calculation type specified on the original Note prior to modification.
342	Payment Frequency Type	Monthly	Enter the payment frequency on the original Note prior to the modification.
337	Balloon Indicator	false	Enter "false" unless the original Mortgage had a balloon feature prior to modification.
333	Loan Amortization Type	▪ Adjustable Rate ▪ Fixed	Enter the amortization type of the original Mortgage prior to modification.
→ →Interest Only Details			
337.2	Interest Only Indicator	false	
→Note Information → Note Details			
350	Note Date		Enter the original Note Date.
349	Note Amount		Enter the original Note amount of the loan prior to modification.
351	Note Rate Percent		Enter the interest rate as indicated on the original Note.
344	Scheduled First Payment Date		Enter the first payment date as stated on the Note prior to the modification.

Original Loan Data Required for Seller-Owned Modified Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
340	Loan Maturity Date		Enter the maturity date on the original Note prior to modification.

[1] This data point name does not appear as a Loan Selling Advisor input field, but instead is reflected in a screen heading or tab.

(iii) Original ARM that was modified

For Seller-Owned Modified Mortgages, with respect to the original ARM that was modified, the Seller must deliver the following ULDD Data Points:

Original ARM Data Required for Seller-Owned Modified Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Closing (*Origination information for the loan prior to modification*)			
→Note Information → ARM Details			
337.1	Initial Fixed Period Effective Months Count		Enter the number of months for which the interest rate is fixed before the initial interest rate adjustment for the original Mortgage prior to modification.
→→→First Adjustment			
332.1	Adjustment Rule Type[1]	First	Enter "First" to indicate that the associated data relates to the initial adjustment structure and caps of the original Mortgage prior to modification.
332.2	Per Change Rate Adjustment Frequency Months Count		Enter the number of months between the initial rate adjustment and the second rate adjustment for the original Mortgage prior to modification.
→→→Subsequent Adjustment			
332.1	Adjustment Rule Type[1]	Subsequent	Enter "Subsequent" to indicate that the associated data relates to the periodic adjustment structure and caps of the original Mortgage prior to modification.

Original ARM Data Required for Seller-Owned Modified Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
332.2	Per Change Rate Adjustment Frequency Months Count		Enter the number of months between the second rate adjustment and the third rate adjustment for the original Mortgage prior to modification.

[1] This data point name does not appear as a Loan Selling Advisor input field, but instead is reflected in a screen heading or tab.

6302.28: Special delivery requirements for Construction Conversion and Renovation Mortgages (08/01/21)

- General requirements
- Data delivery instructions

(a) General requirements

See Chapter 4602 for Construction Conversion and Renovation Mortgages.

There are three types of documentation structures for Construction Conversion and Renovation Mortgages: (1) Integrated Construction Conversion Documentation (Integrated Documentation); (2) Separate Construction Conversion Documentation (Separate Documentation); and (3) Modification Construction Conversion Documentation (Modification Documentation).

(b) Data delivery instructions

The ULDD Data Points and valid values that must be delivered are determined by both (1) the type of Mortgage (i.e., Construction Conversion Mortgage or Renovation Mortgage), and (2) the type of loan documentation used for the Mortgage.

(i) Construction Conversion and Renovation Mortgages

For all Construction Conversion and Renovation Mortgages, regardless of the type of loan documentation used, the Seller must deliver the following ULDD Data Point:

Data Required for Construction Conversion and Renovation Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Current			
→ Product Information → Product Details			
404	Loan Program Identifier	▪ Construction Conversion ▪ Renovation	Enter "Construction Conversion" for Construction Conversion Mortgages. Enter "Renovation" for Renovation Mortgages.

(ii) Mortgages with Integrated Documentation for site-built or Manufactured Homes

For Construction Conversion or Renovation Mortgages with Integrated Documentation for site-built homes and Construction Conversion Mortgages with Integrated Documentation for Manufactured Homes, the Seller must deliver the following ULDD Data Points:

Data Required for Construction Conversion or Renovation Mortgages with Integrated Documentation for Site-Built Homes and Construction Conversion Mortgages with Integrated Documentation for Manufactured Homes			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
PROPERTY			
→ Property Information →Construction Details			
51	*Construction Method Type*	▪ *Site Built* ▪ *Manufactured*	*If the valid value for Loan Program Identifier (Sort ID 404) is "Renovation," enter "Site Built."*
LOAN – Closing			
→ Underwriting / Credit Information → Construction Details			
167	Construction To Permanent First Payment Due Date		Enter the Due Date of the first principal and interest (P&I) payment of the Permanent Financing as described in Section 4602.3(b). This is the Effective Date of Permanent Financing as described in the Glossary. This is the same as the Scheduled First Payment Date (Sort ID 272).
165	Construction To Permanent Closing Type	One Closing	Enter "One Closing" as described in Section 4602.3(b).

Data Required for Construction Conversion or Renovation Mortgages with Integrated Documentation for Site-Built Homes and Construction Conversion Mortgages with Integrated Documentation for Manufactured Homes			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
PROPERTY			
→ Property Information →Construction Details			
163	Construction To Permanent Closing Feature Type	Automatic Conversion	Enter "Automatic Conversion" as described in Section 4602.3(b).
231	*Construction Loan Indicator*	*True*	*Enter "true" for Construction Conversion Mortgages and Renovation Mortgages.*
162	Construction Loan Type	Construction to Permanent	
→ Note Information → Note Details			
320	*Note Date*		*Enter the original Note Date of the integrated Interim Construction Financing and Permanent Financing documentation.*
321	*Note Rate Percent*		*Enter the rate in effect for the Permanent Financing.*

(iii) Mortgages with Separate Documentation for site-built homes or Manufactured Homes

For Construction Conversion or Renovation Mortgages with Separate Documentation for site-built homes and Construction Conversion Mortgages with Separate Documentation for Manufactured Homes, the Seller must deliver the following ULDD Data Points:

Data Required for Construction Conversion or Renovation Mortgages with Separate Documentation for Site-Built Homes and Construction Conversion Mortgages with Separate Documentation for Manufactured Homes			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
PROPERTY			
→ Property Information →Construction Details			
51	*Construction Method Type*	▪ *Site Built* ▪ *Manufactured*	*If the valid value for Loan Program Identifier (Sort ID 404) is "Renovation," enter "Site Built."*
LOAN – Closing			
→ Underwriting / Credit Information → Construction Details			
167	Construction To Permanent First Payment Due Date		Enter the Due Date of the first P&I payment of the new Note for the

Data Required for Construction Conversion or Renovation Mortgages with Separate Documentation for Site-Built Homes and Construction Conversion Mortgages with Separate Documentation for Manufactured Homes			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			Permanent Financing as described in Section 4602.3(b). This is the same as the Scheduled First Payment Date (Sort ID 272).
165	Construction To Permanent Closing Type	Two Closing	Enter "Two Closing" as described in Section 4602.3(b).
163	Construction To Permanent Closing Feature Type	New Note	Enter "New Note" as described in Section 4602.3(b).
231	*Construction Loan Indicator*	*True*	*Enter "true" for Construction Conversion Mortgages and Renovation Mortgages.*
162	Construction Loan Type	Construction to Permanent	
→ Note Information → Note Details			
320	*Note Date*		*Enter the Note Date of the Permanent Financing documentation. This is the Effective Date of Permanent Financing as described in the Glossary.*
321	*Note Rate Percent*		*Enter the rate in effect for the Permanent Financing.*

(iv) Mortgages with Modification Documentation for site-built homes or Manufactured Homes

(A)Mortgages for permanent financing

For Construction Conversion or Renovation Mortgages with Modification Documentation and Construction Conversion Mortgages with Modification Documentation for Manufactured Homes, the Seller must use the "Modification" tab to enter the delivered Mortgage data, including the following ULDD Data Points:

Data Required for Construction Conversion or Renovation Mortgages with Modification Documentation for Site-Built Homes and Construction Conversion Mortgages with Modification Documentation for Manufactured Homes			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
PROPERTY			
→ Property Information →Construction Details			
51	*Construction Method Type*	■ *Site Built* ■ *Manufactured*	*If the valid value for Loan Program Identifier (Sort ID 404) is "Renovation," enter "Site Built."*
LOAN – Modification			
252	*Loan State Date*[1]		*Enter the effective date of the modification agreement.* *Enter the Note Date of the new Note if a new Note is used instead of a modification agreement.* *See "Modification Agreement" as defined in Section 4602.3(b).*
253	*Loan State Type*[1, 2]	*At Modification*	
→ Modification Information → Modification Details			
259	*Loan Modification Effective Date*[2]		*Enter the effective date of the modification agreement. This is the Effective Date of Permanent Financing as described in the Glossary.* *Enter the Note Date of the new Note if a new Note is used instead of a modification agreement.*
→ Note Information → Note Details			
321	*Note Rate Percent*		*Enter the rate in effect for the Permanent Financing.*
→ Underwriting / Credit Information → Construction Details			
167	Construction To Permanent First Payment Due Date		Enter the Due Date of the first P&I payment after the Date of the Modification Agreement or after the date of the new Note if a new Note is used instead of a modification agreement. This is the same as the Scheduled First Payment Date (Sort ID 272).
165	Construction To Permanent Closing Type	Two Closing	Enter "Two Closing" as described in Section 4602.3(b).

Data Required for Construction Conversion or Renovation Mortgages with Modification Documentation for Site-Built Homes and Construction Conversion Mortgages with Modification Documentation for Manufactured Homes			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
163	Construction To Permanent Closing Feature Type	Modification Agreement	Enter "Modification Agreement" as described in Section 4602.3(b).
231	*Construction Loan Indicator*	*true*	*Enter "true" for Construction Conversion Mortgages and Renovation Mortgages.*
162	Construction Loan Type	Construction to Permanent	
LOAN – Current			
→ Product Information → Product Details			
→→Modification Details			
397	*Mortgage Modification Indicator*	*true*	*Enter "true" for Construction Conversion and Renovation Mortgages with Modification Documentation.*

[1] This data point name does not appear as a Loan Selling Advisor® input field, but instead is reflected in a screen heading or tab.

[2] This data point must be populated to save the file in Loan Selling Advisor.

(B)Information for all construction loans

For Construction Conversion or Renovation Mortgages with Modification Documentation, with respect to the original construction loan that was modified, the Seller must deliver the following ULDD Data Points in the "Closing" tab:

Original Construction (Interim) Loan Data Required for Construction Conversion or Renovation Mortgages with Modification Documentation			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Closing			
332	*Loan Role Type*[1]	*Subject Loan*	*Enter "Subject Loan" to indicate that the loan data is the original construction loan data associated with the permanent loan sold to Freddie Mac.*
338	*Loan State Date*[1]		*Enter the original Note Date of the Interim Construction Financing documentation.*
339	*Loan State Type*[1]	*At Closing*	*Enter "At Closing" to indicate that the associated*

Original Construction (Interim) Loan Data Required for Construction Conversion or Renovation Mortgages with Modification Documentation			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			loan data is accurate as of the Note Date.
→Product Information			
→ → Product Details			
345	*Lien Priority Type*	*First Lien*	*Enter the lien priority of the Interim Construction Financing documentation.*
→Note Information → Note Details			
350	*Note Date*		*Enter the original Note Date of the Interim Construction Financing documentation.*
349	*Note Amount*		*Enter the Note amount of the Interim Construction Financing documentation.*

[1] This data point name does not appear as a Loan Selling Advisor input field, but instead is reflected in a screen heading or tab.

6302.28: Special delivery requirements for Construction Conversion and Renovation Mortgages (Future effective date 07/28/25)

- General requirements
- Data delivery instructions

(a) General requirements

See Chapter 4602 for Construction Conversion and Renovation Mortgages.

There are three types of documentation structures for Construction Conversion and Renovation Mortgages: (1) Integrated Construction Conversion Documentation (Integrated Documentation); (2) Separate Construction Conversion Documentation (Separate Documentation); and (3) Modification Construction Conversion Documentation (Modification Documentation).

(b) Data delivery instructions

The ULDD Data Points and valid values that must be delivered are determined by both (1) the type of Mortgage (i.e., Construction Conversion Mortgage or Renovation Mortgage), and (2) the type of loan documentation used for the Mortgage.

(i) Construction Conversion and Renovation Mortgages

For all Construction Conversion and Renovation Mortgages, regardless of the type of loan documentation used, the Seller must deliver the following ULDD Data Point:

Data Required for Construction Conversion and Renovation Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Current			
→ Product Information → Product Details			
404	Loan Program Identifier	▪ Construction Conversion ▪ Renovation	Enter "Construction Conversion" for Construction Conversion Mortgages. Enter "Renovation" for Renovation Mortgages.

(ii) Mortgages with Integrated Documentation

For Construction Conversion or Renovation Mortgages with Integrated Documentation, the Seller must deliver the following ULDD Data Points:

Data Required for Construction Conversion or Renovation Mortgages with Integrated Documentation			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
PROPERTY			
→ Property Information →Construction Details			
51	*Construction Method Type*	▪ *Site Built* ▪ *Manufactured*	*If the valid value for Loan Program Identifier (Sort ID 404) is "Renovation," enter "Site Built."*
LOAN – Closing			
→ Underwriting / Credit Information → Construction Details			
167	Construction To Permanent First Payment Due Date		Enter the Due Date of the first principal and interest (P&I) payment of the Permanent Financing as described in Section 4602.3(b). This is the Effective Date of Permanent Financing as described in the Glossary.

Data Required for Construction Conversion or Renovation Mortgages with Integrated Documentation			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
PROPERTY			
→ Property Information →Construction Details			
			This is the same as the Scheduled First Payment Date (Sort ID 272).
165	Construction To Permanent Closing Type	One Closing	Enter "One Closing" as described in Section 4602.3(b).
163	Construction To Permanent Closing Feature Type	Automatic Conversion	Enter "Automatic Conversion" as described in Section 4602.3(b).
231	*Construction Loan Indicator*	*True*	*Enter "true" for Construction Conversion Mortgages and Renovation Mortgages.*
162	Construction Loan Type	Construction to Permanent	
→ Note Information → Note Details			
320	*Note Date*		*Enter the original Note Date of the integrated Interim Construction Financing and Permanent Financing documentation.*
321	*Note Rate Percent*		*Enter the rate in effect for the Permanent Financing.*

(iii) Mortgages with Separate Documentation

For Construction Conversion or Renovation Mortgages with Separate Documentation, the Seller must deliver the following ULDD Data Points:

Data Required for Construction Conversion or Renovation Mortgages with Separate Documentation			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
PROPERTY			
→ Property Information →Construction Details			
51	*Construction Method Type*	▪ *Site Built* ▪ *Manufactured*	*If the valid value for Loan Program Identifier (Sort ID 404) is "Renovation," enter "Site Built."*
LOAN – Closing			
→ Underwriting / Credit Information → Construction Details			

Data Required for Construction Conversion or Renovation Mortgages with Separate Documentation			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
167	Construction To Permanent First Payment Due Date		Enter the Due Date of the first P&I payment of the new Note for the Permanent Financing as described in Section 4602.3(b). This is the same as the Scheduled First Payment Date (Sort ID 272).
165	Construction To Permanent Closing Type	Two Closing	Enter "Two Closing" as described in Section 4602.3(b).
163	Construction To Permanent Closing Feature Type	New Note	Enter "New Note" as described in Section 4602.3(b).
231	*Construction Loan Indicator*	*True*	*Enter "true" for Construction Conversion Mortgages and Renovation Mortgages.*
162	Construction Loan Type	Construction to Permanent	
→ Note Information → Note Details			
320	*Note Date*		*Enter the Note Date of the Permanent Financing documentation. This is the Effective Date of Permanent Financing as described in the Glossary.*
321	*Note Rate Percent*		*Enter the rate in effect for the Permanent Financing.*

(iv) Mortgages with Modification Documentation

(A) Mortgages for permanent financing

For Construction Conversion or Renovation Mortgages with Modification Documentation, the Seller must use the "Modification" tab to enter the delivered Mortgage data, including the following ULDD Data Points:

Data Required for Construction Conversion or Renovation Mortgages with Modification Documentation			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
PROPERTY			
→ Property Information →Construction Details			
51	*Construction Method Type*	■ *Site Built* ■ *Manufactured*	*If the valid value for Loan Program Identifier (Sort ID 404) is "Renovation," enter "Site Built."*
LOAN – Modification			
252	*Loan State Date*[1]		*Enter the effective date of the modification agreement.* *Enter the Note Date of the new Note if a new Note is used instead of a modification agreement.* *See "Modification Agreement" as defined in Section 4602.3(b).*
253	*Loan State Type*[1, 2]	*At Modification*	
→ Modification Information → Modification Details			
259	*Loan Modification Effective Date*[2]		*Enter the effective date of the modification agreement. This is the Effective Date of Permanent Financing as described in the Glossary.* *Enter the Note Date of the new Note if a new Note is used instead of a modification agreement.*
→ Note Information → Note Details			
321	*Note Rate Percent*		*Enter the rate in effect for the Permanent Financing.*
→ Underwriting / Credit Information → Construction Details			
167	Construction To Permanent First Payment Due Date		Enter the Due Date of the first P&I payment after the Date of the Modification Agreement or after the date of the new Note if a new Note is used instead of a modification agreement. This is the same as the Scheduled First Payment Date (Sort ID 272).
165	Construction To Permanent Closing Type	Two Closing	Enter "Two Closing" as described in Section 4602.3(b).

Data Required for Construction Conversion or Renovation Mortgages with Modification Documentation			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
163	Construction To Permanent Closing Feature Type	Modification Agreement	Enter "Modification Agreement" as described in Section 4602.3(b).
231	*Construction Loan Indicator*	*true*	*Enter "true" for Construction Conversion Mortgages and Renovation Mortgages.*
162	Construction Loan Type	Construction to Permanent	
LOAN – Current			
→ Product Information → Product Details			
→→Modification Details			
397	*Mortgage Modification Indicator*	*true*	*Enter "true" for Construction Conversion and Renovation Mortgages with Modification Documentation.*

[1] This data point name does not appear as a Loan Selling Advisor® input field, but instead is reflected in a screen heading or tab.

[2] This data point must be populated to save the file in Loan Selling Advisor.

(B)Information for all construction loans

For Construction Conversion or Renovation Mortgages with Modification Documentation, with respect to the original construction loan that was modified, the Seller must deliver the following ULDD Data Points in the "Closing" tab:

Original Construction (Interim) Loan Data Required for Construction Conversion or Renovation Mortgages with Modification Documentation			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Closing			
332	*Loan Role Type*[1]	*Subject Loan*	*Enter "Subject Loan" to indicate that the loan data is the original construction loan data associated with the permanent loan sold to Freddie Mac.*
338	*Loan State Date*[1]		*Enter the original Note Date of the Interim Construction Financing documentation.*
339	*Loan State Type*[1]	*At Closing*	*Enter "At Closing" to indicate that the associated*

Original Construction (Interim) Loan Data Required for Construction Conversion or Renovation Mortgages with Modification Documentation			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			loan data is accurate as of the Note Date.
→Product Information			
→ → Product Details			
345	*Lien Priority Type*	*First Lien*	*Enter the lien priority of the Interim Construction Financing documentation.*
→Note Information → Note Details			
350	*Note Date*		*Enter the original Note Date of the Interim Construction Financing documentation.*
349	*Note Amount*		*Enter the Note amount of the Interim Construction Financing documentation.*

[1] This data point name does not appear as a Loan Selling Advisor input field, but instead is reflected in a screen heading or tab.

6302.29: Special delivery requirements for Mortgages with Employer Assisted Homeownership (EAH) Benefits (07/06/17)

- General requirements
- Data delivery instructions

(a) General requirements

See Section 5501.4 and the sections referenced in that section for requirements regarding the use of Employer Assisted Homeownership (EAH) Benefits (EAH Benefits) as a source of funds for Down Payment, Closing Costs and reserves.

(b) Data delivery instructions

For Mortgages with EAH Benefits, the Seller must deliver the following ULDD Data Point:

Data Required for Mortgages with EAH Benefits			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Current			
→ Product Information → Product Details			
368	Investor Feature Identifier	D25	Enter this value if the Mortgage has EAH Benefits.

6302.30: Special delivery requirements for Mortgages where Borrower uses credit card, cash advance or unsecured line of credit to pay fees (05/05/21)

- General requirements
- Data delivery instructions

(a) General requirements

See Section 5501.3(b) for requirements regarding Mortgages where Borrower uses a credit card or a cash advance on a revolving charge account or unsecured line of credit to pay fees associated with the Mortgage application process or for the credit report or appraisal report.

(b) Data delivery instructions

If the Borrower used a credit card, cash advance or unsecured line of credit to pay fees in connection with the origination of the Mortgage, the Seller must deliver the following ULDD Data Point:

Data Required when Borrower Used Credit Card, Cash Advance or Unsecured Line of Credit to Pay Fees			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Closing			
Underwriting / Credit Information			
290	*Total Liabilities Monthly Payment Amount*		*Enter the monthly debt payment as defined in Section 5401.2, including the amount charged or advanced when it is included in the Borrower's total outstanding debt. Round to the nearest dollar.*

6302.31: Special delivery requirements for super conforming Mortgages (10/28/24)

- General requirements
- Data delivery instructions
- Delivery programs
- Delivery requirements for fixed-rate Cash Contracts
- Pooling requirements for UMBS®, MBS and Supers®

(a) General requirements

See Chapter 4603 for special eligibility requirements for super conforming Mortgages.

See Exhibit 17S, Available Mortgage Products, for more information about eligibility requirements for super conforming Mortgages.

(b) Data delivery instructions

For super conforming Mortgages, the Seller must deliver the following ULDD Data Points:

Data Required for Super Conforming Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
PROPERTY			
→ Property Information → Appraisal / Valuation Property Details			
89/90	*Property Valuation Method Type/Property Valuation Method Type Other Description* *(In Loan Selling Advisor®, this appears as "Property Valuation Method Type.")*	▪ *Desktop Appraisal* ▪ *Full Appraisal* ▪ *Other – Desk Review* ▪ *Other – Field Review*	*Enter "Desktop Appraisal" if a desktop appraisal was used to value the subject property.* *Enter "Full Appraisal" if an interior and exterior inspection appraisal was used to value the subject property.* *Enter "Other – Desk Review" if a desk review was used to value the subject property.* *Enter "Other – Field Review" if a field review was used to value the subject property.*
82	*Appraisal Identifier*		*Enter the document file identifier of the appraisal (field reviews are not submitted to*

Data Required for Super Conforming Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			the Uniform Collateral Data Portal® (UCDP®).

(c) Delivery programs

Sellers that have Pricing Identifier Terms that permit delivery of fixed-rate super conforming Mortgages under the Guarantor program may also deliver fixed-rate super conforming Mortgages under fixed-rate Cash Contracts, unless negotiated provisions specify otherwise.

(d) Delivery requirements for fixed-rate Cash Contracts

The UPB of all 10-, 15-, 20- and/or 30-year super conforming Mortgages delivered by the Seller under fixed-rate Cash Contracts during any month must not exceed $2 million in aggregate if the Seller's total cash deliveries are less than or equal to $20 million or 10% of the UPB of each Mortgage product (10-, 15-, 20- or 30-year fixed rate) if the Seller's total cash deliveries are greater than $20 million, not including:

- Freddie Mac Enhanced Relief Refinance® Mortgages with loan-to-value (LTV) ratios greater than 105% delivered by the Seller under fixed-rate Cash Contracts during such month; and
- Mortgages that receive cash specified payups in accordance with Section 6101.3(d)

(e) Pooling requirements for UMBS, MBS and Supers

Refer to Section 6202.3 for pooling requirements for fixed-rate super conforming Mortgages under the fixed-rate Guarantor or MultiLender Swap programs.

6302.32: Special delivery requirements for Mortgages with principal curtailments (03/02/16)

- General requirements
- Data delivery instructions

(a) General requirements

If the principal of a Mortgage is curtailed without recalculation of the monthly payment prior to the date the Mortgage is sold to Freddie Mac, the Seller must provide the data described in this section.

Mortgages with principal curtailments that result in modifications to recalculate the monthly payments must be delivered as Seller-Owned Modified Mortgages in accordance with Section 6302.27.

(b) Data delivery instructions

For Mortgages with principal curtailments that do not result in modifications to recalculate the monthly payments, the Seller must deliver the following ULDD Data Points:

Data Required for Mortgages with Principal Curtailments not Resulting in Recast Payment			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Closing			
→ Note Information → Note Details			
256	*Loan Maturity Date*		*Enter the date of the final monthly principal and interest (P&I) payment as indicated on the Note disregarding the effect of any curtailment.*
LOAN – Current			
→ Payment Information → Payment Details			
438	Aggregate Loan Curtailment Amount		Enter the total of all curtailments received as of the Funding Date.

6302.33: Special delivery requirements for Mortgages in which assets are used as a basis for repayment of obligations (09/14/17)

- General requirements
- Data delivery instructions

(a) General requirements

See Section 5307.1 for requirements regarding assets as a basis for repayment of obligations.

(b) Data delivery instructions

For Mortgages with respect to which assets are used as a basis for repayment of obligations, the Seller must deliver the following ULDD Data Point:

Data Required for Mortgages when Assets are Used as a Basis for Repayment of Obligations			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Current			
→ Product Information → Product Details			
368	Investor Feature Identifier	H31	Enter this value if the Borrower uses assets as a basis for repayment of obligations.

6302.34: Special delivery requirements for Mortgages with secondary financing (09/04/24)

- General requirements
- Data delivery instructions

(a) General requirements

See Sections 4204.1 and 4204.2 for requirements regarding Mortgages with secondary financing, including Affordable Seconds®.

See Section 4501.7 for requirements regarding Home Possible® Mortgages with secondary financing, including Affordable Seconds.

(b) Data delivery instructions

(i) Each subordinate lien

With respect to each subordinate lien, the Seller must deliver the following ULDD Data Points:

Data Required for All Subordinate Liens			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Current			
→ Secondary Financing / Related Loan Details *(Deliver for each Related Loan.)*			
510	Loan Role Type[1, 2]	Related Loan	
514	Loan State Date[1]		Enter the date the data is retrieved from the Seller's delivery system.
515	Loan State Type[1]	Current	
517	Lien Priority Type	▪ Second Lien ▪ Third Lien	

Data Required for All Subordinate Liens			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Current			
→ Secondary Financing / Related Loan Details *(Deliver for each Related Loan.)*			
		▪ Fourth Lien	
519	Mortgage Type	Conventional	
PROPERTY			
→ Property Information			
→→ Secondary Financing / Related Loan Information *(Deliver for each Related Loan.)*			
513.1	Loan Affordable Indicator	▪ false ▪ true	Enter "false" unless secondary financing is an *Affordable Second.*

[1] This data point name does not appear as a Loan Selling Advisor® input field, but instead is reflected in a screen heading or tab.

[2] This data point must be populated to save the file in Loan Selling Advisor.

(ii) Each closed-end subordinate lien

For each subordinate lien that is a closed-end loan, the Seller must deliver the following ULDD Data Points in addition to the ULDD Data Points required for all subordinate liens in Section 6302.34(b)(i):

Data Required for All Closed-End Subordinate Liens			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Current			
→ Secondary Financing / Related Loan Details – *(Deliver for each Related Loan.)*			
→→ Closed-end Second			
516	UPB Amount		Enter the balance of the closed-end subordinate Mortgage.
→→ HELOC Details			
513	HELOC Indicator	false	

(iii) Each Home Equity Line of Credit (HELOC)

For each subordinate lien that is a HELOC, the Seller must deliver the following ULDD Data Points in addition to the ULDD Data Points required for all subordinate liens in Section 6302.34(b)(i):

Data Required for All HELOCs			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
TOTAL LOANS			
→ Additional LTV Details → Delivered LTV Values			
92	Home Equity Combined LTV Ratio Percent		Enter the Home Equity Line of Credit total loan-to-value (HTLTV) ratio calculated in accordance with Section 4203.2. For Financed Permanent Buydown Mortgages, the Mortgage amount used to determine the HTLTV ratio includes the financed discount points. For super conforming Mortgages, when the field review value results in a different value from the appraised value, the value used to determine the HTLTV ratio is the least of the appraised value, field review value or sales price.
LOAN – Current			
→ Secondary Financing / Related Loan Details *(Deliver for each Related Loan.)*			
→→HELOC Details			
513	HELOC Indicator	true	
511	Current HELOC Maximum Balance Amount		Enter the HELOC maximum credit line as of the Note Date of the First Lien Mortgage. If the maximum credit line has been modified, enter the modified maximum amount.
512	HELOC Balance Amount		Enter the disbursed amount of the HELOC, not the maximum credit line.

(iv) Mortgages with Affordable Seconds

For Mortgages with Affordable Seconds that have the following characteristics, the Seller must deliver the following ULDD Data Points in addition to the ULDD Data Points required for all subordinate liens in Section 6302.34(b)(i) and for closed-end subordinate liens in Section 6302.34(b)(ii):

(A) All Mortgages with Affordable Seconds

For all Mortgages with Affordable Seconds, the Seller must deliver the following ULDD Data Points:

Data Required for All Mortgages with Affordable Seconds			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Current			
PROPERTY			
→ Property Information			
→→ Secondary Financing / Related Loan Information *(Deliver for each Related Loan.)*			
513.1	Loan Affordable Indicator	true	Enter "true" for Mortgages with Affordable Seconds.

(B) Mortgages with Affordable Seconds entered into Loan Product Advisor® in the "Total Gift Fund" field

For Mortgages with Affordable Seconds entered into Loan Product Advisor® in the "Total Gift Fund" field, the Seller must deliver the following ULDD Data Point:

Data Required for Mortgages with Affordable Seconds Entered into Loan Product Advisor® in the "Total Gift Fund" Field			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Current			
→ Product Information → Product Details			
368	Investor Feature Identifier	G18	Enter this value for Mortgages with Affordable Seconds treated as a gift in Loan Product Advisor® version 4.8.01 or earlier as described in Bulletin 2020-26. Sellers are not required to enter this value for Mortgages with Affordable Seconds in Loan Product Advisor version 5.0.06 or higher.

(C) Mortgages with Affordable Seconds from certain allowable sources

For Mortgages with Affordable Seconds from certain allowable sources described in Section 4204.2(a)(i), the Seller must deliver the following ULDD Data Points:

Data Required for Mortgages with Affordable Seconds from Certain Sources			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Current			
→ Product Information → Product Details			
368	Investor Feature Identifier	▪ J07 ▪ J54	If applicable, the Seller must identify the source of the Affordable Second: Enter J07 to indicate "Non-profit not affiliated with Government Agency Affordable Second" as described in Section 4204.2(b)(i). Enter J54 to indicate "Mortgage with Seller-funded Affordable Second" for a Home Possible Mortgage as described in Section 4204.2(a)(i)(B).

(D) Purchase Mortgages with Affordable Seconds that are not a HELOC

For purchase Mortgages with Affordable Seconds that are non-HELOC, the Seller must deliver the following ULDD Data Points:

Data Required for Purchase Mortgages with Affordable Seconds that are not a HELOC			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Current			
→ Secondary Financing / Related Loan Details – *(Deliver for each Related Loan.)*			
→→ Closed-end Second			
515.1	Initial Principal And Interest Payment Amount		Enter the dollar amount of the principal and interest payment as stated on the Note for the related loan. Enter "0" for Affordable Seconds meeting the requirements of Section 4204.2(a)(iv), where the principal and interest payment on

			the related loan is not due for the first five or more years following the Note Date.
→→ HELOC Details			
513	*HELOC Indicator*	*false*	

(v) Home Possible Mortgages with RHS Leveraged Seconds

For additional delivery requirements for Home Possible Mortgages with RHS Leveraged Seconds, see Section 6302.14(b)(iv).

6302.35: Special delivery requirements for Mortgages eligible for sale using the loan-level buyup and buydown program (04/24/17)

- General requirements
- Data delivery instructions
- Delivery programs

(a) General requirements

See Section 6201.10 for requirements regarding the loan-level buyup and buydown program.

(b) Data delivery instructions

For Mortgages sold to Freddie Mac using the loan-level buyup and buydown program, the Seller must deliver the following ULDD Data Points:

Data Required for Loan-Level Buyup or Buydown Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Current			
Execution Information → Loan Level Buyup/Buydown Details			
387	Loan Buyup Buydown Type	▪ Buydown ▪ Buyup ▪ BuyupBuydownDoesNotApply	Enter “Buyup” for loan-level buyup. Enter “Buydown” for loan-level buydown. Enter “BuyupBuydownDoesN

Data Required for Loan-Level Buyup or Buydown Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Current			
Execution Information → Loan Level Buyup/Buydown Details			
			otApply" when loan-level buyup and buydown does not apply.
386	Loan Buyup Buydown Basis Point Number		Enter, in basis points, the increase or decrease amount of the Credit Fee in Yield for each individual Mortgage allocated to a specific Guarantor or MultiLender Swap Contract. Leave blank if a loan-level buyup/buydown is not elected.

(c) Delivery programs

Mortgages may be sold only under the following programs:

- Fixed-rate Guarantor
- MultiLender Swap

6302.36: Special delivery requirements for Affordable Merit Rate® Mortgages (01/01/22)

Effective January 1, 2022, Section 6302.36 is deleted.

6302.37: Special delivery requirements for Mortgages secured by properties with resale restrictions (05/22/23)

- General requirements
- Data delivery instructions

(a) General requirements

See Chapter 4406 for special eligibility requirements for Mortgages secured by properties with resale restrictions.

(b) Data delivery instructions

(i) For Mortgages secured by properties with income-based resale restrictions, the Seller must deliver the following ULDD Data Points:

(A) For Mortgages secured by properties with income-based resale restrictions that survive foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure:

Data Required for Mortgages Secured by Properties with Income-based Resale Restrictions that Survive Foreclosure (or Expiration of Any Applicable Redemption Period) or Recordation of a Deed-in-lieu of Foreclosure			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
PROPERTY			
→ Property Information → Affordable Details			
90.1	Deed Restriction Term Months Count		Enter the length of the period (in months) in which the resale restrictions may remain in place on the property. Enter "0" if not known.
LOAN - CURRENT			
→ Product Information → Product Details			
404	Loan Program Identifier	Income Based Deed Restrictions Survive	

(B) For Mortgages secured by properties with income-based resale restrictions that terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure:

Data Required for Mortgages Secured by Properties with Income-based Resale Restrictions that Terminate upon Foreclosure (or Expiration of Any Applicable Redemption Period) or Recordation of a Deed-in-lieu of Foreclosure			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
PROPERTY			
→ Property Information →→ Affordable Details			
90.1	*Deed Restriction Term Months Count*		*Enter the length of the period (in months) in which the resale restrictions may remain in place on the property. Enter "0" if not known.*
LOAN - Current			
→ Product Information →→ Product Details			
404	Loan Program Identifier	Income Based Deed Restrictions Terminate	

6302.38: Special delivery requirements for Pledged Mortgages (12/11/17)

- General requirements
- Data delivery instructions

(a) General requirements

See Chapter 6305 for special eligibility requirements for Pledged Mortgages.

(b) Data delivery instructions

For Pledged Mortgages, the Seller must deliver the following ULDD Data Points:

Data Required for Pledged Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
PARTY			
→ Party Information → Warehouse Lender Details			
398.1	*Warehouse Lender Indicator*	*true*	*Enter "true" if the Mortgage was subject to a warehouse financing arrangement at delivery.*
650.2	Party Role Type[1]	Warehouse Lender	
650.1	Party Role Identifier (In Loan Selling Advisor®, this appears as "Warehouse Lender Identifier." On Form 996E, Warehouse Provider Release And Transfer, this appears as "Warehouse Provider Identifier".)		Enter the Warehouse Lender's unique Freddie Mac identifier.

[1] This data point name does not appear as a Loan Selling Advisor input field, but instead is reflected in a screen heading or tab.

6302.39: Special delivery requirements for Mortgages with special attributes designated for cash specified pools (10/15/18)

Effective October 15, 2018, Section 6302.39 is deleted.

6302.40: Special delivery requirements for Freddie Mac Enhanced Relief Refinance® Mortgages (09/01/21)

Freddie Mac Enhanced Relief Refinance® Mortgages with Application Received Dates on or after July 1, 2021 and all Freddie Mac Enhanced Relief Refinance Mortgages with Settlement Dates after August 31, 2021 are not eligible for delivery until further notice.

6302.41: Special delivery requirements for HomeOne® Mortgages (12/31/19)

- General requirements
- Data delivery instructions

(a) General requirements

See Chapter 4605 for special eligibility requirements for HomeOne® Mortgages.

See Section 5103.6 for requirements related to homeownership education.

(b) Data delivery instructions

See Section 6302.16 for delivery requirements for HomeOne Mortgages that are "no cash-out" refinance Mortgages.

For HomeOne Mortgages, the Seller must deliver the following ULDD Data Points:

Data Required for HomeOne Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
BORROWER			
→Borrower Information			
→→ Borrower Details			
576/577	Counseling Confirmation Type/ Counseling Confirmation Type Other Description (In Loan Selling Advisor®, this appears as "Counseling Confirmation Type.")	▪ Government Agency ▪ HUD Approved Counseling Agency ▪ Lender Trained Counseling ▪ No Borrower Counseling ▪ Other – Borrower Did Not Participate ▪ Other – Mortgage Insurance Company ▪ Other – Non Profit Organization	When required, at least one Borrower on the Mortgage must complete homeownership education prior to loan closing. Enter "Government Agency" if the Borrower completed homeownership education using Freddie Mac's online **CreditSmart® Homebuyer U**, OR if the homeownership education was provided by a Housing Finance Agency (HFA), OR if the homeownership education was provided by a for-profit CDFI.

Data Required for HomeOne Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			Enter "HUD Approved Counseling Agency" if the Borrower completed homeownership education that was provided by a HUD-approved nonprofit counseling agency. Do not enter "Lender Trained Counseling." Enter "No Borrower Counseling" if the Borrower is not required to participate in homeownership education, such as for a refinance transaction. Enter "Other – Borrower Did Not Participate" if the referenced Borrower did not participate in homeownership education, and the required homeownership education was completed by another Borrower on the loan. Enter "Other – Mortgage Insurance Company" if the counseling was a program provided by a mortgage insurance company. Enter "Other – Non-Profit Organization" if the homeownership education was provided by a Community Development Financial Institution (CDFI), or a program that meets the standards of the National Industry Standards

Data Required for HomeOne Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			for Homeownership Education and Counseling.
578/579	Counseling Format Type/ Counseling Format Type Other Description (In Loan Selling Advisor, this appears as "Counseling Format Type.")	▪ Borrower Education Not Required ▪ Classroom ▪ Home Study ▪ Individual ▪ Other – Borrower Did Not Participate	When required, at least one Borrower on the Mortgage must complete homeownership education prior to loan closing. Enter "Borrower Education Not Required" if the Borrower is not required to participate in homeownership education, such as for a refinance transaction. Enter "Classroom" if instructor-led homeownership education was completed (not one-on-one). Enter "HomeStudy" if the Borrower completed Freddie Mac's online **CreditSmart® Homebuyer U**. Enter "Individual" if one-on-one counseling was performed. Enter "Other – Borrower Did Not Participate" if the referenced Borrower did not participate in homeownership education, and the required homeownership education was completed by an occupying Borrower on the loan.

6302.42: Special delivery requirements for Community Land Trust Mortgages (06/05/24)

- General requirements
- Data delivery instructions
- Delivery programs

(a) General requirements

See Chapter 4502 for special eligibility requirements for Community Land Trust Mortgages.

(b) Data delivery instructions

(i) All Community Land Trust Mortgages

For all Community Land Trust Mortgages, the Seller must deliver the following ULDD Data Points:

Data Required for Community Land Trust Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
PROPERTY			
→ Property Information			
→→ Property Details			
63	*Property Estate Type*	*Leasehold*	
LOAN – Current			
→ Product Information → Product Details			
404	Loan Program Identifier	Community Land Trust	

(ii) Community Land Trust Mortgages for which the Seller did not complete a full review of the Community Land Trust ground lease

For Community Land Trust Mortgages for which the Seller did not complete a full review of the Community Land Trust ground lease in accordance with Section 4502.10 for a program included in Fannie Mae's "Certified Shared Equity Program List", the Seller must deliver the following ULDD Data Point:

Data Required for Community Land Trust Mortgages for which the Seller did not complete a full review of the Community Land Trust ground lease			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Current			
→ Product Information → Product Details			
368	Investor Feature Identifier	J73	Enter this value, indicating the Community Land Trust program is included on the Fannie Mae "Certified Shared Equity Program List".

(c) Delivery programs

Community Land Trust Mortgages may be sold under fixed-rate Cash or Guarantor.

6302.43: Special delivery requirements for CHOICERenovation® Mortgages (10/02/24)

- General requirements
- Data delivery instructions
- Data delivery instructions to receive the credit for Credit Fees for GreenCHOICE Mortgages®

(a) General requirements

See Chapter 4607 for special eligibility requirements for CHOICERenovation® Mortgages.

(b) Data delivery instructions

See Section 6302.28 for special delivery requirements for Construction Conversion and Renovation Mortgages.

For CHOICERenovation Mortgages, the Seller must deliver the following ULDD Data Points:

Data Required for CHOICERenovation Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Closing and LOAN – Modification			
→ Affordable Information → Affordable Details			
193.1	*Alterations Improvements And Repairs Amount*		*Enter the total renovation costs amount associated with the renovation loan.* *The amount entered must be greater than "0" (zero).*
LOAN – Current			
→ Product Information → Product Details			
404	Loan Program Identifier	CHOICERenovation	
404	Loan Program Identifier	CHOICERenovation Mortgage With Recourse	
404	Loan Program Identifier	CHOICEReno EXpress	
404	Loan Program Identifier	CHOICEReno EXpress DTS Area	

(c) Data delivery instructions to receive the credit for Credit Fees for GreenCHOICE Mortgages

For CHOICERenovation Mortgages eligible for the credit for Credit Fees for GreenCHOICE Mortgages pursuant to Section 4607.16(b), in addition to meeting the special delivery requirements above, the Seller must deliver the ULDD Data Point(s) specified in Section 6302.23.

Note: When entering the total renovation costs amount for ULDD Data Point *Alterations Improvements And Repairs Amount* (Sort ID 193.1) pursuant to Section 6302.43(b) above, the value entered for ULDD Data Point *Energy Improvement Amount* (Sort ID 244.1) would also be included in the total renovation costs amount.

6302.43: Special delivery requirements for CHOICERenovation® Mortgages (Future effective date 11/25/24)

- General requirements
- Data delivery instructions
- Data delivery instructions to receive the credit for Credit Fees for GreenCHOICE Mortgages®

(a) General requirements

See Chapter 4607 for special eligibility requirements for CHOICERenovation® Mortgages.

(b) Data delivery instructions

See Section 6302.28 for special delivery requirements for Construction Conversion and Renovation Mortgages.

For CHOICERenovation Mortgages, the Seller must deliver the following ULDD Data Points:

Data Required for CHOICERenovation Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Closing and LOAN – Modification			
→ Affordable Information → Affordable Details			
193.1	*Alterations Improvements And Repairs Amount*		*Enter the total renovation costs amount associated with the renovation loan.* *The amount entered must be greater than "0" (zero).*
LOAN – Current			
→ Product Information → Product Details			
404	Loan Program Identifier	CHOICERenovation	Enter "CHOICERenovation" for Mortgages with Settlement Dates after completion of renovations as described in Section 4607.1(a).
404	Loan Program Identifier	■ CHOICERenovation Mortgage With Recourse ■ CHOICERenovation In Progress	Enter either "CHOICERenovation Mortgage With Recourse" or "CHOICERenovation In Progress" for Mortgages with Settlement Dates before completion of renovations as described in Section 4607.1(b).
404	Loan Program Identifier	CHOICEReno EXpress	Enter "CHOICEReno EXpress" for Mortgages **not** located in Duty to Serve High-Needs Area as described in Section 4607.1(c).
404	Loan Program Identifier	CHOICEReno EXpress DTS Area	Enter "CHOICEReno EXpress DTS Area" for Mortgages located in Duty to Serve High-Needs Area as described in Section 4607.1(c).

(c) Data delivery instructions to receive the credit for Credit Fees for GreenCHOICE Mortgages

For CHOICERenovation Mortgages eligible for the credit for Credit Fees for GreenCHOICE Mortgages pursuant to Section 4607.16(b), in addition to meeting the special delivery requirements above, the Seller must deliver the ULDD Data Point(s) specified in Section 6302.23.

Note: When entering the total renovation costs amount for ULDD Data Point *Alterations Improvements And Repairs Amount* (Sort ID 193.1) pursuant to Section 6302.43(b) above, the value entered for ULDD Data Point *Energy Improvement Amount* (Sort ID 244.1) would also be included in the total renovation costs amount.

6302.43: Special delivery requirements for CHOICERenovation® Mortgages (Future effective date 03/31/25)

- General requirements
- Data delivery instructions
- Data delivery instructions to receive the credit for Credit Fees for GreenCHOICE Mortgages®

(a) General requirements

See Chapter 4607 for special eligibility requirements for CHOICERenovation® Mortgages.

(b) Data delivery instructions

See Section 6302.28 for special delivery requirements for Construction Conversion and Renovation Mortgages.

For CHOICERenovation Mortgages, the Seller must deliver the following ULDD Data Points:

Data Required for CHOICERenovation Mortgages			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Closing and LOAN – Modification			
→ Affordable Information → Affordable Details			
193.1	*Alterations Improvements And Repairs Amount*		*Enter the total renovation costs amount associated with the renovation loan.* *The amount entered must be greater than "0" (zero).*
LOAN – Current			
→ Product Information → Product Details			
404	Loan Program Identifier	CHOICERenovation	Enter "CHOICERenovation" for Mortgages with Settlement Dates after completion of renovations as described in Section 4607.1(a).
404	Loan Program Identifier	CHOICERenovation In Progress	Enter "CHOICERenovation In Progress" for Mortgages with Settlement Dates before completion of renovations as described in Section 4607.1(b).
404	Loan Program Identifier	CHOICEReno EXpress	Enter "CHOICEReno EXpress" for Mortgages **not** located in Duty to Serve High-Needs Area as described in Section 4607.1(c).
404	Loan Program Identifier	CHOICEReno EXpress DTS Area	Enter "CHOICEReno EXpress DTS Area" for Mortgages located in Duty to Serve High-Needs Area as described in Section 4607.1(c).

(c) Data delivery instructions to receive the credit for Credit Fees for GreenCHOICE Mortgages

For CHOICERenovation Mortgages eligible for the credit for Credit Fees for GreenCHOICE Mortgages pursuant to Section 4607.16(b), in addition to meeting the special delivery

requirements above, the Seller must deliver the ULDD Data Point(s) specified in Section 6302.23.

Note: When entering the total renovation costs amount for ULDD Data Point *Alterations Improvements And Repairs Amount* (Sort ID 193.1) pursuant to Section 6302.43(b) above, the value entered for ULDD Data Point *Energy Improvement Amount* (Sort ID 244.1) would also be included in the total renovation costs amount.

6302.44: Special delivery requirements for Mortgages utilizing the age of documentation flexibility in Eligible Disaster Areas (10/27/19)

- General requirements
- Data delivery instructions

(a) General requirements

See Section 4407.3 for special eligibility requirements for age of documentation for Mortgages secured by properties located in Eligible Disaster Areas.

(b) Data delivery instructions

For Mortgages secured by properties located in Eligible Disaster Areas utilizing the age of documentation flexibility, the Seller must deliver the following ULDD Data Points:

Data Required for Mortgages Utilizing the Age of Documentation Flexibility in Eligible Disaster Areas			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Current			
→ Product Information → Product Details			
368	Investor Feature Identifier	H37	Enter this value indicating extended age of documentation for Eligible Disaster Areas.

6302.45: Special delivery requirements for Cooperative Share Loans (11/03/21)

- General requirements
- Data delivery instructions
- Delivery requirements for fixed-rate Cash Contracts
- Pooling requirements for UMBS®, MBS and Supers®

(a) General requirements

See Chapter 5705 for special eligibility requirements for Cooperative Share Loans.

(b) Data delivery instructions

(i) All Cooperative Share Loans

For Cooperative Share Loans, the Seller must deliver the following ULDD Data Point:

Data Required for Cooperative Share Loans			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
PROPERTY			
→ Property Information			
→→Property Details			
57	*Financed Unit Count*	*1*	
47	Project Legal Structure Type	Cooperative	
641.5/ 641.6	Taxpayer Identifier Type/Taxpayer Identifier Value (In Loan Selling Advisor®, this appears as "HOA or Cooperative Housing Corporation Taxpayer Identifier")		If available, enter the Employer Identification Number (EIN) or Taxpayer Identification Number (TIN) for the Cooperative Housing Corporation. If the unit is located in a project with its HOA within a Master Association or Umbrella Planned Unit Development (PUD), enter the EIN or TIN of the HOA associated with the project, not the Master Association or Umbrella PUD.
42	Project Classification Identifier	▪ Exempt From Review ▪ Full Review	Enter "Exempt From Review" for Freddie Mac-owned "no cash-out"

Data Required for Cooperative Share Loans			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			refinance Cooperative Share Loans or Refi Possible® Mortgages, as described in Section 5705.7. Enter "Full Review" for all Cooperative Share Loans that are not delivered as "Exempt From Review.

(ii) Cooperative Share Loans that are not delivered as Exempt From Review

See Section 5705.7 for eligibility requirements for Exempt From Review.

For Cooperative Share Loans that are not delivered as Exempt From Review, the Seller must deliver the following ULDD Data Points:

Data Required for Cooperative Share Loans other than Exempt From Review			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
PROPERTY			
→ Property Information			
→→Property Details			
→→Condominium Details			
48	Project Name		Enter the legal name of the project.
41	Project Attachment Type	▪ Attached ▪ Detached	Enter "Attached" if any unit in the project has a common wall or other direct physical connection with another unit. Enter "Detached" only if no unit in the project has a common wall or other direct physical connection with another unit.
45	Project Dwelling Unit Count		Enter the number of units in the project (including phases that are not yet complete).
46	Project Dwelling Units Sold Count		Enter the number of units sold (including phases that are not yet complete).

(c) Delivery requirements for fixed-rate Cash Contracts

The UPB of all 10-, 15-, 20- and/or 30-year Cooperative Share Loans delivered by the Seller under fixed-rate Cash Contracts during any month must not exceed the greater of (i) $2 million in aggregate, or (ii) 10% of the UPB of each fixed-rate Mortgage product.

(d) Pooling requirements for UMBS, MBS and Supers

Refer to Section 6202.3 for pooling requirements for fixed-rate Cooperative Share Loans under the fixed-rate Guarantor or MultiLender Swap programs.

6302.46: Special delivery requirements for Refi Possible® Mortgages (04/06/22)

- General requirements
- Data delivery instructions
- Delivery of Mortgages with recourse or indemnification
- Delivery of Mortgages with credit enhancements for less than the life of the Mortgage

(a) General requirements

See Section 4302.5 for special eligibility requirements for Refi Possible® Mortgages.

(b) Data delivery instructions

For Refi Possible Mortgages, the Seller must deliver the following ULDD Data Points:

Data Required for Refi Possible Mortgages			
Sort ID	**Data Point Name**	**Valid Value**	**Notes**
LOAN – At Closing → Underwriting / Credit Information			
→Loan Details			
315	*Loan Purpose Type*	*Refinance*	
294	*Refinance Cash Out Determination Type*	*No Cash Out*	
→ Streamlined Loan Details			
222	Related Loan Investor Type	FRE	

Data Required for Refi Possible Mortgages			
Sort ID	**Data Point Name**	**Valid Value**	**Notes**
221	Related Investor Loan Identifier	<Associated FRE Loan #>	This is the 9-digit Freddie Mac-supplied number assigned to the original Mortgage by the Seller when the Mortgage was initially sold to Freddie Mac.
LOAN – Current			
Product Information→ Product Details			
368	Investor Feature Identifier	J05	Enter this value to indicate Refi Possible Mortgage.

(c) Delivery of Mortgages with recourse or indemnification

In connection with the delivery of each Refi Possible Mortgage where the Mortgage being refinanced had **recourse** as described in Section 4302.6, the Seller must deliver "001" (indicating the Mortgage is sold with recourse) in the ULDD Data Point *Investor Feature Identifier*, if the Mortgage being refinanced was sold with recourse for the life of the Mortgage or the Mortgage was credit enhanced with recourse for the life of the Mortgage after it was sold to Freddie Mac.

In connection with the delivery of each Refi Possible Mortgage where the Mortgage being refinanced had **indemnification** as described in Section 4302.6, the Seller must deliver "033" (indicating the Mortgage is sold with indemnification) in the ULDD Data Point *Investor Feature Identifier*, as applicable, if the Mortgage being refinanced was sold with indemnification for the life of the Mortgage or the Mortgage was credit enhanced with indemnification for the life of the Mortgage after it was sold to Freddie Mac.

If the Mortgage being refinanced was either sold to Freddie Mac with a credit enhancement or credit enhanced after it was sold to Freddie Mac, with indemnification or recourse for less than the life of the Mortgage, the Seller must not deliver ULDD Data Point *Investor Feature Identifiers* "001" or "033" indicating the Refi Possible Mortgage is subject to recourse or indemnification. In this instance, Freddie Mac will manage the transfer of the credit enhancement from the Mortgage being refinanced to the Refi Possible Mortgage.

(d) Delivery of Mortgages with credit enhancements for less than the life of the Mortgage

If the Mortgage being refinanced was either sold to Freddie Mac with a credit enhancement, or credit enhanced for a period of less than the life of the loan after it was sold to Freddie Mac, the Seller must not deliver any credit enhancement related ULDD Data Point Investor Feature Identifiers indicating that the Refi Possible Mortgage is subject to a credit enhancement.

6302.47: Special delivery requirements for Mortgages with title insurance (09/01/22)

- General requirements
- Data delivery instructions

(a) General requirements

See Section 4702.1 for general Freddie Mac title insurance requirements.

(b) Data delivery instructions

For Mortgages delivered with an attorney opinion of title letter in lieu of a title insurance policy, the Seller must deliver the following ULDD Data Point:

Data Required for Mortgages without title insurance			
Sort ID	**Data Point Name**	**Valid Value**	**Notes**
LOAN – Current			
Product Information→ Product Details			
368	Investor Feature Identifier	J18	Enter this value to indicate an "Attorney Opinion of Title Letter," as described in Section 4702.3.

6302.48: Special delivery requirements for Mortgages secured by properties located in designated Rural Areas and originated by Small Financial Institutions (05/01/24)

Effective May 1, 2024, Section 6302.48 is deleted.

6302.49: Special delivery requirements for Mortgages secured by properties located in designated Rural Areas in High Needs Rural Regions (10/01/23)

Effective October 1, 2023, Section 6302.49 is deleted.

6302.50: Special delivery requirements for HeritageOne® Mortgages (10/02/24)

- General requirements
- Data delivery instructions

(a) General requirements

See Chapter 4504 for special eligibility requirements for HeritageOne® Mortgages.

See Section 5103.6 for requirements related to homeownership education.

(b) Data delivery instructions

For HeritageOne Mortgages, the Seller must deliver the following ULDD Data Points:

Data Required for HeritageOne Mortgages			
Sort ID	**Data Point Name**	**Valid Value**	**Notes**
BORROWER			
→Borrower Information			
→→ Borrower Details			
576/577	Counseling Confirmation Type/ Counseling Confirmation Type Other Description (In Loan Selling Advisor®, this appears as "Counseling Confirmation Type.")	▪ Government Agency ▪ HUD Approved Counseling Agency ▪ Lender Trained Counseling ▪ No Borrower Counseling ▪ Other – Borrower Did Not Participate ▪ Other – Mortgage Insurance Company ▪ Other – Non Profit Organization	When required, at least one Borrower on the Mortgage must complete homeownership education prior to loan closing. Enter "Government Agency" if the Borrower completed homeownership education using Freddie Mac's online **CreditSmart® Homebuyer U**, OR if the homeownership education was provided by a Housing Finance Agency (HFA), OR if the homeownership education was provided by a for-profit CDFI. Enter "HUD Approved Counseling Agency" if the Borrower completed

Data Required for HeritageOne Mortgages			
Sort ID	**Data Point Name**	**Valid Value**	**Notes**
			homeownership education that was provided by a HUD-approved nonprofit counseling agency. Do not enter "Lender Trained Counseling." Enter "No Borrower Counseling" if the Borrower is not required to participate in homeownership education, such as for a refinance transaction. Enter "Other – Borrower Did Not Participate" if the referenced Borrower did not participate in homeownership education, and the required homeownership education was completed by another Borrower on the loan. Enter "Other – Mortgage Insurance Company" if the counseling was a program provided by a mortgage insurance company. Enter "Other – Non-Profit Organization" if the homeownership education was provided by a Community Development Financial Institution (CDFI), or a program that meets the standards of the National Industry Standards for Homeownership Education and Counseling.

Data Required for HeritageOne Mortgages			
Sort ID	**Data Point Name**	**Valid Value**	**Notes**
578/579	Counseling Format Type/ Counseling Format Type Other Description (In Loan Selling Advisor, this appears as "Counseling Format Type.")	▪ Borrower Education Not Required ▪ Classroom ▪ Home Study ▪ Individual ▪ Other – Borrower Did Not Participate	When required, at least one Borrower on the Mortgage must complete homeownership education prior to loan closing. Enter "Borrower Education Not Required" if the Borrower is not required to participate in homeownership education, such as for a refinance transaction. Enter "Classroom" if instructor-led homeownership education was completed (not one-on-one). Enter "HomeStudy" if the Borrower completed Freddie Mac's online **CreditSmart® Homebuyer U**. Enter "Individual" if one-on-one counseling was performed. Enter "Other – Borrower Did Not Participate" if the referenced Borrower did not participate in homeownership education, and the required homeownership education was completed by an occupying Borrower on the loan.

Data Required for HeritageOne Mortgages			
Sort ID	**Data Point Name**	**Valid Value**	**Notes**
LOAN – Current			

→ Product Information→ Product Details			
404	Loan Program Identifier	HeritageOne	Enter this value to indicate Mortgages secured by properties located in Tribal Areas and made to Borrowers who are enrolled members of Native American Tribes.
PROPERTY			
→ Property Information			
→→ Property Details			
63	*Property Estate Type*	*FeeSimple Leasehold*	

6302.51: Special delivery requirements for Mortgages sold for Cash with a related Concurrent Transfer of Servicing (03/06/24)

- General requirements
- Data delivery instructions

(a) General requirements

For information on selling fixed-rate and ARM Mortgages under the Cash program with a related Concurrent Transfer of Servicing, see Sections 6101.6 and 6102.7.

(b) Data delivery instructions

(i) Mortgages with Funding Dates no more than 10 days past the DDLPI when the DDLPI and the Funding Date are in the same month

For Mortgages sold for Cash with a related Concurrent Transfer of Servicing when the Funding Date is no more than 10 days past the DDLPI and when the DDLPI and the Funding Date are in the same month, the Seller must deliver the following ULDD Data Points:

Data required for Mortgages with Funding Dates no more than 10 days past the DDLPI when the DDLPI and the Funding Date are in the same month			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Current			
→ Payment Information → Payment Details			
385	*Loan Acquisition Scheduled UPB Amount*		*Enter the scheduled UPB of the Mortgage as of the Funding Date.* *The scheduled UPB must include reductions for:*

Data required for Mortgages with Funding Dates no more than 10 days past the DDLPI when the DDLPI and the Funding Date are in the same month			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			▪ *The principal due **in the Funding Date month** (even if not collected) and all prior months* ▪ *The principal portion of any advanced (prepaid) installments received prior to the Funding Date* ▪ *Any partial prepayments (curtailments) received on or before the Delivery Date*
440	*Last Paid Installment Due Date*		*For newly originated Mortgages with respect to which the first payment due date has not yet occurred, enter the date through which interest has been paid in the month of funding.* *For Mortgages for which there has been an advanced (prepaid) installment of interest, enter the date through which advanced (prepaid) installments of interest have been made.* *For all other Mortgages, enter the date of the Borrower's last paid installment.* The related Glossary term is DDLPI.

(ii) Mortgages with Funding Dates more than 10 days after the DDLPI when the DDLPI and the Funding Date are in the same month

For Mortgages sold through Concurrent Transfer of Servicing when the Funding Date is more than 10 days after the DDLPI and when the DDLPI and the Funding Date are in the same month, the Seller must deliver the following ULDD Data Points:

Data required for Mortgages with Funding Dates more than 10 days after the DDLPI when the DDLPI and the Funding Date are in the same month			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
LOAN – Current			
→ Payment Information → Payment Details			
385	*Loan Acquisition Scheduled UPB Amount*		*The scheduled UPB must include reductions for:* ▪ *The principal due in the **month after the Funding Date**, the principal due in the month of settlement (even if not collected) and all prior months* ▪ *The principal portion of any advanced (prepaid) installments received prior to the Funding Date*

Data required for Mortgages with Funding Dates more than 10 days after the DDLPI when the DDLPI and the Funding Date are in the same month			
Sort ID	**ULDD Data Point**	**Valid Value**	**Notes**
			▪ *Any partial prepayments (curtailments) received on or before the Delivery Date*
440	*Last Paid Installment Due Date*		*For newly originated Mortgages with respect to which the first payment due date has not yet occurred, enter the date through which interest has been paid in the month of funding.* *For Mortgages for which there has been an advanced (prepaid) installment of interest, enter the date through which advanced (prepaid) installments of interest have been made.* *For all other Mortgages, enter the date of the Borrower's last paid installment.* The related Glossary term is DDLPI.

See Exhibit 8, Delivery Balance Examples.

6302.52: Special delivery requirements for First-Generation Homebuyer Mortgages (06/05/24)

- General requirements
- Data delivery instructions

(a) General requirements

See Glossary for First-Generation Homebuyer Mortgage definition.

(b) Data delivery instructions

For First Generation Homebuyer Mortgages, the Seller must deliver the following ULDD Data Point:

Data Required for First-Generation Homebuyer Mortgages			
Sort ID	**Data Point Name**	**Valid Value**	**Notes**
LOAN – Current			
→ Product Information → Product Details			
368	Investor Feature Identifier	K09	Enter this value to indicate the *Mortgage* is a First-Generation Homebuyer Mortgage. Seller must maintain in the Mortgage file completed Form 1109, First-Generation Homebuyer Certification, for all Borrowers.

6302.53: Special delivery requirements for Mortgages with a builder forward commitment (09/04/24)

- General requirements
- Data delivery instructions

(a) General requirements

See Section 5501.5 for requirements related to Mortgages with builder forward commitments.

(b) Data delivery instructions

For Mortgages with builder forward commitments, the Seller must deliver the following ULDD Data Points:

Data Required for Builder Commitment			
Sort ID	**Data Point Name**	**Valid Value**	**Notes**
LOAN – At Closing			
→ Underwriting / Credit Information → Loan Details			
315	*Loan Purpose Type*	*Purchase*	
LOAN - Current			
→ Product Information → Product Details			
368	Investor Feature Identifier	J70	Enter this value to indicate a Mortgage secured by new construction with a rate provided based on a builder forward commitment.

Chapter 6303: Assessment and Payment of Fees

6303.1: Assessment of fees (05/04/22)

In connection with the delivery of certain Mortgages:

- The Seller may be required to pay Freddie Mac Credit Fees and/or other types of fees (including buydown fees, as defined in Section 6102.2), or
- Freddie Mac may:
  - Be required to pay the Seller proceeds (such as buyup proceeds), or
  - Apply a credit for a Credit Fee

The fees and proceeds will be calculated, assessed and paid, and credits for Credit Fees will be applied as described in this chapter.

(a) Credit Fees

(i) Assessment of Credit Fees

Credit Fees will be assessed and billed to the Seller in conjunction with the sale of Mortgages with certain loan attributes. The Seller must refer to Exhibit 19, Credit Fees, for information on Credit Fees. Credit Fees are paid in accordance with the Credit Fee provisions stated in Section 6303.2.

A particular Mortgage may be subject to more than one Credit Fee. Unless stated otherwise in the Seller's Purchase Documents, Credit Fees applicable to a Mortgage are cumulative.

(ii) Calculation of Credit Fees in Price

Credit Fees in Price are calculated by multiplying the Credit Fee in Price rate(s) by the UPB of the Mortgage on the Funding/Settlement Date.

The Seller must refer to Exhibit 19, Credit Fees. Credit Fees are paid in accordance with the Credit Fee provisions stated in Chapter 6303.

(iii) Indicator Score/Loan-to-Value (IS/LTV) Credit Fees

Credit Fees will be assessed and billed to the Seller in conjunction with the sale of all Mortgages with certain IS/LTV combinations.

Unless the Mortgage is sold through Cash-Released XChange®, for Indicator Score/Loan-to-Value (IS/LTV) Credit Fees applicable to Loan Product Advisor Mortgages, the applicable Credit Fee will be based on the LTV ratio calculated by Freddie Mac based on data delivered by the Seller, and the Indicator Score found on the Last Feedback Certificate.

If the Seller does not deliver the Key Number for a Loan Product Advisor Mortgage, that Mortgage will be assessed the below 620 IS/LTV fee. For Mortgages sold through Cash-Released XChange, the Seller must deliver ULDD Data Point *Loan Level Credit Score Value* regardless of whether the Mortgage is a Loan Product Advisor Mortgage, and the Mortgage will be assessed an IS/LTV Credit Fees based on ULDD Data Point *Loan Level Credit Score Value*.

For Non-Loan Product Advisor Mortgages, IS/LTV Credit Fees are assessed based on the Indicator Score delivered to Freddie Mac and the LTV ratio calculated by Freddie Mac in conjunction with the sale of Mortgages. Freddie Mac's LTV ratio calculation is based on data delivered by the Seller. If the Seller does not deliver the Indicator Score for Non-Loan Product Advisor Mortgages, the Mortgages will be assessed the below 620 IS/LTV fee.

(iv) Notification of changes to Credit Fees

Freddie Mac reserves the right to change an existing Credit Fee rate, (including credits for Credit Fees), to change the process used to determine whether a Mortgage is subject to a Credit Fee or eligible for a credit for a Credit Fee, or to implement a Credit Fee or credit for a Credit Fee on any Mortgage product and/or Mortgage attribute that is not subject to a Credit Fee or eligible for a credit for a Credit Fee, upon prior written notice to the Seller.

(b) Payment of buyup proceeds and buydown fees

All buyup proceeds and buydown fees will be determined in accordance with the provisions of Section 6201.10(d), as applicable. Credit Fees applicable to the Mortgage will be:

- Deducted from the amount of any buyup proceeds applicable to the Mortgage, or
- Added to the amount of any buydown fees, applicable to the Mortgage

(c) Gold Rush® fees

For Guarantor or MultiLender Swap Contracts, Gold Rush fees will be determined in accordance with the following sections:

- Section 6203.4 for Fixed-Rate Guarantor Contracts
- Section 6204.4 for WAC ARM Guarantor Contracts

- Section 6205.4 for MultiLender Swap Contracts

(d) Monthly invoice and account activity statement

Sellers may contact **CashCollections@FreddieMac.com** with questions about their monthly invoice and account activity statement.

(i) Monthly invoice

(A) Mortgages sold under Cash Purchase Contracts

For all Mortgages sold to Freddie Mac under Cash Purchase Contracts under the Cash program, Freddie Mac will net the amount of Credit Fees and credits for a Credit Fee against the amount paid to the Seller. All other types of fees applicable to Mortgages sold under the Cash program (for example, pairoff fees and any premium recapture described in Section 6303.5) will be assessed on the Seller's monthly invoice.

(B) Mortgages sold under Guarantor and MultiLender Swap Contracts

The net amount of initial Credit Fees, buyup proceeds and buydown fees applicable to Mortgages sold to Freddie Mac under Guarantor and MultiLender Swap Contracts will be drafted from the Automated Clearing House (ACH) account that the Seller has designated for payment of fees associated with the sale of Mortgages to Freddie Mac in accordance with the provisions of the daily ACH process described in Section 6303.2(a).

The net amount of all other monthly billed fees associated with the sale of Mortgages to Freddie Mac under the Guarantor and MultiLender Swap programs (such as pairoff fees, any adjustments to a Credit Fee applicable to Mortgages sold under the Guarantor and MultiLender Swap programs, and any premium recapture proceeds described in Section 6303.5) will be assessed on the Seller's monthly invoice and drafted from the Seller's ACH account monthly in accordance with the provisions of the monthly ACH process described in Chapter 6303.

(ii) Account activity statement

Included with the monthly invoice is a statement reflecting all open account activity and the total amount due on the Seller's account for the most recent calendar month. The statement will include late fees as described in Section 6303.6 for accounts past due and any account adjustments or credits received for previous months' activities.

6303.2: Payment of fees (05/04/22)

Freddie Mac will remit to or draft from the Automated Clearing House (ACH) account that the Seller has designated for payment of all fees associated with the sale of Mortgages to Freddie Mac (Seller's ACH account) in accordance with the following:

(a) Daily ACH process

Freddie Mac will draft from the Seller's ACH account the net amount of the fees specified below applicable to Mortgages sold to Freddie Mac under the Guarantor and MultiLender Swap programs on the fifth Business Day after each applicable Settlement Date. Adjustments and reversals to such fees will be made using the monthly ACH process described below or otherwise in accordance with instructions provided to the Seller by Freddie Mac.

Fees drafted five Business Days after applicable Settlement Date
Initial Credit Fees
Buyup proceeds and buydown fees
Buyup and buydown adjustments
Gold Rush® fees and adjustments
Guarantor settlement interest

In the alternative, if the Seller is due a credit, Freddie Mac will deposit the credit amount to the designated ACH account within five Business Days of the Settlement Date.

Freddie Mac will provide the Seller with a courtesy e-mail notice to the address specified by the Seller approximately two Business Days before the ACH draft of the net amount of fees described in this Section 6303.2(a); however, the Seller remains responsible for ensuring that the Seller's ACH account maintains sufficient funds to cover any drafts by Freddie Mac (see below).

Freddie Mac recommends that a Seller designate one or more members of its organization as a courtesy e-mail recipient. To designate, add, modify or delete a recipient, send a written request to **Seller_Billing@FreddieMac.com**. The request must include the Seller/Servicer number with contact information (name, e-mail and phone number).

(b) Monthly ACH process

Freddie Mac will draft the net amount of all other fees associated with the sale of Mortgages to Freddie Mac, such as pairoff fees, any adjustments to Credit Fees applicable to Mortgages sold under the Cash, Guarantor and MultiLender Swap programs and associated training fees from the Seller's ACH account monthly in accordance with this Section 6303.2(b).

In the alternative, if the Seller is due a credit, Freddie Mac will deposit the credit amount to the designated ACH account on the last Business Day of the month. If the monthly statement indicates a net amount due to Freddie Mac, Freddie Mac will draft the payment from the Seller's ACH account on the last Business Day of the month. The Seller's monthly account activity statement will reflect all ACH transactions completed during the statement period.

To establish ACH payment, the Seller must complete, execute and submit to Freddie Mac Form 1132, Authorization for Automatic Transfer of Funds Through the Automated Clearing House (ACH) for Seller/Servicers as an Electronic Record (as defined in Section 1401.2), using a Portable Document Format (PDF) (or other Electronic Record format commonly used in the mortgage industry), that has been completed and contains the copy or representation of the pen and ink signature of the Authorized Employee (such copy or representation of the Authorized Employee's signature shall be such Authorized Employee's adopted Electronic Signature as defined in Section 1401.2) and either:

- Attach to an e-mail and deliver to Freddie Mac at **CashCollections@FreddieMac.com**; or

- Upload through the Freddie Mac eBill system

  Freddie Mac and the Seller agree that the delivery of Electronic Records with Electronic Signatures are eligible Electronic Transactions (as defined in Section 1401.2) and are governed by the applicable provisions of Chapter 1401.

The employee authorized to execute Form 1132 on the Seller's behalf must be designated as an "Authorized Employee" on the Seller's Form 988SF, Certificate of Incumbency for a Bank, Savings Bank, Savings and Loan Association, Credit Union, Corporation or Limited Liability Company, or Form 989SF, Certificate of Incumbency for Limited Partnerships, as applicable.

The account identified in Form 1132 for the payment of fees must be a Demand Deposit Account that is separate from any Custodial Account required to be maintained pursuant to any of the Purchase Documents.

The Seller agrees to notify Freddie Mac immediately at **Seller_Billing@FreddieMac.com** of any changes to the status of the Seller's ACH account.

Except as set forth below with respect to the daily ACH process drafting, in the event that funds in the Seller's ACH account are insufficient to cover the statement amount, the Seller's ACH account is invalid, or if Freddie Mac is unable to draft from the Seller's ACH account for any reason, the statement will be subject to the late payment fees described in Section 6303.6. In that event, the Seller must remit the amount due in accordance with instructions provided by Freddie Mac.

Freddie Mac will not assess any late payment fee if funds in the Seller's ACH account are insufficient to cover the amount due from a daily ACH draft, or if Freddie Mac is unable to

draft from the Seller's ACH account under the daily ACH process for any reason. If any Seller ACH account amount due to Freddie Mac remains outstanding on the due date of the Seller's monthly statement, the Seller will be assessed the late payment fees described in Section 6303.6 on such outstanding amount from and after that due date.

6303.3: Refunds, repayments, credits and adjustments of Credit Fees (05/04/22)

(a) Refunding Credit Fees and repayment of credits for Credit Fees in connection with repurchases

During the first 12 months after funding/settlement, Freddie Mac may refund to the Seller all or a portion of the Credit Fees attributable to any Mortgage that:

- Freddie Mac deems ineligible for purchase
- The Seller is required to repurchase from Freddie Mac
- The Seller requests and is approved to repurchase voluntarily from Freddie Mac

With respect to any Mortgage that is deemed ineligible for purchase or that the Seller is required to repurchase from Freddie Mac, the Seller must reimburse Freddie Mac for any credit for a Credit Fee Freddie Mac has applied to the Seller's monthly invoice or the purchase price paid to the Seller for a Mortgage sold under the Cash program.

With respect to refunds of a Credit Fee, Freddie Mac may deduct a processing fee from any refund amount. The processing fee will be equal to 0.5% of the UPB of the Mortgage on the Funding/Settlement Date, except that in no event will the processing fee exceed the refund amount.

(b) Recalculating Credit Fees, credits for Credit Fees and proceeds

If, during the first six months after the month of funding/settlement, Freddie Mac or the Seller determines that for a particular Mortgage the Seller has not delivered the required data or the correct data to accurately calculate the Credit Fee or funding fee, credit for the Credit Fee or the amount of any proceeds paid by Freddie Mac for that Mortgage, Freddie Mac will recalculate the Credit Fee or funding fee, credit for the Credit Fee or the proceeds for the Mortgage using the correct data identified by Freddie Mac. In that event, the Seller may be assessed an additional Credit Fee or may receive a refund of a Credit Fee, may receive a credit for the Credit Fee or be required to repay a Credit Fee, may receive additional proceeds or be required to repay proceeds received from Freddie Mac. Adjustments to fees and proceeds will be included on a subsequent monthly invoice. Any other recalculation of Credit Fee or funding fees, credits or proceeds will be at Freddie Mac's discretion.

6303.4: Fee for Purchase Contracts that exceed the Maximum Annual Mortgage Purchase Amount (05/04/22)

If Freddie Mac has established a Maximum Annual Mortgage Purchase Amount with respect to the Seller, Freddie Mac may charge a reasonable fee based on the entire amount of any Purchase Contract that is rescinded pursuant to Section 1201.4(b). Freddie Mac will determine the amount of the fee at the time the fee is assessed. The Seller must remit to Freddie Mac the full amount of the fee in the same manner as the payment of Credit Fees set forth in Section 6303.2.

6303.5: Recapture of premiums and reimbursement of buyup proceeds (06/12/19)

For any Mortgage that is paid off (whether because of a refinance, a prepay or any other reason) within 120 days of the Freddie Mac Funding Date or Settlement Date, Freddie Mac may at its sole discretion require the Seller/Servicer to reimburse Freddie Mac for:

- With respect to a Mortgage delivery through the Cash program, any premium paid for the Mortgage calculated as the amount by which the purchase price exceeded the par price, multiplied by the outstanding UPB of the particular Mortgage on the Funding Date

- With respect to a Mortgage delivery through the Guarantor or MultiLender Swap program, any premium (expressed as a percentage) that was or would have been applicable to the Pool comprising the particular Mortgage, based on market conditions existing on the Settlement Date of such Mortgage as determined by Freddie Mac, multiplied by the outstanding UPB of the particular Mortgage on the date of the pay off

- Any buyup proceeds paid by Freddie Mac to the Seller in connection with the delivery of a Mortgage through the Guarantor or MultiLender Swap program

The amount of any such premiums and/or buyup proceeds will appear on the Seller account activity statement described in Section 6303.1(e) and will be drafted from the Seller's Automated Clearing House Account (ACH) account in accordance with Section 6303.2.

6303.6: Late payment policy (06/03/19)

Fees and remittances not paid or made when due will be subject to a late payment fee consisting of an interest reimbursement charge. The charge will be calculated on the amount due but unpaid as of the last day of the month in which the payment is due. Unless otherwise specified in the Guide for a specific unpaid fee or remittance, the rate of interest will equal the highest quoted prime rate on the last Business Day of the month in which the invoice is dated plus 3.000%. The

prime rate is published in the "Money Rates" section or other comparable sections of *The Wall Street Journal*. If the prime rate is not published, Freddie Mac will determine the interest rate.

The late payment fee calculation is as follows: (amount paid late or past due) multiplied by (prime rate + 3.000%) divided by 365, multiplied by the number of days in the calendar month in which the invoice is due but unpaid.

Freddie Mac reserves the right to assess a late payment fee against any Seller/Servicer for failure to make timely payments or remit any fee or remittance required to be made under any of the Purchase Documents, whether or not such fee or remittance is invoiced by Freddie Mac, and regardless of the manner and method of any billing notification. The amount of any repurchase late fee will appear on the Seller account activity statement described in Section 6303.1(e) and will be drafted from the Seller's Automated Clearing House (ACH) account in accordance with Section 6303.2.

The interest reimbursement referred to above is in addition to any remedies Freddie Mac may have under the law or the Purchase Documents for violation of the Seller/Servicer's obligation to make timely payments. In addition to such remedies, Freddie Mac reserves the right, in its sole discretion, to:

- Require payment before the Funding Date rather than as permitted under other provisions of the Purchase Documents

- Postpone any proposed Settlement Date for any Pools when the Seller/Servicer has fees that remain due and unpaid five Business Days before the proposed Settlement Date

Freddie Mac reserves the right, at any time and in its sole discretion, to change the late payment fee structure, including, but not limited to, changing the rate of interest assessed, changing the method of calculating the interest reimbursement or imposing a minimum interest reimbursement or a penalty amount, or both.

Freddie Mac, from time to time and upon giving 30 days' written notice, may modify the terms and procedures for crediting and payment of proceeds by Freddie Mac, or payment of fees and remittances by the Seller/Servicer.

Freddie Mac also reserves the right, in its sole discretion, to require payment of fees and remittances before the Settlement Date rather than as permitted under other provisions of the Purchase Documents for reasons other than the breach of Seller/Servicer's obligation to make timely payment. In such case, proceeds and credits, and fees and remittances will be paid in accordance with the procedures specified by Freddie Mac at the time such determination is made.

Chapter 6304: Document Custody

6304.1: Custody of Notes and assignments (09/13/21)

The Seller/Servicer selling Mortgages to Freddie Mac must deliver the original Notes for such Mortgages to a Document Custodian, which may be a Designated Custodian or another approved Document Custodian, chosen by the Seller/Servicer in accordance with the requirements of Sections 2202.2 and 2202.3. However, Freddie Mac may in special instructions, program announcements or individual Mortgage Purchase Contracts, require the Notes to be delivered to a Designated Custodian. For example, the Notes for Mortgages (other than eMortgages) sold through Cash-Released XChange® must be delivered to a Document Custodian listed in Exhibit 43, as set forth in Section 2202.3(c).

For purposes of delivering Notes to a Document Custodian, the term "Note" includes the Note evidencing the indebtedness along with any power of attorney or any applicable modifying instrument, such as a modification, a conversion agreement or an assumption of indebtedness and release of liability agreement. The term "assignment" refers to the Intervening Assignment and to the instrument necessary to assign the Security Instrument to Freddie Mac, as described in Section 6301.6.

When delivering Notes to the Document Custodian, the Seller/Servicer must also deliver all original assignments as described in Sections 6301.6(a) through 6301.6(c), unless the Mortgage is registered with MERS® and the Seller/Servicer has elected to retain all assignments for MERS-registered Mortgages in the Mortgage files. If the Seller has so elected for MERS-registered Mortgages, the Seller/Servicer must provide its Document Custodian with documentation that will enable the Document Custodian to verify that the Seller/Servicer has elected to hold assignments in the Mortgage files for MERS-registered Mortgages.

If the Seller/Servicer originates Mortgages using paper closing documents that have been electronically recorded in the recorder's office, see Section 1401.14 for instructions for delivery to the Document Custodians.

If the Seller/Servicer originates Mortgages using electronically created closing documents that have been electronically recorded in the recorder's office, see Section 1401.15 for instructions for delivery to the Document Custodians.

If the Seller/Servicer originates eMortgages, see Section 1402.12 for instructions for delivery to the Document Custodians.

6304.2: Delivery of Notes and assignments to a Document Custodian (11/04/20)

(a) In accordance with Section 6301.8, the Seller/Servicer must deliver the following items to the Document Custodian:

- **Form 1034E**

  The Seller/Servicer must deliver the Form 1034E, Custodial Certification Schedule, or the Note Delivery Cover Sheet, to the Document Custodian.

- **Mortgage Documents**

  For each Mortgage, the original Note, endorsed as required in Section 6301.3, along with the originals of any riders or other modifying instruments to the Note. The information on the Note must match the information for the corresponding Mortgage in Loan Selling Advisor®.

- **Assignments**

  All original Intervening Assignments of the Security Instruments prepared and completed as required in Section 6301.6.

(b) For each Cooperative Share Loan, in addition to meeting the requirements of Section 6304.3(a), the Seller/Servicer must deliver the following to the Document Custodian:

- Original stock certificate, membership certificate or other instrument or agreement of similar import that is commonly used and is valid and enforceable in the applicable jurisdiction and evidences the Shareholder's ownership interest in the Cooperative Corporation;
- Original stock power, executed in blank;
- Original Proprietary Lease, occupancy agreement or other agreement of similar import that is commonly used and is valid and enforceable in the applicable jurisdiction;
- Original Assignment of Proprietary Lease executed in the name of Seller or blank;
- A copy of recorded UCC-1 financing statements and renewal assignment statements, if applicable, with original filing stamp;
- Original Form UCC-3 assigning interest to Freddie Mac in a form suitable for filing, but not filed;
- Original security agreement; and

- Original Recognition Agreement

6304.3: Document Custodian's functions and duties upon receiving Notes and assignments (11/04/20)

(a) Verifications

(i) Upon receiving the Notes and assignments from the Seller/Servicer for Mortgages delivered for purchase by Freddie Mac, the Document Custodian must verify and certify that the following requirements have been met:

- **The Note**: The information on each Note matches all corresponding loan data for the related Mortgage contained in Loan Selling Advisor®. The Document Custodian is not required to verify the Seller/Servicer number.

- **Note endorsement:** Each Note is endorsed as required by Section 6301.3. If the Seller/Servicer delivering the Note is not the original payee on the Note, the Document Custodian must verify that the chain of endorsements is proper and complete from the original payee on the Note to the Seller delivering the Note to Freddie Mac — not to the Servicer.

- **Assignments:** The assignments of the Security Instruments from the original Mortgagee to the Seller/Servicer or to MERS® are prepared, executed and recorded where required, in accordance with Sections 6301.6 and 7101.6. The Seller/Servicer must provide its Document Custodian with any documentation necessary for the Document Custodian to determine whether the Seller/Servicer has elected to retain physical custody of all assignments for Mortgages registered with MERS and store the assignments in the Mortgage files, as provided in Section 6301.6.

(ii) For each Cooperative Share Loan, in addition to the requirements in Section 6304.3(a)(i), the Document Custodian must verify that the Seller has delivered to Document Custodian and has in its possession the following:

- Original stock certificate, membership certificate or other instrument or agreement of similar import that is commonly used and is valid and enforceable in the applicable jurisdiction and evidences the Shareholder's ownership interest in the Cooperative Corporation;

- Original stock power, executed in blank;

- Original Proprietary Lease, occupancy agreement or other agreement of similar import is commonly used and is valid and enforceable in the applicable jurisdiction;

- Original Assignment of Proprietary Lease executed in the name of Seller or in blank;

- A copy of recorded UCC-1 financing statements and renewal assignment statements, if applicable, with original filing stamp; and
- Original Form UCC-3 assigning interest to Freddie Mac in a form suitable for filing, but not filed;
- Original security agreement; and
- Original Recognition Agreement

(b) Certification

The Document Custodian must comply with the applicable requirements of the Purchase Documents when certifying Mortgages delivered for purchase by Freddie Mac.

The Document Custodian must not execute the Custodian Certification for a Mortgage if any of the information on the related Note, required to be verified and certified, does not match the corresponding loan data for the related Mortgage in Loan Selling Advisor as set forth in Section 6304.3(a) or if any discrepancy is not sufficiently justified. The Document Custodian must notify the delivering Seller/Servicer of any error, omission or other discrepancy that requires corrective action.

(c) Electronically recorded documents

See Sections 1401.14 and 1401.15 for information and instructions regarding electronically recorded paper documents and/or electronically recorded Electronic (as that term is defined in Section 1401.2) documents.

(d) Duties to Freddie Mac

Upon certification of the Notes, the Document Custodian must maintain physical custody of the Notes, any assignments, any power of attorney, any modification agreement and any other documents relating to the Mortgage, and, for Cooperative Share Loans, the documents listed in Section 6304.2(b), in trust, for the benefit of Freddie Mac. See Sections 8107.2(b) and (c) for requirements related to the physical or constructive possession of the Note in connection with the Servicing of a Mortgage.

Chapter 6305: Warehouse Financing Arrangements

6305.1: Warehouse financing arrangements (06/12/19)

This chapter addresses arrangements in which the Seller has entered into a Warehouse Agreement with a Warehouse Lender and has granted that Warehouse Lender a security interest in, or conveyed to that Warehouse Lender an ownership interest in, certain Mortgages that are subsequently offered for sale to Freddie Mac. In these situations, the Warehouse Lender also holds the Note and, at times, ancillary documents for those Mortgages, and delivers the Note (and, at times, ancillary documents) to Freddie Mac pursuant to the Seller's Purchase Contract with Freddie Mac. Subject to certain conditions, the Document Custodian will hold the Note and any ancillary documents relating to the Pledged Mortgages pending their purchase by Freddie Mac. This chapter sets forth and explains the relationships among the Seller, the Warehouse Lender and Freddie Mac. For additional requirements related to Pledged eMortgages, see Sections 1402.8(d) and 1402.16.

6305.2: Delivery and acceptance of Pledged Mortgages (10/02/19)

If the requirements of this chapter have been met, and until Freddie Mac purchases a Pledged Mortgage, the Document Custodian will hold the Note and any ancillary documents for that Pledged Mortgage subject to the interest of the Warehouse Lender created under the Warehouse Agreement unless Freddie Mac specifically agrees otherwise in writing. Freddie Mac recognizes no other statement of the condition of its receipt of these documents, including any trust receipt, bailee letter, or other purported statement of a continuing security or other interest.

6305.3: Wire transfer instructions for Pledged Mortgages sold for cash (12/09/20)

With each delivery of Pledged Mortgages to be sold to Freddie Mac for cash through Loan Selling Advisor®, the Seller must:

- Submit a completed, executed and duly authorized Form 987E, Wire Transfer Authorization for Warehouse Delivery, which is a general wire transfer authorization for all contracts under which Pledged Mortgages are offered for sale to Freddie Mac using Loan Selling Advisor. A separate Form 987E is not required for each contract, but the Seller must:

  - Execute a Form 987E for each of the Seller's Warehouse Lenders

- ❑ Provide Freddie Mac with a new Form 987E for any change to the wire transfer instructions

- ❑ Deliver Form 987E to Freddie Mac as an Electronic Record (as defined in Section 1401.2), using a Portable Document Format (PDF) (or other Electronic Record format commonly used in the mortgage industry), that has been completed and contains the copy or representation of the pen and ink signature of the Authorized Employee (such copy or representation of the Authorized Employee's signature shall be such Authorized Employee's adopted Electronic Signature as defined in Section 1401.2) and either:

  - ■ An attachment to an email and delivered to Freddie Mac at **cashcollections@freddiemac.com**, or

  - ■ An upload through the Freddie Mac eBill system

- ■ Complete a Form 996E, Warehouse Provider Release and Transfer, available only through Loan Selling Advisor for the Warehouse Lender to submit to Freddie Mac in Loan Selling Advisor by no later than 12:30 p.m. Eastern time on the Business Day immediately preceding the Funding Date.

Freddie Mac and the Seller agree that delivery of Electronic Records with Electronic Signatures are eligible Electronic Transactions, as defined in Section 1401.2, and are governed by the applicable provisions of Chapter 1401.

If Freddie Mac does not receive wire transfer instructions on Form 987E or the Warehouse Lender's release or transfer of its interest in the Pledged Mortgages on Form 996E in sufficient time to process payments, Freddie Mac may, in its sole discretion, postpone the Funding Date. If Freddie Mac does not receive the Warehouse Lender's Form 990SF in sufficient time to process it and to assign User Roles for the Warehouse Lender's access to Loan Selling Advisor or believes that the Certificate of Incumbency cannot be relied upon, or that its information is not reliable, Freddie Mac may, in its sole discretion, postpone the Funding Date.

6305.4: UMBS®, MBS and WAC ARM PC delivery instructions for Pledged Mortgages (02/02/22)

For Pledged Mortgages allocated to a Guarantor or MultiLender Swap Contract, the Seller must complete:

- ■ All requested wire transfer information and instructions in the applicable screens in Loan Selling Advisor®, including

- ■ Form 996E, Warehouse Provider Release and Transfer, which the Warehouse Lender must submit to Freddie Mac as described in Section 6305.8.

The employee authorized to perform the Setup Manager role (to approve wire transfer information and instructions in the applicable Loan Selling Advisor screens on the Seller's behalf) must be an "Authorized Employee" on the Seller's Certificate(s) of Incumbency (see Section 2201.1 for additional information); if the person performing the Setup Manager role is not an Authorized Employee, Freddie Mac may postpone the Settlement Date.

See Section 2403.11 regarding designating Authorized Employees. See Sections 6203.8, 6204.8 and 6205.8 for additional instructions for delivering Certificates of Incumbency and submitting Form 996E for fixed-rate Guarantor, WAC ARM Guarantor and MultiLender Swap Contracts, respectively.

The person who submits the Form 996E for the Warehouse Lender must be authorized on Form 990SF, Warehouse Provider Certificate of Incumbency, to provide Freddie Mac with instructions (or to modify instructions) to transfer funds on behalf of the Warehouse Lender (see Section 6305.12 for additional information); if the person submitting Form 996E is not an Authorized Employee, if Freddie Mac does not receive the Form 990SF in sufficient time to process it or believes that the Certificate of Incumbency cannot be relied upon or that the information on the Certificate of Incumbency is unreliable, Freddie Mac may, in its sole discretion, postpone the Settlement Date.

6305.5: Delivery procedures for Pledged Mortgages (09/10/18)

Form 996E, Warehouse Provider Release and Transfer, required for delivery under a Purchase Contract, includes an Appendix I showing each Mortgage in the delivery, the Freddie Mac contract number, Freddie Mac loan number, UPB, Borrower's name and the address of the Mortgaged Premises. Freddie Mac may, in its sole discretion, require the Seller, the Warehouse Lender and, in certain circumstances, the Document Custodian to enter into an addendum to the Form 996E (such addendum sometimes referred to as a "Quad Party Agreement").

6305.6: Acceptance for purchase or rejection of Pledged Mortgages (10/02/19)

If Freddie Mac determines not to purchase a Pledged Mortgage, the Seller will be notified of such decision, and the Note for that Pledged Mortgage will be delivered to the Warehouse Lender indicated on Form 996E, Warehouse Provider Release and Transfer, or to that Warehouse Lender's document custodian.

6305.7: Warehouse Lender's interest (10/02/19)

No Pledged Mortgage will be accepted for purchase by Freddie Mac if the Seller has assigned the Mortgage to a Warehouse Lender unless (i) if the assignment of the Pledged Mortgage has been recorded in the public records the Seller obtains an assignment of the Mortgage in favor of the Seller executed by the Warehouse Lender, in recordable form, to be effective on or before the Settlement Date of the Pledged Mortgage, such assignment to be promptly recorded in the public records of the appropriate jurisdiction by the Seller after the Settlement Date, or (ii) if the assignment of the Mortgage to the Warehouse Lender was not recorded, the Warehouse Lender returns that unrecorded assignment to the Seller prior to the Settlement Date.

No Pledged Mortgage will be accepted for purchase by Freddie Mac if the Warehouse Lender has filed a financing statement relating to the Pledged Mortgage in the public records of any jurisdiction unless (i) the Seller obtains an executed termination statement from the Warehouse Lender to be filed promptly in the public records of the appropriate jurisdiction by the Seller after the Settlement Date, or (ii) the security interest in the Pledged Mortgage by its express terms will be released automatically upon Freddie Mac's purchase of the Pledged Mortgage.

6305.8: Seller representations and warranties for Pledged Mortgages (10/02/19)

The Seller represents and warrants to, and covenants with, Freddie Mac that:

- As of the Settlement Date, each Pledged Mortgage is free and clear of any and all security interests, claims and encumbrances of any third party, including, without limitation, the Warehouse Lender and any party claiming through the Warehouse Lender.

- Seller will take or will cause the Warehouse Lender to take all such further action, including, without limitation, preparing, executing and filing additional documents and instruments to assure and confirm to Freddie Mac that each Pledged Mortgage is free and clear of any and all security interests, claims and encumbrances and that absolute and unencumbered title to the Pledged Mortgage is conveyed to Freddie Mac as of the Settlement Date.

- The wire transfer or UMBS™, MBS or WAC ARM PC delivery instructions delivered to Freddie Mac are in accordance with the Seller's Warehouse Agreement and that the person providing the wire transfer or UMBS, MBS or WAC ARM PC delivery instructions is an "Authorized Employee" on the Certificate of Incumbency (see Section 2201.1 for additional information).

6305.9: Liability for a postponed Settlement Date for Pledged Mortgages (10/02/19)

Freddie Mac will not be liable to the Seller, the Warehouse Lender, or any third party for any losses, costs, expenses, or damages that such party may incur if the Settlement Date for a Pledged Mortgage is postponed due to the Seller's failure to deliver wire transfer instructions (Form 987E, Wire Transfer Authorization for a Cash Warehouse Delivery) into the applicable Loan Selling Advisor® screens or Form 996E, Warehouse Provider Release and Transfer, because the person executing Form 987E, the contact person on Form 996E or the employee performing the Loan Selling Advisor Setup Manager role is not designated as an "Authorized Employee" on the Seller's Certificate of Incumbency. (See Section 2201.1 for additional information.)

6305.10: Seller indemnification (02/02/22)

The Seller agrees to indemnify and hold Freddie Mac, its successors, assigns and transfer agents harmless from and against any and all losses, claims, demands, actions, suits, damages, costs and expenses (including reasonable attorney fees) of every nature and character that may arise or be made against or be incurred by Freddie Mac as a result of any of the following:

- The deposit of the Note and any ancillary documents with, and their maintenance by, the Document Custodian pending Freddie Mac's purchase of the Mortgages or the determination not to purchase certain Mortgages (and the subsequent return of rejected Notes and any ancillary documents)

- The delivery or transfer of any Purchase Proceeds by Freddie Mac or its agent to any person if:

  - Such Purchase Proceeds in the form of a UMBS®, MBS or WAC ARM PC are delivered in accordance with the terms of the Purchase Documents and security wire instructions inserted in Loan Selling Advisor® screens, or

  - Such Purchase Proceeds are delivered in accordance with the Purchase Documents and the Seller's wire transfer instructions on Form 987E, Wire Transfer Authorization for a Warehouse Delivery

- The Seller's failure to provide Form 988SF, Certificate of Incumbency for a Bank, Savings Bank, Savings and Loan Association, Credit Union, Corporation or Limited Liability Company, Form 988SF – HFA, Certificate of Incumbency for Housing Finance Agency, or Form 989SF, Certificate of Incumbency for Limited Partnerships, as applicable, that designates employees authorized to provide Freddie Mac with wire transfer instructions (or modify instructions) to transfer funds or securities on the Seller's behalf

- The Seller's failure to provide complete, accurate and authorized wire transfer instructions or failure to notify Freddie Mac of any necessary or desired changes to the authorized wire transfer instructions

- Security interests, claims, encumbrances of any third party, including any Warehouse Lender, or the failure of any third party, including any Warehouse Lender, to release or to transfer to Freddie Mac all of the right, title and interest of whatever nature the third party may have with respect to or in the Note

- The failure of the Warehouse Lender to submit any required forms or documents, including Form 990SF, Agreement and Certificate of Incumbency: Warehouse Lender, or Form 996E, Warehouse Provider Release and Transfer, to Freddie Mac as described in Section 6305.12

6305.11: Reimbursement by the Seller for Pledged Mortgages (03/02/16)

No fees in addition to those associated with specific Mortgage programs described elsewhere in this Guide are charged pursuant to a delivery of Pledged Mortgages. However, the Seller agrees to reimburse Freddie Mac for any reasonable expenses incurred by Freddie Mac in connection with the delivery of Pledged Mortgages by Warehouse Lenders to Freddie Mac. The nature and amount of such expenses will be specified in a written notice to the Seller from Freddie Mac. The Seller must reimburse Freddie Mac for the amount of any such expenses within 10 Business Days of request by Freddie Mac.

6305.12: Special Warehouse Lender acknowledgments and agreements (02/02/22)

(a) Form 990SF

Each Warehouse Lender must provide Freddie Mac with an agreement and certificate of incumbency ("Certificate of Incumbency") on Form 990SF, Agreement and Certificate of Incumbency: Warehouse Lender, with Exhibit A, which is a copy of resolution by the Warehouse Lender's board of directors or other governing body (the "Resolution") in the form provided by Freddie Mac (unless applicable law or other circumstances require another form). The Resolution must empower and authorize (a) employees identified by title or by name and title on the Form 990SF (each, an "Authorized Employee") to provide instructions, or modifications of instructions, to Freddie Mac in conjunction with a Seller's sale of Pledged Mortgages to Freddie Mac through Loan Selling Advisor® and (b) authorize Administrators to grant access to Authorized Employees with the External WHL Approver and External WHL Reviewer role.

A new Warehouse Lender will not be given access to Loan Selling Advisor until Freddie Mac has accepted the Warehouse Lender's Form 990SF. Any person identified on Form 990SF as performing the External WHL Approver and External WHL Reviewer roles (to submit a Form 996E through Loan Selling Advisor) must be designated as an Authorized Employee authorized to provide Freddie Mac with wire transfer instructions on the Warehouse Lender's Form 990SF.

The Certificate of Incumbency must contain either the pen and ink signature or an Electronic copy or representation of the pen and ink signature of each Authorized Employee.

The Certificate of Incumbency, Resolution, and any other required documents or forms, signed by the Warehouse Lender's Secretary, Assistant Secretary or legal counsel must be delivered to Freddie Mac as an Electronic Record, as defined in Section 1401.2, in Portable Document Format (PDF) and contain an Electronic Signature, as defined in Section 1401.2. The Electronic Signature must meet the requirements contained in Form 990SF itself and, at a minimum, be a copy or representation of the pen and ink signature of the Warehouse Lender's signatory attached thereto or logically associated therewith. Although Freddie Mac reserves the right to verify or authenticate any Seller/Servicer request for a change, the Seller/Servicer may not consider Freddie Mac's failure to do so an act of negligence.

By executing the complete Certificate of Incumbency and delivering it to Freddie Mac, the Warehouse Lender makes the same representations and warranties to, and covenants with, Freddie Mac as Sellers make to Freddie Mac in Section 2201.1.

Freddie Mac may, periodically and at its sole discretion, require the Warehouse Lender to submit a new Form 990SF and/or Resolution.

The Warehouse Lender must renew its Form 990SF every two years and its Resolution every four years, and determine if such renewal requires new or modified Wire Transfer Instructions. Freddie Mac will notify the Warehouse Lender approximately 120 days before the renewal due date. If a Warehouse Lender fails timely to deliver a replacement Certificate of Incumbency, Freddie Mac may, in its sole discretion, cancel or postpone purchasing any Pledged Mortgages financed by that Warehouse Lender until a renewal Certificate of Incumbency has been accepted by Freddie Mac and any other requirements have been met. The Warehouse Lender shall indemnify and hold Freddie Mac, its directors, officers, employees, successors, assigns and fiscal and transfer agents harmless from and against the consequences of any such cancelation or postponement.

(b) Form 475

As of October 31, 2018, Form 475 has been combined with Form 990SF. Since Form 475 is no longer used, this section has been deleted.

(c) Form 996E

In connection with Freddie Mac's purchase of Pledged Mortgages, the Warehouse Lender must submit a Form 996E, Warehouse Provider Release and Transfer, to Freddie Mac through Loan Selling Advisor.

Freddie Mac will not accept a 'bailee letter' or equivalent documentation with respect to any Pledged Mortgage. If a Warehouse Lender or any other party delivers such a document to Freddie Mac, Freddie Mac has the right, in its sole discretion, to cancel or postpone the Settlement Date for the related Pledged Mortgage(s).

Chapter 6306: Correspondent XChange®

6306.1: Correspondent XChange® (05/03/23)

(a) Correspondent XChange®

The provisions of this chapter apply to Correspondent XChange, one of the executions available under Servicing-Released XChange®, Freddie Mac's suite of executions that provides market liquidity for Servicing Contract Rights and helps Sellers easily transfer Servicing to an approved Servicer.

A Seller must apply to Freddie Mac for approval and access to participate in Correspondent XChange as an Originator pursuant to the terms of Exhibit 29, Correspondent XChange® Operational Bifurcation Multi-Party Agreement. Freddie Mac-approved Originators will be provided appropriate access to the execution option. Sellers must call their Freddie Mac representative or 800-FREDDIE to inquire about the Correspondent XChange Originator approval process.

(b) Transfer of data to aggregators for Operational Bifurcated Mortgages

Under Correspondent XChange, Sellers that originate Freddie Mac-eligible Mortgages ("Originators" as defined in Exhibit 29) use Third Party Transaction Services (TPTS) functionality in Loan Selling Advisor® to transfer the data for their Mortgages to certain Freddie Mac-approved aggregators with whom they have an agreement to sell these Originator Mortgages for cash. The aggregators are Freddie Mac Sellers approved to sell Operational Bifurcated Mortgages to Freddie Mac.

Each Originator and Seller agree to be bound by the terms and conditions set forth in Exhibit 29, for each Operational Bifurcated Mortgage sold by the Originator to the Seller and then by the Seller to Freddie Mac under Correspondent XChange. For these Mortgages, the liability for "Origination and Sale Obligations" and "Servicing Obligations," each of the obligations as described and defined in Exhibit 29, is allocated by Freddie Mac in accordance with the provisions of Section 7101.15 and Exhibit 29.

Chapter 6307: Co-Issue XChange® (08/14/24)

6307.1: Co-Issue XChange® (08/14/24)

The provisions of this chapter apply to Mortgages sold through Co-Issue XChange®, one of the executions available under Servicing-Released XChange®, Freddie Mac's suite of executions that provides market liquidity for Servicing Contract Rights and helps Sellers easily transfer Servicing Contract Rights to a Freddie Mac-approved Servicer.

A Seller must apply to Freddie Mac for approval and access to participate in Co-Issue XChange as a Seller pursuant to the terms of Exhibit 26, Agreement for Concurrent Transfer of Single-Family Mortgage Servicing Contract Rights With Complete/Full Bifurcation. Sellers must call their Freddie Mac representative or 800-FREDDIE to inquire about the Co-Issue XChange Originator approval process.

Freddie Mac-approved Sellers will be provided appropriate access to the execution option in Loan Selling Advisor®.

See Sections 7101.2 and 7101.15 for additional information and requirements.

Chapter 6401: Nondelivery

6401.1: Pairoff (10/15/18)

A pairoff constitutes fulfillment of a mandatory obligation to deliver Mortgages to Freddie Mac under the Cash, Guarantor or MultiLender Swap programs.

The Seller may pair off a Cash Purchase Contract or a mandatory obligation to deliver Mortgages under a Pricing Identifier by repurchasing all or any portion of the respective contract in lieu of selling the Mortgages to Freddie Mac. Failure to deliver Mortgages pursuant to the terms of the respective contract or to otherwise fulfill a mandatory obligation to deliver Mortgages to Freddie Mac according to the requirements of this section subjects the Seller to the remedies for nondelivery provided in the Guide.

Best Efforts Contracts are not mandatory, and pairoff requirements do not apply. See Section 6101.4 for additional requirements applicable to Best Efforts Contracts.

(a) Pairoff procedures for Cash, Guarantor and MultiLender Swap Purchase Contacts

The pairoff amount for a Purchase Contract with a mandatory obligation to deliver Mortgages is equal to the Commitment Amount of such Purchase Contract, less the applicable purchase tolerance and less the amount of Mortgages previously purchased by Freddie Mac under the applicable Purchase Contract. The purchase tolerance is equal to the greater of 2.5% of the Purchase Contract amount or $10,000.

The Seller may do any one of the following:

- Request a pairoff via Loan Selling Advisor® prior to the Purchase Contract Expiration Date
- Have Loan Selling Advisor automatically calculate the pairoff fee after the Purchase Contract Expiration Date
- Use the pairoff and recommit functionality as described in Section 6101.3(e)

The pairoff process is “two-way” and may result in either a fee due Freddie Mac from the Seller or a fee due the Seller from Freddie Mac, depending on market conditions. A pairoff fee calculated and provided by Loan Selling Advisor is non-negotiable.

Pairoff fees will be included in the Seller’s monthly invoice and must be paid as set forth in Chapter 6303. Freddie Mac reserves the right to amend the provisions of this section relating to the Loan Selling Advisor pairoff process without prior notice.

(b) Pairoff procedures for Commitment Amounts

The Seller may pair off a Commitment Amount associated with a Pricing Identifier that has a mandatory obligation to deliver Mortgages at any time before and including the Pricing Identifier Expiration Date. The Seller makes a pairoff request by contacting its Freddie Mac Account Manager.

The pairoff amount shall equal the applicable Commitment Amount, less:

- The purchase tolerance associated with the Pricing Identifier, and
- The Commitment Amount of any Cash Purchase Contracts fulfilled under the Pricing Identifier plus the UPB of Mortgages previously purchased by Freddie Mac under Guarantor or MultiLender Swap Purchase Contracts taken out in connection with the Pricing Identifier

Freddie Mac will determine the amount of the pairoff fee and will quote it to the Seller

Pairoff fees will be included in the Seller's invoice and must be paid as set forth in Section 6303.2.

6401.2: Penalty for nondelivery (07/12/17)

In addition to any other remedies it may have under law or in equity, Freddie Mac reserves the right, in its sole discretion, to take any appropriate action to protect its interest and enforce its rights in the event of nondelivery under a mandatory obligation to deliver Mortgages under the Cash, Guarantor or MultiLender Swap programs, including, but not limited to, disqualification or suspension of the Seller from eligibility to sell Mortgages to Freddie Mac under Chapter 2301.

The Seller can fulfill mandatory obligations to deliver Mortgages under a mandatory Purchase Contract by initiating a pairoff (see Section 6401.1).

Chapter 7101: Transfers of Servicing and Intra-Servicer Portfolio Moves

7101.1: Transfers of Servicing overview (03/04/20)

Freddie Mac's requirements for Transfers of Servicing are set forth in this chapter.

Subject to obtaining Freddie Mac's written approval, a Transfer of Servicing can result from either:

- A negotiation between the Transferor Servicer and the Transferee Servicer; or
- Certain changes in ownership of a Seller/Servicer that result in a conveyance or other transfer, in effect, of the Servicing Contract Rights. The Seller/Servicer is responsible for:
  - Determining when a Transfer of Servicing will occur due to an organizational change
  - Submitting the appropriate request specified in Section 7101.2
  - Complying with other requirements in this Guide, as applicable

See also Section 8105.2 regarding Servicing compensation to a new Servicer pursuant to a Transfer of Servicing initiated by Freddie Mac.

See Section 1402.13 for Transfer of Servicing requirements involving eMortgages.

7101.2: Submitting requests for Transfers of Servicing and Intra-Servicer Portfolio Moves (08/14/24)

The Transferor Servicer and Transferee Servicer must obtain Freddie Mac's written approval of each Transfer of Servicing request before the transfer takes place. In the event the Transferee Servicer is going to establish a subservicing arrangement with a new Servicing Agent, the Transferee Servicer and its proposed Servicing Agent must comply with the requirements of Chapter 8101, including submitting a complete and fully-executed Form 479A, Single-Family Servicing Agent Certification and Agreement.

Freddie Mac's prior written approval is required, regardless of whether the Transfer of Servicing is initiated or requested by a Servicer or any other party, such as a conservator, receiver or liquidator of the Servicer.

On or before the Effective Date of Transfer, the Transferor Servicer must provide to the Transferee Servicer copies of:

- All of the Transferor Servicer's Purchase Documents applicable to the Transfer of Servicing (excluding any Credit Fees in Yield and other Credit Fees); and

- All of the Purchase Documents of any preceding Transferor Servicer that are applicable to the Transfer of Servicing (excluding any Credit Fees in Yield and other Credit Fees)

For Transfers of Servicing with an Effective Date of Transfer prior to April 11, 2018, Transferor Servicers must provide such Purchase Documents to a Transferee Servicer upon such Servicer's written request.

(a) Concurrent Transfers of Servicing

Before entering into one or more Concurrent Transfer(s) of Servicing with a specific Transferee Servicer, the Seller as Transferor Servicer must obtain Freddie Mac's written approval to engage in such Transfer(s) of Servicing before entering into Pricing Identifier Terms or other Purchase Contracts to sell the Mortgages to Freddie Mac and designate that particular Transferee Servicer as the Servicer of the Mortgages. Freddie Mac will monitor the financial condition and performance of the Transferor Servicer (Seller) and the Transferee Servicer and may, in its discretion, rescind or suspend approval of the Concurrent Transfer of Servicing.

Prior to Effective Date of Transfer for any Concurrent Transfer of Servicing, the Seller as Transferor Servicer must provide to the Transferee Servicer any and all data related to each Mortgage. Specifically, the Seller as Transferor Servicer must inform the Transferee Servicer with respect to each Mortgage related to the Transfer of Servicing, specifying by Freddie Mac loan number whether the Mortgage:

1. Has lender-purchased mortgage insurance and the terms of such insurance

2. Is subject to a credit enhancement and the type of such enhancement, if any

3. Has any of the following characteristics, in which case the Seller as Transferor Servicer must provide the data related to such characteristic:

    - The Mortgage was originated pursuant to an affordable housing initiative

    - The Mortgage is secured by a Manufactured Home

    - Transfer of Servicing is restricted under a negotiated term of business

4. Has a Note that is an eNote and/or or has an eModification Agreement and, in this case, names the repository holding such eNote and eModification Agreement as applicable

5. Has other unique Servicing requirements, if applicable

Freddie Mac will provide to both the Seller as Transferor Servicer a funding detail report, which it may share with the Transferee Servicer to aid the Transferee Servicing in its preparation of Servicing and accounting reports.

(i) Concurrent Transfer of Servicing without bifurcation

The Transferor Servicer and Transferee Servicer must complete Form 960, Agreement for Concurrent Transfer of Servicing of Single-Family Mortgages. A separate Form 960 is required for each Transferee Servicer. The fully executed Form 960 must be submitted to Freddie Mac **(see Directory 3)**.

Freddie Mac will indicate approval, if appropriate, by executing and returning a copy of Form 960 to the Transferor Servicer and Transferee Servicer. Freddie Mac's approval of the transfer is effective for Mortgages delivered by Transferor Servicer as a Seller on or after the date Freddie Mac executes Form 960. The Form 960 will expire on the expiration date the Transferor Servicer enters on Form 960. If no expiration date is entered, the Form 960 will remain in effect until Freddie Mac, the Transferor Servicer, or the Transferee Servicer terminate the Form 960.

The Transferor Servicer or Transferee Servicer may terminate the Form 960 by first providing notice to the other (Transferor Servicer or Transferee Servicer as applicable) and then provide written notice to Freddie Mac **(see Directory 3)** at least five Business Days prior to the requested termination date.

In instances where a Transferor Servicer submits multiple Concurrent Transfer of Servicing requests, Freddie Mac's approval does not constitute approval to exceed the amount of the Transferor Servicer's applicable Commitment Amount.

A Seller/Transferor Servicer may select only one Transferee Servicer and its applicable Seller/Servicer number for a given Purchase Contract in Loan Selling Advisor® and must select the execution path "CTOS" on the "Take Out Contract" screen in Loan Selling Advisor.

Seller/Transferor Servicer and Transferee Servicer each agree that, by their respective execution of, and agreement to, the terms of Form 960, Seller's subsequent sale of Mortgages pursuant to the execution path "CTOS" in Loan Selling Advisor and its selection of the applicable Seller/Servicer number of the Transferee Servicer binds Seller/Transferor Servicer and Transferee Servicer to the terms of fully executed and Freddie Mac-approved Form 960 for such Mortgages. Transferee Servicer must provide to Seller the Transferee Servicer's applicable Seller/Servicer number for loans to be sold under this program in their bilateral Servicing Transfer Agreement.

(ii) Concurrent Transfers of Servicing with complete/full bifurcation – Cash-Released XChange®

The requirements for a Concurrent Transfer of Servicing of Mortgages sold to Freddie Mac through Cash-Released XChange are contained in Exhibit 28A, Loan Servicing Purchase and Sale Agreement for Cash-Released XChange®. Seller/Transferor Servicer and Transferee Servicer each agree that their respective execution of, and agreement to, the terms of the Exhibit 28A and by Seller/Transferor Servicer's selection of the execution path "Servicing Released" on the "Take Out Contract" screen in Loan Selling Advisor binds both Seller/Transferor Servicer and Transferee Servicer to the terms of Exhibit 28A for such Mortgages. Transferee Servicer must provide to Seller the Transferee Servicer's applicable Seller/Servicer number for loans to be sold under this program in their bilateral Servicing Transfer Agreement.

(iii) Concurrent Transfers of Servicing with complete/full bifurcation – Co-Issue XChange®

The requirements for a Concurrent Transfer of Servicing of Mortgages sold to Freddie Mac through Co-Issue XChange are contained in Exhibit 26, Agreement for Concurrent Transfer of Single-Family Mortgage Servicing Contract Rights With Complete/Full Bifurcation.

Seller/Transferor Servicer agrees, by its selection of the execution path "CTOS" on the "Take Out Contract" screen in Loan Selling Advisor and selection of the Freddie Mac-approved Transferee Servicer and its applicable Seller/Servicer number in Loan Selling Advisor, that it is bound by the terms of Exhibit 26, Agreement for Concurrent Transfer of Single-Family Mortgage Servicing Contract Rights With Complete/Full Bifurcation, for the Mortgages sold by Seller via Co-Issue XChange execution path in Loan Selling Advisor.

Transferee Servicers must enter into a separate agreement with Freddie Mac and provide their applicable Seller/Servicer number to both Freddie Mac and Sellers with whom they have entered into Exhibit 26. Transferee Servicer agrees that when a particular Seller sells Mortgages via the "CTOS" execution path on the "Take Out Contract" screen in Loan Selling Advisor and selects Transferee Servicer and its applicable Seller/Servicer number in Loan Selling Advisor as the Servicer, Transferee Servicer is bound by the terms of Exhibit 26 for such Mortgages. Transferee Servicer must provide to Seller the Transferee Servicer's applicable Seller/Servicer number for loans to be sold under this program in their bilateral Servicing Transfer Agreement. A model template of such an agreement is available as Exhibit 27, Loan Sale and Servicing Transfer Agreement for Co-Issue XChange® with Complete/Full Bifurcation.

(b) Subsequent Transfers of Servicing

(i) Process

At least 45 days but not more than 60 days before the requested Effective Date of Transfer for a Subsequent Transfer of Servicing, the Transferor Servicer must access the Servicing Transfer Manager tool available via the **Servicing Gateway** (see Exhibit 88,

Servicing Tools), go to the "Manage Portfolio" tab and select "Create a new STOS" request. The Transferor Servicer must complete all fields and respond to all questions designated to be completed by the Transferor Servicer, including selecting the Transferee Servicer. In addition, at least 45 days but not more than 60 days before the requested Effective Date of Transfer, the Transferor Servicer must submit the list of the Mortgages that are related to the Transfer of Servicing (the "Proposed Mortgage List") through Servicing Transfer Manager.

Freddie Mac will notify the prospective Transferee Servicer of the requested Transfer of Servicing by e-mail using the e-mail address supplied by the Transferor Servicer in Servicing Transfer Manager. The Transferee Servicer must log into Servicing Transfer Manager, go to the "Manage Portfolio" tab and select the Transfer of Servicing transaction that was proposed by the Transferor Servicer. The Transferee Servicer must complete all fields designated to be completed by the Transferee Servicer for the proposed Transfer of Servicing.

Freddie Mac will provide the Transferor Servicer and Transferee Servicer with additional data related to the Proposed Mortgage List and populate the responses to certain questions based on data in Freddie Mac systems that was previously supplied to Freddie Mac (e.g., by the Seller, prior Servicer, or the Transferor Servicer). The Transferor Servicer must validate the accuracy and completeness of all data, the responses to all the questions, and the content of the Proposed Mortgage List.

Once all required fields are completed by both the Transferor Servicer and the Transferee Servicer and the Proposed Mortgage List is submitted, Servicing Transfer Manager will provide the Transferor Servicer and Transferee Servicer the opportunity to review an Electronic Agreement for Subsequent Transfer of Servicing of Single-Family Mortgages ("STOS Agreement"), which must be electronically signed by both Servicers, at least 45 days but not more than 60 days before the requested Effective Date of Transfer.

The Transferor Servicer will have the capability to add or remove Mortgages from the Proposed Mortgage List and revalidate the responses to the various questions to ensure they remain accurate in light of the added or removed Mortgages up to eight days prior to the Effective Date of Transfer. In addition, Freddie Mac may require the Transferor Servicer to make changes to the Proposed Mortgage List. The Transferor Servicer and Transferee Servicer must agree on the final list of Mortgages related to the Transfer of Servicing prior to the Effective Date of Transfer ("Final Mortgage List") and, in the event there were changes to the Proposed Mortgage List, the Servicers must electronically execute a new STOS Agreement related to the Final Mortgage List no later than eight days prior to the Effective Date of Transfer.

If there are no changes to the Proposed Mortgage List, then such list is the Final Mortgage List and the Servicers are not required to electronically execute a new STOS Agreement.

The Servicing Contract Rights related to any Mortgage with any of the following characteristics as of the day prior to the Effective Date of Transfer are not subject to any Transfer of Servicing notwithstanding the inclusion of such Mortgage's loan number on the Final Mortgage List:

- Any Mortgage that has been paid off
- Any Mortgage that is a guaranteed or insured by the FHA or VA and has a scheduled foreclosure sale date
- Any Mortgage that is 90 days or more delinquent; or
- Any Mortgage that has been previously modified

Servicers that wish to transfer the Servicing Contract Rights related to Mortgages that are delinquent for 90 days or more or have been previously modified must do so in accordance with the Voluntary Partial Cancelation process outlined in Chapter 7102.

See Section 1101.3 for information about costs and claims that may become due and payable automatically upon the execution and submission of one or more STOS requests, as defined in the Glossary definition of "Claims Event," or the execution and submission of one or more STOS Agreements, Voluntary Partial Cancelation Agreements, or Voluntary Full Cancelation Agreements that contemplate a Transfer of Servicing that will result in the transfer of all or, in Freddie Mac's sole determination, substantially all of the Servicing Contract Rights of the Seller/Servicer or Seller/Servicer's Freddie Mac Servicing portfolio, either in a single transaction or a series of transactions over a 180-day period. If triggered, the Transferor Servicer must pay the outstanding costs and FRE Claims as a condition of Freddie Mac's approval of the Transfer of Servicing or obtain a written waiver of such condition from Freddie Mac.

(ii) Approval and execution

Upon Freddie Mac's approval of the Transfer of Servicing, Freddie Mac will notify the Transferor Servicer and Transferee Servicer of Freddie Mac's approval in writing and the Servicing Transfer Manager status for the proposed Transfer of Servicing will change to an "approved" status. Freddie Mac reserves the right to withdraw its approval of the Transfer of Servicing at any time prior to the Effective Date of Transfer in the event the Servicer makes any changes to the Proposed Mortgage List, other than removal of Mortgages, or there is an intervening event that impacts the continuing eligibility of either Servicer to engage in the Transfer of Servicing (e.g., bankruptcy, regulatory prohibition, etc.). Provided Freddie Mac does not withdraw its approval, on or before the Effective Date of Transfer, Freddie Mac will electronically sign the STOS Agreement acknowledging its earlier approval for the Servicers to proceed with the Transfer of Servicing on the Effective Date of Transfer.

The Effective Date of Transfer must be the first day of the month.

Prior to its Electronic execution of the STOS Agreement, the Transferor Servicer must provide to the Transferee Servicer any and all data related to each Mortgage set forth in the Final Mortgage List, including the underlying data related to each such Mortgage for those questions that the Transferor Servicer answered and/or validated "yes" as the appropriate response in Servicing Transfer Manager. Specifically, the Transferor Servicer must inform the Transferee Servicer of each REO related to the Transfer of Servicing and, with respect to each Mortgage related to the Transfer of Servicing, specify by Freddie Mac loan number whether the Mortgage:

1. Has lender-purchased mortgage insurance and the terms of such insurance

2. Is subject to a credit enhancement and the type of such enhancement, if any

3. Is subject to a Trial Period Plan or mortgage modification and type of program for each (e.g., Home Affordable Modification Program℠ (HAMP®), Freddie Mac Standard Modification, Freddie Mac Streamlined Modification, Freddie Mac Flex Modification®, etc.)

4. Is subject to a Payment Deferral

5. Is or may become a Senior Subordinate Mortgage and in this instance, advise the Transferee Servicer of the Servicing Requirements set forth in Chapter 8601

6. Has any of the following characteristics and provide the data related to such characteristic:

   - Step-rate
   - Actual/actual remitting obligation
   - Partial principal forbearance
   - Originated pursuant to an affordable housing initiative
   - Secured by a Manufactured Home
   - Transfer of Servicing is restricted under a negotiated term of business
   - Payment cap or option ARMs, or
   - Biweekly payments

7. Has a specific remittance option, and the type of remittance option

8. Has a repurchase or remedy demand in any status; and/or

9. Has a note that is an eNote, has an eModification Agreement or Electronic Payment Deferral Agreement and, in this case, names the repository holding such eNote, eModification Agreement or Electronic Payment Deferral Agreement

Prior to electronically executing the STOS Agreement, the Transferee Servicer must conduct due diligence on each Mortgage related to the Transfer of Servicing to ensure that it has received all relevant data pertaining to each Mortgage and, based on that information, determine that it has the operational capacity and capability to service each such Mortgage.

If the Transfer of Servicing constitutes a Claims Event, then pursuant to Section 1101.3, all FRE Claims related to the Transferor Servicer shall be deemed immediately and automatically due and payable, without the need for further action by Freddie Mac or any other party. If FRE Claims have become due and payable in connection with the foregoing, the Transferor Servicer must pay, unconditionally and in full, any and all FRE Claims as a condition to receipt of Freddie Mac's approval of the Transfer of Servicing; provided, however, that Freddie Mac may at any time expressly waive or defer such payment obligation in writing in its sole and absolute discretion.

(iii) Electronic Signature Process

Servicers engaging in a Subsequent Transfer of Servicing must comply with the Servicing Transfer Manager Electronic signature process.

A Servicer's completion of all required fields, validation of the answers to all questions set forth in Servicing Transfer Manager related to the Final Mortgage List, and the Servicer's electronic execution and submission of the STOS Agreement in accordance with this chapter and any additional requirements set forth in Servicing Transfer Manager or the **Servicing Transfer Manager User Guide**, is an Eligible Electronic Transaction as defined. In addition, the fully executed STOS Agreement is a Purchase Document. Each Servicer engaging in a Subsequent Transfer of Servicing must electronically sign the STOS Agreement and submit it to Freddie Mac via Servicing Transfer Manager as an Electronic Record with its respective duly authorized employees' Electronic Signatures attached to or logically associated with such Electronic Record.

Freddie Mac will acknowledge its approval, if granted, by electronically signing the STOS Agreement in Servicing Transfer Manager and will notify both the Transferor Servicer and the Transferee Servicer of such approval and the availability of the fully-executed STOS Agreement in Servicing Transfer Manager. The Transferor Servicer and the Transferee Servicer each must download and retain the fully-executed STOS Agreement and Final Mortgage List in their respective Servicing systems.

For purposes of this Section 7101.2(b) the following terms are defined as follows:

- **Electronic** has the meaning set forth in Section 1401.2

- **Electronic Record** has the meaning set forth in Section 1401.2
- **Electronic Signature** has the meaning set forth in Section 1401.2
- **eNote** has the meaning set forth in Section 1402.2
- **eModification Agreement** has the meanings set forth in Sections 1401.2 and 1402.2
- **Electronic Payment Deferral Agreement** has the meaning set forth in Section 1401.2
- **Eligible Electronic Transaction** has the meaning set forth in Section 1401.2

(c) Denied Transfer of Servicing requests

Freddie Mac reserves the right to deny a Transfer of Servicing request. Freddie Mac may provide the Transferor Servicer written notice of the denial, but is not obligated to provide a written notice explaining the reason for denial.

(d) Freddie Mac's rights

(i) Unauthorized Servicing Transfer

An Unauthorized Servicing Transfer constitutes grounds for suspension or disqualification of both the purported Transferor Servicer and purported Transferee Servicer as Seller/Servicers. Any Unauthorized Servicing Transfer constitutes a Claims Event under Section 1101.3, pursuant to which all FRE Claims shall be deemed immediately due and payable. In addition to its rights at law and equity, Freddie Mac may exercise any of its other rights under the Purchase Documents.

An Unauthorized Servicing Transfer will result in the assessment of a compensatory fee determined by Freddie Mac not to exceed 1% of Freddie Mac's share of the UPB of the Mortgages that were related to the Unauthorized Servicing Transfer. The imposition of this compensatory fee does not limit Freddie Mac's rights to exercise any of its other rights under the Purchase Documents including, without limitation, suspension or disqualification of both the unauthorized Transferor Servicer and purported Transferee Servicer as Seller/Servicers, as well as causing all FRE Claims to be deemed immediately due and payable pursuant to Section 1101.3. If an Unauthorized Servicing Transfer occurs, the unauthorized Transferor Servicer and purported Transferee Servicer are jointly and severally liable to Freddie Mac with respect to any losses, costs and damages (including, but not limited to, attorney fees and related court and legal costs) incurred by Freddie Mac arising out of or related to the Unauthorized Servicing Transfer.

(ii) Post-transfer reviews

Freddie Mac may perform a post-transfer review of any approved Transfer of Servicing, which may include onsite visits, to determine whether the Transferor Servicer and Transferee Servicer complied with the requirements of the Guide and applicable Purchase Documents.

Freddie Mac may also request the Servicer to perform a post-transfer review and provide documentation of such review.

(e) Intra-Servicer Portfolio Move Request for Servicing of Single-Family Mortgages

Certain Servicers have been allocated two or more Seller/Servicer numbers with respect to specific Mortgages that they service for Freddie Mac. If a Servicer wishes to consolidate or reallocate the loan numbers attributable to one of its Seller/Servicer numbers to another of its Seller/Servicer numbers (the "New Seller/Servicer Number") (an "Intra-Servicer Portfolio Move"), the Servicer must submit an Intra-Servicer Portfolio Move Request for Servicing of Single-Family Mortgages and a list of such Mortgages via Servicing Transfer Manager, and obtain Freddie Mac's prior approval by undertaking the following steps:

- At least 45 days, but not more than 120 days, prior to the requested effective date of change, the Servicer must log into Servicing Transfer Manager, go to the "Manage Portfolio" tab, select "Create New Request" and then and select "Intra-Servicer Portfolio Move Request"

- Complete all questions designated to be completed by the Servicer

- Submit the list of Mortgages related to the change in Seller/Servicer number

- Sign the Intra-Servicer Portfolio Move Request to acknowledge the terms and conditions associated with the change in Seller/Servicer number

Upon receipt of the Intra-Servicer Portfolio Move Request and the list of related Mortgages, Freddie Mac will review the list to ensure that the Servicing of such Mortgages may be reallocated to the New Seller/Servicer Number. Upon Freddie Mac's approval, the Seller/Servicer number associated with the Mortgages will change in Freddie Mac's systems as of the requested effective date of change and the Servicer must make corresponding changes in its systems as of the same date. An approved Intra-Servicer Portfolio Move does not result in any change to the rights, liabilities and obligations the Servicer owes towards Freddie Mac under the Purchase Documents.

Once the Servicer receives Freddie Mac's approval, the Servicer must inform its Document Custodian of the New Seller/Servicer Number.

Servicers must also ensure that Principal and Interest Payments and Escrow Funds received from Mortgages included in the Intra-Servicer Portfolio Move Request are deposited in the

Custodial Account associated with the New Seller/Servicer Number. See Section 8302.1 for more information.

7101.3: Review of Transferor Servicer and Transferee Servicer (04/12/23)

(a) Freddie Mac review

(i) Freddie Mac will work with the Transferor Servicer and Transferee Servicer to approve a Transfer of Servicing, but reserves the right to approve with conditions. Freddie Mac is not obligated to approve a Transfer of Servicing. Freddie Mac will not approve a proposed Transfer of Servicing if Freddie Mac, in the exercise of its judgment and in its sole discretion, determines that such a transfer is not in the best interests of Freddie Mac or determines that the Transferor Servicer or Transferee Servicer will not be able to adequately service the Mortgages and/or REO subject to, or otherwise meet their respective obligations under, their respective Servicing Contracts. Freddie Mac will not approve a proposed Transfer of Servicing if the Final Mortgage List includes Mortgages that are 90 days or more delinquent or have been previously modified. Servicers who wish to transfer the Servicing Contract Rights related to Mortgages that are delinquent for 90 days or more or have been previously modified must do so in accordance with the Voluntary Partial Cancelation process outlined in Chapter 7102.

(ii) The Transferor Servicer and Transferee Servicer must be approved Seller/Servicers and must be in compliance with all the requirements of the Purchase Documents. When reviewing a Transfer of Servicing request, Freddie Mac will review both the Transferor Servicer and the Transferee Servicer. Transferor Servicers and Transferee Servicers must not be subject to any situations prohibited under Section 2301.2 unless approved by Freddie Mac. The review will focus on, but not be limited to, financial capacity to honor contractual obligations, existence of any outstanding obligations (such as repurchases), delinquency and REO ratios, delinquency reporting and the Transferee Servicer's and Transferor Servicer's performance results on their respective Servicer Success Scorecards.

Freddie Mac's review of the Transfer of Servicing request may take additional time if either the Transferor Servicer or Transferee Servicer is subject to any situations prohibited under Section 2301.2, or the Purchase Documents reflect negotiated terms, including the sale of Mortgages to Freddie Mac with recourse.

(b) Transferor Servicer review

The Transferor Servicer must participate with the Transferee Servicer with respect to the Transferee Servicer's due diligence review on the Mortgages related to the Transfer of Servicing, Custodial Accounts, obligations under the Purchase Documents and any alternative to foreclosure and provide to the Transferee Servicer any missing data,

documents or other information necessary for the Transferee Servicer to perform its obligations under the Guide, applicable Purchase Documents, and in accordance with the terms of the Mortgage and applicable alternatives to foreclosure.

The Transferor Servicer should consider adopting the best practices set forth in the *Servicing Transfer Best Practices* document published at **https://sf.freddiemac.com/content/_assets/resources/pdf/fact-sheet/tos_best_practices.pdf**. Upon request, the Transferor Servicer must provide to Freddie Mac the post-transfer review results.

(c) Transferee Servicer review

The Transferee Servicer must perform a due diligence review on the Mortgages related to the Transfer of Servicing and on Custodial Accounts, and to be aware of any obligations of the Transferor Servicer under the Purchase Documents that the Transferee is assuming and any alternative to foreclosure, whether offered and outstanding or currently in place with a Borrower. The Transferee Servicer's due diligence efforts should include, but are not limited to, a review of the following information that the Transferor Servicer may provide:

1. Reports and data that confirm and support information provided by the Transferor Servicer

2. Pertinent reports prepared by internal or external auditors, including any recently completed Freddie Mac audit

The Transferee Servicer should consider adopting the best practices set forth in the *Servicing Transfer Best Practices* document published at **https://sf.freddiemac.com/content/_assets/resources/pdf/fact-sheet/tos_best_practices.pdf**. Upon request, the Transferee Servicer must provide to Freddie Mac the post-transfer review results.

The Transferor Servicer may not provide a copy of its Servicer Success Scorecard to the Transferee Servicer without Freddie Mac's prior written approval.

7101.4: Additional conditions for Transfers of Servicing (11/06/24)

Transferor Servicer and Transferee Servicer each represent and warrant to Freddie Mac that it has met the requirements in this section for Mortgages related to a Transfer of Servicing, and each agrees and acknowledges that Freddie Mac's approval of a Transfer of Servicing is conditioned upon such representations and warranties.

(a) Mortgage insurance coverage

The Transfer of Servicing must comply with the requirements of each MI that insures any of the Mortgages. Before the Effective Date of Transfer, the Transferor Servicer must obtain a commitment from each MI to continue to provide coverage required by Freddie Mac for the benefit of the Transferee Servicer. If an MI will not continue such coverage, the Transferor Servicer must obtain a written commitment by another MI to provide equivalent coverage.

(b) Special requirements for Mortgages related to a Transfer of Servicing

No Mortgage subject to the Transfer of Servicing may be subject to:

- A prohibition on its Transfer of Servicing in the Purchase Documents (for instance, in a term of business) or as a condition of purchase or otherwise

- An outstanding requirement to be met by the Transferor Servicer prior to the Effective Date of Transfer, such as, for instance:

  - GreenCHOICE Mortgages® with eligible improvements as described in Section 4606.1(b) that are not complete. (See Section 4606.5 for Transfers of Servicing involving GreenCHOICE Mortgages.)

  - For Subsequent Transfers of Servicing, CHOICERenovation® Mortgages with eligible renovations as described in Section 4607.6 that are not complete. (See Section 4607.17 for Transfers of Servicing involving CHOICERenovation Mortgages.)

  - For Concurrent Transfers of Servicing, CHOICERenovation Mortgages delivered pursuant to Section 4607.1(b) where Freddie Mac's prior written approval has not been obtained pursuant to Section 4607.17

  - For Concurrent Transfers of Servicing, CHOICEReno eXPress® Mortgages with renovations that are not complete

Additional requirements apply to certain Mortgages and Mortgage types.

- To include the Servicing Contract Rights related to a Mortgage represented by an LNA in a Transfer of Servicing, Transferor Servicer must obtain Freddie Mac's prior approval using the procedure set forth in Section 8107.1 and must identify each such Mortgage to the Transferee Servicer and Transferee Servicer's Document Custodian

- eMortgages (as defined in Section 1402.2) must at all times be serviced by an approved Servicer of eMortgages for Freddie Mac or its Servicing Agent pursuant to Section 1402.9(a)

(c) Additional delivery data for Concurrent Transfers of Servicing

For Concurrent Transfers of Servicing, additional Mortgage delivery data required by Form 960, Agreement for Concurrent Transfer of Servicing of Single-Family Mortgages and Chapter 7101 must be submitted by:

- The Transferor Servicer, if submitted at Mortgage delivery, or
- The Transferee Servicer, if submitted after Mortgage delivery

For the Transferee Servicer to submit the data after Mortgage delivery

The Transferor Servicer must obtain Freddie Mac's prior written approval and provide to the Transferee Servicer copies of the Mortgage file documents required for accurate data delivery.

(d) Mortgages in a Trial Period

The Transferor Servicer must notify the Transferee Servicer if there are any Mortgages related to a Transfer of Servicing subject to a Trial Period Plan and must confirm that the Transferee Servicer will assume the additional responsibilities associated with these Mortgages.

If the Transfer of Servicing involves Mortgages in a Trial Period or already subject to a modification, the Transferor Servicer must affirmatively indicate that in Servicing Transfer Manager (see Exhibit 88, Servicing Tools) and identify for each Mortgage the modification initiative on the Proposed Mortgage List and Final Mortgage List, as those terms are identified in Section 7101.2(b) (e.g., Home Affordable Modification Program℠ (HAMP®), Freddie Mac Standard Modification, Freddie Mac Streamlined Modification, Freddie Mac Flex Modification®).

(e) Modified Mortgages that have a step-rate provision or partial principal forbearance

The Transferor Servicer must affirmatively indicate in Servicing Transfer Manager whether any Mortgages related to a Transfer of Servicing are modified Mortgages that have a step-rate provision (i.e., the interest rate is subject to incremental increases beginning in year 6 of the modification) or a partial principal forbearance.

(f) Mortgages modified electronically

If any Mortgage related to a Transfer of Servicing has been modified electronically, as defined in Section 1401.17, the Transferor Servicer must affirmatively identify it in Servicing Transfer Manager (see Exhibit 88). See Section 9205.20(b) for requirements governing the HAMP eModification Agreement.

(g) Maintain financial eligibility requirements

Prior to the Effective Date of Transfer, the Transferor Servicer must evaluate whether the proposed Transfer of Servicing will in any way impair its ability to demonstrate to Freddie Mac's satisfaction that it has sufficient capitalization, profitability, liquidity and funding sources to support its ongoing operations and its commitments to Freddie Mac following the Transfer of Servicing. Transferee Servicer must conduct the same evaluation of itself.

(h) Mortgages subject to a Payment Deferral processed electronically

If any Mortgage related to a Transfer of Servicing is subject to a Payment Deferral processed electronically, as defined in Section 1401.17, with an Electronic Payment Deferral Agreement, the Transferor Servicer must affirmatively identify it in Servicing Transfer Manager (see Exhibit 88).

7101.5: Requirements for reporting Transfers of Servicing to Freddie Mac (04/12/23)

(a) Loan-level reporting

The Transferor Servicer must report to Freddie Mac all loan-level transactions, including payoffs and reporting revisions for the Accounting Cycle prior to the month in which the Effective Date of Transfer occurs. (For example, for Transfers of Servicing effective February 1st, the Transferor Servicer will submit all loan-level transactions before the close of business on January 31st and clear outstanding edits no later than January 31st plus one Business Day.)

Beginning on the Effective Date of Transfer, the Transferee Servicer must submit all loan-level reporting, whether required to be submitted electronically or by paper copy, in the name and Seller/Servicer number of the Transferee Servicer.

(b) Accounting reporting and drafting

All accounting reporting due to Freddie Mac must be submitted in accordance with Section 8303.3.

All of the following must be reported by, and will be drafted from, the Transferor Servicer:

- Payoffs for which the payoff date is before the Effective Date of Transfer
- Third-party foreclosure sales for which the sale date is before the Effective Date of Transfer

- Forecasted scheduled interest reported in the month before the Effective Date of Transfer that is due to Freddie Mac in the month of the transfer

- Principal reported in the Accounting Cycle immediately preceding the Effective Date of Transfer (e.g., principal reported between the P&I Determination Date and the end of the Accounting Cycle of the month immediately preceding the Transfer of Servicing)

Freddie Mac will draft the applicable amounts from the Transferor Servicer.

All of the following must be reported by, and will be drafted from, the Transferee Servicer:

- Payoffs for which the payoff date is on or after the Effective Date of Transfer

- Third-party foreclosure sales for which the sale date is on or after the Effective Date of Transfer

- Principal and interest reported on or after the Effective Date of Transfer

Freddie Mac will draft the applicable amounts from the Transferee Servicer.

7101.6: Endorsement of Notes and assignment of Security Instruments for Mortgages related to Transfers of Servicing (04/12/23)

The Notes for Mortgages sold to Freddie Mac are endorsed in blank in accordance with Section 6301.3. When a Transfer of Servicing occurs, the Transferor Servicer must prepare and complete assignments of the Security Instrument described below, but may not complete the blank endorsement on the Note or further endorse it. LNAs are not 'live' Notes and cannot be endorsed under any circumstance.

(a) Concurrent Transfers of Servicing for Mortgages not registered with MERS®

For Concurrent Transfers of Servicing, for each Mortgage that is not registered with MERS, the Transferor Servicer must:

- Record Intervening Assignments to complete the chain of assignments to it from the original mortgagee, in accordance with Section 6301.6(a)

- Assign the Security Instrument to the Transferee Servicer and record the assignment

- Follow the procedures set forth in Section 7101.9 and deliver the assignment to the Transferee Servicer's Document Custodian to be verified in accordance with the requirements of Section 6304.2

See Section 6301.6(a) for additional information.

(b) Concurrent or Subsequent Transfers of Servicing for Mortgages registered with MERS

For Subsequent Transfers of Servicing, for each Mortgage that is registered with MERS:

- If the **Transferee Servicer is a MERS Member**, no further assignment is needed and The Transferor Servicer must notify MERS of the Transfer of Servicing.
  - If the **Transferee Servicer is not a MERS Member**, then the Transferor Servicer must prepare and record an assignment of the Security Instrument (on behalf of MERS) from MERS to the Transferee Servicer
  - The Transferor Servicer must follow the procedures set forth in Section 7101.9, and deliver the assignment to the Transferee Servicer's Document Custodian to be verified and certified in accordance with the requirements of Section 6304.2

See Section 6301.6(b) for additional information.

(c) Subsequent Transfers of Servicing for Mortgages not registered with MERS

For Subsequent Transfers of Servicing of Mortgages that are not registered with MERS, the Transferor Servicer must:

- Recover and destroy any original unrecorded assignments to Freddie Mac
- Assign the Security Instrument to the Transferee Servicer and record the assignment
- Follow the procedures set forth in Section 7101.9, and deliver assignment(s) to the Transferee Document Custodian to be verified in accordance with the requirements of Section 6304.2

If the most recent assignment of the Security Instrument is to Freddie Mac and that assignment was recorded, the Transferor Servicer may not prepare an assignment to the Transferee Servicer.

7101.7: Concurrent or Subsequent Transfers of Servicing for a Mortgage secured by a Manufactured Home located in a certificate of title State (02/07/24)

The requirements in this section apply to preparing and completing assignments of the security interest in the Manufactured Home for Concurrent or Subsequent Transfers of Servicing when the Manufactured Home is located in a certificate of title State that does not provide for surrender and cancelation of the certificate of title (see Section 5703.4). In a certificate of title

State, a lien on the Manufactured Home is evidenced and perfected by notation on the certificate of title to the Manufactured Home. The lien on the land on which the Manufactured Home is permanently attached is perfected by recording the Security Instrument.

Therefore, in addition to the procedures described in Section 7101.6 for preparing and completing assignments of the Security Instrument, the following procedures must be followed with respect to the Manufactured Home:

- If the Borrower holds the original certificate of title to the Manufactured Home, and the original certificate of title must be produced to note the assignment, the Seller/Servicer must obtain the original certificate of title from the Borrower and follow the applicable procedure to note the assignment on the certificate of title

- The Transferor Servicer must note any intervening assignments from the original mortgagee to the Transferor Servicer on the certificate of title and, if required, record the complete chain of assignments from the original mortgagee to the Transferor Servicer with the State motor vehicles administration or other authorized agency

- The Transferor Servicer must note the assignment of its interest in the Manufactured Home to the Transferee Servicer on the certificate of title and, if required, record the assignment with the State motor vehicles administration or other authorized agency

- If the Borrower holds the original certificate of title, the Transferor Servicer must make and retain a copy of the original certificate with the noted assignments before returning the original certificate of title with the noted assignments to the Borrower in accordance with applicable procedures

- The Transferor Servicer must deliver the certificate of title (or if applicable a copy of the certificate of title) evidencing the complete chain of title to the Transferee Servicer who must retain the certificate of title or a copy of the certificate of title, as applicable, in the Mortgage file

7101.8: Transfer of records (03/01/23)

(a) Transfer of Mortgage and REO files

No later than 30 days after the Effective Date of Transfer, the Transferor Servicer must deliver to the Transferee Servicer the following records for each Mortgage and REO for which Servicing is transferred:

(i) Mortgage file: The Mortgage file that the Servicer is required to maintain in accordance with Chapter 3302

- If the Transferee Servicer does not have the same form of document and records maintenance (photographic, photostatic, microfilm, microfiche, electronic imaging,

optical disk or laser disk storage) as the Transferor Servicer, then the Transferor Servicer must either convert the documents and records to the form of storage utilized by the Transferee Servicer or generate paper copies of all documents and records for the Transferee Servicer

- Effective for Mortgages with Note Dates on or after July 1, 2013, Servicers may no longer make copies of original paper Mortgage file documents for any Mortgage file documents (excluding the paper original Mortgage file documents specified in Section 3302.2, which must always be maintained and stored as paper originals) using microfilm or microfiche. Servicers may copy original paper Mortgage file documents using scanning systems commonly used in the regular course of business at this time, and maintain copies of such documents as Portable Document Format (PDF), Tagged Image File (TIF) format, Joint Photographic Experts Group (JPEG) format or other electronic document formats commonly used in the regular course of business at this time.

(ii) Payment history: The complete history of Mortgage payments and, if applicable, Escrow disbursements (including the most recent Escrow analysis), with supporting documentation, from the Origination Date of the Mortgage

(iii) Correspondence and reports: Copies of all correspondence with and from, and reports to, the Borrowers and, as applicable, the FHA, the VA, the RHS, the MI, Freddie Mac and any government authority

(iv) Notice of transfer: A copy of the notice to the Borrowers regarding the Transfer of Servicing

(v) REO history: If REO is being serviced, the complete history of receipts, expenditures and management and marketing activities (including copies of any filed MI claims), with supporting documentation, from the date the REO was acquired

(b) Transfer of portfolio records

No later than the Effective Date of Transfer, the Transferor Servicer must deliver to the Transferee Servicer the following records for the Mortgages and REO related to the Transfer of Servicing:

(i) Notices to third parties: The notices required in Section 7101.14, including documentation of MI approval and commitment to insure

(ii) Service contracts: Copies of tax and flood hazard determination service contracts, if applicable

(iii) Unpaid charges: A list of Escrowed charges due and unpaid as of the Effective Date of Transfer

(iv) Trial balances: Trial balances, as of the close of the last Business Day immediately preceding the Effective Date of Transfer, showing:

- Transfers of Ownership, payoffs and other Servicing exceptions in process
- Escrows, Escrow advances and prepayments
- Where applicable, buydown accounts and balances
- Delinquencies, foreclosures, bankruptcies and REO

(v) Automatic payments: A list of Mortgages subject to automatic drafting of monthly payments

(vi) Insurance policies: A list of Mortgages showing expiration dates of the insurance policies on the Mortgaged Premises, whether or not premiums for these policies were Escrowed by the Transferor Servicer

(vii) Fair lending data elements: Fair lending data elements for each Mortgage as described in Section 1301.2(f)

(viii) Other documents: Ledger records and definitions of codes used in ledger records, trial balances or any other documents required by Freddie Mac to be transferred to the Transferee Servicer

(c) Additional requirements for Subsequent Transfers of Servicing

For a Subsequent Transfer of Servicing, the Transferor Servicer must deliver to the Transferee Servicer, no later than 30 days after the Effective Date of Transfer, the following documents in addition to those specified in Sections 7101.8(a) and (b):

- **Custodial Accounts:** A copy of the depository's reconciliation, as of the close of the bank's last business day immediately preceding the Effective Date of Transfer, for each Custodial Account maintained in accordance with Chapter 8304
- **Freddie Mac reports:** Copies of all Servicing and accounting reports filed with Freddie Mac for the three months immediately preceding the Effective Date of Transfer

7101.9: Document custody requirements for Transfers of Servicing (05/03/23)

(a) Concurrent Transfers of Servicing

For a Concurrent Transfer of Servicing (other than for Mortgages sold servicing released), a Seller must submit Form 960, Agreement for Concurrent Transfer of Servicing of Single-Family Mortgages, to Freddie Mac as described in Section 7101.2(a) and deliver the Mortgage to the Servicer's Document Custodian to perform the certifications required in Sections 6301.8(a) and 6304.3(b). On the Settlement Date and concurrent with Freddie Mac's purchase of the Mortgage, Servicing of, and the Servicing Contract Rights related to, the Mortgage will transfer to the Servicer as Transferee Servicer. The Seller must cooperate with the Servicer and its Document Custodian to affect a smooth and orderly Concurrent Transfer of Servicing.

There is a Concurrent Transfer of Servicing to a Servicer selected by Freddie Mac for all Mortgages sold through Cash-Released XChange®, as described in Sections 6101.7(a), 7101.2(a) and Exhibit 28A, Loan Servicing Purchase and Sale Agreement for Cash-Released XChange®. Prior to delivering Mortgages other than eMortgages for sale to Freddie Mac, Seller must enter into a Tri-Party Agreement with an eligible Document Custodian (see Exhibit 43) as described in Section 2202.3(c). For deliveries of eMortgages sold through Cash-Released XChange, Seller/Servicers must use Freddie Mac as the eNote Custodian (**see Directory 4** and Chapter 1402). For special document custody requirements for eMortgages, see Section 2202.3(d).

For Concurrent Transfers of Servicing,

- **The Seller must:**

  - Verify that the Servicer's Document Custodian has a contractual relationship with the Servicer on a Tri-Party Agreement

  - Deliver the Notes with related documents, all assignments and Form 1034E, Custodian Certification Schedule, or the Note Delivery Cover Sheet, to the Servicer's Document Custodian, provided that delivery for Mortgages other than eMortgages sold through Cash-Released XChange must be made to one of the eligible Document Custodians identified in Exhibit 43

  - Verify that the Mortgages are registered and assigned to MERS®, and Mortgages closed with MERS as the original mortgagee of record, are identified as such. See Section 6301.6 for additional requirements for these Mortgages.

- **The Servicer's Document Custodian must:**

  - Verify and certify the Notes and assignments as required by Section 6304.3(b) and, for Mortgages other than Mortgages sold servicing released, verify that a copy of Form 960, Agreement for Concurrent Transfer of Servicing of Single-Family Mortgages, evidencing Freddie Mac's approval of the Transfer of Servicing accompanies the Note and assignments

  - Update its document tracking system pursuant to Section 2202.2(b)

(b) Responsibilities for Subsequent Transfers of Servicing

The Transferor Servicer's Document Custodian (Transferor Document Custodian) and the Transferee Servicer's Document Custodian (Transferee Document Custodian) must cooperate to effect a smooth and orderly transfer. Refer to the Document Custody Procedures Handbook for additional information.

- **Within 30 days following the Effective Date of Transfer, the Transferor Servicer must:**

  - Complete the Form 1034T, Document Custodial Certification Schedule for Subsequent Transfers of Servicing, and forward it together with the "STOS Agreement" with the Final Mortgage List, as those terms are defined in Section 7101.2(b), to the Transferor Document Custodian so that the Transferor Document Custodian can deliver the Notes and assignments to the Transferee Document Custodian

  - Identify to Transferee Servicer all Mortgages represented by an LNA

- **Within 30 days after the Effective Date of Transfer, the Transferor Document Custodian must:**

  - Verify that a copy of the Transferee Servicer's executed STOS Agreement with the Final Mortgage List accompanies the Transferor Servicer's request to deliver the Notes and assignments to the Transferee Document Custodian

  - Deliver to the Transferee Document Custodian the Notes with related documents, all assignments in its custody and Form 1034T, Subsequent Transfer Document Custodial Certification Schedule. Notes may be transported only by a nationally recognized commercial or bonded carrier or courier service.

  - Verify that all Mortgages registered and assigned to MERS and all Mortgages closed with MERS as the original mortgagee of record are identified as such

  - Work with the Transferor and Transferee Servicers, the Transferee Document Custodian and Freddie Mac to cure all document deficiencies prior to recertifying the Notes

- **The Transferee Servicer:**

  - Must notify the Transferee Document Custodian on or before the Effective Date of Transfer that a Transfer of Servicing (or transfer of custody) is in process

- ❑ Must provide the Transferee Document Custodian with documentation if it has elected to hold assignments for MERS-registered Mortgages in the Mortgage files. See Section 6304.1.

- ❑ Remains responsible for the Note and all related documents and for all representations and warranties with respect to the validity and enforceability of the Mortgage documents. See Section 8107.1(d)(iv) for special requirements relating to Mortgages with LNAs.

■ **The Transferee Document Custodian must:**

- ❑ Have a Tri-Party Agreement in effect with the Transferee Servicer in accordance with Section 2202.3 before the effective Date of Transfer

- ❑ Verify that a copy of the STOS Agreement evidencing Freddie Mac's approval of the Transfer of Servicing and Final Mortgage List accompanies the transfer of custody of Notes and all related documents

- ❑ Notify the Transferor Document Custodian within 35 days after the Effective Date of Transfer that it has (or has not) received boxes or envelopes that contain the appropriate number of transferred Note files

- ❑ Perform the verifications specified in Section 6304.3(a) for each Note for which custody is being transferred by verifying that the following information on the Note matches the information about the related Mortgage contained on the Form 1034T:

  - ■ Freddie Mac loan number, if present on the Note; otherwise, the Document Custodian must validate the Freddie Mac loan number against data provided by the Transferee Servicer

  - ■ Borrower's name, and

  - ■ Address of the Mortgaged Premises (excluding Zip Code™)

  and that:

  - ■ The Note is an original Note (unless there is an LNA and evidence that Freddie Mac has approved use of the LNA as described in Section 8107.1(d)(ii))

  - ■ The chain of endorsements is proper and complete from the original payee on the Note to the Transferor Servicer's endorsement to blank

- ❑ Remove from the Note file and destroy any recordable but unrecorded assignment from the Transferor Servicer to Freddie Mac

- ❑ On behalf of itself and the Transferee Servicer, complete, execute and deliver the Form 1034T to Freddie Mac **(see Directory 9)** within 180 days after the Effective Date of Transfer. By submitting the Form 1034T to Freddie Mac, the Transferee Servicer and the Transferee Document Custodian make the certifications contained in the Form 1034T, and represent and warrant to Freddie Mac that each of them is bound by the information and certifications contained in the Form 1034T.

- ❑ Retain the Form 1034T for at least three months after certification is completed. See Section 8107.2(d).

- ❑ Update its document tracking system to reflect the transfer of custody

(c) Subsequent Transfers of Servicing without a transfer of custody

The Transferor and the Transferee Servicers must cooperate to affect a smooth and orderly transfer.

- ■ **The Transferor Servicer must:**

  - ❑ Prepare an assignment to the Transferee Servicer, which must be recorded and certified unless the Mortgage is registered to MERS and the Transferee Servicer is a MERS member

  - ❑ Prepare and execute Form 1034T and deliver it and the assignment to the Document Custodian within 30 days after the Effective Date of Transfer

  - ❑ Identify to Transferee Servicer all Mortgages represented by an LNA

- ■ **The Transferee Servicer must:**

  - ❑ If it has elected to hold assignments for MERS-registered Mortgages in the Mortgage files, provide the Document Custodian with evidence of that election. See Section 6304.1.

  - ❑ Assume responsibility for the completeness of the Note and all related documents and for all representations and warranties with respect to the validity and enforceability of the Mortgage. See Section 8107.1(d)(iv).

- ■ **The Document Custodian must:**

  - ❑ Remove from the file and destroy any recordable but unrecorded assignment from the Transferor Servicer to Freddie Mac

  - ❑ Execute Form 1034T on behalf of the Transferee Servicer and send a copy to Freddie Mac **(see Directory 9)** within 180 days after the Effective Date of Transfer

- ❑ Retain the Form 1034T for at least three months after certification is completed. See Section 8107.2(d).

(d) Transfers of custody only

The Document Custodians must cooperate to effect a smooth and orderly transfer.

- ■ **The Servicer must:**

  - ❑ Prepare and execute Form 1034T, leaving blank the information required for the Transferee Servicer, with and the Mortgage List and deliver it to the Transferor Document Custodian so that the Transferor Document Custodian can transfer custody of the Notes and assignments to the Transferee Document Custodian prior to the date on which custody of the Notes and related documents will occur, referred to in Form 1034T as the Effective Date of Transfer. The Servicer must identify to Transferee Document Custodian all Mortgages represented by an LNA.

- ■ **The Transferor Document Custodian must**:

  - ❑ Within 30 days after the Effective Date of Transfer, deliver to the Transferee Document Custodian the Notes with related documents, all assignments in its custody and the executed Form 1034T with the Mortgage List. Notes and related documents may be transported only by a nationally recognized commercial or bonded carrier or courier service.

- ■ **The Transferee Document Custodian must:**

  - ❑ Notify the Transferor Document Custodian within 35 days after the Effective Date of Transfer that it has (or has not) received boxes or envelopes that contain the appropriate number of transferred Note files

  - ❑ Perform the verifications specified in Section 6304.3(a) each Note for which custody is being transferred by verifying that the information on the Note set forth for Transferee Document Custodians to verify in Section 7101.9(a) matches the information about the related Mortgage from Form 1034T

  - ❑ Update its document tracking system to reflect the transfer of custody

Transferor Document Custodian and Transferee Document Custodian must cooperate to effect a smooth and orderly transfer. Refer to the Document Custody Procedures Handbook for additional information.

7101.10: Transfer of funds (08/13/18)

(a) General

The Transferor Servicer must transfer all account balances (including, but not limited to, Escrows, prepayments and buydown funds) must be transferred to the Transferee Servicer's depository in a manner that ensures such funds are, at all times, held in a custodial capacity on behalf of Freddie Mac in accordance with Section 8302.6. A final reconciliation of all monies relating to such transfer must be made by the Transferor Servicer on the Effective Date of Transfer.

(b) Escrow accounts

The Transferor Servicer must forward the entire balance of all Custodial Accounts related to Escrows, buydown funds, repair accounts and replacement reserves (net of documented advances) to the Transferee Servicer's depository on the Effective Date of Transfer.

(c) Interest

Delinquent interest advanced to Freddie Mac by the Transferor Servicer as of the Effective Date of Transfer net of prepaid interest must be reimbursed to the Transferor Servicer by the Transferee Servicer no later than the date the funds are due to Freddie Mac.

(d) Principal

Delinquent principal advanced to Freddie Mac by the Transferor Servicer as of the Effective Date of Transfer net of prepaid principal must be reimbursed to the Transferor Servicer by the Transferee Servicer no later than the Effective Date of Transfer.

7101.11: Notice to Borrowers regarding Transfers of Servicing (08/13/18)

(a) Transferor Servicer's notice to the Borrower

The Transferor Servicer must provide timely notice to the Borrowers with Mortgages related to the Transfer of Servicing to ensure a smooth transition, avoid disruption in Mortgage payments and comply with applicable laws and regulations. The Transferor Servicer must provide written notice to each Borrower at least 15 days before the first payment is due to be received by the Transferee Servicer.

(b) Transferee Servicer's notice to the Borrower

The Transferee Servicer must provide to each Borrower written confirmation of the information in the Transferor Servicer's notice to the Borrowers within 15 days before the date the first payment is due to be received by the Transferee Servicer.

(c) Notice requirements

The notice must advise the Borrower of the following:

1. The Effective Date of Transfer

2. The name and address of the Transferee Servicer

3. The names and telephone numbers of the contact persons or departments of the Transferor Servicer and of the Transferee Servicer where the Borrowers' inquiries relating to the Transfer of Servicing should be directed. (If toll-free numbers are not available, the letter must indicate that collect calls will be accepted.)

4. The date when the Transferor Servicer will no longer collect the Borrowers' payments and when the Transferee Servicer will begin to collect them

5. Any previously Escrowed optional Mortgage life or accident and health insurance for which the Transferee Servicer will not assume responsibility, with appropriate suggestions or instructions for the Borrower to continue such coverage

6. Procedures for maintenance of automatic draft payments, if applicable

The notice may not amend the terms of a Mortgage other than those relating to where to send payments.

7101.12: Borrower issues and inquiries related to Transfers of Servicing (03/02/16)

The Transferor and Transferee Servicers must ensure that their staff and facilities are adequately prepared to process Servicing and accounting transactions and to respond to Borrower inquiries during the transfer transition period. The Transferee Servicer must assume responsibility for responding to Borrower inquiries received after the Effective Date of Transfer. If any Servicing or accounting problem cannot be resolved without the involvement of the Transferor Servicer, the Transferee Servicer, and not the Borrower, should initiate the contact with the Transferor Servicer.

During the transfer transition period, the Transferor and Transferee Servicers must make reasonable efforts to resolve disputes to the Borrowers' satisfaction when such disputes arise

from legitimate Borrower misunderstanding of instructions in the notice of Transfer of Servicing. Late charges must be waived and, if applicable, appropriate adjustments to payment and credit records made for misapplied or unapplied payments due to the Transferee Servicer but received by the Transferor Servicer.

7101.13: Funds and correspondence received after Transfers of Servicing (08/13/18)

Within one Business Day of receipt, the Transferor Servicer must deliver to the Transferee Servicer any funds for, or correspondence regarding, any of the transferred Mortgages and REO related to the Transfer of Servicing if such funds or correspondence is received on or after the Effective Date of Transfer.

7101.14: Notices of Transfers of Servicing to third parties (06/10/20)

The Transferor Servicer must obtain the following approvals and provide the following notices, as applicable:

- Obtain MI approval and commitment to insure as required by Section 7101.4(a)
- Advise all applicable property insurers including, if applicable, Federal Emergency Management Agency, of the Transfer of Servicing and of the name and address of the Transferee Servicer to modify the mortgage clause required by Section 4703.6
- Provide the required notices to the FHA, RHS and/or VA, if applicable
- Notify all other appropriate parties including, but not limited to, mortgage life and/or accident and health insurers, tax verification/reporting and flood zone hazard determination services, tax authorities, condominium associations, homeowners associations (HOAs), Cooperative Corporations (see Chapter 8801 for special Servicing requirements for Cooperative Share Loans), fee owners for leasehold Mortgages, other lienholders and public utilities levying assessments for which Escrow is collected

7101.15: Liabilities of the Transferor Servicer and Transferee Servicer (08/14/24)

(a) General rules for allocation of liabilities

(i) Transferee Servicer assumption of all obligations

Except as stated in the following paragraph, for Transfer of Servicing requests received by Freddie Mac, the Transferee Servicer, by executing Form 960, Agreement for Concurrent Transfer of Servicing of Single-Family Mortgages, or by electronically signing the Agreement for Subsequent Transfer of Servicing of Single-Family Mortgages ("STOS Agreement") in Freddie Mac Servicing Transfer Manager (see Exhibit 88, Servicing Tools), is liable to Freddie Mac for all Seller and any prior Servicer's duties, obligations, responsibilities, representations, covenants, warranties, agreements and related liabilities in the Purchase Documents with respect to the Mortgages related to the Transfer of Servicing, whether or not the Transferor Servicer had such liability.

(ii) Transferor Servicer and Transferee Servicer joint and several liability

The Transferee Servicer's assumption of such rights, duties, obligations, responsibilities, representations, covenants, warranties, agreements and related liabilities upon the Effective Date of Transfer does not release the Transferor Servicer, any prior Servicer, or the original Seller of their duties, obligations, responsibilities, representations, covenants, warranties, agreements and related liabilities with respect to the Mortgages and REO related to the Transfer of Servicing, all such parties' liability being joint and several with the Transferee Servicer.

(iii)Transferor Servicer not liable for Transferee Servicer's Servicing violations

However, a Transferor Servicer does not assume such liability for Servicing violations occurring in all respects on or after the Effective Date of Transfer and based solely and directly upon the actions or omissions of later Transferee Servicers.

(b) Special rules for allocation of liabilities

(i) Mortgages sold through bifurcated Servicing-released programs, Cash-Released XChange® and Co-Issue XChange® that are related to a Concurrent Transfer of Servicing with complete bifurcation

For Mortgages sold through Cash-Released XChange and Co-Issue XChange, the Seller remains solely liable to Freddie Mac for all sale representations, covenants and warranties in the Purchase Documents (sale representations and warranties) with respect to the Mortgages related to the Transfer of Servicing. The Transferee Servicer is liable to Freddie Mac for all Servicing duties, obligations, responsibilities, representations, covenants, warranties, agreements and related liabilities in the Purchase Documents with respect to the Mortgages related to the Transfer of Servicing. For subsequent Transfers of Servicing of such Mortgages:

- The Seller Transferor remains solely liable to Freddie Mac for all sale representations and warranties with respect to the Mortgages related to the Transfer of Servicing; however, a subsequent Transferee Servicer may assume such liabilities in written agreement with Freddie Mac; and

- The subsequent Transferee Servicer is liable to Freddie Mac for all Servicing duties, obligations, responsibilities, representations, covenants, warranties, agreements and related liabilities in the Purchase Documents with respect to the Mortgages and REO related to the Transfer of Servicing, but the Transferee Servicer's assumption of these duties, obligations, responsibilities, representations, covenants, warranties, agreements and related liabilities upon the Effective Date of Transfer does not release the subsequent Transferor Servicer or any prior Servicer of their duties, obligations, responsibilities, representations, covenants, warranties, agreements and related liabilities with respect to the Mortgages related to the Transfer of Servicing, their liability being joint and several with the Transferee Servicer. However, a Transferor Servicer does not assume such liability for Servicing violations committed by the Transferee Servicer or any subsequent Transferee Servicer occurring in all respects after the Effective Date of Transfer and based solely and directly upon the actions or omissions of later Transferee Servicers.

(ii) Mortgages sold through Correspondent XChange®

For Operational Bifurcated Mortgages sold through Correspondent XChange, in accordance with Exhibit 29, Correspondent XChange® Operational Bifurcation Multi-Party Agreement, the "Originator" (as defined in Exhibit 29) is liable to Freddie Mac for all "Origination and Sale Obligations" (as defined in Exhibit 29) with respect to the Operational Bifurcated Mortgages related to the Transfer of Servicing. If Freddie Mac suspends or terminates the Originator's status as an approved Seller/Servicer, or if certain other events occur as described in the Correspondent XChange Operational Bifurcation Multi-Party Agreement, the Seller of the Operational Bifurcated Mortgages to Freddie Mac will be liable for the Origination and Sale Obligations.

The Transferee Servicer (the Seller of the Operational Bifurcated Mortgages to Freddie Mac) is liable to Freddie Mac for all "Servicing Obligations" (as defined in Exhibit 29) for the Operational Bifurcated Mortgages related to the Transfer of Servicing.

For Subsequent Transfers of Servicing of the Operational Bifurcated Mortgages:

- The Originator remains liable to Freddie Mac for all Origination and Sale Obligations with respect to the Operational Bifurcated Mortgages related to the Transfer of Servicing; and

- The subsequent Transferee Servicer is liable to Freddie Mac for all Servicing Obligations in the Purchase Documents with respect to the Operational Bifurcated Mortgages

Note: See Exhibit 29 for additional information and requirements applicable to a Subsequent Transfer of Servicing Contract Rights for Mortgages sold to Freddie Mac through Correspondent XChange.

(c) Hold harmless

The Transferor Servicer and the Transferee Servicer, jointly and severally, fully indemnify and agree to hold Freddie Mac, its successors and assigns, harmless from and against any and all losses, claims, demands, actions, suits, damages, costs and expenses (including reasonable attorney fees) of every nature and character that may arise or be made against or be incurred by Freddie Mac as a result of the Transferor Servicer's or the Transferee Servicer's failure to comply with applicable law or failure to comply with Freddie Mac's Servicing requirements as set forth in the Purchase Documents, including, but not limited to failure to provide the notices required by Section 7101.14, failure to make any payment to the appropriate parties for which Escrow is collected and failure to credit properly any payments received from Borrowers.

(d) Servicing

By executing Form 960 or electronically signing the STOS Agreement, or agreeing to Exhibit 26, Agreement for Concurrent Transfer of Single-Family Mortgage Servicing Contract Rights With Complete/Full Bifurcation, the Transferee Servicer agrees to service the Mortgages related to the Transfer of Servicing (e.g., such as those set forth in the Final Mortgage List (as defined in Section 7101.2(b)) in Servicing Transfer Manager) in accordance with the terms of the Servicing Contract and assumes all Servicing obligations under the Transferor Servicer's Servicing Contract related to such Mortgages.

Chapter 7102: Voluntary Partial Cancellation of Servicing Contract Rights

7102.1: Overview (02/12/20)

(a) Defined terms

For purposes of this Chapter 7102, the following terms have the prescribed meaning set forth in Exhibit 30, VPC Agreement (RPL & NPL) Incorporated Provisions, and Exhibit 31, VPC Agreement (Flow) Incorporated Provisions, as applicable:

- Flow VPC Agreement
- Flow VPC Transfer(s) of Servicing
- VPC Agreement
- VPC Transfer(s) of Servicing

(b) Eligibility

This Chapter 7102 is not a general offering and is only available to specific Servicers. This Chapter 7102 does not apply unless and until Freddie Mac and the Servicer execute and deliver a VPC Agreement or a Flow VPC Agreement, as applicable, in form and substance acceptable to Freddie Mac in its sole and absolute discretion implementing these terms and conditions.

(c) Applicability

This chapter applies only to VPC Transfers of Servicing with Effective Dates of Transfer on or after March 1, 2020 where the applicable VPC Agreements include the required provisions stated in Section 7102.2. Any VPC Transfer of Servicing will generally use the Subsequent Transfer of Servicing process and procedures pursuant to the Guide.

7102.2: VPC Transfer of Servicing and Flow VPC Transfer of Servicing (02/12/20)

(a) VPC Transfer of Servicing

If Freddie Mac consents to a VPC Transfer of Servicing, it will indicate its consent only by executing a VPC Agreement, which must also be executed by the Servicer, in form and

substance acceptable to Freddie Mac in its sole and absolute discretion. All VPC Agreements must include the following language:

> "This VPC Agreement incorporates the provisions of Chapter 7102 and the provisions of Exhibit 30 by reference as a substantive contractual part of this VPC Agreement such that the Servicer expressly agrees that (i) Chapter 7102 is operative as to the Servicer and (ii) the Servicer is bound by the terms and conditions set forth in Chapter 7102 and Exhibit 30."

(b) Flow VPC Transfer of Servicing

If Freddie Mac consents to a Flow VPC Transfer of Servicing, it will indicate its consent only by executing a Flow VPC Agreement, which must also be executed by the Servicer, in form and substance acceptable to Freddie Mac in its sole and absolute discretion. All Flow VPC Agreements must include the following language:

> "This Flow VPC Agreement incorporates the provisions of Chapter 7102 and the provisions of Exhibit 31 by reference as a substantive contractual part of this Flow VPC Agreement such that the Servicer expressly agrees that (i) Chapter 7102 is operative as to the Servicer and (ii) the Servicer is bound by the terms and conditions set forth in Chapter 7102 and Exhibit 31."

Chapter 8101: General Freddie Mac Servicing Policies

8101.1: Servicers' general responsibilities (05/04/20)

The Servicer is responsible to act in the most timely, efficient and responsible manner to protect Freddie Mac's interests. Freddie Mac expects the Servicer's facilities and practices to be sufficient to safeguard Freddie Mac's interests and expects the Servicer to provide proper accounting and prompt response to the needs of both Freddie Mac and the Borrower.

The Servicer agrees that its duties include, but are not limited to, the payment, or verification of the Borrower's payment, of the following, as applicable:

- Property insurance premiums
- Mortgage insurance premiums
- Ground rents
- Property taxes
- Condominium/homeowners association (HOA) or Cooperative Corporation assessments (see Chapter 8801 for special Servicing requirements for Cooperative Share Loans), and Condominium Unit maintenance fees or Cooperative Unit Maintenance Fees
- Utility assessments
- Charges, fines and impositions attributable to the property or to the Mortgage

The Servicer also agrees that it will represent and defend Freddie Mac's interest in the applicable Mortgage(s) or REO to the same extent it would represent and defend its own interest.

The Servicer warrants that it will maintain adequate facilities and experienced staff and will take all actions necessary to ensure that the Mortgages and REO in which Freddie Mac has an interest are serviced in accordance with the Purchase Documents including this Guide as amended or supplemented from time to time, any applicable law, any applicable FHA/VA/RHS/MI regulation or requirement and any instructions issued by Freddie Mac. The Servicer also warrants that it has a business continuity plan in place that meets the requirements of Section 1302.3, to ensure its ongoing ability to conduct business operations and maintain or restore Freddie Mac Mortgage files and records in the event of a disaster or other interruption to business operations and processes.

If a disaster has affected or interrupted the Servicer's operations, the Servicer must notify Freddie Mac within 24 hours of the disaster, by calling the Customer Support Contact Center at 800-FREDDIE. See Exhibit 52, Federal Disaster Assistance, for more information.

To assist with Servicing activities, a number of Servicing Tools are available through Freddie Mac's website at **https://sf.freddiemac.com/working-with-us/servicing/overview**. These tools are accessible using a secure User ID and password that a Servicer may request on the web site. See Exhibit 88, Servicing Tools, for a list of available Servicing Tools.

8101.2: The Servicer to perform its obligations and duties at its own expense (07/23/18)

The Servicer is responsible for performing the obligations and duties required under the Servicing Contract at its own expense and without cost or charge to Freddie Mac, unless expressly provided for otherwise in the Servicing Contract. Any costs or expenses incurred by the Servicer may be charged or collected from the Borrower only to the extent allowed under the terms of the Security Instrument, the Servicing Contract and any applicable law.

8101.3: Servicer's limited power of attorney (11/14/18)

The Servicer agrees to accept a limited power of attorney from Freddie Mac empowering the Servicer to perform all duties of the mortgagee in canceling the Note and Security Instrument upon satisfaction of the Borrower's debt. In its discretion, Freddie Mac may give and the Servicer agrees to accept a power of attorney that grants broader powers to the Servicer. The Servicer must comply with all local recording requirements and is solely responsible for any recording fee assessed by the applicable authority. Freddie Mac may require that the Servicer identify to Freddie Mac all jurisdictions where Freddie Mac's power of attorney has been recorded. A sample limited power of attorney available from Freddie Mac, which outlines the types of documents a Servicer can execute, endorse, and acknowledge in Freddie Mac's name, is available in Exhibit 53, Limited Power of Attorney.

8101.4: Servicer's execution of documents (11/14/18)

All requests for Freddie Mac execution of documents must be submitted to Freddie Mac **(see Directory 9)**. The documents that require Freddie Mac execution must be submitted with a Request for Assistance Form, which is available at:
https://sf.freddiemac.com/content/_assets/resources/pdf/fact-sheet/sats699.pdf.

Freddie Mac will return the executed documents after verifying that the requesting Servicer has met all conditions as necessitated by the type of action requested and applicable law.

Servicers should not submit documents for Freddie Mac's signature that they are authorized to sign under the limited power of attorney from Freddie Mac. They may execute the following documents in Freddie Mac's name when the Mortgage has been assigned to Freddie Mac:

- Release documents
- Assignments of the Security Instrument for initiating foreclosures
- Certain other documents outlined in Exhibit 53, Limited Power of Attorney

A Servicer may request a limited power of attorney in accordance with the requirements of Section 8101.3 by contacting Freddie Mac **(see Directory 9)**. In addition, under certain circumstances, Freddie Mac may require that a Servicer obtain a limited power of attorney from Freddie Mac and use it to complete specific transactions according to the requirements of Section 8101.3.

8101.5: Borrower inquiries (03/02/16)

Regardless of whether a Mortgage is securitized or held by Freddie Mac, Servicers receive Mortgage payments from Borrowers on behalf of, and remit such payments to, Freddie Mac. As such, a Seller/Servicer should respond promptly to a Borrower's inquiry and must provide the Borrower with accurate information about the Borrower's Mortgage.

If a Borrower inquires about the ownership or assignee of his or her Mortgage, the Seller/Servicer may inform the Borrower that Freddie Mac owns the Mortgage once the Borrower's identity is verified. If the Seller/Servicer is unable, in a telephone conversation, to verify that it is the Borrower who is requesting the information, the Borrower's request for information must be made in writing. If requested, the Seller/Servicer may also provide the Borrower with Freddie Mac's address, telephone number and the Freddie Mac loan number associated with the Borrower's Mortgage, and the Seller/Servicer must explain to the Borrower that it services the Mortgage for Freddie Mac.

If the Seller/Servicer provides the Borrower with the requested information in a telephone conversation, the Seller/Servicer must follow up by providing the same information to the Borrower in writing.

The Freddie Mac address and telephone number that the Seller/Servicer must provide to the Borrower are:

FREDDIE MAC
8200 JONES BRANCH DR.
MCLEAN, VA 22102
800-FREDDIE

See Sections 7101.11 through 7101.13, 8101.8 and 8104.1 for additional Servicing obligations relating to Borrower inquiries.

8101.6: Error resolution procedures related to the Servicing of a Mortgage (03/02/16)

Servicers must comply with the requirements set forth in this section in resolving errors asserted by a Borrower or Borrower's representative relating to the Servicing of a Mortgage.

Servicers must refer to Chapter 9101 for additional requirements pertaining to a Borrower's right to appeal a denial of a Trial Period Plan based on the Servicer's review of the First Complete Borrower Response Package.

The Servicer must have written policies and procedures to ensure that it reviews and responds to any written request received from a Borrower asserting an error relating to the Servicing of the Mortgage, provided the Borrower's written request includes:

- The Borrower's name
- Information that enables the Servicer to identify the Borrower's Mortgage file; and
- The error the Borrower believes has occurred

At a minimum, the Servicer must:

- Have a sufficient number of adequately trained staff to be able to track and respond to any written notice received from a Borrower asserting an error in accordance with the requirements of this section
- Maintain policies and procedures that are reasonably designed to ensure that the Servicer investigates, responds to and makes corrections in response to complaints asserted by Borrowers
- Conduct reasonable investigations and respond to a Borrower with either:
  - A written notification of the correction, the effective date of the correction and Servicer contact information, including a telephone number for further assistance; or
  - A statement that the Servicer has determined that no error occurred, the reasons for the Servicer's determination, a statement of the Borrower's right to request the documents the Servicer used to reach its decision, information on how the Borrower may request those documents, and contact information, including a telephone number

- Respond to the Borrower's notice of error within the time limits set forth under applicable law

- Regularly review and assess the adequacy of its internal controls and procedures used in connection with Servicing of Freddie Mac Mortgages to ensure compliance with the Guide and other Purchase Documents and applicable law

- Take remedial steps, as appropriate, if any deficiencies are identified as a result of its review of internal controls and processes, or if issues are identified from a review of a Borrower's notification asserting an error. The Servicer must formally document the results of such reviews and make the results available to Freddie Mac upon request.

The Servicer must maintain in the Mortgage file documentation of all communication regarding any case for which the Servicer has received written notification from a Borrower asserting an error, and provide such files or aggregated information to Freddie Mac for review upon request.

8101.7: Freddie Mac audits and access to Mortgage records (10/09/19)

Freddie Mac may at any time conduct an audit of the Mortgages for purposes of verifying the Servicer's compliance with the terms and conditions of the Purchase Documents. Mortgages to be audited will be selected by Freddie Mac. The Servicer must submit to Freddie Mac all files relating to the Mortgages. The files must contain, at a minimum, all documents required by the Purchase Documents. The audit rights contained in this Section 8101.7 in no way limit Freddie Mac's rights or remedies as otherwise provided in the Purchase Documents.

In addition, the Servicer agrees that at any reasonable time, as requested by Freddie Mac, it will disclose to or permit Freddie Mac to have access to or to examine, or will deliver to Freddie Mac copies of, any and all records, documents, files, information and data, including any of the same maintained in the Mortgage file or in any database or in any data processing, storage, or retrieval system (all such records, documents, files, information and data hereinafter referred to as "Mortgage records"), pertaining to any Mortgage serviced by the Servicer for Freddie Mac. The Servicer also agrees to take any of the foregoing actions with respect to any and all other records, documents, files, information and data maintained or held by the Servicer which Freddie Mac considers necessary to determine or assess the correctness and completeness of the Mortgage records pertaining to any Mortgage serviced by the Servicer for Freddie Mac or to assure that the Servicer is complying with the requirements of the Purchase Documents. Freddie Mac's request may be made by either spoken or written communication.

If Freddie Mac requests Mortgage records from a Servicer in connection with an audit or for any other purpose, including a Servicer Success file review, the Servicer must deliver such Mortgage records within 30 days from the date of the request. Freddie Mac, in its sole discretion, may request the documentation in a shorter or longer period of time based upon the circumstances at the time. A Servicer's failure to submit the requested Mortgage records will be considered a

violation of the Purchase Documents, and Freddie Mac will pursue all rights and remedies available under the Purchase Documents and applicable law.

The Servicer agrees that it shall cause each and every Servicing Agent, service bureau, or any other person which shall, at any time, process, maintain or store any Mortgage records for and on behalf of the Servicer, to consent in writing, to permit Freddie Mac, as requested by Freddie Mac, without further notice to or action required by the Servicer, to have access to, or to have disclosed to it, or to have copies of, any and all of such Mortgage records, pertaining to any Mortgage serviced by the Servicer for Freddie Mac, and any and all other records, documents, files, information and data maintained or held by such other person which Freddie Mac considers necessary to determine or assess the correctness and completeness of the Mortgage records pertaining to any Mortgage serviced by the Servicers for Freddie Mac or to assure that the Servicer is complying with the requirements of the Purchase Documents.

This Guide section authorizes Freddie Mac to execute, acknowledge and deliver such instruments and documents on the Servicer's behalf and take all such other actions as may be reasonably required on behalf of the Servicer, in order to effectuate the purposes of this section.

The Seller/Servicer also agrees to allow Freddie Mac to conduct monitoring from time to time in order to confirm that the Seller/Servicer is satisfying its obligations under the Guide to safeguard Borrower nonpublic personal information pertaining to Mortgages purchased by Freddie Mac.

8101.8: Treatment of personal and property information (10/11/23)

Through its Servicing of Mortgages for Freddie Mac, the Servicer may obtain information, including fair lending data elements as described in Section 1301.2(f), concerning the Borrower or the Mortgaged Premises that either is not publicly available or that is required to be protected under applicable privacy, securities, information security, consumer protection or other laws (collectively, "Protected Information"). Servicer will not use Protected Information or any information derived from Protected Information ("derivative information") or permit it to be used in any way that violates applicable law or that represents or could be construed to represent a conflict of interest or breach of confidentiality. In addition, this information and any derivative information may only be used for purposes of Servicing Mortgages for Freddie Mac and only as permitted under applicable law. The Servicer must maintain all such Protected Information and derivative information in such a way as to ensure the security and confidentiality of the information; protect against anticipated threats or hazards to the security or integrity of the information; and protect against unauthorized access to or use of such information while in its possession or that of a Related Third Party, including following Freddie Mac's termination of Seller/Servicer's right to sell or service Mortgages. Such maintenance and protection obligations shall survive the termination of Seller/Servicer's right to sell or service Mortgages pursuant to the Guide and shall continue for as long as Servicers have possession of Mortgage files or Freddie Mac information.

(a) Disclosure of payment history information

The Servicer must disclose to the Borrower, or to any third party authorized in writing by the Borrower, information maintained by the Servicer concerning the Borrower's payment history if the Borrower (or any third party authorized by the Borrower) shall request such information in writing. Information so disclosed must be correct, complete and up-to-date and must accurately reflect the Borrower's performance in meeting payment obligations without the use of codes or abbreviations.

(b) Disclosure of material information

Certain information about individual Mortgages or Mortgaged Premises obtained by the Servicer through its Servicing of Mortgages for Freddie Mac may be material to a purchaser or a seller of UMBS®, MBS or WAC ARM PCs representing interests in those Mortgages. This information is considered to be material if there is a substantial likelihood that a reasonable investor would consider the information to be important in determining whether to purchase or sell a UMBS, MBS or WAC ARM PC representing interests in the Mortgages. The Servicer may not purchase or sell such a UMBS, MBS or WAC ARM PC (or disclose material information relating to the UMBS, MBS or WAC ARM PC to a third party for its use) without disclosing such material information to the other party to the transaction. However, if disclosure of such information to other parties would contravene applicable law or regulations regarding disclosure of credit information, the Servicer must refrain from trading with respect to the UMBS, MBS or WAC ARM PC.

8101.9: Servicer agrees to indemnify (11/14/18)

The Servicer must indemnify Freddie Mac for and hold it harmless from any loss, damage or expenses (including court costs and attorney fees) that Freddie Mac sustains as a direct or indirect result of any failure on the Servicer's part to perform its services, duties and obligations under the Purchase Documents.

8101.10: Servicer as independent contractor (03/02/16)

Under the Purchase Documents, the Servicer contracts with Freddie Mac as an independent contractor to service Mortgages for Freddie Mac. The Servicer is not Freddie Mac's agent or assignee.

8101.11: Governing law (03/02/16)

Each Purchase Contract or other contract for the Servicing of Mortgages must be construed, and the rights and obligations of the parties thereunder determined, according to the laws of the United States. The laws of the State of New York are deemed to reflect the laws of the United

States when there is no applicable precedent and when to do so would not frustrate any provision of the Purchase Contract or other contracts for Servicing.

8101.12: MERS® (02/07/24)

(a) Post-purchase MERS® registration

When registering a Mortgage on the MERS System after the Mortgage is sold to Freddie Mac, the Servicer must notify MERS that Freddie Mac is the investor and provide MERS with the Freddie Mac loan number for the Mortgage.

Mortgages secured by Manufactured Homes located in certificate of title States may not be registered with MERS. Refer to Section 5703.4.

(b) MERS System Rules of Membership – Rule 14 ("MERS Rule 14")

Servicers that are managing "Legal Filings" as described in MERS Rule 14 on behalf of Freddie Mac must provide, when applicable, the various notifications and information required by MERS Rule 14 to MERS on Freddie Mac's behalf about such "Legal Filings."

(c) MERS' notices regarding liens or legal actions

As the mortgagee of record, MERS, rather than a Servicer, may receive notices about liens or legal actions related to Mortgages being serviced for Freddie Mac. When these notices provide information that enables MERS to identify the applicable Servicer, MERS will forward the notice directly to such Servicer. However, MERS may receive some notices that will not include enough information to enable MERS to identify either the Mortgage in question or the applicable Servicer. In such cases, MERS will electronically notify all MERS members about any unidentified notice(s) it has received. Each Servicer that services MERS-registered mortgages for Freddie Mac must establish procedures to ensure that it checks (on a daily basis) all electronic messages it receives from MERS to determine if the unidentified notice relates to a Mortgage serviced for Freddie Mac. If the Servicer is unable to determine if the notice relates to a Mortgage serviced for Freddie Mac, the Servicer must request additional information from MERS to make such determination.

The Servicer must take appropriate and timely action based on the notice, and advise MERS that the Servicer is Servicing the Mortgage so that MERS can promptly update its records.

(d) System-to-system reconciliation with MERS

Seller/Servicers must comply with all MERS-registered mortgage loan data reconciliation requirements set forth in the MERS Governing Documents.

(e) MERS signing officer

A Seller/Servicer must ensure that only its duly authorized officers or employees, as appointed by MERS pursuant to a MERS corporate resolution, are permitted to act as MERS signing officers.

(f) Deactivation of Mortgages from MERS

A Servicer may, in its discretion, "deactivate" a Mortgage from the MERS System. Upon deactivation, the Servicer must prepare an assignment of the Mortgage from MERS to itself in recordable form and, where required by law, record the executed assignment in the applicable public land records. MERS will notify Freddie Mac of the deactivation of any Mortgage in which Freddie Mac has an interest.

Chapter 8102: Servicers and Servicing Agents

8102.1: Managing Servicing Agents (04/12/23)

(a) Servicer's and Servicing Agent's rights and responsibilities

The Servicer must service Mortgages purchased by Freddie Mac in accordance with the requirements of applicable law and the Purchase Documents. FHA, VA and Section 502 GRH Mortgages and Mortgages covered by mortgage insurance must be serviced in accordance with the Servicing requirements of the Purchase Documents and the applicable FHA, VA, RHS or MI requirements. To the extent that those requirements may conflict with the Purchase Documents, the FHA, VA, RHS or MI requirements, as applicable, will control.

A Seller that is not also a Servicer must enter into a Concurrent Transfer of Servicing to a Transferee Servicer in accordance with the requirements of Chapter 7101. The Servicer may request approval of a Transfer of Servicing to a Transferee Servicer or designate another Servicer as its Servicing Agent.

A Servicing Agent must be an approved Freddie Mac Servicer, and must comply with all Freddie Mac Servicing requirements set forth in the Guide and other applicable Purchase Documents containing Servicing requirements (e.g., Servicing provisions that amend the Guide). A fully executed Form 479A, Single-Family Servicing Agent Certification and Agreement, that has been approved and acknowledged by Freddie Mac is a Purchase Document. The Master Servicer and the Servicing Agent agree and acknowledge that the Servicing Agent is only authorized to review and use Mortgage data, including, but not limited to, review and use of data through access to any Freddie Mac Servicing Tool available through the **Servicing Gateway**, related to the Mortgages for which the Servicing Agent has been engaged to perform the Servicing obligations of the Master Servicer.

Notwithstanding Freddie Mac's written approval of a Servicing Agent, in accordance with the provisions of this Section 8102.1, and notwithstanding the actual performance by the Servicing Agent of all or a portion of the Master Servicer's Servicing responsibilities, Servicing Agent and Master Servicer agree (a) that they are jointly and severally liable to Freddie Mac and shall indemnify, defend and hold Freddie Mac harmless from and against any and all loss, damage or expense, including court costs and attorney fees arising out of or relating to the Master Servicer's failure to comply with any Servicing requirement in the Guide or other applicable Purchase Documents that is a result of, or caused by, the Servicing Agent's failure to comply with any Servicing requirements within the scope of its Subservicing Agreement or violation of its representations, warranties, covenants and agreements set forth in its executed Form 479A and (b) that Freddie Mac may exercise any and all rights and remedies available under the Guide, other applicable Purchase Documents and applicable law against either or both the Master Servicer and/or the Servicing Agent for any such Servicing violation(s), provided however that under no circumstances will Freddie Mac be entitled to any duplicative recovery. The Master Servicer shall continue to be

responsible and liable to Freddie Mac for all Servicing requirements and all representations and warranties, in accordance with the terms of the Purchase Documents.

Each Master Servicer and its Servicing Agent agree and fully understand that:

1. The Master Servicer must disclose all relevant Purchase Documents containing Servicing requirements to its Servicing Agent prior to execution of Form 479A

2. The Master Servicer must maintain systems and/or processes to effectively manage and oversee its Servicing Agent's performance under both the Subservicing Agreement and Form 479A executed by both the Master Servicer and Servicing Agent whereby the Servicing Agent, among other things, agreed to service the Mortgages in accordance with the Servicing requirements of the Purchase Documents

3. The Servicing Agent's rights under the Subservicing Agreement are subject and subordinate in all respects to all rights, powers and prerogatives of Freddie Mac under the Purchase Documents, at law and in equity. The Guide and any applicable Purchase Document containing Servicing requirements shall supersede any inconsistent requirement or provision set forth in the Subservicing Agreement between the Master Servicer and Subservicing Agent. The Servicing Agent's rights under the Subservicing Agreement are without recourse to Freddie Mac of any kind whatsoever, such that the Servicing Agent's rights to perform the subservicing functions and to be compensated for the same (but not the Servicing Agent's indemnification rights, if any, against the Master Servicer) all pursuant to the Subservicing Agreement, are subject to extinguishment at any time. Freddie Mac's rights, powers and prerogatives include, without limitation, Freddie Mac's right to:

   - Suspend or terminate the Servicing Contract and related Servicing Contract Rights with the Master Servicer (in whole or in part, and with or without cause)

   - Suspend or terminate the Master Servicer and/or the Servicing Agent as an approved Freddie Mac Seller/Servicer (whether with cause or without cause); and/or

   - Terminate and/or transfer the Servicing Contract and related Servicing Contract Rights related to any Mortgage without regard to any provisions set forth in a Subservicing Agreement purporting to restrict Freddie Mac's rights including, without limitation, any purported rights of first offer, rights of first refusal, or other similar rights in favor of the Servicing Agent or any other third party with respect to, in whole or in part, the contractual rights to service Mortgages subject to a Subservicing Agreement for Freddie Mac

4. The Servicing Agent has no right to assume any part or the entirety of the Master Servicer's Servicing Contract with Freddie Mac

5. The Servicing Agent has no right to suspend or terminate Freddie Mac's Servicing Contract with the Master Servicer (whether in whole or in part, or with or without cause)

or the right to suspend or terminate the Master Servicer as an approved Freddie Mac Seller/Servicer or Servicer (whether with or without cause)

6. The Servicing Agent has no right to enter into a Transfer of Servicing or other agreement to transfer any rights or obligations under the Subservicing Agreement to a third party

7. The Servicing Agent is not a third-party beneficiary of any of the Purchase Documents between Freddie Mac and the Master Servicer

8. Freddie Mac is a third-party beneficiary of the Subservicing Agreement with respect to the rights of the Master Servicer and the duties and obligations owed by the Servicing Agent under the Subservicing Agreement with respect to the Mortgages serviced for Freddie Mac

9. The Servicing Agent has no rights, title or interest in the Servicing Contract between Freddie Mac and its Master Servicer or in any related Servicing Contract Rights

10. The Servicing Agent may *only* make any claims against Freddie Mac, arising out of or relating to its Subservicing Agreement or the Mortgages, through the Master Servicer

11. In any legal action or proceeding to defend or enforce Freddie Mac's rights with respect to Servicing the Mortgages under the applicable Purchase Documents or Freddie Mac's rights as a third-party beneficiary of the Subservicing Agreement, the prevailing party shall be entitled to recover reasonable attorney fees, court costs and expenses

12. The Master Servicer and Servicing Agent's execution of Form 479A and submission of the Annual Certification Report constitutes both the Master Servicer's and its Servicing Agent's express written consent to permit Freddie Mac to have access to, or to have disclosed to Freddie Mac, and to receive copies of:

    i. Any and all Mortgage records pertaining to any Mortgage serviced by the Master Servicer and subserviced by its Servicing Agent

    ii. The Subservicing Agreement, and

    iii. Any and all other records, document, files, information and data maintained or held by the Servicing Agent (or by others on the Servicing Agent's behalf), which Freddie Mac considers necessary or desirable to determine or assess the correctness and completeness of the Mortgage records pertaining to any Mortgage serviced by the Master Servicer and subserviced by the Servicing Agent. Freddie Mac examines the records, documents, files, information and data to ensure that the Master Servicer and Servicing Agent are complying with the requirements of the Purchase Documents and that nothing in this consent shall diminish in any way Freddie Mac's ownership interest in and right to the Mortgage file and all data pertaining to the Mortgage.

13. On or before the 20th day (or if such day is not a Business Day, then the next succeeding Business Day) of each calendar month, the Master Servicer must provide Freddie Mac **(see Directory 3)** with a written report containing:

    i. Any notice of default or event of default under the Subservicing Agreement received or sent by the Master Servicer

    ii. Any notice of an act, event or circumstance indicating that, with the passage of time, without cure of such act, event or circumstance, there would be an event of default under the Subservicing Agreement received or sent by the Master Servicer, and

    iii. Such other information or documents that Freddie Mac may request with respect to the Subservicing Agreement or the Mortgages, all in form and substance acceptable to Freddie Mac, to the extent that such other information or documents may be requested of other Servicers or Servicing Agents

14. If the Servicing Agent provides notice to the Master Servicer of (i) a default or event of default under the Subservicing Agreement, or (ii) an act, event or circumstance indicating that, with the passage of time without cure would become an event of default under the Subservicing Agreement, then the Servicing Agent will also provide a copy of such notice to Freddie Mac **(see Directory 3)**. The Servicing Agent must also provide Freddie Mac **(see Directory 3)** with a written report from time to time upon request from Freddie Mac, containing such other information or documents as Freddie Mac may request with respect to the Subservicing Agreement or the Mortgages, all in form and substance acceptable to Freddie Mac, to the extent that such other information or documents may be requested of other Servicing Agents; and

15. Except as expressly required under the Guide or other applicable Purchase Document, Freddie Mac has no duty to provide notice to or otherwise deal with the Servicing Agent

(i) Termination or expiration of Subservicing Agreement

A Master Servicer must notify Freddie Mac **(see Directory 3)** in the event its Subservicing Agreement with an approved Servicing Agent expires or is terminated by either party within one Business Day of such an expiration or termination by submitting a new Form 479A. When the Form 479A is submitted, the Master Servicer must notify Freddie Mac as to whether the Master Servicer will service the designated Mortgages or the Master Servicer intends to engage a new Servicing Agent.

(ii) Suspension or disqualification of the Master Servicer or termination of Servicing

If Freddie Mac suspends or disqualifies the Master Servicer as an approved Freddie Mac Seller/Servicer or terminates the Master Servicer's Servicing Contract and related Servicing Contract Rights, then, notwithstanding any provision in the Subservicing Agreement entered into by and between the Master Servicer and an approved Servicing Agent with respect to the Servicing of Mortgages for Freddie Mac, Servicing Agent

agrees that any such Subservicing Agreement shall, without notice, demand or other action, immediately terminate and be of no further force and effect. For example, any purported rights of first offer, rights of first refusal, or other similar rights in favor of the Servicing Agent or any other third party with respect to, in whole or in part, the contractual rights to service for Freddie Mac the Mortgages shall also immediately terminate upon termination of the Subservicing Agreement and be of no further force and effect. Immediately following any such event, the Master Servicer and the Servicing Agent shall work with Freddie Mac to transfer all Mortgage file documents and Servicing records in accordance with Freddie Mac's instructions and do any and all other acts that Freddie Mac, in its sole discretion, deems necessary to facilitate a Transfer of Servicing to another Servicer designated by Freddie Mac. In such event, Freddie Mac, at its sole discretion, may contract separately with the Servicing Agent for the Servicing of the Mortgages which the Master Servicer was previously responsible for Servicing, and the Servicing Agent agrees to assume primary responsibility for Servicing such Mortgages in accordance with the terms of the Purchase Documents.

Notwithstanding any provision to the contrary in any Subservicing Agreement, in the event of the suspension, disqualification or termination of the Servicing Agent as a Freddie Mac Servicer, then any such Subservicing Agreement shall, without notice, demand or other action, immediately terminate and be of no further force and effect with respect to Freddie Mac Mortgages. Immediately following any such suspension, disqualification or termination, the Master Servicer and the Servicing Agent (as may be appropriate) shall execute and transfer all such Mortgage file documents and Servicing records and do all such acts as the Master Servicer may deem necessary to facilitate a transfer back to the Master Servicer or to a new Servicing Agent selected by the Master Servicer, provided Freddie Mac's approval of the new Servicing Agent has been obtained in accordance with this Section 8102.1, of all of the Servicing Agent's Servicing obligations with respect to the Mortgages.

(iii) Transfer of records, document custody requirements and transfers of funds

Whenever the performance of a Master Servicer's Servicing obligations with respect to a Mortgage or group of Mortgages is to be undertaken by a new Servicing Agent or will be undertaken directly by a Master Servicer following the termination or expiration of a Subservicing Agreement with its former Servicing Agent, the Master Servicer and the Servicing Agent shall comply with the requirements of Section 8102.2.

(iv) Master Servicer indemnification of Freddie Mac

The Master Servicer shall, and hereby agrees to, indemnify Freddie Mac from and against any losses, damages, claims or expenses (including court costs and reasonable attorney fees) incurred by Freddie Mac as a direct or indirect consequence of the Servicing Agent's bankruptcy, insolvency, or failure to comply with any of the requirements of the Purchase Documents.

(b) Approval

A Master Servicer may not engage more than one Servicing Agent for Freddie Mac Mortgages being serviced under a particular Freddie Mac Seller/Servicer number at any one time.

A Master Servicer must obtain Freddie Mac's written approval to use a Servicing Agent before the Servicing Agent may commence any Servicing activities on behalf of the Master Servicer. For example, a Seller/Servicer that intends to engage a Servicing Agent to perform all Servicing obligations on behalf of the Seller/Servicer must obtain Freddie Mac's written approval to use that Servicing Agent prior to delivery of a Mortgage to Freddie Mac that it intends to be serviced by the Servicing Agent. In addition, with respect to a Concurrent or Subsequent Transfer of Servicing, a Transferee Servicer that intends to use a Servicing Agent with respect to the transferred Servicing Contract and Servicing Contract Rights of the related Mortgages must obtain Freddie Mac's written approval before the Servicing Agent commences any Servicing activities on behalf of the Transferee/Master Servicer. To request approval, the Master Servicer must submit a Form 479A to Freddie Mac **(see Directory 3)** executed by both the Master Servicer and the Servicing Agent. Freddie Mac reserves the right to disallow use or rescind authorization of any Servicing Agent that it has determined does not service Mortgages in accordance with the Servicing Contract.

See Section 1402.9(b) for additional requirements applicable to the subservicing of eMortgages (as defined in Section 1402.2), including, but not limited to, a Servicing Agent's use of a Master Servicer's approved eNote Vault System (as defined in Section 1402.2). (Note: An eMortgage Servicing Agent may use its own eNote Vault System, provided that the eMortgage Servicing Agent is separately approved to service eMortgages for Freddie Mac.)

Freddie Mac will indicate approval, if appropriate, by sending an e-mail with written confirmation of the approval of the submitted Form 479A. Freddie Mac's approval is effective until a new Form 479A is received indicating a new Servicing Agent or the Master Servicer as responsible for Servicing the Mortgages. Relationships between a Master Servicer and Servicing Agent that are dormant for a year (e.g., no Servicing activity is performed by the Servicing Agent) will be terminated.

See Section 2401.1(f) regarding requirements relating to Servicing Agent access to Freddie Mac Servicing Tools.

(c) Review of Servicing Agent

Before submitting the executed Form 479A, the prospective Master Servicer must carefully review the proposed Servicing Agent's procedures, methods of operation and minimum security standards, as set forth in Sections 1401.5 and 1401.6, for compliance with Freddie Mac's requirements. By submitting a Form 479A and proposing to use a particular Servicing Agent, the prospective Master Servicer shall be deemed to represent and warrant to Freddie Mac that it has carefully reviewed the Servicing Agent's procedures, methods of operation

and minimum security standards for compliance with Freddie Mac's requirements and has determined that the Servicing Agent has demonstrated the ability to service Mortgages in accordance with such requirements by having satisfactorily serviced for a reasonable period of time an existing portfolio of Mortgages of the same types as the Mortgages to be serviced for Freddie Mac.

(d) Oversight and surveillance

The Master Servicer must establish an oversight and surveillance program to monitor its Servicing Agent's compliance with the Servicing requirements of the Guide and other Purchase Documents applicable to the Master Servicer. In establishing an oversight and surveillance program, a Master Servicer should consider adopting the best practices set forth in the *Servicing Agent Oversight and Surveillance Program Best Practices* document published on **https://sf.freddiemac.com/content/_assets/resources/pdf/fact-sheet/master_surveillance.pdf**.

(e) Management experience of the Master Servicer

The Master Servicer must employ a seasoned Mortgage Servicing executive and experienced Mortgage Servicing staff to oversee the activities of the Servicing Agent, taking into consideration the volume of subserviced Mortgages and the complexity of the portfolio being serviced (e.g., non-performing high risk Mortgages). When determining the experience level, Master Servicers should consider the average years of experience, education, qualifications and demonstrated ability of the employee in relation to their respective levels of responsibility.

(f) Outsourced Vendors

Freddie Mac does not consider a Servicer's use of an Outsourced Vendor to constitute the use of a Servicing Agent. In addition, the use of an Outsourced Vendor does not require Freddie Mac's approval, unless otherwise provided in the Guide or the Servicer's other Purchase Documents. Without limiting the Servicer's responsibilities under Section 2401.1(e) with respect to Related Third Parties, the Servicer must ensure that the Outsourced Vendor has:

i. Systems and software applications that function accurately and in compliance with all applicable laws

ii. Systems security that complies with Chapter 1302, industry standards and all applicable privacy and data breach laws

iii. A business continuity plan in place, consistent with Section 1302.3, to maintain and restore the information within a pre-determined time frame for all Mortgages serviced for Freddie Mac in the event of a disaster or other interruption of business operations and processes, and

iv. Processes and procedures to ensure prompt and accurate responses to Borrowers. A Servicer that uses an Outsourced Vendor domiciled in, or who provides services to the

Servicer from, an offshore location (i.e., not in any State) must apply the same requirements and ensure the same level of service and compliance that is applicable to an Outsourced Vendor domiciled in and providing services to the Servicer from a State. Both the Master Servicer and its Servicing Agent must ensure that a Servicing Agent's Outsourced Vendor complies with the Servicing requirements in the Guide and other Purchase Documents.

The use of an Outsourced Vendor does not relieve the Servicer of any of Servicer's responsibilities to Freddie Mac under the Purchase Documents.

The Servicer shall continue to be responsible and liable to Freddie Mac for all the actions and omissions of any Outsourced Vendor used by the Servicer in accordance with the terms of the Purchase Documents.

8102.2: Obligations upon termination or expiration of Subservicing Agreement (04/12/23)

(a) Servicing obligations undertaken by new Servicing Agent or by the Master Servicer

Whenever the Master Servicer's Servicing obligations are undertaken by a new Servicing Agent (e.g., due to the termination or expiration of the Subservicing Agreement with a prior Servicing Agent) or performed directly by the Master Servicer itself, the Master Servicer and, if applicable, the new Servicing Agent must complete and submit **(see Directory 3)** the following information to Freddie Mac at least 30 days before the date the new Servicing Agent commences Servicing of the Mortgages:

- A fully executed Form 479A, Single-Family Servicing Agent Certification and Agreement, signed by both the Master Servicer and, if applicable, the new Servicing Agent, with a list of the specified Mortgage types and Mortgages with specified features included in the subservicing arrangement including, but not limited to, Mortgages in active alternatives to foreclosure and the terms of such alternatives, and

- A list of Mortgages that will be serviced by the new Servicing Agent or by the Master Servicer directly

(b) Mortgages modified electronically

If the portfolio being transferred as part of the subservicing arrangement includes Mortgages that have been modified electronically or subject to an Electronic Payment Deferral Agreement as defined in Chapter 1401, the Servicer that is transferring the Mortgage documents and Servicing records must indicate on Form 479A that:

- Mortgages with an eModification Agreement or an Electronic Payment Deferral Agreement

- Provide a list of such Mortgages, and

- Indicate the name of the repository holding the eModification Agreement or Electronic Payment Deferral Agreement

See Section 9205.20 for requirements governing the HAMP eModification Agreement.

Freddie Mac will indicate approval, if appropriate, by providing the signed Form 479A to the Master Servicer and, if applicable, the new Servicing Agent.

(c) Denied Form 479A requests

Freddie Mac reserves the right to deny a Master Servicer's request to use a new Servicing Agent or to undertake Servicing directly. Freddie Mac may provide the Master Servicer written notice of the denial, but is not obligated to provide a written notice explaining the reason for denial. In the event Freddie Mac denies a Master Servicer's request to use a new Servicing Agent or undertake Servicing directly, the Master Servicer agrees to work with Freddie Mac to identify a new Servicing Agent or engage in a Subsequent Transfer of Servicing of the Mortgages to a Transferee Servicer in accordance with the requirements of Chapter 7101.

(d) Freddie Mac's rights

Any unauthorized Servicing of Freddie Mac Mortgages by a new Servicing Agent or by the Master Servicer constitutes grounds for suspension or disqualification of both the Master Servicer and the purported Servicing Agent as Seller/Servicers. In addition, Freddie Mac may exercise any of its other rights under the Purchase Documents.

Freddie Mac may perform a post-transfer review following establishment of the subservicing arrangement, which may include onsite visits, to determine whether the Master Servicer and Servicing Agent, as applicable, complied with the requirements of the Guide and applicable Purchase Documents.

(e) Master Servicer and Servicing Agent reviews

The Master Servicer, the former Servicing Agent and, if applicable, the new Servicing Agent must participate with each other to conduct a due diligence review on the Mortgages related to the transfer, the transferred Mortgage files, Servicing data and records, Custodial Accounts, if applicable, obligations under the Purchase Documents and any alternative to foreclosure and provide to the Servicer that will perform the Servicing obligations with any missing data, documents or other information necessary for that Servicer to perform its obligations in accordance with the Guide, applicable Purchase Documents, terms of the Mortgage and applicable alternatives to foreclosure.

(f) Servicer to perform the Servicing obligations

The Servicer that will perform the Servicing obligations must perform a due diligence review on the Mortgages it will service and on any related Custodial Accounts, and be aware of any obligations under the Purchase Documents and any alternative to foreclosure, whether offered and outstanding or currently in place with a Borrower. The Servicer that will be performing the Servicing obligations must ensure that its due diligence efforts include, but are not limited to, a review of the following information:

1. Reports and data that confirm and support information provided to the Servicer

2. Pertinent reports prepared by internal or external auditors, including any recently completed Freddie Mac audit

Upon request, the Master Servicer and any Servicing Agent must provide to Freddie Mac the post-transfer review results.

(g) Servicing reporting

Beginning with reports due for the reporting cycle immediately following the day the new Servicing Agent or Master Servicer undertakes the performance of the Servicing obligations, all Servicing reports, whether required to be submitted electronically or by paper copy, must be submitted in the name and Seller/Servicer number of the Master Servicer.

(h) Transfer of Mortgage and REO files

No later than 30 days after the new Servicing Agent or Master Servicer undertakes the performance of the Servicing obligations, the Servicer that was performing the Servicing obligations must deliver to the new Master Servicer, or, if applicable, the new Servicing Agent, the following records for each Mortgage and REO for which Servicing is transferred:

1. **Mortgage file**: The Mortgage file that the Servicer is required to maintain in accordance with Chapter 3302

   - If the Servicer that was performing the Servicing obligations does not have the same form of document and records maintenance (photographic, photostatic, microfilm, microfiche, electronic imaging, optical disk or laser disk storage) as the new Servicer Agent or Master Servicer, then the former Servicer must either convert the documents and records to the form of storage utilized by the new Servicer Agent or Master Servicer or generate paper copies of all documents and records for the new Servicer Agent or Master Servicer

   - Effective for Mortgages with Note Dates on or after July 1, 2013, Servicers may no longer make copies of original paper Mortgage file documents for any Mortgage file documents (excluding the paper original Mortgage file documents specified in Section 3302.2, which must always be maintained and stored as paper originals) using

microfilm or microfiche. Servicers may copy original paper Mortgage file documents using scanning systems commonly used in the regular course of business at this time, and maintain copies of such documents as Portable Document Format (PDF), Tagged Image File (TIF) format, Joint Photographic Experts Group (JPEG) format or other electronic document formats commonly used in the regular course of business at this time.

2. **Payment history:** The complete history of Mortgage payments and, if applicable, Escrow disbursements (including the most recent Escrow analysis), with supporting documentation, from the Origination Date of the Mortgage

3. **Correspondence and reports:** Copies of all correspondence with, and reports to, the Borrowers and, as applicable, FHA, VA, RHS, MIs, Freddie Mac and any government authority

4. **Notice of transfer:** A copy of the notice to the Borrowers regarding the change in entity performing the Servicing obligations (e.g., change of payment address)

5. **REO history:** If REO is being serviced, the complete history of receipts, expenditures and management and marketing activities (including copies of any filed MI claims) with supporting documentation from the date the REO was acquired

(i) Transfer of portfolio records

No later than the date the new Servicing Agent or Master Servicer undertakes the performance of the Servicing obligations, the Servicer must deliver to the new Servicing Agent or Master Servicer that will perform the Servicing obligations the following records for the Mortgages and REO that will be serviced by such Servicing Agent or Master Servicer:

1. **Service contracts:** Copies of tax and flood hazard determination service contracts, if applicable

2. **Unpaid charges:** A list of Escrowed charges due and unpaid as of the date the new Servicing Agent or Master Servicer undertakes the performance of the Servicing obligations

3. **Trial balances:** Trial balances, as of the close of the last Business Day immediately preceding the date on which the performance of Servicing obligations will transition to the new Servicing Agent or back to the Master Servicer, showing:

   - Transfers of Ownership, payoffs and other Servicing exceptions in process
   - Escrows, Escrow advances and prepayments
   - Where applicable, buydown accounts and balances

- Delinquencies, foreclosures, bankruptcies and REO

4. **Automatic payments:** A list of Mortgages subject to automatic drafting of monthly payments along with Borrower authorization and all necessary information to continue without interruption, electronic payments on the Borrower's Mortgage, to the extent permitted by applicable law

5. **Insurance policies:** A list of Mortgages showing expiration dates of the insurance policies on the Mortgaged Premises, whether or not premiums for these policies were Escrowed

6. **Other documents:** Ledger records and definitions of codes used in ledger records, trial balances or any other documents required by Freddie Mac to be transferred to the Servicing Agent or Master Servicer that is undertaking the performance of the Servicing obligations

   - **Custodial Accounts (if applicable):** A copy of the depository institution's reconciliation, as of the close of the bank's last business day immediately preceding the date on which the performance of Servicing obligations will transition to the new Servicing Agent or back to the Master Servicer, for each Custodial Account maintained in accordance with Chapter 8304

   - **Freddie Mac reports:** Copies of all Servicing and accounting reports filed with Freddie Mac for the three months immediately preceding the date on which the performance of Servicing obligations will transition to the new Servicing Agent or back to the Master Servicer

(j) Notices to the Borrower

The Servicer that is ceasing performance of the Servicing obligations must provide timely notice to the Borrowers to ensure a smooth transition, avoid disruption in Mortgage payments and otherwise comply with applicable laws and regulations. The Servicer must provide written notice to each Borrower at least 15 days before the first payment is due to be received by the Servicer Agent or Master Servicer that is undertaking the performance of the Servicing obligations.

(k) Master Servicer's or new Servicing Agent's notice to the Borrower

The Master Servicer or its new Servicing Agent, whichever is undertaking the performance of the Servicing obligations, must provide to each Borrower written confirmation of the information in the notice to the Borrowers provided by the Servicer that is ceasing performance of the Servicing obligations within 15 days before the date the first payment is due to be received by the Master Servicer or its Servicing Agent, as applicable.

(l) Notice requirements

The notice must advise the Borrower of the following:

1. The date the new Servicing Agent or Master Servicer undertakes the performance of the Servicing obligations

2. The name and address of the Servicer undertaking the performance of the Servicing obligations

3. The names and telephone numbers of the contact persons or departments where the Borrowers' inquiries relating to the transfer should be directed. (If toll-free numbers are not available, the letter must indicate that collect calls will be accepted.) Such names and telephone numbers must be provided for the party previously performing the Servicing obligations as well as the new Servicing Agent or Master Servicer undertaking the performance of the Servicing obligations.

4. The date when the party previously performing the Servicing obligation will no longer collect the Borrowers' payments and when the new Servicing Agent or Master Servicer undertaking the performance of the Servicing obligations will begin to collect them

5. Procedures for maintenance of automatic draft payments, if applicable. Every effort must be made to continue, without interruption, electronic payments on the Borrower's Mortgage, to the extent permitted by applicable law.

The notice may not amend the terms of a Mortgage other than those relating to where to send payments.

The Master Servicer and any Servicing Agent must ensure that their staff and facilities are adequately prepared to process Servicing and accounting transactions and to respond to Borrower inquiries during the transfer transition period. The Servicing Agent or Master Servicer undertaking the performance of the Servicing obligations must assume responsibility for responding to Borrower inquiries received after the date of such undertaking. If any Servicing or accounting problem cannot be resolved without the involvement of the Servicer that was performing the Servicing obligations, the new Servicing Agent or Master Servicer undertaking the performance of the Servicing obligations, and not the Borrower, should initiate the contact with the prior Servicer.

During the transfer transition period, the Servicers involved must make reasonable efforts to resolve disputes to the Borrowers' satisfaction when such disputes arise from legitimate Borrower misunderstanding of instructions in the notices to the Borrower. Late charges must be waived and, if applicable, appropriate adjustments to payment and credit records made for misapplied or unapplied payments due to a payment received by the Servicer that was performing the Servicing obligation instead of the new Servicing Agent or Master Servicer undertaking the performance of the Servicing obligations.

Within one day of receipt, the Servicer that was performing the Servicing obligations must deliver to the Servicing Agent or Master Servicer undertaking the performance of the Servicing obligations any funds for, or correspondence regarding, any of the Mortgages and REO related to the transfer that are received on or after the date the Servicing Agent or Master Servicer undertakes the performance of the Servicing obligations.

Chapter 8103: Servicer Accounting and Application of Payments

8103.1: Servicer fiscal responsibilities (04/12/23)

The Servicer must prepare its balance sheet and other financial statements that clearly reflects the sale of Mortgages to Freddie Mac as a sale of assets. This is required in addition to the file identification and marking of accounting records required elsewhere in this Guide.

Each Servicer acknowledges and agrees that any reference to a "mortgage servicing right" or "MSR" in its books and records or in any other third-party contract related to the Servicing of Freddie Mac-owned Mortgages and/or related to the compensation Freddie Mac pays or may pay in the future to such Servicer (i.e., in the form of a Servicing Spread) is in fact a short-hand reference for the term "Servicing Contract Right". Although some participants in the mortgage industry refer to MSRs and mortgage servicing rights, initially used as accounting terms, instead of the more appropriate and complete term "Servicing Contract Rights", for precision, Freddie Mac generally, and the provisions of our Purchase Documents, will continue to use the term "Servicing Contract Rights". Notwithstanding any extra-contractual meanings associated with the terms "MSR" and "mortgage servicing rights", the terms "MSR" and "Mortgage Servicing Rights" (and any references to ownership thereof by any Servicer) (i) are for convenience purposes only as a result of industry and accounting convention (e.g., pursuant to generally accepted accounting principles), and (ii) in fact refer to Servicing Contract Rights (1) that are conditional in nature (e.g., may be terminated in whole or in part by Freddie Mac in its unfettered discretion) and (2) are not owned by the Servicer, but rather with respect to which a Servicer may have rights sufficient to satisfy UCC § 9-203(b)(2).

8103.2: Mortgage accounting records (06/12/19)

(a) Permanent records

The Servicer must maintain permanent Mortgage accounting records for each Mortgage sold to Freddie Mac. The records must contain the complete Freddie Mac nine-digit loan number assigned to the Mortgage.

(b) Accounting system

Freddie Mac requires that the Servicer's Mortgage accounting system be able to produce an account transcript for each Mortgage, itemizing the following in chronological order:

- The date, amount and breakdown of principal, interest and Negative Amortization of each payment

- The date to which interest is paid
- The date, amount and nature of each disbursement, advance, adjustment or other transaction affecting the amounts due from or to the Borrower

The system must also be capable of providing:

- The current outstanding principal balance and Negative Amortization of the Mortgage
- The current Escrow (impound) balance
- Disclosure of any insufficiency in Escrow balances for a Mortgage

(c) Accounting principles

The Servicer must maintain the accounts and records for Freddie Mac-owned Mortgages according to sound and generally accepted accounting principles in a manner that permits Freddie Mac's representatives or designees to examine and audit these accounts and records at any time.

8103.3: Accounting methods (03/02/16)

(a) Amortization method

The Servicer must use the amortization method of individual loan accounting, with interest calculated in arrears, for each Mortgage it services for Freddie Mac. Under this method, an individual Mortgage payment is applied to interest and principal by first calculating the interest portion and then applying the balance of the payment as a principal reduction.

Unless otherwise specifically required by law, the interest portion of the payment must be determined by computing one full month's interest on the outstanding principal balance (Exhibit 62, Interest Calculation: Amortization Method) regardless of the day on which the payment is actually received. To determine the interest due for the month, multiply the outstanding principal balance by the interest rate of the Mortgage and divide by 12.

Factors used for interest calculations must be carried to at least six decimal places, then rounded to the nearest decimal place based on the third digit. After applying the interest portion of the payment, the remainder is applied to principal.

The Fannie Mae/Freddie Mac Uniform Instruments provide for this amortization method, unless the law of the State where the Mortgaged Premises are located specifically requires a different method. If applicable law specifically requires a different method, the Servicer must so notify Freddie Mac **(see Directory 7)** in writing before remitting payments to Freddie Mac. When computations involve multiple installments, such as several delinquent installments, the interest from each may be computed using the same principal balance

(Exhibit 63, Interest Calculation: Amortization Method). The amount to be applied to interest from each installment also may be calculated in succession, using the principal balance remaining after the previous calculation and principal application (Exhibit 64, Interest Calculation: Amortization Method). Similarly, a method that strictly applies payments according to a predetermined amortization schedule is also acceptable.

For Initial Interest℠ Mortgages, the monthly payment will be interest-only followed by fully amortizing principal and interest payments beginning on the First Amortizing Payment Date. For Initial Interest Mortgages, Servicers must have the ability to produce monthly payment statements for Borrowers.

In addition, for Initial Interest 3/1, 5/1 and 7/1 10-year Interest Only Period ARMs, Servicers must be able to track the first Interest Change Date and the First Amortizing Payment Date separately.

(b) Interest calculations involving a period of less than one month

For interest calculations involving a period of less than one month (for example, Mortgages paid in full or third-party sales), the amount of interest must be based on actual days and a 365-day year.

(c) Interest-in-advance

Freddie Mac does not permit the use of the prepaid interest or interest-in-advance methods on Mortgages purchased. Any Servicer using the interest-in-advance method must convert to the interest-in-arrears method for Mortgages purchased by Freddie Mac before delivering the Mortgages to Freddie Mac.

8103.4: Application of payments: general (03/02/16)

Except as described in Sections 8103.5 through 8103.7 all payments of the monthly installment due shall be applied as specified in the Security Instrument.

8103.5: Application of payments: differences in collection (03/02/16)

For each Mortgage, all payments received must equal or exceed the monthly principal, interest and Escrow, if applicable, unless a deficiency of $50 or less occurs. The Servicer must not create a payment deficiency by deducting a late charge from the regular monthly payment. Refer to Section 9102.2 for further information on late charge collections.

A Mortgage payment, including Escrow amounts that is deficient by $50 or less may be:

- Applied by reducing the amount credited to the Escrow balance
- Credited to an unapplied or suspense funds account until a full payment is received
- Returned to the Borrower for a complete payment

If the deficiency exceeds $50, the partial payment must be either credited to unapplied or suspense funds until a full payment is received or returned to the Borrower.

Partial payments received from a Borrower during a repayment plan must be held in Freddie Mac's Escrow Custodial Account until a full payment is received.

Refer to Section 8302.4 for requirements regarding the deposit of partial payments to the Escrow Custodial Account.

Checks returned because of insufficient funds must be reflected as a complete reversal of the most recent Escrow, interest, Negative Amortization and principal application.

8103.6: Application of payments: Mortgage paid in full (06/12/19)

(a) General Servicer responsibilities

The Servicer must determine and accept the amount required to pay a Mortgage in full, including the interest to the payoff date and remit the total proceeds due Freddie Mac. The Servicer is responsible for providing payoff amounts to individual Borrowers or their agents and is liable to Freddie Mac for any errors in the amount of any payoff.

The Servicer must take all actions required by law, within statutory time limits, to release the lien and discharge the debt of a Mortgage that has been paid in full (paid off). The Servicer agrees to hold Freddie Mac, its successors and assigns, harmless from and against any and all losses, claims, demands, actions, suits, damages, costs and expenses (including reasonable attorney fees) of every nature and character that may arise or be asserted against or be incurred by Freddie Mac as a result of the Servicer's failure to comply with applicable law.

If the Mortgage is evidenced by a Security Instrument, or is insured or guaranteed under a federal program, that prohibits the charging of a release or reconveyance fee upon payoff, the Servicer may not charge such a fee even if permitted to do so under applicable law. This prohibition extends to trustees in deed of trust jurisdictions and applies to "release" fees, "processing" fees, "forwarding" fees, "document preparation" fees and similarly denominated charges. In deed of trust jurisdictions, a Servicer must not knowingly employ or retain a trustee who charges Borrowers for reconveyance services.

If permitted to do so under applicable law and the Security Instrument, the Servicer may charge the Borrower for the actual cost of recording the release or reconveyance.

The Servicer must request the release of the Note and other documents held by the Document Custodian in accordance with Section 8107.1 for a Mortgage that has been paid in full. The Servicer must comply with any and all statutory requirements and time frames regarding disposition of the Note, which may require returning the Note to the Borrower following pay off. For an eMortgage (as defined in Section 1402.2) that has been paid in full, the Servicer must also comply with the requirements in Section 1402.10(c).

Payoff proceeds received by the Servicer must be remitted and reported to Freddie Mac in accordance with applicable provisions of Chapters 8303 and 8304.

(b) Prepayment Penalty Mortgages

With respect to a Prepayment Penalty Mortgage, the Servicer must collect the amount of the prepayment penalty provided for in and under the conditions specified in the Mortgage loan instruments and:

1. For Prepayment Penalty Mortgages sold to Freddie Mac prior to October 14, 2005, the Servicer must not assess or collect a prepayment penalty if either:

   - The proceeds received for the payoff of the Mortgage are from the sale of the Mortgaged Premises, or

   - The payoff of the Mortgage is received from any source, including insurance proceeds, in connection with the workout of a delinquent Mortgage or due to a default under the terms of Security Instrument

2. For Prepayment Penalty Mortgages sold to Freddie Mac on and after October 14, 2005, the Servicer must not assess or collect a prepayment penalty if either:

   - The proceeds received for the payoff of the Mortgage are from the sale of the Mortgaged Premises and the prepayment period is more than three years or

   - The payoff of the Mortgage is received from any source, including insurance proceeds, in connection with the workout of a delinquent Mortgage or due to a default under the terms of the Security Instrument

(c) FHA/VA and Section 502 GRH Mortgages

For FHA/VA and Section 502 GRH Mortgages, any notice of prepayment or entitlement to interest past the date of payment-in-full must be waived by the Servicer on behalf of Freddie Mac. Escrow balances may be either credited to the mortgagor or returned separately.

When an FHA Mortgage is paid in full, the Servicer must collect the amounts due FHA for the adjusted prepayment premium and for pro rata earned mortgage insurance premiums. The Servicer must then complete any required notice and submit it directly to FHA with the required remittances.

(d) Buydown accounts

Any funds remaining in the buydown account of a Mortgage prepaid in full must be released according to the terms of the buydown agreement.

For further explanation of procedures to be followed in regard to conventional, FHA/VA and Section 502 GRH Mortgage payments-in-full, see Section 8303.9.

8103.7: Application of payments: partial prepayments (curtailments) (12/09/19)

The Servicer may accept partial prepayments of principal in any amount according to the terms of the Note. Upon request by the Borrower, the monthly principal and interest installments may be recalculated, provided that:

- The monthly payments are current
- There is no extension of the Note maturity date or the maturity date calculated in accordance with any modification agreement in force at the time of Freddie Mac's purchase of the Mortgage
- FHA, VA, RHS or MI approval is obtained, if applicable
- The rate of interest stated in the Note remains unchanged

The Servicer may determine, in its discretion and in compliance with applicable law, whether to require:

- A modification agreement executed by both the Borrower and the Servicer, or
- A Servicer-executed modification agreement

The Servicer must report Loan Level Reporting exception code 91(Recast) in the Accounting Cycle containing the Due Date of the new Mortgage principal and interest (P&I) monthly payment. Servicers must report Mortgages with a step rate via the Freddie Mac Servicing Data Corrections tool (see Exhibit 88, Servicing Tools) and report Loan Level Reporting exception code 91. If a prepayment(s), with the modified P&I constant, is received prior to the date the Mortgage P&I monthly payment changes, the Servicer must apply the payment in accordance with the Security Instrument, but not report the payment to Freddie Mac prior to the date the

Mortgage P&I monthly payment changes. However, if all contractual payments with the pre-modified P&I constant have previously been reported, then the recast exception code, the modified P&I constant and the modified Mortgage P&I payment may be reported in the Accounting Cycle prior to the Due Date of the modified Mortgage P&I payment.

If the original Security Instrument was registered with MERS®, the Servicer must execute the modification agreement on behalf of MERS. Freddie Mac does not need to approve any modification meeting the requirements in this Section 8103.7.

Freddie Mac will update its systems with the newly modified principal and interest payment as set forth in the modification agreement. The Servicer must also report and remit the new payment in accordance with the requirements in Chapter 8303.

The Servicer warrants that with respect to any modification agreement completed under this section, that the modified Mortgage retains its First Lien position and is fully enforceable at the time of modification, throughout its modified term and during any bankruptcy or foreclosure proceeding involving the Mortgage.

Freddie Mac's execution of any document submitted by the Servicer does not imply that it has reviewed the document for legal adequacy. This is the Servicer's responsibility. When required by local law or practice, the Servicer must obtain the consent of any statutory or contractual lienholder and binding confirmation by the title insurer that no loss in priority of the lien is incurred. The Servicer must make any necessary recordation. To the extent of local law and practice, the Servicer may require the Borrower to reimburse the Servicer's costs and pay expenses incurred in preparing or recording the modification agreement.

The Servicer must send one original modification agreement to the Document Custodian in accordance with the timing and other requirements of Section 9206.17; except for any Mortgage that is modified using a Servicer-executed modification agreement, the Servicer must send such agreement to the Document Custodian within 25 days of the Modification Effective Date. The Servicer must refer to Section 8103.7 for Freddie Mac's accounting requirements regarding this subject.

Principal curtailments can be made any Business Day of the month and must be applied no later than the day on which the curtailment is received. To determine the interest due for the next monthly payment, multiply the UPB by the interest rate of the Mortgage and divide by 12.

Funds received in consideration of a partial release of the Mortgaged Premises or the taking of the Mortgaged Premises in whole or in part by eminent domain will be applied as instructed by Freddie Mac in accordance with Sections 8401.1 and 8401.2.

(a) ARMs

For ARMs, curtailments must first be applied as a reduction of Negative Amortization and then as a reduction to principal. Both applications must be reported as principal due Freddie Mac in the loan-level transaction.

(b) Computing interest

For computing forecasted scheduled interest due in the next Accounting Cycle, the interest must be calculated on the current Accounting Cycle interest-bearing Ending UPB, after applying all principal payments (i.e., current monthly principal payment, curtailment and prepayments) received and reported in the current Accounting Cycle.

(c) Modifications

Modifications on Home Mortgages that result in reduced monthly payments due to curtailments may be approved by the Servicer without Freddie Mac's approval, provided that:

- The monthly payments are current
- There is no extension of the Note maturity date or the maturity date calculated in accordance with any modification agreement in force at the time of Freddie Mac's purchase of the Mortgage
- MI, VA, RHS or FHA approval is obtained, if applicable
- The Note Rate remains unchanged; and
- The modification is reflected in a written agreement and processed in accordance with the requirements in Section 8103.7. (Note: Per Section 1402.10(a), the Servicer must update the MERS® eRegistry (as defined in Section 1402.2) to provide notice of the modification agreement upon a recast modification of an eMortgage (as defined in Section 1402.2).)

Except as otherwise stated in the Guide or applicable Purchase Documents, the Servicer must obtain Freddie Mac's prior written approval before entering into a modification with a Borrower.

(d) Initial Interest℠ Mortgages

For Initial Interest℠ Mortgages, if the Borrower makes a principal curtailment during the Interest Only Period, then the next interest-only payment must be recalculated based on the new UPB. For an Initial Interest 3/1, 5/1 and 7/1 10-year Interest Only Period ARM, if there is a principal curtailment during the period when the interest rate has begun adjusting annually but the monthly payments are still interest-only, the Servicer must continue to recalculate the next interest-only payment based on the new UPB until the end of the Interest Only Period; after the Interest Only Period, the monthly payment should be recalculated in accordance with the Servicer's standard processes for ARMs.

If the Borrower makes a principal curtailment during the Interest Only Period, then the next interest only payment must be recalculated based on the new UPB. The Servicer must remit

interest based on the new UPB to Freddie Mac in the Accounting Cycle immediately following the date the Borrower made the principal curtailment.

Servicers must be able to comply with the terms of the Initial Interest Note and calculate (or recalculate) the first fully amortizing principal and interest payment based on the UPB after application of any partial prepayment received on or before the last interest only payment due date.

Before the effective date of any change in the Borrower's monthly payment, the Servicer must deliver or mail the Borrower a notice of such change. The notice must include the information required in the loan instruments or by applicable law, and must also include the following:

1. Name and address of Borrower
2. Address of property
3. Loan number
4. Change in monthly payment
5. New monthly payment amount
6. Reason for change (i.e., reduction in UPB; loan becomes fully amortizing; change in interest rate, if an ARM)
7. Title and telephone number of a person who will answer any questions

8103.8: Reapplication of prior repayments (03/02/16)

The Servicer may not automatically reapply prior prepayments or accumulated prepayments for payment of subsequent installments. Payments advanced to satisfy future installments must be accounted for as advanced (prepaid) installments of principal and interest. The Servicer should contact the Borrower if there is a question about the Borrower's intent.

8103.9: Accounting with respect to delinquency relief (03/02/16)

Freddie Mac's Servicing requirements regarding delinquency relief are described in Chapter 9203. These sections should be read in conjunction with the accounting requirements in this section.

When delinquency relief has been granted, the Servicer must apply funds collected from the Borrower according to the governing Note or repayment agreement. Regardless of cash collected from the Borrower, the Servicer must report to Freddie Mac in accordance with the net yield reporting concept. Freddie Mac will receive its proportionate share of principal collections and the Accounting Net Yield interest for the monthly reporting period.

Section 8303.16 sets forth the monthly reporting requirements.

Chapter 8104: Special Servicing

8104.1: Servicing Texas Equity Section 50(a)(6) Mortgages (02/15/17)

The Servicer must have in place adequate procedures to receive and timely respond to Borrower inquiries, claims of defects, and other complaints (whether or not the Borrower specifically references Article XVI Section 50(a)(6) of the Texas Constitution) received in connection with a Texas Equity Section 50(a)(6) Mortgage. In addition, if the Servicer receives a Borrower notification of the lender's failure to comply, or otherwise discovers that the lender or Servicer has failed to comply, with the provisions of Article XVI of the Texas Constitution with respect to a Texas Equity Section 50(a)(6) Mortgage, it must notify Freddie Mac within seven Business Days of receipt **(see Directory 5)** of the notification or discovery and provide Freddie Mac with a copy of the notification and/or related information. The Servicer must cure all curable defects related to the origination of the Mortgage, or for Borrowers in a Trial Period Plan, the terms of the Trial Period Plan, in accordance with the provisions of Section 50(a)(6) of Article XVI of the Texas Constitution within the time period specified in Section 50(a)(6). Refer to Section 9206.13 for additional notification and other requirements with respect to a complaint or objection to a mortgage modification.

8104.2: Biweekly payment plans (05/04/20)

A Borrower may choose to enter into a biweekly payment plan to accelerate the reduction in principal on a Mortgage by applying the equivalent of one or more extra monthly payments each year, thereby reducing total interest costs.

Biweekly payment plans do not change the conditions and terms of the Note regarding the amount of monthly payments, when monthly payments are due, the application of payments, the assessment of late charges and the calculation of Delinquencies, nor do they change the way payments are reported or remitted to Freddie Mac, or the way Delinquencies are reported to Freddie Mac.

If the Borrower asks about using a third party's biweekly payment plan and this third party is not a vendor who administers the plan for the Servicer, then the Servicer should advise the Borrower that the:

- Conditions and terms of the Mortgage still apply and will be enforced
- Borrower can make the extra payments directly to the Servicer without a formal plan and without the cost and potential risks of using a third party to administer such a plan (or the Servicer may offer such a plan to the Borrower if the Servicer has such a plan available)

- Borrower will be responsible for any late charges or payment shortages if the third party fails to make timely and sufficient payments to the Servicer

- Borrower should check the type of safeguards that will be in place to protect the Borrower's money from misuse by the third party before it is transferred to the Servicer

- Mortgage could be subject to foreclosure action if the third party fails to remit the Borrower's payment to the Servicer and the Mortgage becomes delinquent, even if the Borrower has taken legal action to recover any payments made to the third party that were not remitted to the Servicer

If the Servicer chooses to enter into a biweekly payment plan with a Borrower after the Mortgage has been sold to Freddie Mac, the Servicer must ensure that the following requirements for the administration of the plan are met:

1. A Servicer may offer or advertise the availability of a biweekly payment plan for Mortgages in the Servicer's portfolio, so long as the Servicer does not specifically target the offer or advertisement to Mortgages that are serviced for Freddie Mac

2. The Servicer must establish the biweekly payment plan pursuant to a separate agreement between the Borrower and the Servicer. The agreement must allow for cancelation by either the Borrower or the Servicer at any time, at which point the monthly payment schedule would be reinstated. The Borrower cannot be charged a fee for canceling the agreement.

3. Any fee that is charged to the Borrower for this service must be allowable under applicable law and be reasonable compared to other providers' fees in the market

4. The Servicer may administer the plan or contract with a third-party vendor to administer the plan

5. The plan must provide that two biweekly payments equate to one monthly payment due under the terms of the Note and that payments collected in a given month are applied as a monthly payment on the first day of the month following the month in which the payments were received. In any month in which a third payment is received, that payment is applied as a principal curtailment in the month following the month in which the payment was received.

6. All biweekly principal and interest payments received from the Borrower must be placed in an Escrow Custodial Account that meets the requirements of Chapter 8302. If the Servicer administers the plan, then the payments must be placed into the Escrow Custodial Account no later than the first Business Day after their receipt by the Servicer. If the Servicer administers the plan through a third party, then the payments must be placed into the Escrow Custodial Account no later than the second Business Day after the date on which the third party deposits the payments into the Servicer's payment clearing account. On the payment due date, sufficient funds to equate to one monthly payment must be posted to the Mortgage record and the funds transferred into the Principal and Interest Custodial Account. The Servicer may use the Escrow Custodial Account that is established for Escrow items such as property taxes and

property and mortgage insurance premiums so long as the biweekly payment funds can be identified and accounted for separately for each Borrower using the plan, or the Servicer may set up a separate Escrow Custodial Account that meets the requirements of Chapter 8302.

7. If the Borrower does not pay the third biweekly payment in a month when a third payment is due under the plan, the Borrower may not be charged a late charge, nor may the Borrower be reported as delinquent

8. The Servicer must be able to identify which Mortgages have biweekly payment plans and provide this information to Freddie Mac if asked to do so

8104.3: FHA, VA, RHS and MI Servicing requirements (03/02/16)

The Servicer must comply with and use its best efforts to obtain compliance by the original Borrower and any transferee of the Borrower with all requirements of the FHA, VA, RHS or MI for Mortgages serviced for Freddie Mac. References to FHA, VA, RHS and MI requirements are made elsewhere in this Guide, and some guidance is given as to the nature of these requirements. The Servicer must ensure that all applicable FHA, VA, RHS and MI requirements are satisfied, so that Freddie Mac receives full benefit of the FHA insurance or RHS guaranty, VA guaranty or mortgage insurance.

8104.4: Servicing ARMs (03/02/16)

Refer to Chapter 8502 for special Servicing and reporting requirements for ARMs.

8104.5: Home Mortgages purchased in part (06/12/19)

Effective June 12, 2019, Section 8104.5 is deleted.

8104.6: Incomplete improvements (11/06/24)

In addition to all other Servicing requirements of the Servicing Contract, Servicers that service any Mortgage that was permitted to be delivered to Freddie Mac prior to completion of repairs and/or improvements (e.g., pursuant to Chapter 4606 or Sections 4607.1(b), 4607.1(c) or 5601.3) must comply with the Servicing requirements related to completion of such repairs and/or improvements. This includes, but is not limited to:

- Processing, management and performance of draw inspections and/or maintenance and management of disbursements of the completion escrow account (and application of any

remaining funds)

- Retention of certain documentation in the Mortgage file, such as the costs of the repairs and/or improvements, appraisal(s) and a certification of completion

- Receipt of a completion report including photographs of the completed items and, as applicable, evidence that the Mortgage remains a valid First Lien on the Mortgaged Premises in accordance with Section 4201.2, and

- For CHOICERenovation® Mortgages delivered pursuant to Section 4607.1(b), maintaining the Renovation Funds in their respective Custodial Account for Renovation Funds (as described in Section 4607.12), managing the contingency reserve requirements described in Section 4607.11(b) and requesting removal of recourse pursuant to Section 4607.14

For specific Servicing requirements related to post-delivery completion of repairs and/or improvements, see Chapters 4606 and 4607 and Section 5601.3, as applicable.

(Note: These Servicing requirements, which may be fulfilled by the Seller in its capacity as Seller/Servicer, are considered Selling obligations.)

8104.7: Servicing eMortgages (06/12/19)

Refer to Chapter 1402, as applicable, for special Servicing requirements for eMortgages (as defined in Section 1402.2).

8104.8: Servicing Community Land Trust Mortgages (06/12/19)

Refer to Chapter 8701 for special Servicing requirements for Community Land Trust Mortgages.

8104.9: Servicing Mortgages secured by properties subject to resale restrictions (12/13/23)

Freddie Mac purchases Mortgages secured by properties subject to resale restrictions including, but not limited to, income-based restrictions. Such resale restrictions either:

- Survive conveyance of the subject property following foreclosure or recordation of a deed-in-lieu of foreclosure; or

- Terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure

Refer to Section 8701.1(f) regarding resale restrictions included in the Community Land Trust Ground Lease (as described in Chapter 4502).

Refer to Sections 9202.16 and 9202.17 regarding property values and Mortgages secured by properties subject to resale restrictions.

Refer to Sections 9208.2(c) and 9208.5 for the Freddie Mac Standard Short Sale ("short sale") evaluation requirements for Mortgages secured by properties subject to resale restrictions.

Refer to Sections 9301.31, 9301.32 and 9301.34 for foreclosure sale bidding requirements on properties subject to resale restrictions.

(a) Income-based resale restrictions

Pursuant to Section 4406.17, when there is a transfer of title on a property subject to income-based resale restrictions that occurs as a result of the subject property being sold: (1) by the Borrower for an amount exceeding the resale restricted price; or (2) by Freddie Mac after acquiring the property through a foreclosure sale or delivery of a deed-in-lieu of foreclosure, there may be excess proceeds the subsidy provider may be entitled to.

Excess proceeds on properties subject to income-based resale restrictions are those proceeds that are over and above the amount that is required to satisfy the total indebtedness previously secured by the Mortgaged Premises, including any additional liens, claims or encumbrances, in addition to any amount(s) incurred during an REO holding period if the property was transferred to Freddie Mac via foreclosure sale or delivery of a deed-in-lieu of foreclosure. Upon satisfaction of the total indebtedness as outlined above, any excess proceeds should be distributed as outlined below:

- For properties that are sold above the resale restricted price agreed upon in the resale restriction covenants:

  1. First to the Borrower and subsidy provider for equity due as agreed upon in the resale restriction covenants; and

  2. All remaining proceeds to the subsidy provider

- For properties that are sold by Freddie Mac after acquiring title through foreclosure sale or delivery of a deed-in-lieu of foreclosure and when the resale restriction covenants include provisions for excess proceeds to be distributed to the subsidy provider:

  1. First, as applicable, to Freddie Mac for any amount(s) incurred during an REO holding period; and

  2. All remaining proceeds to the subsidy provider

Note: Servicers will not be responsible for these REO activities. For more information on Servicer responsibilities on REO properties, see Chapter 9601.

8104.10: Right of first refusal (12/13/23)

In certain circumstances, the Servicer may be required to provide notice to the required parties allowing the timely exercise of certain rights available to a holder (or its designee) and its successors or assigns (the "option holder") of any right of first refusal (e.g., right to provide a substitute purchaser, right to have the first option to purchase a property, or the right to approve a purchaser) if the right of first refusal has been retained by the option holder.

Note that, pursuant to Section 4702.4(d) regarding acceptable exceptions to the title insurance policy or to the attorney's opinion of title covering each Mortgage purchased by Freddie Mac, exceptions for restrictive agreements or restrictive covenants of record related to a right of first refusal are acceptable, provided that certain conditions are met. This includes that such restrictive agreements or restrictive covenants do not create or provide for any lien that would be prior to the lien of the Home Mortgage nor provide for the elimination of the lien of the Home Mortgage.

Refer to Chapter 4406 regarding any right of first refusal for Mortgages secured by properties subject to resale restrictions.

Refer to Section 4502.10 regarding "the right of first refusal" included in the Community Land Trust Ground Lease (as described in Chapter 4502).

Refer to Section 5701.6(g) regarding any right of first refusal for Mortgages secured by Condominium Units in New Condominium Projects.

Refer to Section 5705.6(b) regarding any right of first refusal for a Cooperative Share Loan secured by a First Lien on the Cooperative Interest to a Cooperative Unit.

8104.11: Servicing Cooperative Share Loans (05/04/20)

Refer to Chapter 8801 for special Servicing requirements for Cooperative Share Loans.

Chapter 8105: Servicing Compensation

8105.1: Compensation for Servicing Mortgages (04/12/23)

The compensation Freddie Mac pays to the Servicer for the performance of its duties and obligations under the Servicing Contract for each Mortgage purchased by Freddie Mac is the amount by which the Note Rate exceeds the Accounting Net Yield, with a Minimum Servicing Spread to provide adequate compensation. Each Servicer agrees that it does not retain any rights or legal ownership interest in such compensation or any portion of the interest or other amounts due or received from the Borrower under the terms of the Mortgage. Further, under no circumstance does a Servicer retain any legal ownership of the Servicing Contract or any related Servicing Contract Rights. Freddie Mac acknowledges that a Servicer may recognize Servicing Contract Rights as assets on its balance sheet in the form of "mortgage servicing rights" in accordance with generally accepted accounting principles (GAAP); however, such recognition under GAAP does not confer any legal ownership interest in any Servicing Contract Rights.

The Minimum Servicing Spread is 0.250% (25 basis points) for all Home Mortgages unless the Purchase Documents provide otherwise. (Note: For fixed-rate Home Mortgages with Settlement Dates on and after June 3, 2019, the maximum Servicing Spread is 0.500%.)

For Mortgages with single-premium lender-paid mortgage insurance, the Minimum Contract Servicing Spread must be no less than the Minimum Servicing Spread. For Mortgages with annual- or monthly-premium lender-paid mortgage insurance, the Minimum Contract Servicing Spread must meet the requirements of Section 4701.2(b)(i).

Refer to Sections 6101.6(c), 6102.8(b), and 6201.3(a), (b) and (c) for Servicing Spread requirements.

8105.2: Servicing compensation for a new Servicer (04/12/23)

(a) Voluntary Partial Cancellation of Servicing or termination of the Servicing Contract

If Freddie Mac terminates a Servicer's Servicing Contract and related Servicing Contract Rights, with or without cause, in whole or in part, pursuant to the terms and conditions of the Purchase Documents, Freddie Mac reserves the right, at Freddie Mac's discretion, to negotiate a new Servicing fee with the subsequent Servicer of the Mortgages related to the VPC Transfer of Servicing.

(b) Transfers of Servicing

For any Mortgages purchased by Freddie Mac, the Servicing compensation will be calculated on the entire interest-bearing UPB of the Mortgage. If the Note Rate minus the Accounting Net Yield (ANY) is not sufficient to pay a Transferee Servicer the required Servicing compensation plus any applicable mortgage insurance premium, the Transferor Servicer agrees to pay the balance of the required Servicing compensation to the Transferee Servicer. The Transferor Servicer acknowledges that its payment of Servicing compensation to the Transferee Servicer is necessary for adequate Servicing of the Mortgage in accordance with the Guide and applicable Purchase Documents. The Transferor Servicer also agrees that the Transferee Servicer and Freddie Mac have a right of offset against principal repayments payable to the Transferor Servicer in order to pay the required Servicing compensation if not otherwise done.

8105.3: Servicing obligations to be performed for the Servicing compensation (03/02/16)

In consideration for the Servicing Spread, a Servicer is responsible for the performance of all of its Servicing obligations described in the Guide and other Purchase Documents for each of the Mortgages purchased by Freddie Mac. The Servicer's Servicing obligations compensated by the Servicing Spread include, among other things, undertaking all activities required to protect Freddie Mac's interest in the Mortgage in the event of a foreclosure of the property or a bankruptcy of the Borrower, such as:

- Preparing and delivering foreclosure and bankruptcy referrals to attorneys
- Providing all documents and information necessary for the attorneys to prosecute foreclosure or bankruptcy cases (including, but not limited to, missing documents such as Notes, title insurance policies, and Intervening Assignments)
- When necessary, paying for the preparation and recordation of missing documents, such as Intervening Assignments, necessary for the prosecution of foreclosure or bankruptcy cases
- Resolving any title issues that are the result of the Seller's or Servicer's action or inaction
- Managing attorneys, including but not limited to:
  - Collecting, receiving, processing, reviewing and paying attorneys' invoices
  - Supervising and providing necessary assistance to attorneys in the foreclosure and bankruptcy proceedings
  - Making available any monitoring, management, reporting, information and document delivery processes or systems, and paying the fees and costs for such processes or systems (refer to Section 9501.9 for information on connectivity and invoice processing systems)

- Continuing to work with the Borrower to resolve the Delinquency through loss mitigation activities

- Handling the bankruptcy management activities specified in Chapter 9401

Nothing in the Guide is intended to prohibit a foreclosure or bankruptcy attorney from assisting a Servicer by working with a Borrower to facilitate a reinstatement of the Mortgage or loss mitigation activity.

Chapter 8106: Servicing Reports to Freddie Mac, Other Third Parties and the Borrower

8106.1: General requirements for Servicing-related reports to Freddie Mac, third parties and the Borrower (03/02/16)

A Servicer must report regularly to Freddie Mac on Servicing activities for Freddie Mac-owned Mortgages. Servicers are also required to report certain information to third parties as well as the Borrower.

Each report and all correspondence to Freddie Mac for a particular Mortgage must reference the Freddie Mac Seller/Servicer number and the Freddie Mac loan number.

(a) Computer facsimiles

Freddie Mac will accept computer-generated facsimiles for:

- Form 1013, 1-4 Unit Property Inspection Report
- Form 105, Multipurpose Loan Servicing Transmittal

Any computer-generated facsimiles of these forms must:

- Reflect the most current comparable Freddie Mac form available
- Be in the same format as the comparable Freddie Mac form with no alterations to the placement of the data fields and no deletions of data fields
- Provide at least two lines of space between detail lines

(b) Additional reports

The Servicer must submit such other reports as Freddie Mac may require from time to time.

(c) Noncompliance fees

Failure to provide timely, complete and accurate reports (regardless of the mode of submission or transmission) subjects the Servicer to the Servicing reporting noncompliance compensatory fees.

Investor Accounting reporting and Servicing reporting noncompliance compensatory fees are monitored and assessed separately.

Freddie Mac reserves the right to change all fees and other remedies at any time and at its sole discretion.

8106.2: IRS Form 1098, Mortgage Interest Statement (03/02/16)

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."

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 the above section of the Internal Revenue Code and make such copies available for examination by Freddie Mac upon request. The Servicer is responsible for any penalty levied by the IRS for nonreporting or reporting of inaccurate information, as applicable, with respect to those statements and reports which Freddie Mac requires the Servicer to provide directly to the Borrowers and the IRS.

8106.3: IRS Form 1099-A, Acquisition or Abandonment of Secured Property (11/30/16)

The Servicer must provide Internal Revenue Service (IRS) Form 1099-A, Acquisition or Abandonment of Secured Property, 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 these reports, the following definitions apply:

- Freddie Mac acquires an interest in Mortgaged Premises either:
  - On the date of the foreclosure sale or the date the Borrower's right of redemption, if any, expires, whichever occurs later, or
  - 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 Mortgaged Premises 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:

- Freddie Mac acquisition. (Freddie Mac acquires the Mortgaged Premises at a foreclosure sale or by deed-in-lieu of foreclosure.)

- Third-party sale. (A third-party acquires the Mortgaged Premises at a foreclosure sale.)

- HUD, RHS or VA acquisition. (The Mortgaged Premises were acquired by HUD, RHS or the VA.)

- Abandonment. (The Mortgaged Premises have 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. The Servicer must also furnish the Borrower with an information statement on or before January 31 of that year. The requirement for furnishing such statement to the Borrower can be satisfied by sending a completed IRS Form 1099-A to the Borrower's last known address. The form must show Freddie Mac's name and address and include a statement that the information is being reported to the IRS. On the form, the "account number" should include the nine-digit Freddie Mac loan number, followed by one space and the six-digit Seller/Servicer number.

See Section 8106.4 in the event that both IRS Forms 1099-A and 1099-C, Cancellation of Debt, 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.

Instructions for completing IRS Form 1099-A are set forth in Freddie Mac Form 1065, Report of IRS Form 1099-A and Form 1099-C Filing. Servicers must comply with the IRS's and the various States' requirements, as amended from time to time, for filing IRS Form 1099-A. Servicers should consult with either their tax advisors or the IRS concerning questions on such requirements.

The Servicer must file all IRS Forms 1099-A with the IRS electronically.

(a) Electronic reporting

Servicers must file their reports with the IRS no later than March 31 of the year following the calendar year in which the reportable event occurred. Even though a Servicer reports to the IRS electronically, the Servicer is still responsible for providing a copy of the IRS Form 1099-A to the Borrower (copy B) and to those States that require it (copy C). Copy B must be furnished to the Borrower on or before January 31 of the year following the reportable event.

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).

When filing electronically, the Servicer must:

- Insert appropriate header information on the electronic report it files with the IRS in accordance with the following record description:

Field Name	Data Description
"A" Record	
Payer's TIN	520904874
First payer name line	Federal Home Loan Mortgage Corporation
Payer shipping address	8200 Jones Branch Drive
Payer city, State and zip	McLean, VA 22102-3100
"B" Record	
Payer's account number	The nine-digit Freddie Mac loan number and the six-digit Seller/Servicer number, separating these two numbers by one space

- Notify Freddie Mac that the Servicer reported to the IRS electronically:
  - When the report is sent to the IRS, the Servicer must submit Form 1065 to Freddie Mac **(see Directory 3)**
  - A Servicer should not send Freddie Mac copies of the report that it filed with the IRS

(b) Correcting or voiding previously submitted IRS Forms 1099-A

To correct or void a previously submitted IRS Form 1099-A, 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. When corrections or voids are submitted to

the IRS, a copy of Form 1065 must be submitted to Freddie Mac **(see Directory 3)**. Form 1065 should indicate the number of corrected or voided IRS Forms 1099-A submitted to the IRS.

(c) Filing accuracy and documentation

Servicers are responsible for completing the IRS Form 1099-A and for providing the information to the IRS and to the Borrower in a timely and accurate manner. 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 6050J of 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.

If the IRS penalizes Freddie Mac or assesses any fee for failure to produce such information or because a Servicer failed to file a return or statement or filed an untimely, incorrect or incomplete return or statement, the Servicer will be required to reimburse Freddie Mac for all costs incurred by Freddie Mac as a result of such penalty or assessment and an amount representing Freddie Mac's total tax liability resulting from such reimbursement. Such reimbursement will not be required if the Servicer can show that it met the filing requirements.

8106.4: IRS Form 1099-C, Cancellation of Debt (12/13/17)

The Servicer must report cancellations of Borrowers' mortgage debt on Internal Revenue Service (IRS) Form 1099-C, Cancellation of Debt, 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. IRS Form 1099-C must be filed regardless of whether the Borrower must report the cancellation of debt as income.

Freddie Mac Form 1065, Report of IRS Form 1099-A and Form 1099-C Filing, includes instructions for completing IRS Form 1099-C.

(a) Coordination with IRS Form 1099-A, Acquisition or Abandonment of Secured Property

If, in the same calendar year, the Servicer cancels a debt in connection with a foreclosure or abandonment of the Mortgaged Premises, it is not necessary to file both IRS Form 1099-A, Acquisition or Abandonment of Secured Property (see Section 8106.3), and IRS Form 1099-C for the same Borrower. The Servicer will meet the filing requirement for IRS Form 1099-A by completing boxes 4, 5 and 7 on IRS Form 1099-C. However, the Servicer may complete both IRS Forms 1099-A and 1099-C separately; in that case do not complete boxes 4, 5 and 7

on IRS Form 1099-C. (See Form 1065 for filing instructions for IRS Forms 1099-A and 1099-C.)

(b) Requesting taxpayer identification numbers (TINs)

A Servicer must make a reasonable effort to obtain the correct name and TIN of the Borrower whose debt was cancelled. If the Servicer does not obtain the TIN before the debt is cancelled, it must request the Borrower's TIN. Such request must clearly notify the Borrower that the IRS requires the Borrower to furnish the TIN and that failure to furnish such TIN subjects the Borrower to a $50 penalty imposed by the IRS. Use IRS Form W-9, Request for Taxpayer Identification Number and Certification, to request the TIN. However, a Borrower is not required to certify the TIN under penalties of perjury.

(c) Exceptions

Servicers are not required to report the following on IRS Form 1099-C:

(i) Certain bankruptcies

Debt cancelled in bankruptcy is not reported unless the debt was incurred for business or investment purposes. Single-family Mortgages may be incurred either for personal purposes or for business or investment purposes. Thus, Servicers should only file IRS Form 1099-C for discharges of debt in bankruptcy if they are aware that the Borrower is holding the property for investment and not as a Primary Residence or second home, such as in the case of an Investment Property Mortgage, determined at origination. In that case, report debt cancelled for the later of:

- The year in which the amount of cancelled debt first can be determined or
- The year in which the debt is cancelled in bankruptcy

(ii) Interest

Servicers do not need to include interest as part of the cancelled debt in box 2. However, if interest is reported as part of the cancelled debt in box 2, show the interest separately in box 3.

(iii) Nonprincipal amounts

Nonprincipal amounts include penalties, fines, fees and administrative costs. These do not need to be reported.

(iv) Release of a Borrower

IRS Form 1099-C need not 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.

(v) Guarantor or surety

IRS Form 1099-C need not be filed for a guarantor or surety. A guarantor is not a debtor for purposes of IRS Form 1099-C, even if demand for payment is made to the guarantor.

(vi) Multiple Borrowers

For Mortgages originated after 1994 that involve Borrowers who are jointly and severally liable for the Mortgage, report the entire amount of the cancelled debt on each Borrower's IRS 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 it can be shown that joint and several liability does not exist, an IRS Form 1099-C is required for each Borrower for whom you cancelled a debt of $600 or more.

(vii) Mortgages originated before 1995

For Mortgages originated before 1995, the Servicer must file IRS Form 1099-C only for the primary (or first-named) Borrower.

(viii) Multiple Borrowers who were husband and wife

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 IRS Form 1099-C.

(ix) Entity borrowers

See the instructions to Form 1065 for the application of these rules to entity borrowers (i.e., estates or trusts).

(d) Definitions

For purposes of these reports, the following definitions 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 cancelled on the date an identifiable event occurs. An identifiable event is:

1. A discharge in bankruptcy under Title 11 of the U.S. Code (but see exceptions in Section 8106.4(c) above)

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 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 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 (or its vendor per Section 9601.1) makes the determination not to pursue a deficiency action post-foreclosure and notifies the Servicer of such determination

6. A cancellation or extinguishment when a creditor 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

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). 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 cancelled 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 an IRS 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 in the report described below and the Servicer must then file the IRS Form 1099-C.

Servicers must review the *1099-C Loan Detail* report, accessible via the "Default Reporting" tile of the Servicer's Servicer Performance Profile (SPP) (see Exhibit 88, Servicing Tools), by the end of January annually, and ensure that an IRS Form 1099-C is filed with the IRS as required in Section 8106.4(e) and is provided to the Borrower as required in Section 8106.4(f) for all Mortgages in which the debt has been discharged in the prior year. This report will list all Mortgages owned or guaranteed in whole or in part by Freddie Mac whereby Freddie Mac has determined not to pursue collection of the deficiency in the prior year.

To help facilitate this annual review, from February 1 to December 31 each year, Servicers can monitor the *1099-C Loan Detail* report in the SPP, which also provides a tentative aggregate list of Mortgages for which Freddie Mac has decided to not pursue collection of the deficiency for the current year.

Servicers may use this current year's list to prepare for the required annual review and reconcile any eventual IRS Form 1099-C filings; however, as the status of the Mortgage and/or the cancellation of debt may subsequently change, any Servicer that chooses to use this current year's list in such a manner must, as part of the required annual review, reconcile the final report against any IRS Form 1099-C filings already prepared.

(e) Reporting IRS Form 1099-C to IRS

The Servicer must file IRS Forms 1099-C on Freddie Mac's behalf. The Servicer must file all IRS Forms 1099-C with the IRS electronically.

IRS Publication 1220, *Specifications for Electronic Filing of Forms 1097, 1098, 1099, 3921, 3922, 5498 and W-2G*, sets forth the IRS requirements for filing electronic reports and corrections. The Servicer can obtain this publication by downloading it from the IRS web site at **http://www.irs.gov**, or by calling 1-800-TAX-FORM (1-800-829-3676).

When filing electronically through the IRS FIRE System, the Servicer must insert appropriate header information on the report it files with the IRS in accordance with the following record descriptions:

Field Name	Data Description
"A" Record	
Payer's TIN	520904874
First payer name line	Federal Home Loan Mortgage Corporation
Payer shipping address	8200 Jones Branch Drive

Field Name	Data Description
Payer city, State and zip	McLean, VA 22102-3100
"B" Record	
Payer's account number	The 9-digit Freddie Mac loan number and the 6-digit Seller/Servicer number, separating these two numbers by one space

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.

(f) Reporting to the Borrower

Even though a Servicer reports to the IRS electronically, the Servicer is still responsible for providing a paper copy of the IRS Form 1099-C to the Borrower (copy B) by January 31 of the year following the calendar year in which the cancellation of debt occurred. The Servicer can satisfy the requirement for furnishing such statement to the Borrower by sending a completed IRS Form 1099-C to the Borrower's last known address. The form must show Freddie Mac's name and address and include a statement that the information is being reported to the IRS.

The Servicer is also required to file IRS Form 1099-C with any State that requires this filing in accordance with the State's filing deadlines.

(g) Notification to Freddie Mac of electronic reporting

The Servicer must notify Freddie Mac that the Servicer reported IRS Form 1099-C to the IRS. When the electronic report is sent to the IRS, the Servicer must submit Form 1065 to Freddie Mac **(see Directory 3)**.

(h) Correcting or voiding previously submitted IRS Form 1099-C

To correct or void a previously submitted IRS Form 1099-C, the Servicer must refer to IRS requirements to determine how to report either electronic corrections or voids. To avoid or minimize penalties that may be imposed by the IRS, the Servicer must promptly report corrections or voids to the IRS when an error is discovered. When the Servicer submits corrections or voids to the IRS, the Servicer must also submit a copy of Form 1065 to Freddie Mac **(see Directory 3)**. The Servicer must indicate on Form 1065 the number of corrected or voided IRS Forms 1099-C submitted to the IRS.

(i) Filing accuracy and documentation

Servicers are responsible for completing the IRS Form 1099-C and for providing the information to the IRS and to the Borrower in a timely and accurate manner. 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 6050P of 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 (which will be a minimum of four (4) years).

If the IRS penalizes Freddie Mac or assesses any fees for failure to produce such information, or because the Servicer failed to file a return or statement, or filed an untimely, incorrect, or incomplete return or statement, the Servicer will be required to reimburse Freddie Mac for all costs incurred by Freddie Mac as a result of such penalty or assessment and for the amount representing Freddie Mac's total tax liability resulting from such reimbursement. Freddie Mac will not require such reimbursement if the Servicer can show that it met the filing requirements.

8106.5: IRS Form 1099-MISC, Miscellaneous Income (03/02/16)

Servicers should not prepare or file IRS Form 1099-MISC ("Miscellaneous Income") using Freddie Mac's name or Taxpayer Identification Number. The Servicer should consult with its tax advisor to review its reporting obligations with regard to the filing of Form 1099-MISC.

8106.6: Reports to credit repositories (03/02/16)

For each Mortgage serviced for Freddie Mac under the Home Mortgage program, a Servicer must report on a monthly basis the payment status of the Mortgage to the credit repositories listed in Exhibit 51, Credit Repositories and Information to Report.

Freddie Mac does not specify a particular day of the month by which the Servicer must perform the full-file reporting. Freddie Mac requires only that the reporting be performed on a monthly basis for all Mortgages regardless of the Mortgage status. The Servicer may report after each month end to allow time for payment corrections, returned checks and other adjustments to be processed. Freddie Mac will audit Servicers for compliance with the full-file credit reporting requirements.

Note:
Full-file reporting includes Mortgages recently originated, current and delinquent Mortgages, Mortgages liquidated through workout options or foreclosure and charge-offs. Each credit repository will provide the Servicer with the applicable codes to use to report each Mortgage status type.

Freddie Mac will not require reporting to a repository that does not serve the jurisdiction for which a report must be filed. Written advice from a repository that it cannot accept a Servicer's report for a given jurisdiction because it does not serve that jurisdiction will be sufficient evidence to Freddie Mac that the Servicer is in compliance with Freddie Mac's requirements for that jurisdiction.

Borrowers, or their representatives, are permitted under the Federal Fair Credit Reporting Act (FCRA) to inquire about or dispute the accuracy of information in their credit repository files. This right to inquire about or dispute the accuracy of information applies to any Mortgage that the Servicer services for Freddie Mac, just as it does to any other indebtedness of a Borrower. A Borrower may send an inquiry or a notice of dispute concerning the accuracy of reported information about the Borrower's Mortgage directly to the Servicer, or to any of the credit repositories listed in Exhibit 51. Whenever the Servicer receives such an inquiry or notice of dispute from a Borrower, or receives a letter from a credit repository requesting verification or correction of Mortgage-related information, the Servicer must respond in accordance with the requirements of the FCRA.

Chapter 8107: Document Custody

8107.1: Servicer responsibilities related to document custody (10/20/21)

(a) Delivery of trailing documents to the Document Custodian

Upon receiving a Mortgage document that is required to be held by a Document Custodian, such as a modifying instrument or an original document from a recording office, the Servicer must promptly deliver it to the Document Custodian holding the related Note.

(b) Requests for Release of documents

Servicers may require possession of a Note to take action in conjunction with the payoff, foreclosure, repurchase, substitution, conversion, modification or assumption of a Mortgage or to take legal action, such as responding to a Borrower's bankruptcy, bringing or defending a lawsuit or other litigation relating to the maturity, prepayment, repurchase, substitution, conversion, modification, or assumption of a Mortgage, or a Freddie Mac Default Legal Matter (each such bankruptcy, suit, or litigation, a "Legal Action").

Servicers often require physical possession of a Note for Legal Actions. Even if the Servicer needs only one document from the Note file, the Document Custodian will release the entire file because it is important to keep all the documents comprising the Note file together. In certain circumstances, constructive possession, which can be obtained quickly, is legally sufficient to establish the Servicer as a "holder" of, or person entitled to enforce, the Note in a Legal Action. "Constructive possession" describes the situation in which someone controls an object without physically possessing it: in this context, a Servicer can control and direct a Note that is in the Document Custodian's vault. If constructive possession is appropriate for a Legal Action, the Servicer will automatically, immediately, and conclusively be deemed to have constructive possession of the Note from the earlier of the date that (i) the Legal Action commences or (ii) the Document Custodian receives the Servicer's request to release constructive possession of the Note until the Legal Action is concluded.

For physical possession, the Document Custodian will deliver the Note as directed by the Servicer. For constructive possession, the Document Custodian will promptly contact the Servicer by e-mail or otherwise when Document Custodian's tracking system has been updated to indicate the Servicer (rather than Freddie Mac) as the "owner" or "investor" of the related Mortgage. Upon Document Custodian's release of the Note, the Servicer shall automatically, immediately and conclusively be deemed to be (i) the holder of the Note, (ii) entitled to enforce the Note, and (iii) duly authorized by Freddie Mac to take Legal Action in connection with Servicing the related Mortgage and (iv) as appropriate, in physical possession of the Note.

Servicers request and return physical and constructive possession of Notes from Document Custodians (including eMortgages as defined in Section 1402.2) using Form 1036, Request for Possession or Control of Documents, or its equivalent ("Form 1036," regardless of its format). A single form may be used to request multiple Notes if each Note is separately listed and identified.

An Electronic, as defined in Section 1401.2, or alternative version of Form 1036 must contain all information required by the Form 1036, regardless of format. Any request for release that is not delivered as hard copy is considered to be an Electronic Form 1036 (including a PDF of a paper document attached to an email). To use an Electronic Form 1036, the Servicer must enter into an agreement with the Document Custodian as described in Section 8107.2(b).

The procedures for requesting, processing and returning Notes are described below:

(i) To obtain physical or constructive possession of a Note, a Seller/Servicer must complete Form 1036 and deliver it to the Document Custodian.

To obtain physical or constructive possession of a Note from a Document Custodian other than The Bank of New York Mellon Trust Company, N.A. ("BNYM") as Designated Custodian, a Seller/Servicer must complete Form 1036 and deliver it to the Document Custodian.

When the Servicer no longer requires possession of the Note, it must promptly:

- For physical possession, return the Note to the Document Custodian unless the Mortgage was repurchased or paid in full, or
- For constructive possession, send notice (a copy of the original Form 1036 with a request for termination of constructive possession) to the Document Custodian, which will then update its document tracking system

(ii) The Bank of New York Mellon Trust Company, N.A. (BNYM) as Designated Custodian

To obtain physical or constructive possession of a Note from BNYM, a Servicer may complete and send the Form 1036 as described above or make an electronic request using the Asset Repository and Collateral System ("ARK"). Contact BNYM for further information on ARK **(see Directory 4)**.

When the Servicer no longer requires possession of the Note, it must promptly:

- For physical possession, return the Note to BNYM unless the related Mortgage was repurchased or paid in full as described above; however, Servicers using ARK to request a Note must use that method to return it and include a copy of the ARK-generated 1036 Release Receipt Report, or

- For constructive possession, notify BNYM by sending a copy of the original Form 1036 with a notice of termination of constructive possession or otherwise as instructed by BNYM which will then update its document tracking system.

(iii) eMortgage designated custodian

In States in which the Servicer must be the holder of an eNote (as defined in Section 1402.2) to commence foreclosure or other Freddie Mac Default Legal Matters, the Servicer must follow the requirements of Section 1402.11(f) and, if required to produce a copy of the eNote for a Legal Matter, Section 1402.11(g).

Servicers must follow prudent business practices to protect and safeguard all Notes and documents while in their possession, in transit and in the possession of foreclosure counsel or agents. At a minimum, these practices include protection from damaging elements, such as water and fire, identification as a Freddie Mac asset, secure storage and tracking and segregation from unrelated documents.

(c) Returning documents to the Document Custodian

When a Note is no longer needed for the reason cited on Form 1036, or when the Legal Action is concluded, the Servicer must promptly, and in all events within 90 days, return the Note to the Document Custodian. Notes and related documents may be transported only by nationally recognized commercial or bonded carrier or courier services and must be covered by in transit insurance. See Section 2202.5.

(d) Lost Notes

(i) If a Servicer becomes aware at any time that an original Note is lost, missing or has been inadvertently destroyed, the Servicer must promptly conduct a thorough and diligent search of its premises and business records and make diligent inquiry of any party that has had physical responsibility for the Note, such as a Document Custodian or foreclosure counsel. Servicer is responsible to Freddie Mac for the original Note even if it did not have physical possession of the Note at the time of loss. If Servicer cannot locate the Note after conducting the search, it must:

- Retain written records describing the search in the Mortgage file, and
- Immediately send an email to Freddie Mac (**Directory 9**) requesting Freddie Mac's permission to create a lost note affidavit (LNA) that meets the requirements of this Section 8107.1. In response to which Freddie Mac will issue:
  - An email indicating Servicer's authority to create an LNA subject to the terms and conditions set forth in this section
  - A written communication with a request for additional action

- ❒ Additional instructions for an alternate remedy, or
- ❒ A repurchase request, if the request is not granted

Upon Freddie Mac's approval of the request, the Servicer will create an LNA as described in subsection (ii) below and maintain the LNA as if it were the original Note, provided that a copy of Freddie Mac's approval of Servicer's creation of the LNA must be maintained with the LNA in the Note file. If a Document Custodian released an original Note, it is not permitted to accept return of an LNA without evidence of Freddie Mac's authorization to create the LNA.

Servicer must adhere to these procedures, whether it believes that it or another party was responsible for losing or destroying the Note, and must maintain written policies to implement these procedures.

(ii) LNA Requirements

Each LNA that Servicer creates must:

- ■ Identify information regarding the related Mortgage, including the:
  - ❒ name(s) of the Borrower
  - ❒ the original principal balance
  - ❒ Note Date
  - ❒ recording information for the Security Instrument
  - ❒ address of the Mortgaged Premises (the zip code is not required)
  - ❒ Freddie Mac loan number; and
  - ❒ Servicer loan number
- ■ Confirm that the person signing the LNA on behalf of the Servicer ("affiant") is over the age of 18, competent to testify, and either has independent knowledge of the facts set forth in the LNA or has made appropriate inquiry of persons having knowledge of such facts
- ■ Identify Freddie Mac as owner of the Mortgage
- ■ Set forth the name and function of the Servicer

- State the basis for affiant's assertion that the Note is lost or destroyed, including whether affiant is familiar with and has access to Servicer's business records as part of affiant's regular job functions

- Verify that Servicer received the original Note

- State that Servicer conducted a good faith, thorough and diligent search of Servicer's premises and business records and has been unable to locate the original Note

- State that, at the time that the Note was lost or destroyed, Servicer was entitled to enforce the Note

- State that Freddie Mac and its successors-in-interest and assignees may rely on the LNA

- Have attached to it a complete copy of the Note showing all endorsements through certification for purchase by Freddie Mac, if any

- Contain the notarized signature of an employee of Servicer who is identified on the LNA by printed or typed title; and

- Satisfy the requirements of applicable law to enforce the debt obligation in the State in which the Mortgage Premises is located

For each such State, Servicer must receive, and make available upon request for Freddie Mac's inspection, a legal analysis from either Servicer's in-house counsel or outside counsel that the form of LNA used is as valid and enforceable as the Note would be if it were present.

Certain States may require additional representations and information: for example, New York requires information regarding the original receipt of the Note and the methodology of Servicer's good faith efforts to determine that the Note was lost.

(iii) Servicer representations and warranties regarding enforceability of the Note; indemnification

Servicer acknowledges that creating an LNA does not relieve Servicer of any representation or warranty relating to enforceability of the Note and agrees to indemnify Freddie Mac under Section 8101.9 for any loss, damage, or expenses that arise because the original Note is unavailable.

Servicer must provide written testimony, witnesses, or other support to prove the LNA and enforce the debt obligation in a Legal Action, as defined in Section 8107.2, when requested by Freddie Mac, even when Servicer no longer services the related Mortgage and those activities support a Transferee Servicer's efforts to enforce the debt obligation or otherwise service that Mortgage. If the Servicer has transferred servicing of a

Mortgage with an LNA, Servicer must provide such support at the request of any subsequent Transferee Servicer or Freddie Mac.

(iv) Records and Reporting of LNAs

Servicer must maintain a list of all Mortgages with LNAs created pursuant to this section 8107.1 and provide the list to Freddie Mac upon request.

(v) "Found" Notes

If a Note is located after an LNA has been created, Servicer shall immediately notify Freddie Mac by sending an email to **loan_delivery_funding_ops@freddiemac.com** and deliver the Note as directed below.

If Freddie Mac owns the Mortgage, Freddie Mac may direct Servicer and Document Custodian to perform certain verifications, deliver the Note to the Document Custodian, and execute certain documents as further described in the Document Custody Procedures Handbook. After the Document Custodian accepts the Note, Freddie Mac will destroy, or direct the destruction of, the LNA, and the Servicer's indemnification obligations shall terminate without further action by any party.

If Freddie Mac no longer owns the Mortgage when the Note is found, the Servicer must contact the new owner for instruction.

8107.2: Document Custodian's custodial functions (11/01/20)

(a) General duties

Each Document Custodian must maintain custody of the Notes and assignments (collectively, as appropriate, "Notes," see the definition in the Glossary), in trust, for the benefit of Freddie Mac by:

- Storing the Notes in secure, fire-resistant facilities as required by Section 2202.2(b). When a Servicer delivers supplemental or trailing documents, such as original modifying instruments, the Document Custodian must place them with the related Note

- Affixing the Freddie Mac loan number to the Note, if advised that Freddie Mac requires it and, if the Note contains the Freddie Mac loan number, changing the Freddie Mac loan number on a Note if advised by the Servicer that Freddie Mac has changed the Freddie Mac loan number for that Mortgage

- Complying with the requirements of this Section 8107.2 and all Tri-Party Agreements

(b) Requests for Release of Notes and assignments to Servicers

Servicers may require physical or constructive possession of Notes in conjunction with a Legal Action or for the payoff, foreclosure, repurchase, substitution, conversion, modification, or assumption of a Mortgage. Servicers must complete, sign, and submit a Form 1036, Request for Possession or Control of Documents, or its equivalent, such as the Web Release Request described in Section 8107.1(b), ("Form 1036" regardless of its format) to the Document Custodian. Absent manifest error, Document Custodians may rely on information received from Servicers on Form 1036.
Alternative versions of Form 1036 must contain all information required by the Form 1036, regardless of their format. A single form may be used to request multiple Notes if each Note is separately listed and identified.

A Form 1036 is considered to be Electronic, using the definition in Section 1402.2, if it is transmitted in any format other than paper, including PDFs of paper documents delivered as attachments to email. Before using an Electronic Form 1036, Freddie Mac requires that the Servicer and Document Custodian have in place a written agreement that:

- Defines Electronic Signature and the type(s) of electronic transmission(s) permitted
- States the Document Custodian's requirements for accepting an Electronic Signature
- States the Servicer's requirements for maintaining and controlling access to Electronic Signature information
- Clearly assigns liability when the terms of the agreement are violated

Document Custodian must retain for each Servicer a list of individuals authorized to request the release of documents electronically. The list must be dated and signed by an officer of the Servicer and contain sample signatures of the authorized individuals.

The Document Custodian should review and retain documentation of such review for each Note file to verify its completeness and that the Note is original before releasing it to the Servicer. This enables the Document Custodian to verify that the Servicer returns all the documents, including the original documents, that were released to it.

(c) Document delivery requirements

(i) Delivery and return of physical possession

Servicers may require physical possession of Notes to service Mortgages for a Legal Action or otherwise. Servicers must complete and sign Form 1036 and submit it to the Document Custodian. See Section 8107.1(b). Upon receipt of Servicer's signed Form 1036, the Document Custodian shall transfer and deliver physical possession of the Note as directed by the Servicer. Notes may be transported only by a nationally recognized

commercial or bonded carrier or courier service and must be covered by in transit insurance. See Sections 2202.2 and 2202.5.

When a Note is no longer needed for the reason cited on Form 1036 or when the Legal Action is concluded, the Servicer must promptly (and in any event within 90 days) return the Note to the Document Custodian. Upon receiving the Note, the Document Custodian shall immediately resume its physical custody, in trust, for the benefit of Freddie Mac, as set forth in the Tri-Party Agreement, verify that all documents that were released have been returned and update its tracking system to reflect their receipt. See Section 8107.2(e) for instances in which the Document Custodian released an original Note and the Servicer returns an LNA in lieu of the original Note.

(ii) Delivery and return of constructive possession

The Servicer must complete, sign, and submit Form 1036 to request constructive possession from the Document Custodian. The constructive possession will commence on the earlier of the date on which the Document Custodian receives the Servicer's request for constructive possession and the Servicer commences the Legal Action.

The Document Custodian maintains physical custody of the Note for the benefit of the Servicer while the Servicer has constructive possession. For the duration of the Legal Action, the Servicer shall be:

- In constructive possession of the Note
- The holder of the Note
- Entitled to enforce the Note, and
- Authorized by Freddie Mac to take Legal Action to service the related Mortgage

Upon notice from the Servicer that the Legal Action is concluded, the Document Custodian shall automatically and immediately update its document tracking system and cease maintaining physical custody of the Note, in trust, for the benefit of the Servicer and resume maintaining physical custody of the Note, in trust, for the benefit of Freddie Mac.

(d) Form imaging and retention requirements

The Document Custodian must retain Form 1036 for three months after the date the Mortgage is paid off, but they need not retain Form 1034E, Note Delivery Cover Sheet Certification Schedules, after the related Mortgages have been certified. Documents and forms may be retained as Electronic Records on the terms and conditions for maintaining such Records set forth in Chapter 1401.

In disposing of documents, the Document Custodian must have in place and follow procedures and use destruction methods that ensure the confidentiality of Borrowers' private personal information.

(e) Lost Notes and LNAs

The Document Custodian may receive, either as a return of released documents or in a Transfer of Servicing or transfer of custody, an LNA rather than the original Note. The Document Custodian may accept an LNA only if the Servicer delivers evidence of Freddie Mac's approval of the use of an LNA for that Mortgage. Acceptable evidence of such approval includes a copy of a single loan exception or the text of an email from Freddie Mac, and must include specific reference to the related Mortgage, which may appear on a list. If the Servicer does not include such evidence, the Document Custodian must contact Freddie Mac immediately at **loan_delivery_funding_ops@freddiemac.com** and await further instruction.

The Document Custodian must verify that each LNA:

- Is an original, signed in ink by an officer of the Seller/Servicer that created the LNA, and notarized
- Must include the name of each Borrower on the Note, the original principal amount of the Note, the Note Date, and recordation information for the related Security Instrument
- Has attached to it a complete copy of the entire missing Note, including all required signatures and endorsements to the Servicer that created the LNA

If the LNA meets these requirements, the Document Custodian must verify the loan data from the Note copy attached to the LNA, and maintain the LNA on the same basis as it would if the LNA were an original Note. This includes observing all requirements relating to requests for release.

If at any time an original Note is recovered as described in Section 8107.1(d)(v), the Servicer will deliver it to the Document Custodian, and the Document Custodian will follow the process set forth in the Document Custody Procedures Handbook for "found Notes." Document Custodians may contact Freddie Mac **(see Directory 9)** for instructions and further information on verifying and managing LNAs.

Chapter 8201: Escrow

8201.1: Escrow for property taxes, ground rents and assessments or other charges (10/02/23)

The Servicer must obtain bills for and pay all Escrow items in accordance with the terms of the Mortgage before the applicable penalty or termination date. The Servicer must maintain adequate records to prove payment of all property taxes, ground rents and assessments or other charges that, if delinquent, are or may become First Liens on the property or that if not paid would result in the subordination of Freddie Mac's interests, as applicable. (See Section 9301.27 regarding expenses that may become First Liens on the property.)

If the Borrower requests, the Servicer may also collect and administer funds to pay expenses not provided for in the Mortgage, such as life insurance on the Borrower.

If the Servicer does not collect Escrow or discontinues collecting Escrow, then:

- The Servicer must require that the Borrower furnish proof of payment; and/or
- The Servicer may use other means (such as tax services) commonly employed by private institutional mortgage investors to satisfy itself that these items have been paid

(a) Annual Escrow analysis

At least annually, the Servicer must compute the required Escrow payment based on reasonable estimates of assessments and bills to determine that sufficient funds are being collected to meet all Escrow payments.

(i) Escrow surplus

If the amount held in Escrow by the Servicer, together with the future monthly installments of Escrow, exceeds the amount required to pay charges as they fall due, plus any "cushion" permitted by applicable law, the Servicer must either:

- Repay the excess promptly to the Borrower (if there is no default under the terms of the Security Instrument) or
- Credit the excess to the Borrower by a reduction in monthly Escrow installments.

Any interest payable to the Borrower for Escrow, when required by applicable law, or any other funds held by the Servicer, whether due to contractual agreement or operation of law, must be paid by the Servicer at its own expense.

(ii) Escrow shortages

If the Borrower is unable to pay an Escrow shortage as a lump sum, then the Borrower must pay the shortage as part of the monthly payment ("Projected Monthly Escrow Shortage Payments") on the Mortgage. If the Borrower must pay Projected Monthly Escrow Shortage Payments, then the Servicer must:

- Spread the repayment of the Escrow shortage amount in equal monthly payments over a period of not more than 60 months; and

- Account for any remaining unpaid amount of the Escrow shortage in any subsequent Escrow analysis to ensure that the Borrower is able to continue to pay all Escrow shortage amounts over the remaining portion of either the current remaining Escrow shortage repayment period or a period up to 60 months. The Servicer may not accelerate or compress the remaining Escrow shortage amount into a new Escrow payment or shorter repayment period as a result of a future Escrow analysis.

(b) Waiver of Escrow accounts

The Servicer must have a written policy governing the circumstances under which Escrow accounts may be waived. When a Servicer permits Escrow waivers, subject to the Mortgage Purchase Documents and applicable law, the Servicer's written policies must provide that the waiver not be based solely on the LTV ratio of the Mortgage, but also on whether the Borrower has the financial ability to handle the lump sum payments of property taxes, property insurance premiums and other charges described in the Security Instrument.

The Servicer may, by written notification to the Borrower, and without Freddie Mac's approval, start collecting Escrow previously waived.

Any Escrow account waiver must be in writing and grant the Servicer the right to resume collection of Escrow if there is any nonpayment of the items for which Escrow had previously been collected.

(i) Circumstances in which Escrow may be discontinued

Servicers must discontinue collecting Escrow when required by applicable law.

Other than as stated in Section 8201.1(b)(ii) below, if an Escrow waiver is requested by the Borrower, is not prohibited by applicable law and the Mortgage is current, Servicers may also discontinue collecting Escrow if:

- The unpaid principal balance for the Mortgage is less than 80% of the original appraised value; or

- The Mortgage has not been delinquent for 30 days or more at any time during the previous six months

Additionally, there is no minimum period having elapsed since the Origination Date of a Mortgage when evaluating an Escrow waiver request.

(ii) Circumstances in which Escrow may not be discontinued

Servicers may not discontinue or waive collecting Escrow on the following Mortgages if they had an Escrow account when sold to Freddie Mac:

- A Mortgage secured by a Manufactured Home or a 2- to 4-unit property
- An Affordable Gold® 97 Mortgage
- A Texas Equity Section 50(a)(6) Mortgage
- A Freddie Mac 100 Mortgage
- A Home Possible® Mortgage
- A HomeOne® Mortgage
- A HeritageOne℠ Mortgage

Additionally, except Mortgages modified under the terms in Section 9206.5(e), a Servicer may not discontinue or waive collecting Escrow on Mortgages that have been modified under a Freddie Mac mortgage modification program.

Servicers must follow FHA, VA, RHS or MI Escrow waiver and reinstatement requirements.

(c) Non-payment of Escrow charges

(i) Mortgage with an Escrow account

If the funds held in Escrow are insufficient to pay charges when due, the Servicer should 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, adverse impact to Freddie Mac's interest in the Mortgage, etc. If the Servicer is unable to obtain the funds from the Borrower, the Servicer must pay any charges due. The Servicer may either increase the Borrower's next payment to cover the entire advance or schedule the repayment of such advance over several months. The Servicer may not collect the advance by deducting from one or more regular monthly Mortgage payments.

For delinquent Mortgages, the Servicer must continue to pay Escrow items for the following expenses:

- Property taxes, property insurance premiums and other charges as described in the Security Instrument

- Mortgage insurance premiums, if applicable

Servicers must contact Freddie Mac **(see Directory 5)** and obtain Freddie Mac's written approval before paying the taxing authority when federal, State or local income tax liens would take priority over Freddie Mac's First Lien position.

However, if the Mortgage is secured by a Manufactured Home and the Borrower becomes 60 days or more delinquent, a Servicer must start collecting Escrow that was previously waived as a part of any repayment arrangement.

(ii) Mortgage without an Escrow account

If Escrow is not collected and the Servicer discovers nonpayment of any charge otherwise payable from Escrow, the Servicer must contact the Borrower and allow the Borrower 30 days to provide proof of payment. The Servicer must advance funds for the unpaid charge and any applicable penalty if the Borrower indicates inability to make the payment or does not provide proof of payment within the required 30 days. The Servicer must attempt to work out an arrangement with the Borrower for repayment of any advance and, if allowed by applicable law, must begin to collect Escrow for future bills.

If both:

- The Borrower fails to pay any charge otherwise payable from Escrow; and

- The Servicer has advanced funds for the unpaid charge and any applicable penalty

And either:

- A mutually satisfactory arrangement cannot be made for the Borrower's repayment of the advance or the Borrower fails to comply with the terms of any such arrangement; or

- The Borrower fails to pay Escrow to the Servicer after the Servicer starts collecting Escrow that was previously waived

Then the Servicer must comply with the collection, loss mitigation and, if necessary, foreclosure referral requirements set forth in Chapters 9101 or 9102, as applicable.

(d) Escrow waiver exception requests

If the Servicer believes that the Borrower should not need an Escrow account, even though the Borrower did not meet the requirements under Section 8201.1(c), then the Servicer must submit an exception request to Freddie Mac (**see Directory 5**) for review.

8201.2: Interest on Escrow accounts (03/02/16)

If the Servicer either has entered into an agreement or is required by law to pay interest on Escrow, the Servicer is solely and fully responsible for this payment. The accounting related to the payment of interest on Escrow may not be included with the regular Mortgage accounting for principal and interest.

Chapter 8202: Property Insurance

8202.1: General property insurance requirements (06/10/20)

For as long as Freddie Mac owns a Mortgage, the Servicer must ensure that the Mortgaged Premises are covered by insurance meeting the requirements of Chapters 8202 and 4703.

Servicers must ensure that each insurer or reinsurer that provides property or flood insurance coverage for each Mortgaged Premises securing a Mortgage owned by Freddie Mac meets the minimum licensing, assessment, and rating requirements outlined in Section 4703.1.

Insurance policies must include coverage for fire, windstorm, hurricane, hail, flood and localized perils, when applicable, and provide claims to be settled based on replacement cost.

Refer to Section 4703.2 for requirements for minimum property insurance types and amounts and Section 4703.3 for flood insurance requirements.

Servicers must:

- Ensure that the carrier, policy amount and coverage meet the minimum Freddie Mac requirements described in Chapter 4703
- Ensure property and flood, when applicable, insurance premiums are paid
- Obtain Lender-Placed Insurance if a Borrower is unable to pay their property or flood, when applicable, insurance premiums or is unable to maintain appropriate insurance coverage in accordance with the terms of the Security Instrument, the Guide and applicable law. See Section 8202.12 for Lender-Placed Insurance requirements.

8202.2: Minimum property insurance types and amounts (06/10/20)

For each Freddie Mac owned Mortgage it services, the Servicer must have policies and controls in place to ensure that the Mortgaged Premises is insured, and the coverage meets the minimum property insurance requirements outlined in Section 4703.2.

If at any time during the term of the Mortgage the Mortgaged Premises are not covered by the minimum property insurance requirements outlined in Section 4703.2, the Servicer must follow the Lender-Placed Insurance process under Section 8202.12.

8202.3: Flood insurance (06/10/20)

For each Freddie Mac owned Mortgage it services, the Servicer must have policies and controls in place to ensure that the Mortgaged Premises, when required, has and maintains flood insurance coverage that meets the minimum requirements outlined in Section 4703.3.

The Servicer must have policies, procedures and controls in place to ensure the property is adequately protected by flood insurance when required, with no lapses in coverage, and the flood insurance premiums are paid. If at any time during the term of the mortgage the Mortgaged Premises are not covered by flood insurance in the amount and with the deductible required, the Servicer must follow the Lender-Placed Insurance process under Section 8202.12.

The Servicer must have policies, procedures and controls in place to identify any map change that becomes effective on or after April 1, 1995 and determine which insurable improvements on Mortgaged Premises in the community affected by the map change become located in an SFHA and are required to have flood insurance. Flood insurance required under these provisions must be obtained within 120 days of the effective date of the map change.

If the area where the Mortgaged Premises is located is an SFHA but the community has become a nonparticipating community and flood insurance provided by the NFIP will not be renewed for that community, the Servicer must require the Borrower to obtain private flood insurance.

If the additional coverage cannot be obtained, the Servicer must immediately make appropriate recommendations to Freddie Mac (**see Directory 5**).

8202.4: Rent loss insurance (04/11/18)

Effective April 11, 2018, this section is deleted.

8202.5: Liability insurance for Condominium Projects and Cooperative Projects (06/10/20)

Servicers must have policies and controls in place to ensure that the liability insurance coverage for Condominium Projects and Cooperative Projects meets the minimum requirements outlined in Section 4703.4.

8202.6: Fidelity or employee dishonesty insurance for Condominium Projects and Cooperative Projects (06/10/20)

Servicers must have policies and controls in place to ensure that the fidelity or employee dishonesty insurance coverage for Condominium Projects and Cooperative Projects meets the minimum requirements outlined in Section 4703.5.

8202.7: Mortgage clause (06/10/20)

Servicers must ensure all insurance policies documenting insurance coverage(s) obtained in accordance with Freddie Mac's requirements for 1- to 4-unit properties include the insurance industry's standard Mortgage clause and meet the requirements outlined in Section 4703.6.

8202.8: Evidence of insurance (06/10/20)

For each property securing a Mortgage owned by Freddie Mac, the Servicer must maintain evidence of all required insurance coverages in one of the following forms:

- An original policy (including the Planned Unit Development (PUD) or condominium homeowners association, Cooperative Corporation or fee simple landowner/lessor's policy under which the required coverages may be provided in whole or in part) and applicable endorsements

- A copy of the original policy and applicable endorsements if the copy meets the requirements of Chapter 3302

- A certificate, evidence or declarations of insurance showing at least the following information:

    1. Name insured and mortgagee (where applicable, PUD or condominium homeowners association, Cooperative Corporation, fee simple landowner/lessor and PUD, or Condominium Unit, Cooperative Unit or ground lease community mortgagee for all units in which the mortgagee has an insurable interest)

    2. Property address

    3. Type, amount and effective dates of coverage

    4. Deductible amount and coverage to which each such deductible applies

    5. Any endorsement or optional coverage obtained and made part of the original policy

6. Insurer's agreement to provide at least 10 days' notice to the mortgagee (including any applicable PUD or Condominium Unit or ground lease community leasehold mortgagee) before any reduction in coverage or cancellation of the policy; or for Cooperative Projects, 30 days' notice to the mortgagee before cancellation

7. Signature of an authorized representative of the insurer, if required by law

The Servicer must maintain a specimen of each policy and endorsement for which a certificate, evidence or declarations of insurance is maintained in lieu of the policy and endorsement.

If the Servicer documents and tracks the master or blanket condominium homeowners association or Cooperative Corporation insurance policy maintained by a condominium homeowners association or Cooperative Corporation and can cross-reference to such policy each Condominium Unit Mortgage or Cooperative Share Loan the Servicer services for Freddie Mac in the condominium or Cooperative Project which is covered by such policy, the Servicer need not maintain and track a separate insurance certificate for each such Condominium Unit Mortgage or Cooperative Share Loan.

If the Servicer is unable to obtain evidence of insurance for a Borrower's unit in a condominium, Cooperative Project or a PUD insured under a master or blanket policy, one of the following insurance coverages obtained by the Servicer will meet the evidence of insurance requirements for the Borrower's unit:

- A blanket insurance policy carried by the Servicer which provides unit owner coverages as well as loss assessment coverage in the event of an uninsured loss for all Freddie Mac Condominium Unit Mortgages and Mortgages secured by units in a PUD and, if permitted by the Seller's Purchase Documents, Cooperative Share Loans serviced by the Servicer

- An agreement with an insurer to issue an insurance policy which provides unit owner coverage as well as loss assessment coverage in the event of an uninsured loss for all Freddie Mac Condominium Unit Mortgages, Mortgages secured by units in a PUD and, if permitted by the Seller's Purchase Documents, Cooperative Share Loans serviced by the Servicer

The blanket insurance policy or an agreement with an insurer to provide unit owner coverage as well as loss assessment coverage must meet the following requirements:

1. Be underwritten by an insurer with a current rating meeting the requirements outlined in Section 4703.1

2. Provide coverage for the Servicer and/or Freddie Mac

3. Provide for at least 180-days' written notice to the Servicer and, if applicable, Freddie Mac before canceling or terminating the coverage

4. Be approved by any regulatory authority to which the Servicer is subject, if such approval is required

The Servicer must carry mortgage impairment or mortgagee interest insurance if it elects not to maintain the documentation described above. The mortgage impairment or mortgagee interest policy must meet the following requirements:

1. Be underwritten by an insurer with a current rating meeting the requirements outlined in Section 4703.1

2. Provide coverage for the Servicer and/or Freddie Mac

3. Provide coverage in scope and amounts at least equal to those required under Sections 2101.5 through 2101.6

4. Provide for at least 180 days' written notice to the Servicer and, if applicable, Freddie Mac before canceling or terminating the coverage

5. Be approved by any regulatory authority to which the Servicer is subject, if such approval is required

Having a blanket insurance policy providing unit owners coverage, an agreement with an insurer to provide unit owners coverage, mortgage impairment or mortgagee interest policy does not relieve the Servicer of any of its Servicing obligations under the Purchase Documents, including the obligations to demonstrate to Freddie Mac that all the minimum insurance coverages required in Chapter 4703 and any other Purchase Document on a property securing a Mortgage serviced for Freddie Mac are indeed in force and to take all remedial actions required in this Chapter 8202 and any other Purchase Document when any such coverage is not in force.

In addition to all other remedies of Freddie Mac provided for in the Purchase Documents, the Servicer will indemnify Freddie Mac for any loss Freddie Mac sustains due to the Servicer's failure to verify that the required insurance is in force on the Mortgaged Premises. The Servicer's obligation shall in no way be limited to the amount of coverage in force under a mortgage impairment or mortgagee interest policy.

8202.9: Insurance charges (05/04/20)

Premiums for insurance covering the Mortgaged Premises will be paid when due by Borrowers or the Servicer if the Servicer collects Escrows for such purposes.

Premiums for insurance obtained by a Planned Unit Development (PUD), condominium homeowners association or Cooperative Corporation for the benefit of the PUD, Condominium Project or Cooperative Project will be paid as a common expense apportioned to each unit owner or Shareholder.

If the Condominium Project is located in Puerto Rico, premiums for insurance for a condominium homeowners' association policy for the benefit of the Condominium Project may be paid by the Servicer, if the Servicer collects Escrow for such purposes.

8202.10: Localized perils insurance (06/10/20)

Refer to Section 4703.7 for localized perils insurance requirements.

8202.11: Insurance loss settlements (07/15/20)

(a) Servicer responsibilities

Upon notification of loss or damage to the Mortgaged Premises, the Servicer must monitor and coordinate the claim process with the Borrower and the insurer. The Servicer must take appropriate action to:

- Verify the extent of the loss or damage
- Ensure judicious disbursement of insurance proceeds for the necessary repairs
- Protect the priority of the Mortgage by obtaining, where necessary, waivers of materialman's or mechanic's liens
- Document details concerning the loss or damage, completion of the repairs and disposition of the insurance proceeds in the Mortgage file
- Prohibit payment of fees out of the insurance loss proceeds to any public adjuster or other third party retained by the Borrower to assist with the recovery of those proceeds unless agreed to by Freddie Mac in writing
- Refer to Chapter 8403 for additional requirements on abandoned properties, distressed properties or properties that pose a Risk of Property Ownership

(b) Reporting damage

The Servicer does not need to submit a report and related recommendations to Freddie Mac unless:

- The Mortgage is in foreclosure
- The Mortgaged Premises is abandoned and/or has been acquired by the Servicer through foreclosure or deed-in-lieu of foreclosure. (See Section 9603.11(b) for remittance requirements for insurance loss settlements.)

- The insured improvements have suffered a total or near total loss
- The insured improvements cannot be rebuilt
- The Servicer wishes to apply insurance proceeds to the Mortgage debt instead of repairing the property, or
- Insurance proceeds exceed the amounts required to restore the property to its original condition

If any of the above conditions exist, the Servicer must submit the recommendation along with the appropriate documentation to Freddie Mac **(see Directory 5)**, within five Business Days of learning of the situation.

(c) Disbursing loss proceeds

If a Servicer receives an insurance claim check for contents or living expenses, the Servicer must release the insurance funds to the Borrower without delay.

When the Mortgaged Premises has suffered a loss, the Servicer must follow the requirements in the below table for releasing proceeds:

<table>
<tr><th>Insurance loss draft</th><th>Mortgage current or less than 31 days delinquent at the time of loss</th><th>Mortgage 31 or more days delinquent at the time of loss</th></tr>
<tr><td rowspan="2">Initial loss draft</td><td rowspan="2">The Servicer may release insurance proceeds up to the greater of:
$40,000
33% of insurance proceeds or
The amount by which the release funds exceed the sum of the UPB, accrued interest and advances on the Mortgage</td><td>If the proceeds are less than or equal to $5,000, the Servicer may disburse in one payment.</td></tr>
<tr><td>If the proceeds are greater than $5,000, the Servicer may make an initial disbursement of 25% of the insurance proceeds but no more than the greater of:
$10,000 or
The amount by which the release funds exceed the sum of the UPB, accrued interest and advances on the Mortgage</td></tr>
</table>

Insurance loss draft	Mortgage current or less than 31 days delinquent at the time of loss	Mortgage 31 or more days delinquent at the time of loss
Additional loss drafts	The Servicer may distribute remaining funds based on the repair plan reviewed and approved by the Servicer.	The Servicer may distribute remaining funds in increments not to exceed 25% of the insurance loss proceeds.
Inspections	The Servicer must inspect repairs prior to release of any remaining funds. For Mortgages that were **current or less than 31 days delinquent at the time of loss,** the Servicer may use either physical/onsite inspections or remote inspections to confirm the progress or completion of repairs at the property. The Servicer may use Borrower-submitted photos and/or video, or conduct Servicer-directed video calls with the Borrower to document the progress or completion of repairs at the property if the Servicer can, when conducting such inspections: ■ Determine the documented repairs are from the location of the property ■ Authenticate when any Borrower-submitted photos or video were taken and that such photos or video were not altered in any way, and ■ Clearly identify the repairs that are being documented and confirm the repairs (a) were completed in accordance with the insurance adjuster's itemized estimate and the repair plan, and (b) do not affect the safety, soundness or structural integrity of the property or the ability to obtain an occupancy permit. For remote inspections conducted by video call with the Borrower, the Servicer must also retain video or photo records of the call that clearly document the Servicer's compliance with the above requirements. For Mortgages that are more than 31 days delinquent at the time of loss, Servicers must schedule physical inspections to confirm the progress or completion of repairs.	

Insurance loss draft	Mortgage current or less than 31 days delinquent at the time of loss	Mortgage 31 or more days delinquent at the time of loss
Funds payable	The Servicer may issue insurance proceeds payable only to the Borrower.	

A Servicer may unilaterally apply the insurance proceeds to the Mortgage's unpaid balance only to the extent allowed by applicable law and the Security Instrument. The Borrower, however, may unilaterally decide to have the proceeds applied to the Mortgage's unpaid balance.

If repair or reconstruction of the residence is expected to take more than three months, insurance funds retained by the Servicer pending disbursement for such repair or reconstruction must be maintained in a federally insured account that pays interest to the Borrower.

The Servicer may be named as loss payee on insurance drafts and must comply with any applicable law and, where applicable, any requirement of the FHA, VA, RHS or MI.

(d) Repair or reconstruction of the Mortgaged Premises

In overseeing the repair or reconstruction of damaged or destroyed residences, the Servicer should, to the extent applicable, practicable and required, ascertain that:

- The contractor chosen by the Borrower to repair or reconstruct the residence is:
  - Qualified and experienced to perform the types of work contracted
  - Financially able to complete the repair or reconstruction within scheduled time frames
- The plans and specifications for the work contracted:
  - Describe repair or reconstruction that is generally consistent with the damage or destruction suffered by the residence, as reported in the proof of loss filed by the Borrower with the property insurer and as documented by the insurer's adjuster
  - Establish a reasonable schedule for completion of each phase of repair or reconstruction
- The Borrower and the contractor have executed a contract by which they agree to the following:
  - The contractor will perform the work described in the plans and specifications

- ❑ The contractor will comply with applicable codes and regulations governing residential repair or reconstruction (including, but not limited to, building codes and zoning, permit and inspection regulations).

  These codes and regulations may vary from State to State and, within the same State, from county to county. Therefore, Servicers should have adequate measures in place to verify contractors' and inspectors' compliance certifications to protect Freddie Mac's and the Servicer's respective investments.

  If additional funds are needed to bring a damaged or destroyed residence into compliance with applicable codes and regulations, the Borrowers should determine whether their property insurer will waive any policy provision restricting payment for the increased cost of construction resulting from enforcement of codes and regulations.

- ❑ A specified dollar amount is the maximum amount that the contractor may charge for the work

- ❑ The contractor will be paid a specified advance (if applicable, usually not exceeding 10% of the total contract amount) and, subsequently, on a specified draw schedule contingent on verification of satisfactory completion of specified work phases. If the mortgage status at time of notification is 31 or more days delinquent at time of loss, released funds must not exceed 25% increments of insurance loss proceeds.

- ❑ The contractor, its subcontractors and its material suppliers will provide written acknowledgment of payment for work performed and materials supplied and the necessary lien waivers or releases so that the Mortgaged Premises may remain clear of all such liens and encumbrances.

- ■ Each scheduled work phase has been satisfactorily completed in accordance with the plans and specifications in the contract.

  The Servicer may choose to have the above described oversight functions performed by its staff or by a third party (such as a specialized firm or another Servicer). However, the Servicer is liable for the performance of any third party it retains. The third party may be compensated from insurance proceeds retained by the Servicer only to the extent agreed to by the Borrower and allowed under applicable law.

(e) Final inspection

The Servicer must follow the requirements below regarding the final inspection.

Loss proceeds	Mortgage current or less than 31 days delinquent at the time of loss	Mortgage 31 or more days delinquent at the time of loss
	A final inspection is not required.	A final inspection is always required to ensure all repairs are completed.

8202.12: Lender-Placed Insurance (07/01/16)

The Seller/Servicer must require the Borrower to obtain appropriate insurance coverage in accordance with the terms of the Security Instrument, the Guide and applicable law.

The Servicer must continuously monitor the Borrower and Mortgage to ensure that adequate coverage has been obtained and remains in force. If the Borrower's coverage is cancelled or in jeopardy of cancellation due to non-payment of premium, the Servicer must attempt to continue coverage by paying the premium on behalf of the Borrower in accordance with applicable law. If the Borrower and the Servicer do not or cannot continue such coverage or if the coverage obtained is cancelled or lapses, the Servicer must obtain Lender-Placed Insurance (LPI). The Servicer must then adjust the Borrower's Escrow payments accordingly or bill the Borrower to recover the advance if the Servicer does not maintain an Escrow account for the Borrower. If the Borrower fails to reimburse the Servicer, the Servicer may recommend acceleration to Freddie Mac for the Borrower's default under the terms of the Security Instrument.

If the additional coverage cannot be obtained, the Servicer must immediately make appropriate recommendations to Freddie Mac **(see Directory 5)**.

If the Servicer obtains LPI coverage for the Borrower from an LPI carrier in accordance with this section, the following apply:

- The Servicer or agents, brokers or other entities affiliated with the Servicer may not receive any compensation in the form of commissions or similar incentive-based compensation regardless of its designation as commission, bonus, fees or other type of payment from LPI carriers; and

- The Servicer may not use its own affiliated entities to insure or reinsure LPI

For purposes of this section an "entity" is "affiliated" with the Servicer when it is owned or controlled, in whole or in part, by the Servicer, including, but not limited to, a subsidiary of or in a joint venture or partnership with the Servicer. An affiliated entity shall also include any entity that owns or controls, in whole or in part, the Servicer (e.g., the parent company of the Servicer) and any entity that is under common ownership or control with the Servicer (e.g., two subsidiaries of the same parent company). An affiliated entity shall not include a publicly-traded company of whose stock the Servicer owns less than 5%.

Required deductibles for LPI policies effective on or after July 1, 2016 are provided in the table below. The required deductible is based on the dwelling coverage amount provided by the LPI policy. These deductibles are required for all perils except wind, hail and flood, to the extent permissible under applicable State law.

Dwelling coverage	**Deductible**
Less than $100,000	$1,000
$100,000 up to and including $250,000	$2,000
Greater than $250,000	$2,500

The Servicer must comply with all applicable law pertaining to administration of LPI, including providing notices to the Borrower and refund of premium for duplicate coverage.

The Servicer must, upon request from Freddie Mac, provide a copy of the insurance policy and any and all agreements with any LPI carrier used by the Servicer on Mortgages demonstrating compliance with the above requirements.

A Servicer's failure to comply with the above requirements may result in any of the remedies available to Freddie Mac in Section 3601.1.

Chapter 8203: Mortgage Insurance

8203.1: Mortgage insurance terms, warranties and other requirements (10/01/18)

(a) Terms

The following terms apply for purposes of this chapter:

- **HPA** — The Homeowners Protection Act of 1998, as amended
- **HPA Effective Date** — July 29, 1999, the first date on which requirements of the HPA applied to any HPA Mortgage
- **HPA Mortgage** — A 1-unit Primary Residence Mortgage with mortgage insurance originated on or after the HPA Effective Date. For purposes of canceling mortgage insurance in accordance with the requirements of Sections 8203.2 and 8203.4, an "HPA Mortgage" also includes any second home Mortgage (as defined in Section 4201.15) with mortgage insurance and any Pre-HPA Mortgage secured by a 1-unit Primary Residence.
- **HPA Mortgage Annual Notice** — A written statement that, pursuant to the HPA, the Seller/Servicer must send annually to a Borrower concerning the Borrower's HPA Mortgage. The statement informs the Borrower of mortgage insurance cancelation and termination rights pertaining to the Borrower's HPA Mortgage. The HPA requires different notices, the contents of which depend on whether the HPA Mortgage is a fixed-rate or adjustable-rate Mortgage.
- **Non-HPA Mortgage** — Any Home Mortgage with mortgage insurance, originated on or after the HPA Effective Date, that is not an HPA Mortgage. For purposes of canceling mortgage insurance in accordance with the requirements of Section 8203.3, a "Non-HPA Mortgage" also includes any Pre-HPA Mortgage secured by a 2- to 4-unit Mortgaged Premises or 1- to 4-unit Investment Property.
- **Pre-HPA Mortgage** — Any Home Mortgage with mortgage insurance originated before the HPA Effective Date
- **Pre-HPA Mortgage Annual Notice** — A written statement that, pursuant to the HPA, the Seller/Servicer must send annually to a Borrower concerning the Borrower's Pre-HPA Mortgage. The statement gives instructions to the Borrower on how to contact the Seller/Servicer to determine if and how mortgage insurance may be canceled.

(b) General warranties and covenants and other requirements

The Seller/Servicer warrants that mortgage insurance has been obtained as required in Section 4701.1 and agrees and covenants that such mortgage insurance will be maintained unless canceled in accordance with the requirements of Section 4701.1 (for purposes of determining the "value" of Mortgaged Premises located in the State of New York), Sections 8203.2 through 8203.7 or pursuant to applicable law. Additionally, some of the requirements in Sections 8203.2 and 8203.4 are derived from, and are in addition to, requirements under the HPA.

The Seller/Servicer also warrants that the Borrower has been given, and agrees and covenants to provide, all disclosures required by applicable law including, but not limited to, the HPA, relating to the terms on which the Borrower-paid mortgage insurance may be canceled. Such disclosures may include an initial HPA-related notice given to a Borrower at the Mortgage closing and an HPA Mortgage Annual Notice or Pre-HPA Mortgage Annual Notice, as applicable.

(c) Pre-HPA Mortgage that is modified

The modification of a Pre-HPA Mortgage (a fixed-rate, adjustable-rate) does not cause the Pre-HPA Mortgage to become an HPA Mortgage or trigger any new obligation under this chapter relating to the Pre-HPA Mortgage.

(d) Determination of property securing the Mortgage

For mortgage insurance cancelation purposes, the occupancy of the Mortgaged Premises as stated in the Borrower's Mortgage application must be used to determine whether the Mortgaged Premises is a Primary Residence, a second home (as defined in Section 4201.15) or an Investment Property.

(e) Other conditions for Borrower-requested cancelation of Borrower-paid mortgage insurance

When a Borrower requests cancelation of Borrower-paid mortgage insurance pursuant to Sections 8203.2 and 8203.3, except as may otherwise be provided in a Purchase Document, the Seller/Servicer must not request or require that a Borrower make a written certification or any other representation concerning the existence or nonexistence of a Second Mortgage or other subordinate lien on the Mortgaged Premises. If a Purchase Document contains a condition relating to such a written certification or representation by a Borrower, the Seller and the Servicer of the Borrower's Mortgage must provide to the Borrower all disclosures required by applicable law with respect to the condition set forth in the Purchase Document.

(f) Borrowers impacted by an Eligible Disaster

When a Borrower impacted by an Eligible Disaster that resulted in the Mortgage being subject to a disaster-related forbearance plan pursuant to Chapter 8404 or other Purchase

Documents requests to cancel Borrower-paid mortgage insurance post-forbearance and after the Mortgage has been restored to a current status, any Delinquency that was a direct result of the Mortgage being subject to a disaster-related forbearance plan, and, following the disaster-related forbearance, transition to a relief or workout option to cure the Delinquency (e.g., repayment plan or Trial Period Plan) in accordance with Section 8404.6 or other Purchase Documents, must be considered an exception to the payment history requirements set forth in Sections 8203.2 and 8203.3.

8203.2: Borrower-requested cancelation of Borrower-paid mortgage insurance on an HPA Mortgage (12/14/22)

For Borrower-requested cancelation of Borrower-paid mortgage insurance, unless otherwise canceled pursuant to applicable law, the Seller/Servicer must cancel such mortgage insurance when the Borrower and the HPA Mortgage meet the requirements of Section 8203.2(a) or Section 8203.2(b), respectively.

In addition to processing and/or responding to Borrowers' written or verbal requests to cancel mortgage insurance in accordance with this section, the Seller/Servicer also may:

- Systematically identify all Mortgages that the Seller/Servicer services for Freddie Mac that may be close to, or have reached, the applicable mortgage insurance cancelation point set forth below; and

- Notify the Borrowers of such Mortgages of next steps, if any, that must be taken to determine if mortgage insurance may be canceled

Upon obtaining an eligible Borrower's verbal and/or written request or affirmation, the Seller/Servicer must cancel the related mortgage insurance upon ascertaining that all applicable conditions have been met.

(a) Borrower-requested cancelation of Borrower-paid mortgage insurance based on the original value

The table below lists the requirements for Borrower-requested cancelation of Borrower-paid mortgage insurance based on the **original value** (as "value" is defined in Section 4203.1):

1. Cancelation point	Based on the original value, the loan-to-value (LTV) ratio must be 80% or less. (Note: As opposed to the conditions set forth in row 1, *Cancelation point*, of Section 8203.2(b), there is no required minimum period having elapsed since the Origination Date of a Mortgage when determining the cancelation point.)

	At the option of the Borrower, the numerator of the LTV ratio may be based upon: ■ The amortization schedule (irrespective of the Mortgage's current UPB); or ■ The Mortgage's current UPB (based on actual payments collected) Note: Regarding the amortization schedule in the cancelation point requirements set forth above, this amortization schedule is the initial amortization schedule for a fixed-rate Mortgage or current amortization schedule following the most recent rate change for an ARM or Step-Rate Mortgage.
2. Evidence of value	The Seller/Servicer must warrant that the original value of the Mortgaged Premises, at a minimum, supports the LTV ratio required to cancel mortgage insurance.
3. Payment history	The Borrower's payment history must show: ■ The Mortgage is current ■ There was no payment 30 days or more past due in the preceding 12 months (or since the Origination Date if the Mortgage was originated in the past 12 months); and ■ There was no payment 60 days or more past due in the preceding 24 months (or since the Origination Date if the Mortgage was originated in the past 24 months) Pursuant to Section 8203.1(f) regarding Borrowers impacted by an Eligible Disaster, any Delinquency that is a direct result of the Mortgage being subject to a disaster-related forbearance plan and, following the disaster-related forbearance, transition to a relief or workout option to cure the Delinquency (e.g., repayment plan or Trial Period Plan) in accordance with Section 8404.6 or other Purchase Documents, must be considered an exception to the payment history requirements set forth above. Note: The reference to a "preceding" period in the payment history requirements set forth above means the specified time period that immediately preceded the later of: (i) the date on which the required LTV ratio was reached or (ii) the date on which the Borrower submits the request to cancel mortgage insurance.

(b) Borrower-requested cancelation of Borrower-paid mortgage insurance based on the current value

The table below lists the requirements for Borrower-requested cancelation of Borrower-paid mortgage insurance based on the **current value**:

1. Cancelation point	Based on the Mortgage's current UPB and the current value, the LTV ratio must be: ■ 75% or less if the Mortgage is seasoned between 2 and 5 years ■ 80% or less if the Mortgage is seasoned greater than 5 years The minimum two-year seasoning requirement is waived if the Servicer determines the increased market value of the Mortgaged Premises since the Origination Date of the Mortgage is due to substantial improvements, the LTV ratio must be 80% or less. Regarding canceling mortgage insurance because of substantial improvements to the Mortgaged Premises, the following conditions must be met: ■ The market value of the Mortgaged Premises must be calculated using the current market value estimate in a BPO or an appraisal that is ordered and obtained in accordance with row 2 of this table, *Evidence of value*, and prepared after the substantial improvements have been completed ■ The substantial improvements must conform to local zoning and building codes; and ■ The BPO or appraisal must state the specific nature, extent and cost of the improvements made and the effect of the improvements on the current estimated market value Note: The reference to "substantial improvements" in the cancelation point requirements set forth above means that the improvements, made since the Origination Date, were any type of renovation(s) that substantially extended the useful life of the Mortgaged Premises. Examples of "substantial improvements" include, but are not limited to:

	■ Significant structural alterations (including addition of square footage) ■ Construction requiring permits ■ Adding new components/appliances that previously didn't exist (e.g., adding a bathtub, hardwood flooring, central air conditioning) ■ Replacing components/appliances with energy-efficient versions Repairs made to keep the Mortgaged Premises maintained and fully functional (e.g., replacing roofing/flooring/appliances with same materials) are not considered "substantial improvements."
2. Evidence of value	At the Borrower's expense, and performed no later than 120 days after the date on which the Borrower submits a request to cancel mortgage insurance, the Seller/Servicer must verify the current value by: ■ A new BPO ordered and obtained through BPOdirect®, unless applicable law requires that an appraisal be used or the Seller/Servicer determines that an appraisal is in the Borrower's best interest (e.g., at the option of the Borrower). The BPO must be an interior and exterior BPO. (Refer to Sections 2406.4 and 9202.17 for details regarding Freddie Mac's process to obtain a property value.); or ■ If applicable law requires that an appraisal be used or the Seller/Servicer determines that an appraisal is in the Borrower's best interest, a new appraisal with an interior and exterior inspection. The Seller/Servicer may order and obtain the appraisal either directly from Freddie Mac through BPOdirect or from an appraiser of its choice. If a Seller/Servicer does not obtain the appraisal directly from Freddie Mac, then the Seller/Servicer must ensure that the appraisal complies with the requirements of Topic 5600. Note: Prior to ordering a BPO or an appraisal in conjunction with a request to cancel mortgage insurance for an "unseasoned loan" on the basis of substantial improvements to the Mortgaged Premises (see row 1 of this table, *Cancelation point*), the Seller/Servicer must validate that improvements are qualifying and compliant. All required information must be entered in the Interior Access/Substantial Improvements field when placing the order in BPOdirect. Enter the interior access information first followed by properly vetted significant improvements. Reported improvements must include the cost, date and specific nature of the improvement

	and should not include ***minor*** cosmetic updates, repairs or maintenance or replacement of appliances, mechanicals, flooring, etc., with like items. If the Servicer is unable to obtain this information from the Borrower or otherwise believes the information provided does not support a substantial improvement of the Mortgaged Premises (e.g., expenses that maintain the existing property), the Servicer should not order a BPO as the request will not meet the requirements of Chapter 8203.
3. Payment history	The Borrower's payment history must show: ■ The Mortgage is current ■ There was no payment 30 days or more past due in the preceding 12 months (or since the Origination Date if the Mortgage was originated in the past 12 months); and ■ There was no payment 60 days or more past due in the preceding 24 months (or since the Origination Date if the Mortgage was originated in the past 24 months) Pursuant to Section 8203.1(f) regarding Borrowers impacted by an Eligible Disaster, any Delinquency that is a direct result of the Mortgage being subject to a disaster-related forbearance plan and, following the disaster-related forbearance, transition to a relief or workout option to cure the Delinquency (e.g., repayment plan or Trial Period Plan) in accordance with Section 8404.6 or other Purchase Documents, must be considered an exception to the payment history requirements set forth above. Note: The reference to a "preceding" period in the payment history requirements set forth above means the specified time period that immediately preceded the later of: (i) the date on which the required LTV ratio was reached or (ii) the date on which the Borrower submits the request to cancel mortgage insurance.
4. Other conditions	In addition to the payment history requirements set forth in row 3 of this table, *Payment history*, as they relate to Delinquency, there must be no other default under the terms of the Security Instrument in the last 12 months. Other defaults under the terms of the Security Instrument may include, but are not limited to: ■ An impermissible Transfer of Ownership that requires acceleration of the debt under the terms of Chapter 8406 and the Security Instrument

	■ The Borrower's failure to pay taxes, ground rents, assessments and other charges requiring payment under the Security Instrument; or ■ The Borrower's failure to maintain the Mortgaged Premises in accordance with the Security Instrument

8203.3: Borrower-requested cancelation of Borrower-paid mortgage insurance on a Non-HPA Mortgage (06/08/22)

For Borrower-requested cancelation of Borrower-paid mortgage insurance, unless otherwise canceled pursuant to applicable law, the Seller/Servicer must cancel such mortgage insurance when the Borrower and the Non-HPA Mortgage meet the requirements of Section 8203.3(a) or Section 8203.3(b), respectively.

In addition to processing and/or responding to Borrowers' written or verbal requests to cancel mortgage insurance in accordance with this section, the Seller/Servicer also may:

- Systematically identify all Mortgages that the Seller/Servicer services for Freddie Mac that may be close to, or have reached, the applicable mortgage insurance cancelation point set forth below; and

- Notify the Borrowers of such Mortgages of next steps, if any, that must be taken to determine if mortgage insurance may be canceled

Upon obtaining an eligible Borrower's verbal and/or written request or affirmation, the Seller/Servicer must cancel the related mortgage insurance upon ascertaining that all applicable conditions have been met.

(a) Borrower-requested cancelation of Borrower-paid mortgage insurance based on the original value

The table below lists the requirements for Borrower-requested cancelation of Borrower-paid mortgage insurance based on the **original value** (as "value" is defined in Section 4203.1):

1. Cancelation point	Based on the Mortgage's current UPB and the original value, the loan-to-value (LTV) ratio must be 65% or less. (Note: As opposed to the conditions set forth in row 1*, Cancelation point*, of Section 8203.3(b), there is no required minimum period having elapsed since the Origination Date of a Mortgage when determining the cancelation point.)

2. Evidence of value	The Seller/Servicer must warrant that the original value of the Mortgaged Premises, at a minimum, supports the LTV ratio required to cancel mortgage insurance.
3. Payment history	The Borrower's payment history must show: ■ The Mortgage is current ■ There was no payment 30 days or more past due in the preceding 12 months (or since the Origination Date if the Mortgage was originated in the past 12 months); and ■ There was no payment 60 days or more past due in the preceding 24 months (or since the Origination Date if the Mortgage was originated in the past 24 months) Pursuant to Section 8203.1(f) regarding Borrowers impacted by an Eligible Disaster, any Delinquency that is a direct result of the Mortgage being subject to a disaster-related forbearance plan and, following the disaster-related forbearance, transition to a relief or workout option to cure the Delinquency (e.g., repayment plan or Trial Period Plan) in accordance with Section 8404.6 or other Purchase Documents, must be considered an exception to the payment history requirements set forth above. Note: The reference to a "preceding" period in the payment history requirements set forth above means the specified time period that immediately preceded the later of: (i) the date on which the required LTV ratio was reached or (ii) the date on which the Borrower submits the request to cancel mortgage insurance.
4. Other conditions	In addition to the payment history requirements set forth in row 3 of this table, *Payment history*, as they relate to Delinquency, there must be no other default under the terms of the Security Instrument in the last 12 months. Other defaults under the terms of the Security Instrument may include, but are not limited to: ■ An impermissible Transfer of Ownership that requires acceleration of the debt under the terms of Chapter 8406 and the Security Instrument ■ The Borrower's failure to pay taxes, ground rents, assessments and other charges requiring payment under the Security Instrument; or ■ The Borrower's failure to maintain the Mortgaged Premises in accordance with the Security Instrument

(b) Borrower-requested cancelation of Borrower-paid mortgage insurance based on the current value

The table below lists the requirements for Borrower-requested cancelation of Borrower-paid mortgage insurance based on the **current value:**

1. Cancelation point	Based on the Mortgage's current UPB and the current value, the LTV ratio must be: ■ 65% or less if the Mortgage is seasoned at least 2 years The minimum two-year seasoning requirement is waived if the Servicer determines the increased market value of the Mortgaged Premises since the Origination Date of the Mortgage is due to substantial improvements, the LTV ratio must be 65% or less. Regarding canceling mortgage insurance because of substantial improvements to the Mortgaged Premises, the following conditions must be met: ■ The market value of the Mortgaged Premises must be calculated using the current market value estimate in a BPO or an appraisal that is ordered and obtained in accordance with row 2 of this table, *Evidence of value*, and prepared after the substantial improvements have been completed ■ The substantial improvements must conform to local zoning and building codes; and ■ The BPO or appraisal must state the specific nature, extent and cost of the improvements made and the effect of the improvements on the current estimated market value Note: The reference to "substantial improvements" in the cancelation point requirements set forth above means that the improvements, made since the Origination Date, were any type of renovation that substantially extended the useful life of the Mortgaged Premises. Examples of "substantial improvements" include, but are not limited to:

	■ Significant structural alterations (including addition of square footage) ■ Construction requiring permits ■ Adding new components/appliances that previously didn't exist (e.g., adding a bathtub, hardwood flooring, central air conditioning) ■ Replacing components/appliances with energy-efficient versions Repairs made to keep the Mortgaged Premises maintained and fully functional (e.g., replacing roofing/flooring/appliances with same materials) are not considered "substantial improvements."
2. Evidence of value	At the Borrower's expense, and performed no later than 120 days after the date on which the Borrower submits a request to cancel mortgage insurance, the Seller/Servicer must verify the current value by one of the following methods: ■ A new BPO ordered and obtained through BPOdirect®, unless applicable law requires that an appraisal be used or the Seller/Servicer determines that an appraisal is in the Borrower's best interest (e.g., at the option of the Borrower). The BPO must be an interior and exterior BPO. (Refer to Sections 2406.4 and 9202.17 for details regarding Freddie Mac's process to obtain a property value.); or ■ If applicable law requires that an appraisal be used or the Seller/Servicer determines that an appraisal is in the Borrower's best interest, a new appraisal with an interior and exterior inspection. The Seller/Servicer may order and obtain the appraisal either directly from Freddie Mac through BPOdirect or from an appraiser of its choice. If a Seller/Servicer does not obtain the appraisal directly from Freddie Mac, then the Seller/Servicer must ensure that the appraisal complies with the requirements of Topic 5600. Note: Prior to ordering a BPO or an appraisal in conjunction with a request to cancel mortgage insurance on the basis of substantial improvements to the Mortgaged Premises (see row 1 of this table, *Cancelation point*), the Seller/Servicer should request a list of substantial improvements, including the specific nature, cost and, when applicable, verification that the improvements conform to local zoning and building codes, from the Borrower and forward this list to **Bpod_Escalations@FreddieMac.com** when ordering a BPO through **BPOdirect**. If the Servicer is unable to obtain this information from the Borrower, or otherwise believes the information provided does not support a substantial improvement of the Mortgaged Premises

	(e.g., expenses that maintain the existing property), the Servicer should not order a BPO as the request will not meet the requirements of Chapter 8203.
3. Payment history	The Borrower's payment history must show: ■ The Mortgage is current ■ There was no payment 30 days or more past due in the preceding 12 months (or since the Origination Date if the Mortgage was originated in the past 12 months); and ■ There was no payment 60 days or more past due in the preceding 24 months (or since the Origination Date if the Mortgage was originated in the past 24 months) Pursuant to Section 8203.1(f) regarding Borrowers impacted by an Eligible Disaster, any Delinquency that is a direct result of the Mortgage being subject to a disaster-related forbearance plan and, following the disaster-related forbearance, transition to a relief or workout option to cure the Delinquency (e.g., repayment plan or Trial Period Plan) in accordance with Section 8404.6 or other Purchase Documents, must be considered an exception to the payment history requirements set forth above. Note: The reference to a "preceding" period in the payment history requirements set forth above means the specified time period that immediately preceded the later of: (i) the date on which the required LTV ratio was reached or (ii) the date on which the Borrower submits the request to cancel mortgage insurance.
4. Other conditions	In addition to the payment history requirements set forth in row 3 of this table, *Payment history*, as they relate to Delinquency, there must be no other default under the terms of the Security Instrument in the last 12 months. Other defaults under the terms of the Security Instrument may include, but are not limited to: ■ An impermissible Transfer of Ownership that requires acceleration of the debt under the terms of Chapter 8406 and the Security Instrument ■ The Borrower's failure to pay taxes, ground rents, assessments and other charges requiring payment under the Security Instrument; or ■ The Borrower's failure to maintain the Mortgaged Premises in accordance with the Security Instrument

8203.4: Automatic cancelation of Borrower-paid mortgage insurance on an HPA Mortgage (10/01/18)

For automatic cancelation of Borrower-paid mortgage insurance, unless otherwise canceled pursuant to applicable law, the Seller/Servicer must cancel such mortgage insurance when the HPA Mortgage meets the requirements of this section.

Note: Non-HPA Mortgages are not eligible for automatic cancelation of Borrower-paid mortgage insurance. (Refer to Section 8203.3 regarding Borrower-requested cancelation of Borrower-paid mortgage insurance for Non-HPA Mortgages and Seller/Servicer solicitations of such requests.)

The table below lists the requirements for automatic cancelation of Borrower-paid mortgage insurance:

1. Cancelation point	Provided that the payment record requirements set forth in row 2 of this table, *Payment record*, are met, the earlier of: ■ The date on which the loan-to-value (LTV) ratio is first scheduled to reach 78% based on the original value (as "value" is defined in Section 4203.1) and the amortization schedule (irrespective of the Mortgage's current UPB); or ■ The date on which the midpoint of the amortization period of the Mortgage is reached. The midpoint occurs halfway through a Mortgage's amortization period based upon the amortization schedule. For example, in the case of a 360-month or 30-year Mortgage with a payment Due Date on the first of each month, the midpoint is deemed to be the first day of the 180th month. Assuming that the payment record requirements set forth in row 2 of this table, *Payment record*, are met, the Seller/Servicer must have mortgage insurance canceled effective for the 181st month's payment. Note: Regarding the amortization schedule in the cancelation point requirements set forth above, this amortization schedule is the initial amortization schedule for a fixed-rate Mortgage or current amortization schedule following the most recent rate change for an ARM or Step-Rate Mortgage.
2. Payment record	All principal and interest and Escrow installments (or all Seller/Servicer advances for unpaid charges otherwise payable from Escrow, if applicable) with Due Dates prior to the cancelation point must be paid by the Borrower on or before the cancelation point. (In the example set forth in row 1 of this table, *Cancelation point*, all such installments with Due Dates before the 180th month, must have been paid by the Borrower by

	the first day of the 180th month in order for mortgage insurance to be canceled effective for the 181st month's payment.) If any installment of principal and interest and Escrow (or any Seller/Servicer advance for unpaid charges otherwise payable from Escrow, if applicable) with a Due Date prior to the cancelation point has not been paid by the Borrower on or before the cancelation point, then the cancelation point must be deferred to the first day of the first month beginning after the date on which all such installments are paid by the Borrower.

8203.5: Cancelation of Borrower-paid mortgage insurance on modified Mortgages (10/01/18)

For the purpose of canceling mortgage insurance in accordance with the requirements of this Chapter 8203 on a modified Mortgage (HPA Mortgage, Non-HPA Mortgage or Pre-HPA Mortgage), the required loan-to-value (LTV) ratio and the amortization schedule or period, as applicable, must be based upon the modified terms of the Mortgage (see Section 9206.1 for examples of modified terms of a Mortgage). Additionally, the Mortgage's UPB is the total UPB, including any deferred (non-interest bearing) UPB as a result of a prior modification.

8203.6: Cancelation of Borrower-paid mortgage insurance on reset Mortgages (10/01/18)

Effective October 1, 2018, this section is deleted.

8203.7: Cancelation of Borrower-paid mortgage insurance on refinance Mortgages (10/01/18)

For the purpose of canceling mortgage insurance in accordance with the requirements of this Chapter 8203 on a refinance Mortgage (HPA Mortgage, Non-HPA Mortgage or Pre-HPA Mortgage), the original value is the appraised value relied upon to approve the refinance transaction.

8203.8: Cancelation of lender-paid mortgage insurance (03/02/16)

Lender-paid mortgage insurance is not cancelable. The Seller/Servicer must provide to the Borrower all related disclosures required by the HPA, if applicable.

8203.9: FHA insurance (03/02/16)

FHA insurance must not be canceled while Freddie Mac has an ownership interest in the Mortgage. The Seller/Servicer must, however, discontinue the collection of FHA insurance premiums from a Borrower automatically or pursuant to a Borrower's request in accordance with applicable law and FHA regulations.

8203.10: Transfers of mortgage insurance coverage (03/02/16)

The Seller/Servicer must not transfer the mortgage insurance coverage in effect at the time the Seller/Servicer delivered a Mortgage to Freddie Mac, unless:

1. Coverage must be replaced in conjunction with a third party's assumption of the Borrower's Mortgage obligations

2. The existing MI does not renew the existing coverage

3. Freddie Mac has terminated the approval status of the existing MI; or

4. Freddie Mac has instructed the Seller/Servicer to transfer the coverage

8203.11: Reporting mortgage insurance cancelations (05/01/19)

(a) Seller/Servicer reporting requirements

The Seller/Servicer must report the following mortgage insurance cancelation data to Freddie Mac:

1. Cancelation date

The cancelation date is defined as the date the Seller/Servicer specifies to the MI that the Seller/Servicer canceled the mortgage insurance.

2. Cancelation reason code

The cancelation reason code is a two-place, numeric-alpha code as follows:

- 1M — Cancelation resulting from a Borrower request based on original value of property in accordance with Sections 8203.2 through 8203.3 or applicable law
- 1N — Cancelation resulting from a Borrower request based on current value of property in accordance with Sections 8203.2 through 8203.3 or applicable law
- 1O — Cancelation based on automatic cancelation provisions of Section 8203.4 or applicable law

(b) Seller/Servicer reporting timeline

If there is no exception activity to report for a Mortgage whose mortgage insurance the Seller/Servicer has canceled, the Seller/Servicer must report the mortgage insurance cancelation data with its monthly loan-level accounting data within three Accounting Cycles after the calendar month of the cancelation date. For example, if the cancelation date is April 5th, the Seller/Servicer must report the mortgage insurance cancelation data with its monthly loan-level accounting data no later than the July Accounting Cycle.

If there is exception activity to report for the Mortgage, the Seller/Servicer must defer reporting the mortgage insurance cancelation data until the first available Accounting Cycle in which there is no exception activity to report for that Mortgage.

Refer to Section 8301.10 for requirements regarding Freddie Mac's reporting media.

8203.12: Directing MI disclosure of Mortgage information to Freddie Mac and reconciliation (05/16/22)

(a) Disclosure of MI Mortgage information

The Seller/Servicer must instruct, in writing, any MI providing current or prospective coverage for Freddie Mac Mortgages in accordance with Section 4701.1, to disclose to Freddie Mac (upon Freddie Mac's request) any and all information, data, and materials pertaining to any Freddie Mac Mortgage sold to and/or serviced for Freddie Mac by the Seller/Servicer.

The Seller/Servicer must continue to meet its obligations under the Purchase Documents to provide Freddie Mac information regarding Freddie Mac Mortgages regardless of whether the MI has provided, or may provide, required information and/or materials to Freddie Mac.

(b) Reconciliation of MI Mortgage information

Periodically, Freddie Mac will reconcile mortgage insurance information provided by an MI with the mortgage insurance ULDD Data Points (see Section 6302.21) provided when loans are delivered to Freddie Mac.

If discrepancies are identified, Freddie Mac will post data files containing the selected loans and mortgage insurance ULDD Data Points to the **Total MI Reconciliation** tool. (See Exhibit 88, Servicing Tools.) Within 10 Business Days of notification, Servicers must access the data files and provide updated information through the Total MI Reconciliation user interface in Servicing Gateway or the Total MI Reconciliation application programming interface. If the Servicer does not provide updated information within 10 Business Days, the selected loans may be referred to Servicing Remedy Management for review.

Note: Servicers should refer to Exhibit 10 for the number of digits in each MI's certificate number.

Chapter 8301: Basics of Investor Accounting

8301.1: Servicer's responsibilities in connection with Mortgage-Backed Securities and Participation Certificates (06/03/19)

The Servicer's responsibilities in connection with Mortgage-Backed Securities and Participation Certificates (i.e., UMBS®, MBS and WAC ARM PCs) backed by Freddie Mac-owned Mortgages include, among other things, collecting and accounting for payments received from Borrowers and passing through principal and interest to Freddie Mac from which Freddie Mac passes through the amount of principal and/or interest due to the UMBS, MBS or WAC ARM PC holders.

The accuracy and timeliness of the Servicer's performance of these responsibilities are vital and are part of the Servicer's warranties to Freddie Mac and Freddie Mac's UMBS, MBS and WAC ARM PC holders.

8301.2: Investor accounting responsibilities (04/12/23)

Once Freddie Mac purchases a Mortgage from a Seller that also services the Mortgage, or a Transferee Servicer that assumes the Freddie Mac Servicing Contract and related Servicing Contract Rights (as defined in Section 1101.2(c)), the Servicer must:

1. Maintain accurate Servicing records

2. Deposit all required funds into the appropriate Custodial Accounts

3. Report to Freddie Mac throughout the month and monthly as required

4. Resolve any discrepancies between the Servicer's and Freddie Mac's records

The Servicer must comply with the requirements in this chapter and Chapters 8302, 8303 and 8304. The Servicer's investor accounting responsibilities include the following:

(a) Cash accounting

The Servicer's responsibilities in administering funds it receives for Freddie Mac-owned Mortgages include:

1. Collecting, processing and depositing Borrowers' payments to the correct Custodial Accounts

2. Administering the Escrow accounts

(b) Investor reporting and drafting of funds

The Servicer's responsibilities for reporting to Freddie Mac include:

1. Reporting all loan activity and events to Freddie Mac

2. Reporting current information for each Mortgage that accurately reflects the Borrower's loan activity and loan history

3. Ensuring accounts are adequately funded to allow Freddie Mac to draft principal, interest and compensatory fees due to Freddie Mac by no later than the applicable due dates

4. Reconciling the Servicer's cash accounting and investor reporting systems with Freddie Mac's loan-level accounting records

(c) Custodial Accounts management

The Servicer's responsibilities for managing the Custodial Accounts for Freddie Mac's funds include:

1. Ensuring that Custodial Accounts are safeguarded, properly segregated and maintained at an Eligible Depository, and that Freddie Mac is authorized to draft funds from the Custodial Accounts

2. Ensuring that the Custodial Accounts are fully funded and reconciled

3. Ensuring that the Form 59, Principal and Interest Custodial Account Reconciliation Worksheet, and Form 59E, Escrow Custodial Account Reconciliation Worksheet, are properly prepared by and approved by different individuals reflecting the required segregation of responsibilities

8301.3: Investor reporting performance standards (01/01/17)

Freddie Mac will measure a Servicer's investor reporting performance against certain metrics, which may be amended by Freddie Mac from time to time.

Refer to the Servicer Success Scorecard for the specific metrics and to Section 3501.2 for additional information about the Servicer Success Scorecard.

8301.4: Accounting reporting methods (05/01/19)

The Servicer must account for all Mortgages it services for Freddie Mac. Except in instances noted in subsection (b), Servicers must use the net yield accounting reporting method to pass through principal and interest to Freddie Mac.

(a) Net yield

Under this method, the Servicer must report any principal payments collected in each Accounting Cycle and the forecasted scheduled interest for the next Accounting Cycle (forecasted scheduled interest and actual principal). Servicers must use the Accounting Net Yield (ANY) to determine the amount of interest due to Freddie Mac for each Mortgage it services for Freddie Mac. The Servicer may have to advance its own funds to ensure that Freddie Mac is able to draft the correct amount of interest. Refer to Exhibit 60, Loan-Level Reporting Data Description, and Exhibit 61, Interest and Principal Due Freddie Mac, for additional details regarding the net yield accounting reporting method.

(b) Alternate method

Freddie Mac allows the Servicer to use the alternate method of reporting only if one of the following conditions apply:

1. Applicable law prohibits the use of the net yield method

2. Freddie Mac has instructed the Servicer to use the alternate method of reporting Freddie Mac Mortgages

The principal and interest the Servicer reports depends on actual payments collected (actual interest and actual principal). If the Servicer does not collect interest, the Servicer does not report interest to Freddie Mac. If the Servicer collects payments for more than one Accounting Cycle, the Servicer reports all of the interest collected, and any applicable principal collected. Refer to Exhibit 61 for interest calculation formulas used in the alternate method of accounting reporting.

If the Servicer uses the alternate method of accounting reporting and Freddie Mac has not instructed the Servicer to do so, the Servicer must notify their Freddie Mac Investor Reporting Representative in writing or the Customer Support Contact Center at 800-FREDDIE in advance of the Accounting Cycle reporting for that period. Otherwise, Freddie Mac will assume that the Servicer is using the net yield interest method to report principal and interest to Freddie Mac.

8301.5: Calculating Mortgage interest due to Freddie Mac (05/01/19)

In the current Accounting Cycle, the Servicer must report the forecasted scheduled interest for the next Accounting Cycle due to Freddie Mac. The next cycle forecasted scheduled interest is calculated by multiplying Freddie Mac's share of the current Accounting Cycle interest-bearing Ending UPB, after applying all principal payments received from the Borrower, by the net yield divided by the applicable period of time. The Servicer must use the following principles when calculating Mortgage interest due Freddie Mac:

- Forecasted scheduled interest is reported in the Accounting Cycle prior to the Accounting Cycle it is due to Freddie Mac
- Interest is due in arrears
- Freddie Mac will draft the forecasted scheduled interest in the Accounting Cycle after it is reported
- Interest is due for full calendar months, based on a 12-month, 360-day year
- Interest is due for partial months based on the actual number of days, 365-day year
- To calculate forecasted scheduled monthly interest for:
  - Newly funded Mortgages, the Servicer must use the funded balance, which is the beginning gross UPB
  - For all other Mortgages, use either the current Accounting Cycle Ending UPB or, in the case of a modified loan, the interest-bearing UPB reported at the end of the current Accounting Cycle

For an adjustable-rate Mortgage that allows Negative Amortization, the amount by which the monthly interest calculated at the Note Rate exceeds the Borrower's scheduled monthly payment to the Servicer is a Negative Amortization increase and is accounted for in the calculation of principal due Freddie Mac.

8301.6: Freddie Mac's percentage of ownership (06/12/19)

Effective June 12, 2019, Section 8301.6 is deleted.

8301.7: Net yield interest (03/02/16)

The Servicer must calculate the interest due to Freddie Mac by using the Accounting Net Yield stated on the Form 15, Loan Purchase Statement, and the Funding Detail Report or as stated in the Transfer of Servicing records referenced in Section 7101.8.

The yield is dependent upon the method of pricing chosen at the time the Mortgage was sold to Freddie Mac. Generally, the yield equals the Note Rate minus the Servicing Spread. Refer to Chapters 6101 and 6102 for pricing methods and product descriptions.

8301.8: Servicing fee (03/02/16)

The Servicing fee, referred to as the Servicing Spread, is the compensation the Servicer earns for Servicing Freddie Mac-owned Mortgages.

Refer to Chapter 8105 for detailed information on Servicing fees and Section 8503.9 for SCRA-Capped Mortgages.

8301.9: Electronic reporting format (12/09/19)

Freddie Mac uses a common, industry-wide electronic data interchange (EDI) for the investor reporting format. The American National Standards Institute (ANSI), Accredited Standards Committee (ASC) is the nationally recognized governing body for the development and maintenance of electronic data standards. Freddie Mac uses the standardized investor reporting format, known as the Investor Reporting (203) transaction set, developed by ASC.

The Servicer may or may not be required to use EDI depending on the Servicer's selection of a reporting medium as follows:

- If the Servicer reports via the Freddie Mac Loan Level Reporting or Foreclosure Sale Reporting tools (see Exhibit 88, Servicing Tools), it is not required to use the EDI format
- If the Servicer reports via another electronic communication path, as described in Section 8301.10(2), it must use the EDI format
- If a service bureau reports data to Freddie Mac on a Servicer's behalf, the service bureau must use the EDI format

Refer to the Investor Reporting EDI Implementation Guide or call 800-FREDDIE for further information.

8301.9: Electronic reporting format (Future effective date 12/09/24)

Freddie Mac uses a common, industry-wide electronic data interchange (EDI) for the investor reporting format. The American National Standards Institute (ANSI), Accredited Standards Committee (ASC) is the nationally recognized governing body for the development and maintenance of electronic data standards. Freddie Mac uses the standardized investor reporting format, known as the Investor Reporting (203) transaction set, developed by ASC.

The Servicer may or may not be required to use EDI depending on the Servicer's selection of a reporting medium as follows:

- If the Servicer reports via Resolve® or the Freddie Mac Loan Level Reporting tool (see Exhibit 88, Servicing Tools), it is not required to use the EDI format
- If the Servicer reports via another electronic communication path, as described in Section 8301.10(2), it must use the EDI format
- If a service bureau reports data to Freddie Mac on a Servicer's behalf, the service bureau must use the EDI format

Refer to the Investor Reporting EDI Implementation Guide or call 800-FREDDIE for further information.

8301.10: Reporting media (12/09/19)

Freddie Mac requires Servicers to use of one of the following methods to report activity on the Mortgages serviced for Freddie Mac:

1. The Freddie Mac Loan Level Reporting and Foreclosure Sale Reporting tools available through the **Servicing Gateway** (see Exhibit 88, Servicing Tools)

2. Internet-based communications method (referred to as Generic Connect Services (GCS)). GCS provides a variety of secure protocols that support a wide range of generic file transfer situations, such as bulk file transmissions transmitted by service bureaus or Servicers. Servicers that elect to use a service bureau to report activity on Mortgages serviced for Freddie Mac acknowledge and agree that Freddie Mac will send reports, data and information on these Mortgages that will include, but not be limited to, the daily Business-to-Business Response File and the Business-to-Business Draft File to the Servicer's service bureau. In the event a Servicer changes its service bureau or begins to use a service bureau for data reporting, it must notify Freddie Mac of the change in accordance with Section 8301.15 at least 45 days prior to the effective date of the change.

Investor Accounting reports, such as the Servicer's daily Edit Reports, Monthly Account Statement, System Cleared Edits, and Loan Reconciliation Difference Report are available through the Loan Level Reporting tool.

If the Servicer fails to comply with Freddie Mac's reporting requirements, Freddie Mac will assess a reporting noncompliance compensatory fee in accordance with the requirements of Sections 8303.36 and 8303.38. See Section 8301.9 for additional information on reporting formats.

For further information, call 800-FREDDIE.

8301.10: Reporting media (Future effective 12/09/24)

Freddie Mac requires Servicers to use of one of the following methods to report activity on the Mortgages serviced for Freddie Mac:

1. Resolve® or the Freddie Mac Loan Level Reporting tool available through the **Servicing Gateway** (see Exhibit 88, Servicing Tools)

2. Internet-based communications method (referred to as Generic Connect Services (GCS)). GCS provides a variety of secure protocols that support a wide range of generic file transfer situations, such as bulk file transmissions transmitted by service bureaus or Servicers. Servicers that elect to use a service bureau to report activity on Mortgages serviced for Freddie Mac acknowledge and agree that Freddie Mac will send reports, data and information on these Mortgages that will include, but not be limited to, the daily Business-to-Business Response File and the Business-to-Business Draft File to the Servicer's service bureau. In the event a Servicer changes its service bureau or begins to use a service bureau for data reporting, it must notify Freddie Mac of the change in accordance with Section 8301.15 at least 45 days prior to the effective date of the change.

   Investor Accounting reports, such as the Servicer's daily Edit Reports, Monthly Account Statement, System Cleared Edits, and Loan Reconciliation Difference Report are available through the Loan Level Reporting tool.

If the Servicer fails to comply with Freddie Mac's reporting requirements, Freddie Mac will assess a reporting noncompliance compensatory fee in accordance with the requirements of Sections 8303.36 and 8303.38. See Section 8301.9 for additional information on reporting formats.

For further information, call 800-FREDDIE.

8301.11: Loan-level transaction (05/01/19)

The term loan-level transaction refers to the required monthly and exception or liquidation reporting of all activity that occurs during each Accounting Cycle for each Mortgage serviced for Freddie Mac. Freddie Mac considers a loan-level transaction to be reported when it has been transmitted by the Servicer without errors and received by Freddie Mac.

Daily reporting is encouraged, but not required. Servicers must submit a loan-level transaction for each Mortgage serviced for Freddie Mac no later than 2:00 a.m. Eastern Time on the day following the P&I Determination Date. Servicers are required to report loan level activity from purchase date to liquidation. Refer to Exhibit 60, Loan-Level Reporting Data Description. Refer to Section 8303.1 for the definition of exception (or liquidation) activity.

8301.12: Accounting Cycle (05/01/19)

The Accounting Cycle will be the first day of the calendar month through the last day of the calendar month. Servicer reporting for the Accounting Cycle must be completed no later than the last day of the calendar month plus one Business Day.

8301.13: Cash float (05/01/19)

Freddie Mac does not draft monthly principal and interest until the P&I Draft Date. The Servicer may earn interest on the cash float of funds it deposits into the Custodial Accounts. Refer to Section 8304.4 for Freddie Mac's requirements regarding the investment of funds in the Custodial Accounts.

8301.14: Other reporting and remitting requirements (05/01/19)

Freddie Mac will draft the principal and interest for a repurchase in accordance with the requirements in Section 8303.14. The Servicer must transfer funds into the designated Custodial Account prior to Freddie Mac's draft of the repurchase proceeds.

Refer to Chapter 3602 for additional requirements for repurchases required by Freddie Mac or repurchases requested by the Servicer.

The following are default management procedures that have reporting and drafting requirements specified in other sections of the Guide:

Topic		Section
1.	Repayment plans	9203.11
2.	Loan modifications	9206.18
3.	Short sales and make-whole preforeclosure sales	9208.8
4.	Deeds-in-lieu of foreclosure	9209.8
5.	Charge-offs	9210.5
6.	Third-party foreclosure sales	9301.43

8301.15: Service bureau liability and notice of change of service bureau (05/01/19)

If the Servicer uses a service bureau for data processing, the Servicer remains responsible for all obligations to Freddie Mac under the Purchase Documents (Section 8102.1(d)). The Servicer must pay any noncompliance compensatory fees, even though it may be the Servicer's service bureau's error that causes the noncompliance.

Servicers that elect to use a service bureau to report activity on Mortgages serviced for Freddie Mac acknowledge and agree that Freddie Mac will send reports, data and information on these Mortgages that will include, but not be limited to, the daily Business-to-Business Response File and the Business-to-Business Draft File to the Servicer's service bureau.

If a Servicer changes its service bureau or begins to use a new service bureau for data reporting or would like Freddie Mac to send these files to a specific service bureau, it must notify Freddie Mac at least 45 days prior to the effective date of the change. The Servicer must provide this notification via e-mail (**Servicing_Ops_App_Support_IR@FreddieMac.com**) and include the Seller/Servicer number(s), point of contact, phone number, current and future service bureau with its contact information, and effective date of the change. Servicers acknowledge that the notification of a change of service bureau is necessary for Freddie Mac to provide reports, edits and feedback to the correct service bureau.

8301.16: Backup reporting (03/02/16)

If Freddie Mac does not receive a loan-level transaction by the required reporting date for any reason, the Servicer must be able to provide Freddie Mac **(see Directory 7)** with corrected or replacement transmissions within 24 hours of Freddie Mac's request and the Servicer will be subject to accounting reporting noncompliance compensatory fees. Refer to Chapter 8303 for noncompliance compensatory fees.

8301.17: Administering Custodial Accounts (03/02/16)

The Servicer is responsible for administering Custodial Accounts to safeguard funds due Freddie Mac. In addition, the Servicer must ensure that each account is adequately funded and reconciled monthly. Refer to Chapter 8302 for requirements on establishing Custodial Accounts and to Chapter 8304 for requirements on administering and reconciling the cash in the Custodial Accounts.

8301.18: Custodial Account reconciliation basics (05/01/19)

The Servicer must reconcile all Custodial Accounts monthly as of the end of the Accounting Cycle. A Custodial Account reconciliation compares the funds on deposit as of the end of the Accounting Cycle to the total liability as of the same date. Any differences between any two parts of the investor accounting process may cause a Custodial Account to be out of balance. Refer to Chapter 8304 for Freddie Mac's requirements.

8301.19: Servicer advances required (05/01/19)

The Servicer must advance its funds into the Principal and Interest Custodial Account if:

1. There are insufficient funds to cover the draft amount due Freddie Mac

2. The Servicer is completing a Mortgage repurchase

3. The Servicer has an unidentified and unresolved variance on the Custodial Account Reconciliation resulting in the account being under funded. See Chapter 8304.

The Servicer:

- Must make any advances for funds due Freddie Mac prior to the P&I Draft Date and/or the applicable Payoff Draft Date

- Must make a deposit advanced from its funds into the Escrow Custodial Account whenever a deficiency occurs in an individual Escrow account

- Must not use the Escrow collections from one Mortgage to offset the deficiency of another

- May not carry a negative balance in either the Principal and Interest Custodial Account or the Escrow Custodial Account even if permitted by its depository institution

The Servicer may reimburse itself for:

- Advances of Principal and Interest Payments upon subsequent receipt of any Principal and Interest Payments

- Advances of Escrow from Escrow Funds received for the Mortgage for which the Servicer made the advance

Chapter 8302: Investor Reporting and Remitting Functions

8302.1: Custodial Accounts required (05/01/19)

For all Mortgages serviced for Freddie Mac, the Servicer must open and maintain a Custodial Account for Principal and Interest Payments and a separate Custodial Account for Escrow Funds for each Seller/Servicer number. The Servicer must open these accounts in accordance with the requirements of this section, and utilize these accounts exclusively for the Mortgages it services for Freddie Mac. The Servicer must hold any funds the Servicer receives for Freddie Mac-owned Mortgages in a Custodial Account at all times. The Servicer must ensure that the accounts are adequately funded at all times, and may not carry a negative balance, even if permitted by its depository institution.

The Servicer must maintain these funds in their respective Custodial Accounts until Freddie Mac drafts the funds or the Servicer pays for allowed Mortgage expenses with the Escrow Funds in the Escrow Custodial Account:

(a) Principal and Interest Custodial Account

The Servicer must open a Principal and Interest Custodial Account for each Seller/Servicer number to deposit Principal and Interest Payments solely for the Mortgages the Servicer services for Freddie Mac. The Servicer has the option to open more than one Principal and Interest Custodial Account. If the Servicer opens more than one Principal and Interest Custodial Account, the Servicer must designate one of them as the primary account from which Freddie Mac will draft principal and interest payments and payoffs or, alternatively, the Servicer may open a separate Principal and Interest Disbursement Clearing Custodial Account. Refer to Section 8302.2 for the Disbursement Clearing Account requirements.

See Section 8304.5 for information on maintaining the Principal and Interest Custodial Account.

(b) Escrow Custodial Account

The Servicer must hold Escrow Funds in a separate Escrow Custodial Account for each Seller/Servicer number. Even if the Servicer does not collect Escrow Funds, the Servicer must open an Escrow Custodial Account in the event that the Servicer receives funds for insurance claims proceeds, partial payments or buydown funds. In addition, although Freddie Mac allows the Servicer to hold buydown funds in an Escrow Custodial Account, the Servicer has the option to open a separate Buydown Custodial Account for buydown funds.

See Section 8304.6 for information on maintaining the Escrow Custodial Account.

8302.2: Disbursement clearing accounts (05/01/19)

A disbursement clearing account is a bank account the Servicer maintains for the deposit of funds due to Freddie Mac or paid to third parties, such as insurance premiums or property taxes.

(a) Principal and Interest Disbursement Clearing Custodial Account

A Principal and Interest Disbursement Clearing Custodial Account is only necessary if the Servicer chooses to maintain the account from which Freddie Mac drafts funds as a separate account. The Servicer may not clear Freddie Mac's funds through an operating account or a general account through which the Servicer processes non-Freddie Mac Automated Clearing House (ACH) transfers.

If the Servicer chooses to open and use a Principal and Interest Disbursement Clearing Custodial Account, the Servicer must meet the following requirements:

1. Open, maintain and designate the account in accordance with the requirements of Sections 8302.3 through 8302.7

2. Deposit only funds due to Freddie Mac

3. Ensure that the disbursement clearing account is adequately funded prior to the applicable draft date

(b) Escrow Disbursement Clearing Account

Freddie Mac does not require the Servicer to maintain a separate Escrow Disbursement Clearing Account for Escrow Funds. However, if the Servicer elects to deposit Escrow Funds into an Escrow Disbursement Clearing Account, the Servicer:

- May deposit Escrow Funds for Freddie Mac's Mortgages into an Escrow Disbursement Clearing Account common to all Mortgages the Servicer services

- Must ensure that it transfers the Escrow Funds from the Escrow Custodial Account to its Escrow Disbursement Clearing Account no more than one Business Day prior to the disbursement of any Escrow Funds

- Must ensure that the Escrow Disbursement Clearing Account is adequately funded prior to the disbursement of any Escrow Funds

An Escrow Disbursement Clearing Account is not subject to Custodial Account designation or documentation requirements, as set forth in Sections 8302.6 and 8302.7.

8302.3: Opening Custodial Accounts (04/12/23)

The Servicer must open and maintain all Custodial Accounts at an Eligible Depository.

If the Servicer's institution is an Eligible Depository that meets the requirements contained in this chapter, the Servicer may open and maintain Custodial Accounts within its own financial institution. The Servicer must indemnify Freddie Mac for and hold it harmless from any loss, damage or expenses (including court costs and attorney fees) that Freddie Mac sustains as a direct or indirect result of the financial institution's bankruptcy, receivership, liquidation or insolvency. Refer to Sections 8302.4 and 8302.5 for Eligible Depositories.

The Servicer agrees to safeguard at all times the funds it maintains in Custodial Accounts on behalf of Freddie Mac. Even if the Servicer has complied with all Guide and Purchase Document requirements, Servicer agrees to indemnify and hold Freddie Mac harmless for any loss of funds deposited in a Custodial Account and any damages Freddie Mac suffers because of delays in obtaining the funds from a Custodial Account.

If the Servicer itself is a depository institution that meets the requirements contained in this chapter for an Eligible Depository, or the Servicer is a subsidiary of or under common ownership of such a depository institution, the Servicer may open and maintain a custodial clearing account and Custodial Accounts within such depository institution.

The Servicer may initially deposit Freddie Mac funds into one or more custodial clearing accounts prior to transferring such funds to the appropriate Custodial Account and the Servicer may record that initial deposit in a general ledger account or internal operating account for record keeping purposes provided that:

- The Servicer opens separate Custodial Accounts as otherwise required under the Guide and applicable Purchase Documents;
- The institution at which any custodial clearing accounts are maintained meets the requirements to be an Eligible Depository;
- The custodial clearing account is titled in accordance with Section 8302.6(e); and
- The Servicer and the institution maintain adequate records and audit trails to support all credits to, and charges from, the Borrower's payment records and the custodial clearing accounts and separate Custodial Accounts

Each Custodial Account must be a Demand Deposit Account or Interest-Bearing Deposit Account. The Servicer's use of an Interest-Bearing Deposit Account is conditioned upon Freddie Mac's ability to present a sight draft and to draft monthly principal and interest payments and payoffs when due. If a Custodial Account limits the number of withdrawals, or requires prior notice for withdrawals, the Servicer is responsible for any payments or penalties that result from excessive withdrawals or withdrawals where advance notice is insufficient.

The Servicer must maintain its books and records in good faith and in the regular course of business, and the Custodial Accounts and the funds held therein must be free and clear of any and all liens or claims of others, including security agreements.

If the Custodial Accounts are maintained in an Eligible Depository that is a FDIC-Insured Depository or a NCUSIF-Insured Depository, then:

- The Servicer's books and records must reflect that the funds in the Custodial Accounts are held in a custodial capacity for the benefit of Freddie Mac and/or other specified parties, and must identify the respective interests of all such persons;

- The Servicer must maintain the Custodial Accounts and its books and records in accordance with all requirements for full federal insurance coverage

The Custodial Accounts must permit Freddie Mac to directly draft funds for principal and interest payments and payoffs.

8302.4: Depository eligibility requirements (04/12/23)

To ensure the safety of funds in Custodial Accounts, Freddie Mac has specific eligibility requirements that a depository must meet.

An Eligible Depository for the Custodial Accounts must be one of the following:

- A Federal Reserve Bank

- A Federal Home Loan Bank

- An FDIC-Insured Depository

- An NCUSIF-Insured Depository

An FDIC-Insured Depository or an NCUSIF-Insured Depository must also meet Freddie Mac's acceptable risk threshold and minimum tier rating requirements specified in Section 8302.5.

Depositories for Escrow and Buydown Custodial Accounts must meet Freddie Mac's depository eligibility requirements and are also required to meet Freddie Mac's acceptable risk threshold as stated in Section 8302.5.

8302.5: Insured depository risk level (04/12/23)

An FDIC-Insured Depository or an NCUSIF-Insured Depository for Principal and Interest Custodial Accounts must maintain an acceptable risk threshold based upon Freddie Mac's

confidential tolerance standards calculated using various key metrics. Servicers will be notified if its depository has fallen below the acceptable risk threshold.

In addition to the acceptable risk threshold, an FDIC-Insured Depository or an NCUSIF-Insured Depository must meet the following requirements:

- Be rated as "well capitalized" by its federal or State regulator; and
- Have a financial rating that meets at least one of the following criteria:

  1. Institutions with assets of $30 billion or more must have either

     - A short-term issuer rating by S&P of "A-3" (or better) or, if no short-term issuer rating is available by S&P, a long-term issuer rating of "BBB-" (or better) by S&P; or
     - A short-term bank deposit rating by Moody's of "P-3" (or better) or, if no short-term bank deposit rating is available by Moody's, a long-term bank deposit rating of "Baa3" (or better) by Moody's

  2. Institutions with assets of less than $30 billion must have either a:

     - 125 (or better) Bank safety rating issued by IDC Financial Publishing, Inc.; or
     - C+ (or better) KBRA Financial Intelligence (KFI) Score issued by Kroll Bond Rating Agency, LLC

  The Servicer must monitor these ratings based on the frequency used by the ratings agency for publishing and updating rating changes to determine the continued eligibility of a depository institution.

Freddie Mac may require that funds be transferred out of an Eligible Depository—even if the institution satisfies Freddie Mac's financial rating criteria—or more quickly than indicated above if Freddie Mac decides that it is in its best interests or the interests of PC, MBS and/or UMBS® investors to do so.

A depository institution that is a subsidiary of a holding company or an affiliate of another depository may, on a case-by-case basis, have its rating affected by the rating of its holding company or affiliate. FDIC regulations may require related depository institutions to guarantee the obligations of the troubled depository institutions. As a result, the related depository institution may be subject to a risk of regulatory action and Freddie Mac may deem it to be ineligible even if it meets Freddie Mac's acceptable risk level. The Servicer may want to consider this when selecting or monitoring its depository.

8302.6: Custodial Account and custodial clearing account designation requirements (04/12/23)

The Servicer must designate Custodial Accounts exactly as stated in subsections (a) through (d) below and custodial clearing accounts stated in subsection (e) below. The Servicer's books and records pertaining to Custodial Accounts and custodial clearing accounts must at all times comply with these account designation requirements. The Servicer represents and warrants to, and covenants and agrees with, Freddie Mac that all books and records of the Eligible Depository pertaining to such Custodial Accounts and custodial clearing accounts shall at all times comply with requirements in subsections (a) through (e) below.

(a) Principal and Interest Custodial Accounts

The following account designation must be used: "(Name of Depositor/Servicer), as Custodian and/or bailee for Federal Home Loan Mortgage Corporation and/or various owners of interests in mortgages and/or mortgage-related securities and/or various mortgagors."

Alternatively, a Principal and Interest Custodial Account may be designated by the following abbreviated designation: "Freddie Mac P & I Custodial Account." However, if the abbreviated designation is used, then for all purposes of the Purchase Documents, and with respect to all rights and interests of Freddie Mac and/or various owners of interests in Mortgages and/or Mortgage-related securities and/or mortgagors, the abbreviated account designation shall be deemed to be the same as the unabbreviated account designation and shall be deemed to confer upon Freddie Mac and such persons the same rights and interests with respect to the Principal and Interest Custodial Account and the funds deposited or held therein.

(b) Principal and Interest Disbursement Clearing Custodial Accounts

The following account designation must be used: "(Name of Depositor/Servicer), as custodian and/or bailee for Federal Home Loan Mortgage Corporation and/or various owners of interests in mortgages and/or mortgage-related securities and/or various mortgagors."

Alternatively, a Principal and Interest Disbursement Clearing Custodial Account may be designated by the following abbreviated designation: "Freddie Mac P & I Clearing Custodial Account." However, if the abbreviated designation is used, then for all purposes of the Purchase Documents, and with respect to all rights and interests of Freddie Mac and/or various owners of interests in Mortgages and/or Mortgage-related securities and/or mortgagors, the abbreviated account designation shall be deemed to be the same as the unabbreviated account designation and shall be deemed to confer upon Freddie Mac and such persons the same rights and interests with respect to the Principal and Interest Disbursement Clearing Custodial Account and the funds deposited or held therein.

(c) Escrow Custodial Accounts

The following account designation must be used: "(Name of Depositor/Servicer), as trustee and/or custodian for Federal Home Loan Mortgage Corporation and various mortgagors, respectively."

Alternatively, an Escrow Custodial Account may be designated by the following abbreviated designation: "Freddie Mac Escrow Custodial Account." However, if the abbreviated designation is used, then for all purposes of the Purchase Documents, and with respect to all rights and interests of Freddie Mac and/or mortgagors, the abbreviated account designation shall be deemed to be the same as the unabbreviated account designation and shall be deemed to confer upon Freddie Mac and such persons the same rights and interests with respect to the Escrow Custodial Account and the funds deposited or held therein.

(d) Buydown Custodial Accounts

If an optional Buydown Custodial Account is used in accordance with the provisions of Section 8302.1(b), the following account designation must be used: "(Name of Depositor/Servicer), as trustee and/or custodian of mortgage loan subsidy buydown funds for Federal Home Loan Mortgage Corporation and various mortgagors, respectively."

Alternatively, a Buydown Custodial Account may be designated by the following abbreviated designation: "Freddie Mac Buydown Custodial Account." However, if the abbreviated designation is used, then for all purposes of the Purchase Documents, and with respect to all rights and interests of Freddie Mac and/or mortgagors, the abbreviated account designation shall be deemed to be the same as the unabbreviated account designation and shall be deemed to confer upon Freddie Mac and such persons the same rights and interests with respect to the Buydown Custodial Account and the funds deposited or held therein.

(e) Custodial clearing accounts

Servicers utilizing custodial clearing accounts must title the account to indicate it is custodial in nature and include at a minimum "for the benefit of the Federal Home Loan Mortgage Corporation" in the account title.

8302.7: Custodial Account documentation requirements (06/19/19)

The Servicer must submit the following documentation to Freddie Mac upon opening the Servicer's Custodial Accounts at an Eligible Depository. Freddie Mac bases the required documentation on whether the Servicer opens the accounts at its own financial institution or at another Eligible Depository.

(a) Custodial Accounts opened at the Servicer's own financial institution

If the Servicer is an Eligible Depository and opens Custodial Accounts at its own financial institution, the Servicer must complete, execute and return the following documentation to Freddie Mac **(see Directory 1)** for each Custodial Account:

1. Form 1059SF, Letter Agreement for Single-Family Principal and Interest, or P & I Disbursement Clearing Custodial Account

2. Form 1060SF, Letter Agreement for Single-Family Buydown or Escrow Custodial Account

3. Form 1060CR, Letter Agreement for Single-Family Custodial Account for Renovation Funds

The Servicer must also send Freddie Mac a copy of the bank statement or signature card for each account, designated as required in Section 8302.6. The documentation must identify the Eligible Depository at which the account is maintained and the bank account number.

(b) Custodial Accounts opened at another Eligible Depository

If the Servicer opens Custodial Accounts at an Eligible Depository other than its own financial institution, both the Servicer and the depository's representative must complete, execute and return the following documentation to Freddie Mac **(see Directory 1)** for each Custodial Account:

1. Form 1057SF, Letter Agreement for Servicer's Single-Family Principal and Interest, or P & I Disbursement Clearing Custodial Account

2. Form 1058SF, Letter Agreement for Servicer's Single-Family Buydown or Escrow Custodial Account

3. Form 1058CR, Letter Agreement for Seller/Servicer's Single-Family Custodial Account for Renovation Funds

The Servicer must also send Freddie Mac a copy of the bank statement or signature card for each account, designated as required in Section 8302.6. The documentation must identify the Eligible Depository at which the account is maintained and the bank account number.

(c) Additional requirements

For each Seller/Servicer number for the Principal and Interest Custodial Account or Principal and Interest Disbursement Clearing Custodial Account the Servicer selects as its remittance drafting account according to the requirements of Sections 8302.1(a) and 8302.2(a), Freddie Mac requires the Servicer to submit a copy of the Letter of Authorization (Exhibit 58, Draft Letter of Authorization), printed on the Servicer's institution's letterhead, to Freddie Mac

(see Directory 1). The sample letter included in Exhibit 58 provides the Servicer with the information that must be included in the letter of authorization. Even if the Servicer opens its Custodial Account at its own financial institution, the Servicer must execute this letter. The depository where the Servicer opened and maintains the account must keep a copy of this letter.

8302.8: Honoring sight drafts (10/01/24)

The Eligible Depository the Servicer selects must honor sight drafts Freddie Mac may present at any time against any Custodial Account that the Servicer maintains. Freddie Mac's authorized officer, employee, representative, agent or attorney must sign the sight draft. Freddie Mac will identify the authorized individual in Form 1061, Certificate of Incumbency and Authority to Draft Against Custodial Accounts, or a similar form containing identical information, including a photocopy or facsimile copy.

The sight draft Freddie Mac presents may be an original, a photographic or facsimile copy of Form 1062, Sight Draft, or a similar form containing identical information. Honoring such a sight draft is one of the requirements in the letter agreements referenced in Section 8302.7(a) or 8302.7(b).

8302.9: What funds to deposit to the Custodial Accounts (06/12/19)

The Servicer must deposit the following funds for Mortgages in which Freddie Mac holds an ownership interest to a Principal and Interest Custodial Account or an Escrow Custodial Account. The Servicer must not deposit funds from Mortgages that Freddie Mac does not own or from other investors into the Custodial Accounts that the Servicer maintains to hold funds for Freddie Mac's Mortgages:

(a) Principal and Interest Custodial Accounts

The Servicer must deposit only funds due to Freddie Mac into a Principal and Interest Custodial Account. As an exception, the Servicer may deposit the full Principal and Interest Payment received into the Principal and Interest Custodial Account and subsequently withdraw its Servicing fee. Following is a list of the funds the Servicer must deposit into the Principal and Interest Custodial Account for Freddie Mac's Mortgages:

1. Principal and Interest Payments on all of Freddie Mac's Mortgages whether received from the Borrower or paid on the Borrower's behalf, applied from the buydown account or advanced by the Servicer

2. Biweekly payments that require biweekly amortization based on the Note terms of Mortgages originally sold to Freddie Mac as biweekly

3. Principal curtailments

4. Payoff proceeds including those from short sales and third-party foreclosure sales

5. Prepayment penalties, if applicable

6. Repurchase proceeds

(b) Escrow Custodial Accounts

The Servicer must deposit all Escrow Funds for Freddie Mac's Mortgages into an Escrow Custodial Account opened and maintained according to Freddie Mac's requirements. Following is a list of the funds that the Servicer must deposit into the Escrow Custodial Account for Freddie Mac's Mortgages:

1. All Escrow Funds paid by, or on behalf of, the Borrower or advanced by the Servicer

2. Funds deposited by the Servicer on a Borrower's behalf such as property insurance claim proceeds

3. Payments held as unapplied or in suspense pending proper distribution such as, partial payments and biweekly payments from plans that allow for biweekly collection of payments on monthly amortizing Mortgages

4. Buydown funds scheduled for future application as part of a Borrower's Principal and Interest Payment. The Servicer may also choose the option of maintaining buydown funds separately as provided in Section 8302.1(b).

8302.10: When to deposit funds to the Custodial Accounts (04/12/23)

Servicers that utilize a custodial clearing account must deposit all funds the Servicer receives for Freddie Mac's Mortgages into the custodial clearing accounts on the day the Servicer receives the funds.

Servicers must deposit all funds the Servicer receives for Freddie Mac's Mortgage into Custodial Accounts no later than the first Business Day after the Servicer receives them. However, if the Servicer uses a lockbox service or other service to collect payments, the Servicer must apply the payment and deposit the funds to Freddie Mac's corresponding Custodial Accounts no later than the second Business Day after the day on which the lockbox or other service received the payment.

Other than a Borrower's payment, the Servicer must make all additional required deposits to the Custodial Accounts as referenced in Section 8302.9 so the funds are available by the remittance drafting or Escrow disbursement due date.

8302.11: Changing or transferring Custodial Accounts (03/02/16)

For information on changing or transferring the Servicer's established Custodial Accounts, refer to Sections 8304.10 through 8304.12 for Freddie Mac's requirements.

8302.12: Administering and reconciling Custodial Accounts (03/02/16)

The Servicer must reconcile all of Freddie Mac's Custodial Accounts on a monthly basis. Refer to Chapter 8304 for Freddie Mac's administration and reconciliation requirements.

8302.13: Setting up the automated cash remittance process (05/01/19)

Effective May 1, 2019, this section is deleted.

8302.14: Remitting via the automated cash remittance system (05/01/19)

Effective May 1, 2019, this section is deleted.

8302.15: Initiating remittances to Freddie Mac (05/01/19)

Effective May 1, 2019, this section is deleted.

8302.16: Changing or transferring the drafting account (05/01/19)

A Servicer must comply with the requirements in Sections 8304.10 through 8304.12 in order to change or transfer the Principal and Interest Custodial Account from which Freddie Mac drafts its monthly principal and interest payments and payoff amounts.

8302.17: Transmitting and receiving investor accounting information (12/09/19)

Freddie Mac requires the Servicer to submit all reports to Freddie Mac via one of Freddie Mac's automated systems. The Servicer's portfolio size and available technology will help determine which system or combination of systems the Servicer will need.

Below are the media the Servicer may use to transmit loan level data to Freddie Mac or to receive certain information from Freddie Mac:

ACTIVITY	MEDIA
Transmit loan level activity to Freddie Mac	■ Loan Level Reporting and Foreclosure Sale Reporting (available through the **Servicing Gateway**) (see Exhibit 88, Servicing Tools) ■ Internet-based transmission (GCS) ■ Other Freddie Mac-approved reporting method
Receive transmission confirmations from Freddie Mac	■ Loan Level Reporting and Foreclosure Sale Reporting (available through the Servicing Gateway) ■ Internet-based transmission (GCS)
Receive reports and communications from Freddie Mac	■ Loan Level Reporting and Foreclosure Sale Reporting (available through the Servicing Gateway)
Receive purchase statements and funding detail reports	■ Loan Selling Advisor®

Freddie Mac provides the Investor Reporting EDI Implementation Guide as an additional resource related to investor accounting.

The Servicer may also visit Freddie Mac Learning at **https://sf.freddiemac.com/tools-learning/freddie-mac-learning/overview** to access training resources or call the Customer Support Contact Center at 800-FREDDIE.

8302.17: Transmitting and receiving investor accounting information (Future effective date 12/09/24)

Freddie Mac requires the Servicer to submit all reports to Freddie Mac via one of Freddie Mac's automated systems. The Servicer's portfolio size and available technology will help determine which system or combination of systems the Servicer will need.

Below are the methods the Servicer may use to transmit loan level data to Freddie Mac or to receive certain information from Freddie Mac:

Methods available to transmit loan level data to Freddie Mac	
Activity	**Media**
Transmit loan level activity to Freddie Mac	■ Loan Level Reporting and Resolve® (available through the **Servicing Gateway**) (see Exhibit 88, Servicing Tools) ■ Internet-based transmission (GCS) ■ Other Freddie Mac-approved reporting method
Receive transmission confirmations from Freddie Mac	■ Loan Level Reporting and Resolve (available through the Servicing Gateway) ■ Internet-based transmission (GCS)
Receive reports and communications from Freddie Mac	■ Loan Level Reporting and Resolve (available through the Servicing

Methods available to transmit loan level data to Freddie Mac	
Activity	**Media**
	Gateway)
Receive purchase statements and funding detail reports	■ Loan Selling Advisor®

Freddie Mac provides the Investor Reporting EDI Implementation Guide as an additional resource related to investor accounting.

The Servicer may also visit Freddie Mac Learning at **https://sf.freddiemac.com/tools-learning/freddie-mac-learning/overview** to access training resources or call the Customer Support Contact Center at 800-FREDDIE.

8302.18: Pre-purchase activity (08/03/20)

Refer to the following chapters for Freddie Mac's Mortgage processing and purchase requirements:

- Chapter 6101, Fixed-Rate Cash
- Chapter 6102, ARM Cash
- Chapter 6301, Documentation Delivery
- Chapter 6302, Mortgage Delivery Instructions

8302.19: Mortgage purchase (04/12/23)

When Freddie Mac purchases a Mortgage, it will:

1. Make the following forms and data available via Loan Selling Advisor®
    - Form 15/A/C, Loan Purchase Statement
    - Funding Detail Report

2. Wire the Purchase Proceeds to the Seller for a Cash Purchase Contract or issue a security (UMBS®, MBS, WAC ARM PC or Supers®) for Guarantor or MultiLender Swap programs

(a) Loan Purchase Statement

Upon purchase, Freddie Mac will make available in Loan Selling Advisor Form 15/A/C which will summarize the pertinent data. Form 15/A/C will include a computation of the amount to be funded to the Seller.

Depending on the type of purchase, the Seller may access one of the following forms in Loan Selling Advisor:

1. Loan Purchase Statement for Cash Sales

2. Form 15A for fixed-rate Guarantor

3. Form 15C for WAC ARM Guarantor

(b) Funding Detail Report

Freddie Mac will make available to the Seller/Servicer a Funding Detail Report via Loan Selling Advisor when Freddie Mac purchases a Mortgage or when the Servicer assumes the Servicing Contract and related Servicing Contract Rights related to one or more of Freddie Mac's Mortgages through a Concurrent Transfer of Servicing. (See Chapter 7101 for information on Transfers of Servicing.) The Funding Detail Report contains all of the information the Servicer needs to set up and report a Mortgage (see Section 8302.20).

(c) Wiring the Purchase Proceeds or issuing a UMBS, MBS, WAC ARM PC or Supers

Freddie Mac will notify the Seller of Freddie Mac's purchase and initiate a wire transfer to credit the Seller's account on the Funding Date for Cash Purchase programs. See Section 2201.2 for additional information regarding establishing and maintaining wire transfer instructions for cash proceeds. For Guarantor or certain MultiLender Swaps, Freddie Mac will issue a UMBS, MBS or WAC ARM PC; for other MultiLender Swaps, Freddie Mac will issue a Super (see Section 6201.1 for more information).

The Seller is responsible for verifying the receipt of funds. If the Seller finds that the wired funds are not credited to the account by the morning of the next Business Day, the Seller must contact Freddie Mac Customer Support at 800-FREDDIE.

The Servicer must not utilize the Freddie Mac Custodial Account to receive sales proceeds for Mortgages sold to Freddie Mac.

8302.20: Setting up a Mortgage record (04/12/23)

The Seller/Servicer may access the Form 15/A/C, Loan Purchase Statement, and Funding Detail Report through Loan Selling Advisor®. (Call the Customer Support Contact Center at 800-FREDDIE to request access to Loan Selling Advisor for this purpose.) The Servicer must verify the data on the Funding Detail Report to the Note, Mortgage record and Purchase Documents and take the following actions for each newly funded Mortgage, including those related to a Concurrent Transfer of Servicing. For Subsequent Transfers of Servicing, the Transferor Servicer must supply the loan-level data to the Transferee Servicer.

Upon Freddie Mac's purchase, prompt identification of the accounting records for Mortgages sold to Freddie Mac is essential for accurate reporting and remitting. The Servicer must:

1. Identify on its Servicing system Mortgages in which Freddie Mac has an ownership interest

2. Deposit any principal and interest and Escrow Funds to the Custodial Accounts

3. Maintain the Mortgage files in accordance with the requirements of Section 8101.7 and Chapter 3302

Note: The Freddie Mac Loan Level Reporting tool (see Exhibit 88, Servicing Tools) imports Mortgage files daily. If a Mortgage record is missing from the Freddie Mac Service Loans application, the Servicer should contact its investor reporting specialist or call the Customer Support Contact Center at 800-FREDDIE for assistance in setting up the Mortgage record.

8302.21: Purchase adjustments (06/03/19)

When the information on the Funding Detail Report does not match the information on the Note or the Seller's loan record, the Seller may request an adjustment to the amount Freddie Mac disbursed to purchase the Mortgage. The Seller must notify Freddie Mac in writing and include supporting documentation.

In most circumstances Freddie Mac will not adjust purchase balances after the Funding Date because Freddie Mac has pooled the Mortgages for resale as UMBS®, MBS or WAC ARM PCs. However, after Freddie Mac settles and before it pools the Mortgages, Freddie Mac may be able to adjust a purchase balance.

8302.22: Reporting and remitting on a newly-funded Mortgage (05/01/19)

The Mortgage balance and the timing of the Funding Date determine when the Servicer must report for the first time on a newly-funded Mortgage. The Servicer must report on the newly-

funded Mortgage according to its Purchase Documents. When Freddie Mac purchases a Mortgage, Freddie Mac will pay the Seller interest on the funded principal balance at the net yield from the first of the month up to the Funding Date. The Servicer must ensure that it properly funds its Principal and Interest Custodial Account for this interest. The following table summarizes when the Servicer must report to Freddie Mac.

IF the Funding Date is...	AND the balance at the end of the Accounting Cycle...	THEN Freddie Mac's reporting requirements are...	AND, Freddie Mac's draft requirements are...
In the current Accounting Cycle	Is not different from the funded balance	Report the forecasted scheduled interest for the next Accounting Cycle	No funds are due. The forecasted scheduled interest will be drafted on the P&I Draft Date in the next Accounting Cycle.
	Is different from the funded balance	The Servicer must report principal and forecasted scheduled interest based on the Ending UPB	If reported before the P&I Determination Date, Freddie Mac will draft its share of the reported principal and zero interest on the P&I Draft Date in the current Accounting Cycle. If reported after the P&I Determination Date, Freddie Mac will draft its share of the reported principal and forecasted scheduled interest on the P&I Draft Date in the next Accounting Cycle.

Chapter 8303: Reporting and Drafting Requirements

8303.1: Definitions of terms specific to chapter (02/12/20)

The following additional terms are used in this chapter. The terms are italicized here and when they are used in the chapter.

(a) *Active* Mortgage

An *active* Mortgage is a current or delinquent Mortgage for which the Servicer reports and Freddie Mac drafts payments and payoffs.

(b) *Biweekly* Mortgage

A *biweekly* Mortgage is a Mortgage that is originated and delivered to Freddie Mac with a biweekly payment schedule in which the Borrower makes a principal and interest payment every two weeks pursuant to either the terms of the Note, a rider, or a separate agreement.

A Mortgage in which the Servicer and Borrower enter a biweekly payment plan in accordance with Section 8104.2 after the Mortgage has been sold to Freddie Mac is not considered a *biweekly* Mortgage.

(c) *Inactive* Mortgage

An *active* Mortgage becomes an *inactive* Mortgage in the Accounting Cycle it becomes 120 days delinquent (four payments past due). The Servicer must change the *reporting status* to *inactive* either by selecting "inactivation" in the Freddie Mac Loan Level Reporting tool (see Exhibit 88, Servicing Tools) or reporting Loan Level Reporting exception code 40 (Inactivation). If the Servicer does not inactivate a Mortgage in the Accounting Cycle it becomes 120 days delinquent, Freddie Mac will inactivate the Mortgage. Once a Mortgage is inactivated, no monthly principal and interest will be drafted unless the Mortgage is partially or fully reinstated.

(d) *Exception (or liquidation) activity*

Exception (or liquidation) activity is anything other than a regular monthly Principal and Interest Payment and partial prepayment. It includes:

- Payoff – matured
- Payoff – prepaid

- Payoff – repurchase
- Payoff – conversion (adjustable-rate Mortgage converting to a fixed-rate Mortgage)
- Payoff – short sale, charge-off or make-whole
- Third party foreclosure sale (conventional and FHA/VA)
- Transfer to REO
- Deeds-in-lieu of foreclosure
- FHA/VA foreclosure conveyance

(e) ***Principal and interest activity***

Principal and interest activity is the regular monthly Principal and Interest Payment due to Freddie Mac and any partial prepayment. This is also referred to as *non-exception activity*.

(f) ***Reporting status***

The *reporting status* represents the information listed in Exhibit 60, Loan-Level Reporting Data Description, that the Servicer may report daily, but must report to Freddie Mac at least monthly on or before the P&I Determination Date for all *active* and *inactive* Mortgages the Servicer services for Freddie Mac.

(g) ***Exception interest***

Interest due to Freddie Mac calculated from the number of days from the first calendar day of the month up to, but not including, the exception date. The *exception interest* is calculated by multiplying the Ending UPB of the prior Accounting Cycle, multiplied by the ANY divided by 365, multiplied by the number of days.

8303.2: Freddie Mac's rights (05/01/19)

Freddie Mac reserves the right to assess compensatory and other fees in accordance with the requirements of this chapter if the Servicer fails to comply with Freddie Mac's reporting and drafting requirements. The compensatory and other fees are set forth in Sections 8303.34 through 8303.43.

8303.3: Reporting and drafting (12/09/20)

Reporting is the process of transmitting the Borrower's payment status of all Freddie Mac's Mortgages via one of the Freddie Mac-approved reporting media described in Section 8301.10. The Servicer's transmissions must be usable, accurate and timely.

Based on Servicer monthly reporting, Freddie Mac will draft principal and interest and payoff amounts that are due to Freddie Mac.

The Servicer must report a loan-level transaction on a monthly basis for all Mortgages serviced for Freddie Mac. Freddie Mac considers a loan-level transaction to be reported when it has been transmitted by the Servicer without errors and received by Freddie Mac. If a Servicer does not report a loan-level transaction or does not clear all edits by the end of the Accounting Cycle, Freddie Mac will simulate a loan-level transaction and account for each unreported Mortgage as delinquent based on the last reported DDLPI.

In addition, the Servicer is required to report *liquidation activity* to Freddie Mac as it occurs.

(a) Monthly reporting activity

Daily reporting is encouraged, but not required. The Servicer must report a loan-level transaction for each Mortgage serviced for Freddie Mac once a month no later than 2:00 a.m. Eastern Time on the day following the P&I Determination Date regardless of whether any activity has occurred on the Mortgage. For each Mortgage, Servicers must report any revisions that occur after the P&I Determination Date by the end of the month plus one Business Day. In addition, Servicers are required to monitor daily edit reports provided by Freddie Mac and correct edits promptly, as provided by Section 8303.30.

Failure to comply with Freddie Mac's reporting requirements will result in the assessment of compensatory fees as set forth in Sections 8303.34 through 8303.43.

(b) Remittance cycle and Automated Clearing House (ACH) draft

The Standard Remittance Cycle applies to all Mortgages serviced for Freddie Mac. Freddie Mac will initiate an Automated Clearing House (ACH) draft to collect monthly principal and interest payments and payoffs directly from the Servicer's designated Custodial Account in accordance with the requirements of this section.

Monthly principal and interest will be drafted on the P&I Draft Date. The principal drafted will be the actual principal collected and reported after 2:00 a.m. Eastern Time on the day following the P&I Determination Date of the previous Accounting Cycle and the actual principal collected and reported to Freddie Mac no later than 2:00 a.m. Eastern Time on the day following the P&I Determination Date of the current Accounting Cycle. Principal reported to Freddie Mac after 2:00 a.m. Eastern Time on the day following the P&I Determination Date will be drafted on the P&I Draft Date of the next Accounting Cycle. The

interest drafted will be the amount of forecasted scheduled interest reported in the prior Accounting Cycle.

To authorize ACH drafting of monthly principal and interest payments and payoffs or to make changes to ACH draft account instructions previously provided, the Servicer must:

- Have submitted a completed, executed and duly authorized Form 1132A, Authorization for Automatic Transfer of Funds from Principal and Interest Custodial Account Through the Automated Clearing House (ACH)

- Provide Freddie Mac with an updated Form 1132A for any change to the ACH instructions no later than 15 Business Days before the last Business Day of the first month in which Freddie Mac will initiate the first draft to set up or make certain changes to the draft account

- Deliver Form 1132A to Freddie Mac as an Electronic Record (as defined in Section 1401.2), using a Portable Document Format (PDF) (or other Electronic Record format commonly used in the mortgage industry), that has been completed and contains the copy or representation of the pen and ink signature of the Servicer's Authorized Employee (such copy or representation of the Authorized Employee's signature shall be such Authorized Employee's adopted Electronic Signature as defined in Section 1401.2) and either:

  - Attached to an e-mail and delivered to Freddie Mac at the following e-mail address: **CashCollections@FreddieMac.com**; or

  - Uploaded through the Freddie Mac eBill system

Freddie Mac and the Servicer agree that the delivery of Electronic Records with Electronic Signatures are eligible Electronic Transactions (as defined in Section 1401.2) and are governed by the applicable provisions of Chapter 1401.

The employee authorized to execute Form 1132A on the Servicer's behalf must be designated as an "Authorized Employee" on the Servicer's Form 988SF, Certificate of Incumbency for a Bank, Savings Bank, Savings and Loan Association, Credit, Corporation or Limited Liability Company, or Form 989SF, Certificate of Incumbency for Limited Partnerships, as applicable (see Section 2201.1 for additional information regarding the Certificate of Incumbency requirements). Freddie Mac will perform a call back to verify receipt of authorized Form 1132A ACH instructions and will also process a non-dollar transaction using the information provided on Form 1132A to verify the accuracy of the instructions.

The account the Servicer designates on Form 1132A as the ACH draft account for the payment of monthly principal and interest and payoffs must be a Principal and Interest Custodial Account or a Principal and Interest Disbursement Clearing Custodial Account.

The Servicer agrees to notify Freddie Mac immediately at **CashCollections@FreddieMac.com** of any changes to the status of the Servicer's designated Custodial Account.

If funds in the Servicer's designated Custodial Account are insufficient to cover the amount due, or if Freddie Mac is unable to draft principal and interest payments or payoff amounts from the Servicer's Custodial Account for any reason, the Servicer may be assessed a delayed draft compensatory fee in accordance with Section 8303.42.

(c) Exception or liquidation activity

The Servicer must report repurchases and prepaid payoffs by the second Business Day after the activity. Matured payoffs must be reported by the earlier of the maturity date or within two Business Days after the date the Servicer receives the funds, as provided by Section 8303.9. For all other exception activity, the Servicer must report by the fifth Business Day after the activity.

If reported no later than the second Business Day after the activity, or in the case of matured payoffs, two Business Days after funds are received, Freddie Mac will draft payoff proceeds on the fifth Business Day after the Payoff Date.

If the Servicer fails to report the payoff of a Mortgage that has reached maturity, Freddie Mac will simulate a payoff transaction for the Mortgage as of the first calendar day of the month following the maturity date. The proceeds will post to the Draft Report and will be drafted on the second Business Day after Freddie Mac simulates the matured payoff transaction. However, if Freddie Mac elects not to draft a payoff transaction for a matured Mortgage, Freddie Mac, in its sole discretion, may exercise its right to require the Servicer to repurchase the Mortgage. The Servicer will be responsible for all accrued interest through the date of payoff and the Servicer will incur a compensatory fee if the funds are not available to Freddie Mac by the applicable Payoff Draft Date. In addition, Freddie Mac reserves the right to assess a delayed draft noncompliance compensatory fee (see Section 8303.42) for all matured Mortgages for which the Servicer fails to report timely.

The Servicer will receive an edit if the Servicer attempts to report a *principal and interest activity* in the next Accounting Cycle following the month of maturity.

The table below summarizes reporting requirements for exception activities and when Freddie Mac will draft the payoff amounts.

Transaction	Exception Date	Liquidation Transaction	Reporting Timeline*	Payoff Draft Date	Draft Amount
Matured Payoff	The earlier of the maturity date or	Payoff - Matured	The earlier of the maturity date or	When reported within two Business Days after the	Proceeds

Transaction	Exception Date	Liquidation Transaction	Reporting Timeline*	Payoff Draft Date	Draft Amount
	receipt of funds by Servicer		within two Business Days of the receipt of funds by Servicer	exception date: five Business Days after the exception date. When reported more than two Business Days* after the exception date: the second Business Day after the payoff transaction was successfully processed. If not reported in the month in which the Mortgage matures, Freddie Mac will simulate a payoff transaction at the end, plus one Business Day, of the Accounting Cycle following the maturity date, which will establish the payoff date as the first calendar day of the month following the maturity date. The proceeds will post to the Draft Report and will be drafted on the second Business Day after Freddie Mac simulates the matured	

Transaction	Exception Date	Liquidation Transaction	Reporting Timeline*	Payoff Draft Date	Draft Amount
				payoff transaction.	
Prepaid Payoff	Payoff Date	Payoff - Prepaid	Second Business Day after Payoff Date	When reported within two Business Days after the exception date: five Business Days after the exception date. When reported more than two Business Days* after the exception date: the second Business Day after the payoff transaction was successfully processed.	Proceeds
Short Sales	Receipt of Funds by Servicer	Payoff-Short-Sale/Charge-off/Make-Whole	Second Business Day after receipt of funds by Servicer	When reported within two Business Days after the exception date: five Business Days after the exception date. When reported more than two Business Days* after the exception date: the second Business Day after the payoff transaction was successfully processed.	Principal and interest to liquidate mortgage debt. See Section 9208.8 for charge-off adjustments.

Transaction	Exception Date	Liquidation Transaction	Reporting Timeline*	Payoff Draft Date	Draft Amount
Make-whole Pre-foreclosure	Payoff Date	Payoff - Short-Sale/Charge-off/Make-Whole	Second Business Day after receipt of funds	When reported within two Business Days after the exception date: five Business Days after the exception date. When reported more than two Business Days* after the exception date: the second Business Day after the payoff transaction was successfully processed.	Principal and interest to liquidate mortgage debt. See Section 9208.8 for charge-off adjustments.
Charge-off	Second Business Day after receipt of Freddie Mac approval	Payoff - Short-Sale/Charge-off/Make-Whole	Second Business Day after receipt of Freddie Mac approval	When reported within two Business Days after the exception date: five Business Days after the exception date. When reported more than two Business Days* after the exception date: the second Business Day after the payoff transaction was successfully processed.	Principal and interest to liquidate mortgage debt. See Section 9210.5 for charge-off adjustments.
Repurchase	30th day from	Payoff - Repurchase	30th day from	When reported within two	Principal and interest to

Transaction	Exception Date	Liquidation Transaction	Reporting Timeline*	Payoff Draft Date	Draft Amount
	repurchase notification or approval of voluntary repurchase request		repurchase notification or approval of voluntary request	Business Days after the exception date: five Business Days after the exception date. When reported more than two Business Days* after the exception date: the second Business Day after the payoff transaction was successfully processed.	liquidate mortgage debt
Convertible ARM	Conversion Date	Payoff – Conversion	Five Business Days after the Conversion Date	Five Business Days after the Conversion Date	Principal and interest to liquidate mortgage debt
Foreclosure, third party sale conventional	Foreclosure Sale date	Third Party Foreclosure Sale	Second Business Day after receipt of funds	The fifth Business Day after the reported transaction was successfully processed in Loan Level Reporting	Principal and interest to liquidate the mortgage debt

*Payoffs reported more than two Business Days after the exception date are considered to be reported late and may be subject to compensatory fees

If the Servicer needs to delete a previously reported payoff, it must transmit a revision within the same Accounting Cycle in which it occurred. If the Servicer reports a payoff to Freddie Mac in error and the Servicer does not reverse it within the same Accounting Cycle, Freddie Mac will not be able to reactivate the Mortgage and the Servicer must advance its own funds to its Custodial Account which Freddie Mac will draft to liquidate the Mortgage.

Freddie Mac requires the Servicer to report timely and accurately. If the Servicer reports late or submits inaccurate data, Freddie Mac incurs a loss. As a result, the Servicer may be subject to a Servicing reporting noncompliance compensatory fee or a late remittance compensatory fee.

Refer to the following exhibits about reporting and remitting to Freddie Mac:

- Exhibit 60, Loan-Level Reporting Data Description
- Exhibit 61, Interest and Principal Due Freddie Mac

These exhibits will provide the data elements and calculations necessary for each transaction.

Refer to Section 8303.4 for specific requirements for reporting and remitting for Mortgages with partial principal forbearance.

8303.4: Monthly reporting and remittance requirements for Mortgages with partial principal forbearance (05/01/19)

In addition to the loan-level reporting requirements for all Mortgages in Chapter 8303 and Exhibit 60, Loan-Level Reporting Data Description, Servicers must comply with the following monthly loan-level reporting requirements for all Mortgages with a partial principal forbearance:

Data Field	Description
Current UPB	**For all Mortgages**, report the UPB of the Mortgage as of the end of the Accounting Cycle. **For Mortgages with partial principal forbearance**, the reported UPB must equal the sum of the interest-bearing UPB (the amortizing principal balance of the Mortgage or the "interest-bearing UPB") and the principal forbearance balance ("deferred UPB"), as of the end of the Accounting Cycle.
Interest-bearing UPB	**For Mortgages with partial principal forbearance,** report the amount of the interest-bearing UPB (the amortizing principal balance of the Mortgage) as of the end of the Accounting Cycle. (Note: Monthly "Interest Due Freddie Mac" must be calculated and reported based on the interest-bearing UPB only.)

Data Field	Description
Deferred UPB	**For Mortgages with partial principal forbearance,** report the amount of deferred UPB as of the end of the Accounting Cycle. (Note: The deferred UPB is non-interest-bearing and non-amortizing, and will be due in the form of a balloon payment upon the earlier of the transfer of all or a portion of the property, the payoff of the interest-bearing UPB, or the new maturity date of the modified Mortgage.)
Principal Due Freddie Mac	**For all Mortgages**, report Freddie Mac's share of principal payments, including prepayments of principal (i.e., curtailments) applied to the interest-bearing UPB of the Mortgage during the Accounting Cycle.
Deferred Principal Curtailment Amount	**For Mortgages with partial principal forbearance,** report the amount of any principal curtailment applied to the deferred UPB during the Accounting Cycle. This amount must be included in the "Deferred UPB" field.

(a) Reporting corrections

Servicers must comply with the requirements of Section 8303.24 in the event of an understatement or overstatement of principal reduction to either the interest-bearing UPB or the deferred UPB.

(b) Exception reporting and remitting for a payoff of a Mortgage with partial principal forbearance

Servicers must comply with the applicable exception reporting requirements set forth in this chapter except that, when reporting the payoff of a Mortgage with a partial principal forbearance, Servicers must also comply with the following:

- The Current UPB, Interest-bearing UPB and Deferred UPB fields must be reported as zero
- The amount of deferred UPB as reported in the previous Accounting Cycle must be reported in the "Deferred Principal Curtailment Amount" field

- The amount of the current UPB (i.e., combined interest-bearing UPB and deferred UPB) as reported in the previous Accounting Cycle, plus or minus the *exception interest*, will be drafted with the Servicer's exception remittance. *Exception interest* must be based on the interest-bearing UPB only.

Servicers must calculate payoff proceeds in accordance with the following:

	Interest-Bearing UPB
+	Deferred UPB
+/-	*Exception interest* (calculated based on the interest-bearing UPB)
=	Proceeds due Freddie Mac

(c) Application of partial prepayments of principal

If the partial prepayment of principal ("principal curtailment") is less than the interest-bearing UPB, it must be applied to the interest-bearing UPB. If the principal curtailment is equal to or greater than the interest-bearing UPB, then the principal curtailment must first be applied to the deferred UPB and any remaining curtailment to the interest-bearing UPB.

Servicers must report the amount of any curtailment applied to the deferred UPB during the Accounting Cycle in the "Deferred Principal Curtailment Amount" data field.

(d) Monthly statements

Freddie Mac recommends the Servicer include the amount of the deferred UPB and the combined interest-bearing and deferred UPBs on the Borrower's monthly statement.

8303.5: Correcting reporting errors (12/09/19)

The Servicer must monitor all Edit Error reports (Edits to be Cleared, System Cleared Edits, Warning and Loan Level Missing) provided by Freddie Mac daily. If the Servicer discovers an error after it has transmitted its accounting reporting information, the Servicer must take immediate action to:

1. Correct the source of the error

2. Transmit a revision to Freddie Mac that reflects the Borrower's payment activity or disposition of the Mortgage

If unable to resolve the issue, the Servicer should call Freddie Mac **(see Directory 7)** for instructions on how to correct the information. Servicers may refer to the Investor Reporting Quick Reference Guide for a detailed description of edit codes.

The Edit Error reports may be accessed through the Loan Level Reporting tool (see Exhibit 88, Servicing Tools).

If the Servicer fails to send Freddie Mac the appropriate information to clear any reporting errors within the applicable time frame, Freddie Mac will make those corrections on the Servicer's behalf subject to the applicable fees.

If the Servicer reports a payoff to Freddie Mac in error, the Servicer must transmit a revision within the same Accounting Cycle in which the Servicer erroneously reported it. If the Servicer reports a payoff to Freddie Mac in error and the Servicer does not reverse it within the same Accounting Cycle, Freddie Mac will not be able to reactivate the Mortgage for the Servicer. The Servicer must advance its own funds which Freddie Mac will draft to liquidate the Mortgage.

The Servicer must maintain accurate records for Freddie Mac's review and inspection of the actual principal reductions and adjustments made to correct any reporting errors.

8303.6: Freddie Mac drafting timelines (12/09/19)

(a) Monthly drafting

Freddie Mac will draft, via an Automated Clearing House (ACH) transaction, monthly principal and interest and payoffs directly from the Servicer's designated Custodial Account.

Monthly principal and interest will be drafted on the P&I Draft Date (the second Business Day after the P&I Determination Date) and will include:

- Current Accounting Cycle interest due (reported in the prior Accounting Cycle)
- Actual principal collected and reported to Freddie Mac after 2:00 a.m. Eastern Time on the day following the P&I Determination Date of the prior Accounting Cycle
- Actual principal collected during the current Accounting Cycle and reported to Freddie Mac no later than 2:00 a.m. Eastern Time on the day following the P&I Determination Date of the current Accounting Cycle
- Interest due on reinstated Mortgages

On a daily basis, Freddie Mac provides Servicers a Draft Report that provides a daily cumulative view of the amounts, including adjustments, that will be drafted during the Accounting Cycle. In addition, the report provides loan-level transaction details (e.g., principal and interest, liquidation amounts and adjustments). A preliminary Draft Report will be available daily in the Freddie Mac Cash Manager tool (see Exhibit 88, Servicing Tools) and updated based on daily reporting. A final version will be provided on the morning after the P&I Determination Date.

To authorize ACH drafting of monthly principal and interest and payoffs, the Servicer must complete, execute and submit to Freddie Mac Form 1132A, Authorization for Automatic Transfer of Funds from Principal and Interest Custodial Account Through the Automated Clearing House (ACH). See Section 8303.3 for additional information about Form 1132A delivery requirements.

Refer to Sections 8303.9 through 8303.14 for drafting requirements for payoffs and liquidations.

(b) Foreclosure, REO and Escrow

The only funds the Servicer must remit by check or wire are REO (refer to Section 9701.20) proceeds and Escrow refunds for taxes or property insurance premiums in connection with a foreclosure or REO. Principal and interest proceeds must be remitted via the automated cash remittance system as described in Chapter 8302.

8303.7: Availability of funds (05/01/19)

The Servicer must ensure funds are available no later than 9:00 am (Eastern Standard/Daylight Time) on the applicable draft date.

If sufficient funds are not available on the applicable draft date, Servicers may be assessed a draft delay noncompliance compensatory fee as referenced in Section 8303.42.

8303.8: Correcting a remittance (05/01/19)

Effective May 1, 2019, this section has been deleted.

8303.9: Payoff – matured or prepaid reporting and drafting requirements (05/01/19)

A payoff is the repayment of a Mortgage due to full amortization or prepayment-in-full. The Servicer must report the payoff as of the Payoff Date or the date the Servicer receives the funds (as applicable), and may not alter it for any reason.

The Servicer must complete the following steps to report a payoff of a Mortgage:

1. To report a prepayment-in-full, report the payoff by the second Business Day after the Payoff Date

   To report the payoff of a matured Mortgage, report the payoff by the earlier of the maturity date or within two Business Days of the date the Servicer receives the funds. For Mortgages registered on the MERS® System, the Servicer must, by the second Business Day after the Payoff Date, update the MERS System to a loan status of “Paid in full” for Mortgages reported to Freddie Mac as matured or prepaid.

2. Do not report on this Mortgage in future Accounting Cycles.

Freddie Mac will draft the payoff amount (remaining UPB plus *exception interest*) directly from the Servicer's designated Custodial Account as follows:

(i) Principal

For a payoff of a matured Mortgage or a prepayment-in-full that is successfully reported within two Business Days of the *exception date*, Freddie Mac will draft the UPB due as reported in the previous Accounting Cycle on the fifth Business Day after the Payoff Date.

For a payoff of a matured Mortgage, or a prepayment-in-full that is successfully reported ***more*** than two Business Days after the exception date (which is considered late), Freddie Mac will draft the UPB due as reported in the previous Accounting Cycle on the second Business Day after the reported payoff is successfully processed.

(ii) Interest

For a payoff of a matured Mortgage or a prepayment-in-full that is successfully reported within two Business Days of the exception date, Freddie Mac will draft the *exception interest* on the fifth Business Day after the Payoff Date.

For a payoff of a matured Mortgage or a prepayment-in-full that is successfully reported ***more*** than two Business Days after the exception date, Freddie Mac will draft the *exception interest* on the second Business Day after the reported payoff is successfully processed.

Refer to Sections 8303.4 and 8303.5 for information regarding an erroneously reported payoff or rescinded payoff.

8303.10: Third-party foreclosure sale reporting and drafting requirements (12/09/19)

A third-party foreclosure sale is a sale of the property where title to the property is not conveyed to Freddie Mac. The Servicer must comply with the requirements of Chapter 9301 regarding foreclosures and Section 8106.3 regarding the submission on Freddie Mac's behalf of Internal Revenue Service Form 1099-A, Acquisition or Abandonment of Secured Property.

The Servicer must notify Freddie Mac through the Freddie Mac Foreclosure Sale Reporting tool (see Exhibit 88, Servicing Tools) of the third-party foreclosure sale by the first Business Day after the completion of the foreclosure by reporting a third-party Foreclosure Sale/Deed-in-Lieu and completing the applicable data fields. (See Section 9301.38 regarding reporting foreclosure sale results.)

The Servicer must complete the following steps when the Servicer receives the proceeds from a third-party foreclosure sale.

Note: The Servicer's receipt of the sale proceeds from a third-party foreclosure sale, when remitted by foreclosure counsel pursuant to Section 9301.43, is considered received when the Servicer receives the entire sale proceeds.

1. Report the transaction ID of "Foreclosure" and the sale result of "third-party sale" in the Loan Level Reporting tool (see Exhibit 88, Servicing Tools) no later than the second Business Day after the Servicer receives the proceeds. When reporting, the Servicer must ensure that:

   - Foreclosure sale date is the date that the foreclosure sale occurred
   - Ending gross UPB is zero
   - Principal due field is completed with the gross UPB as of the last reporting Accounting Cycle before the Mortgage was inactivated
   - DDLPI is the date of the last fully-paid monthly installment

2. Freddie Mac will draft directly from the Servicer's designated Custodial Account as follows:

   (a) Freddie Mac will draft the prior Accounting Cycle Ending UPB on the fifth Business Day after the reported transaction is successfully processed in Loan Level Reporting.

   (b) Freddie Mac will draft the exception and delinquent interest on the fifth Business Day after the reported transaction is successfully processed in Loan Level Reporting.

3. Charge-off adjustments for third-party foreclosure sales that settle in Freddie Mac systems on or before the Payoff Determination Date will be reflected in the Draft Report on the same date as the payoff draft. For transactions that settle in Freddie Mac systems after the Payoff Determination Date, charge-off adjustments will be reflected in the Draft Report on the second Business Day after the foreclosure sale settles in Freddie Mac systems. The Servicer must review the Draft Report with respect to charge-offs and report any discrepancies to Freddie Mac via the Freddie Mac Servicing Data Corrections tool (see Exhibit 88, Servicing Tools) within the same Accounting Cycle in which Freddie Mac posts the amount to the Draft Report. Servicers may access the Draft Report through the Freddie Mac Cash Manager tool (see Exhibit 88, Servicing Tools).

   When reporting a discrepancy, Servicers must input the calculation used to determine the variance and upload any documentation to support the request in the Servicing Data Corrections tool.

   Discrepancies that are after the Accounting Cycle in which the initial adjustment is posted to the Draft Report closes, will be processed at Freddie Mac's discretion and may be subject to

a contract noncompliance and contract change compensatory fee (see Section 8303.43). If the postsettlement correction request is denied, the Servicer may be liable for any additional losses.

4. Do not report on this Mortgage in future cycles

8303.10: Third-party foreclosure sale reporting and drafting requirements (Future effective date 12/09/24)

A third-party foreclosure sale is a sale of the property where title to the property is not conveyed to Freddie Mac. The Servicer must comply with the requirements of Chapter 9301 regarding foreclosures and Section 8106.3 regarding the submission on Freddie Mac's behalf of Internal Revenue Service Form 1099-A, Acquisition or Abandonment of Secured Property.

In accordance with Section 9301.38, the Servicer must notify Freddie Mac of the third-party foreclosure sale no later than one Business Day immediately following the date of the foreclosure sale.

The Servicer must complete the following steps when the Servicer receives the entire amount of the third-party foreclosure sale proceeds:

1. Report the transaction ID of "Foreclosure" and the sale result of "third-party sale" in the Loan Level Reporting tool (see Exhibit 88, Servicing Tools) no later than the second Business Day after the Servicer receives the proceeds. When reporting, the Servicer must ensure that:

   - Foreclosure sale date is the date that the foreclosure sale occurred
   - Ending gross UPB is zero
   - Principal due field is completed with the gross UPB as of the last reporting Accounting Cycle before the Mortgage was inactivated
   - DDLPI is the date of the last fully paid monthly installment

2. Freddie Mac will draft directly from the Servicer's designated Custodial Account as follows:

   (a) Freddie Mac will draft the prior Accounting Cycle Ending UPB on the fifth Business Day after the reported transaction is successfully processed in Loan Level Reporting

   (b) Freddie Mac will draft the exception and delinquent interest on the fifth Business Day after the reported transaction is successfully processed in Loan Level Reporting

3. Charge-off adjustments for third-party foreclosure sales that settle in Freddie Mac systems on or before the Payoff Determination Date will be reflected in the Draft Report on the same date as the payoff draft. For transactions that settle in Freddie Mac systems after the Payoff Determination Date, charge-off adjustments will be reflected in the Draft Report on the second Business Day after the foreclosure sale settles in Freddie Mac systems. The Servicer must review the Draft Report with respect to charge-offs and report any discrepancies to Freddie Mac via the Freddie Mac Servicing Data Corrections tool (see Exhibit 88, Servicing Tools) within the same Accounting Cycle in which Freddie Mac posts the amount to the Draft Report. Servicers may access the Draft Report through the Freddie Mac Cash Manager tool (see Exhibit 88, Servicing Tools).

   When reporting a discrepancy, Servicers must input the calculation used to determine the variance and upload any documentation to support the request in the Servicing Data Corrections tool.

   Discrepancies that are after the Accounting Cycle in which the initial adjustment is posted to the Draft Report closes, will be processed at Freddie Mac's discretion and may be subject to a contract noncompliance and contract change compensatory fee (see Section 8303.43). If the postsettlement correction request is denied, the Servicer may be liable for any additional losses.

4. Do not report on this Mortgage in future cycles

8303.11: Short sale reporting and drafting requirements (12/09/19)

A short sale is the sale of a Mortgaged Premises for which the Servicer has received Freddie Mac's approval to sell for less than the total amount necessary to satisfy the Mortgage obligation. The Servicer must comply with the requirements of Sections 9208.1 through 9208.8 regarding a short sale and charging off a deficiency and Section 8106.4 regarding the submission on Freddie Mac's behalf of Internal Revenue Service Form 1099-C.

The Servicer must complete the following steps to report when the Servicer receives the funds for a short sale:

1. Report the short sale as "Short Sale/Charge-off/Make-whole" in the Loan Level Reporting tool (see Exhibit 88, Servicing Tools) by the second Business Day after the Servicer receives the settlement proceeds

2. Freddie Mac will draft the Ending UPB and delinquent and *exception interest* on the fifth Business Day after the exception date. If the short sale settles in Freddie Mac systems on or before the Payoff Draft Determination Date, charge-off adjustments will be reflected in the Draft Report on the same day as the payoff draft. If the short sale settles in Freddie Mac systems after the Payoff Draft Determination Date, the charge-off adjustment will be

reflected in the Draft Report on the second Business Day after the short sale settles in Freddie Mac systems. See Section 8303.12 for additional requirements related to make-whole preforeclosure sales.

3. The Servicer must review the Draft Report with respect to charge-offs and report any discrepancies to Freddie Mac via the Freddie Mac Servicing Data Corrections tool (see Exhibit 88, Servicing Tools) within 30 calendar days following Freddie Mac's posting of the amount to the Draft Report. Servicers may access the Draft Report through the Freddie Mac Cash Manager tool (see Exhibit 88, Servicing Tools).

   When reporting a discrepancy, Servicers must input the calculation used to determine the variance and upload any documentation to support the request in the Servicing Data Corrections tool.

   Discrepancies submitted more than 60 calendar days after the initial adjustment is posted to the Draft Report will be processed at Freddie Mac's discretion and may be subject to a contract noncompliance and contract change compensatory fee (see Section 8303.43). If the postsettlement correction request is denied, the Servicer may be liable for any additional losses. Additionally, Freddie Mac may recover any workout incentives that were paid.

4. Do not report on this Mortgage in future Accounting Cycles

8303.12: Make-whole preforeclosure sale reporting and drafting requirements (12/09/19)

A make-whole preforeclosure sale is the sale of a Mortgaged Premises for which the Servicer has received Freddie Mac's approval to sell the property for less than the total amount necessary to satisfy the Mortgage obligation, however, there is a mortgage insurance claim payment or a Borrower contribution that satisfies the deficiency. The Servicer must comply with the requirements of Sections 9208.3(a)(2) and 9208.5(b) regarding a make-whole preforeclosure sale.

The Servicer must complete the following steps to report and remit when the Servicer receives the proceeds from a make-whole preforeclosure sale:

1. Report the Mortgage as "Short Sale/Charge-off/Make-whole" in the Loan Level Reporting tool (see Exhibit 88, Servicing Tools) by the second Business Day after the Servicer receives the settlement proceeds

2. Do not report on this Mortgage in future Accounting Cycles

Freddie Mac will draft the Ending UPB plus delinquent and *exception interest* on the fifth Business Day after the exception date. If the make-whole preforeclosure sale settles in Freddie Mac systems on or before the Payoff Draft Determination Date, charge-off adjustments will be

reflected in the Draft Report on the same day as the payoff draft. If the make-whole preforeclosure settles in Freddie Mac systems after the Payoff Draft Determination Date, the charge-off adjustment will be reflected in the Draft Report on the second Business Day after the make-whole preforeclosure sale settles in Freddie Mac systems.

8303.13: Reporting a charge-off (12/09/19)

Freddie Mac's approval of a charge-off request ceases collection efforts on a delinquent Mortgage when the debt is deemed to be uncollectible or that a foreclosure should not be completed. In most cases, a charge-off will be accompanied by a lien release and cancelation of the Note (see Section 9210.4). The Servicer must comply with the requirements of Sections 9210.1 through 9210.5 regarding a charge-off.

The Servicer must complete the following steps to report a charge-off:

1. Report the charge-off as "Short Sale/Charge-off/Make-whole" in the Loan Level Reporting tool (see Exhibit 88, Servicing Tools) by the second Business Day after the Servicer receives Freddie Mac's approval letter confirming the charge-off request

2. Freddie Mac will draft the Ending UPB and delinquent and *exception interest* on the fifth Business Day after the exception date. If the charge-off settles in Freddie Mac systems on or before the Payoff Draft Determination Date, charge-off adjustments will be reflected in the Draft Report on the same day as the payoff draft. If the charge-off settles in Freddie Mac systems after the Payoff Draft Determination Date, the charge-off adjustment will be reflected in the Draft Report on the second Business Day after the charge-off settles in Freddie Mac systems.

3. The Servicer must review the Draft Report with respect to charge-offs and report any discrepancies to Freddie Mac via the Freddie Mac Servicing Data Corrections tool (see Exhibit 88, Servicing Tools) within 30 calendar days following Freddie Mac's posting of the amount to the Draft Report. Servicers may access the Draft Report through the Freddie Mac Cash Manager tool (see Exhibit 88, Servicing Tools).

   When reporting a discrepancy, Servicers must input the calculation used to determine the variance and upload any documentation to support the request in Servicing Data Corrections.

   Discrepancies submitted more than 60 calendar days after the initial adjustment is posted to the Draft Report will be processed at Freddie Mac's discretion and may be subject to a contract noncompliance and contract change compensatory fee (see Section 8303.43). If the postsettlement correction request is denied, the Servicer may be liable for any additional losses.

4. Do not report on this Mortgage in future Accounting Cycles

8303.13: Reporting a charge-off (Future effective date 12/09/24)

Freddie Mac's approval of a charge-off request ceases collection efforts on a delinquent Mortgage when the debt is deemed to be uncollectible or that a foreclosure should not be completed. In most cases, a charge-off will be accompanied by a lien release and cancelation of the Note (see Section 9210.4). The Servicer must comply with the requirements of Sections 9210.1 through 9210.5 regarding a charge-off.

The Servicer must complete the following steps to report a charge-off:

1. Report the charge-off as "Short Sale/Charge-off/Make-whole" in the Loan Level Reporting tool (see Exhibit 88, Servicing Tools) within two Business Days of the workout approval date reflected in Resolve® confirming the charge-off request

2. Freddie Mac will draft the Ending UPB and delinquent and *exception interest* on the fifth Business Day after the exception date. If the charge-off settles in Freddie Mac systems on or before the Payoff Draft Determination Date, charge-off adjustments will be reflected in the Draft Report on the same day as the payoff draft. If the charge-off settles in Freddie Mac systems after the Payoff Draft Determination Date, the charge-off adjustment will be reflected in the Draft Report on the second Business Day after the charge-off settles in Freddie Mac systems.

3. The Servicer must review the Draft Report with respect to charge-offs and report any discrepancies to Freddie Mac via the Freddie Mac Servicing Data Corrections tool (see Exhibit 88, Servicing Tools) within 30 calendar days following Freddie Mac's posting of the amount to the Draft Report. Servicers may access the Draft Report through the Freddie Mac Cash Manager tool (see Exhibit 88, Servicing Tools).

   When reporting a discrepancy, Servicers must input the calculation used to determine the variance and upload any documentation to support the request in Servicing Data Corrections.

   Discrepancies submitted more than 60 calendar days after the initial adjustment is posted to the Draft Report will be processed at Freddie Mac's discretion and may be subject to a contract noncompliance and contract change compensatory fee (see Section 8303.43). If the postsettlement correction request is denied, the Servicer may be liable for any additional losses.

4. Do not report on this Mortgage in future Accounting Cycles

8303.14: Repurchase reporting and drafting requirements (12/09/19)

Repurchased Mortgages may be *active* or *inactive* Mortgages or Mortgages transferred to REO. The Servicer must comply with the requirements of Chapter 3602 regarding a repurchase.

For a repurchase required by Freddie Mac or a repurchase approved by Freddie Mac at the Servicer's request, the Servicer must document the Mortgage file with Freddie Mac's written notification requiring the repurchase, or with Freddie Mac's prior written approval of the Servicer's request.

There are three types of repurchases and their corresponding reporting and remitting requirements as described in the table below.

Repurchase Type	Reporting	Drafting
Voluntary Freddie Mac has approved the Servicer's written request to repurchase a Mortgage. (Note: Only under exceptional circumstances, and on an individual basis, will Freddie Mac allow the Servicer to repurchase Freddie Mac's interest in a Mortgage. Generally, Freddie Mac will only allow the Servicer to repurchase a Mortgage that is 90 or more days delinquent or in foreclosure.)	Servicer must report within 30 days following the date of Freddie Mac's notification approving the Servicer's repurchase request, using the transaction type "Payoff – Repurchase."	Freddie Mac will draft the principal and interest on the fifth Business Day after the repurchase is successfully reported: ■ UPB as reported in the previous Accounting Cycle ■ *Exception interest* and delinquent/ reinstatement interest (if applicable) due Freddie Mac as of the Payoff Determination Date Refer to Section 3602.5 for the calculation of the repurchase price for *active* Mortgages or *inactive* Mortgages.
Involuntary Freddie Mac requires the Servicer to repurchase a Mortgage	Servicer must report within 30 days if the repurchase request is pursuant to Section 3602.2 or 60 days if the repurchase request is pursuant Section 3602.3	Freddie Mac will draft the principal and interest on the fifth Business Day after the repurchase is successfully reported: ■ UPB as reported in the previous Accounting Cycle ■ *Exception interest* and delinquent/

Repurchase Type	Reporting	Drafting
	following the date of Freddie Mac's notification requiring the repurchase, using the transaction type "Payoff – Repurchase."	reinstatement interest (if applicable) due Freddie Mac as of the Payoff Determination Date Refer to Section 3602.5 for the calculation of the repurchase price for *active* Mortgages or *inactive* Mortgages.
REO	Servicer must report the Mortgage as transferred to REO. An REO repurchase must not be reported through the Freddie Mac Foreclosure Sale Reporting tool (see Exhibit 88, Servicing Tools) or any other reporting medium.	(a) Freddie Mac will not draft. The Servicer must submit the proceeds to Freddie Mac **(see Directory 6)** with a copy of the repurchase letter and a copy of the Single-Family Servicing All-In Economic Gain/Loss Calculation that Freddie Mac sends to the Servicer within 30 days following the date of Freddie Mac's letter requiring or approving the repurchase (b) In the Servicer's monthly remittance, the Servicer must remit the monthly and/or reinstatement interest due to Freddie Mac in which the Servicer repurchased the Mortgage based on the remittance due date

Do not report on these Mortgages in future Accounting Cycles.

8303.14: Repurchase reporting and drafting requirements (Future effective date 12/09/24)

Repurchased Mortgages may be *active* or *inactive* Mortgages or Mortgages transferred to REO. The Servicer must comply with the requirements of Chapter 3602 regarding a repurchase.

For a repurchase required by Freddie Mac or a repurchase approved by Freddie Mac at the Servicer's request, the Servicer must document the Mortgage file with Freddie Mac's written notification requiring the repurchase, or with Freddie Mac's prior written approval of the Servicer's request.

There are three types of repurchases and their corresponding reporting and remitting requirements as described in the table below.

Repurchase type	Reporting	Drafting
Voluntary Freddie Mac has approved the Servicer's written request to repurchase a Mortgage. (Note: Only under exceptional circumstances, and on an individual basis, will Freddie Mac allow the Servicer to repurchase Freddie Mac's interest in a Mortgage. Generally, Freddie Mac will only allow the Servicer to repurchase a Mortgage that is 90 or more days delinquent or in foreclosure.)	Servicer must report within 30 days following the date of Freddie Mac's notification approving the Servicer's repurchase request, using the transaction type "Payoff – Repurchase."	Freddie Mac will draft the principal and interest on the fifth Business Day after the repurchase is successfully reported: ■ UPB as reported in the previous Accounting Cycle ■ *Exception interest* and delinquent/ reinstatement interest (if applicable) due Freddie Mac as of the Payoff Determination Date Refer to Section 3602.5 for the calculation of the repurchase price for *active* Mortgages or *inactive* Mortgages.
Involuntary Freddie Mac requires the Servicer to repurchase a Mortgage	Servicer must report within 30 days if the repurchase request is pursuant to Section 3602.2 or 60 days if the repurchase request is pursuant Section 3602.3 following the date of Freddie Mac's notification requiring the repurchase, using the transaction type "Payoff – Repurchase."	Freddie Mac will draft the principal and interest on the fifth Business Day after the repurchase is successfully reported: ■ UPB as reported in the previous Accounting Cycle ■ *Exception interest* and delinquent/ reinstatement interest (if applicable) due Freddie Mac as of the Payoff Determination Date Refer to Section 3602.5 for the calculation of the repurchase price for *active* Mortgages or *inactive* Mortgages.
REO	Servicer must report the Mortgage as transferred to REO. An REO repurchase must not be reported through Resolve® or any other	■ Freddie Mac will not draft. The Servicer must submit the proceeds to Freddie Mac (see Directory 6) with a copy of the repurchase letter and a copy of the Single-Family Servicing All-In Economic Gain/Loss Calculation that Freddie Mac sends to the Servicer

Repurchase type	Reporting	Drafting
	reporting medium.	within 30 days following the date of Freddie Mac's letter requiring or approving the repurchase ■ In the Servicer's monthly remittance, the Servicer must remit the monthly and/or reinstatement interest due to Freddie Mac in which the Servicer repurchased the Mortgage based on the remittance due date

Do not report on these Mortgages in future Accounting Cycles.

8303.15: Loan-level transaction reporting (02/12/20)

The loan-level transaction is what Freddie Mac calls the monthly reporting of each *active* and *inactive* Mortgage the Servicer services for Freddie Mac, including reporting monthly net yield interest, principal reductions and principal increases due to Negative Amortization.

Principal reductions include curtailments and Negative Amortization decreases since the end of the previous Accounting Cycle, Scheduled Principal and prepaid Scheduled Principal. Refer to Exhibit 60, Loan-Level Data Reporting Description, and Exhibit 61, Interest and Principal Due Freddie Mac, for what the Servicer must report and how to calculate the draft due to Freddie Mac.

For *biweekly* Mortgages, Servicers must

- Report the biweekly contractual principal and interest payment as stated on the Note. If the Servicer reports more than one payment in an Accounting Cycle, then each loan-level transaction must reflect the cumulative principal received and forecasted scheduled interest for that Accounting Cycle

- Report the DDLPI for each biweekly installment. However, if the Due Date falls on the first day of the month, Servicers must report that DDLPI as the second day of the month.

Note: This does not apply to Mortgages where the Servicer and Borrower agree to a biweekly payment plan in accordance with Section 8104.2 after the Mortgage has been sold to Freddie Mac.

Requirements for reporting and drafting of *monthly principal and interest activity* and certain *exception* activities are detailed in Section 8303.16 and 8303.28.

8303.16: Monthly reporting and remitting requirements (05/01/19)

Effective May 1, 2019, this section is deleted.

8303.17: Quarterly reporting requirements for SCRA interest rate capped Mortgages (05/01/19)

If the Servicer elects to report adjustments to each Servicemembers Civil Relief Act (SCRA) - capped Mortgage on a quarterly basis, the Servicer must submit its report (see Exhibit 71, CSV File Format to Report Loans Eligible for the SCRA Interest Rate Subsidy) to Freddie Mac **(see Directory 3)** no later than the third Business Day prior to the end of the calendar month in March, June, September and December.

8303.18: Monthly remittance cycle (05/01/19)

All Mortgages serviced for Freddie Mac will follow the Standard Remittance Cycle.

Freddie Mac will directly draft the monthly principal and interest from the Servicer on the second Business Day after the P&I Determination Date.

8303.19: Draft dates (05/01/19)

The Servicer must make all funds due to Freddie Mac available for Freddie Mac to draft by the applicable draft date. If the applicable draft date is on a non-Business Day, the funds must be available to Freddie Mac on the preceding Business Day. Refer to Section 8303.7 for availability of remittances.

8303.20: Monthly reporting and drafting requirements, including exception activities (12/09/19)

The Servicer must report the following to Freddie Mac monthly on or before the P&I Determination Date:

1. All *principal and interest activities* for all *active* Mortgages

2. *Exception activities* listed in the chart below

3. The *reporting status* of all *inactive* Mortgages

Freddie Mac will draft, directly from the Servicer's designated Custodial Account, the principal and interest for all Mortgages on the second Business Day following the P&I Determination Date. See Section 8303.21 for information on inactivating a Mortgage.

Refer to Section 8303.7 for specific requirements about when funds must be available to Freddie Mac and to Section 7101.5 for initial reporting and remitting requirements on Transfers of Servicing.

The following chart summarizes the applicable draft dates for the *exception activity* the Servicer must remit to Freddie Mac monthly:

Activity (Parenthetical terms are used in the Freddie Mac Loan Level Reporting tool) (see Exhibit 88, Servicing Tools)	**Description**	**Make funds available to Freddie Mac by the...**
Inactivation (Inactivate)	The process of suspending the remittance of funds for a Mortgage in the Accounting Cycle it becomes 120 days delinquent	P&I Draft Date
Newly funded Mortgage	A Mortgage that was sold to Freddie Mac during the current Accounting Cycle	
Reinstatement (Reinstate)	A Mortgage that the Servicer inactivated during a previous Accounting Cycle that the Borrower has partially or fully reinstated, or for which the Servicer has completed a loan modification	
Principal balance correction	A Mortgage on which the ending UPB is higher than the beginning UPB for a reason other than negative amortization	

Activity (Parenthetical terms are used in the Freddie Mac Loan Level Reporting tool) (see Exhibit 88, Servicing Tools)	Description	Make funds available to Freddie Mac by the...
Deed-in-lieu of foreclosure	A Borrower's voluntary conveyance of clear title to the property with Freddie Mac's approval in exchange for a discharge of debt	***Inactive* Mortgages** ■ No funds are due if the Mortgage was *inactive* ■ For details on credits for interest advanced for a delinquent Mortgage, refer to Section 8303.25 for deeds-in-lieu of foreclosure, Section 8303.26 for FHA/VA foreclosure conveyance and Section 8303.27 for transfers to REO ***Active* Mortgages** If the Mortgage was *active*, report any interest due to Freddie Mac by the P&I Determination Date.
FHA/VA foreclosure	A property that did not sell at the foreclosure sale for which the Servicer has filed a claim with the FHA/VA	
Transfer to REO	A property Freddie Mac acquired through foreclosure	
Principal balance adjustment, due to court order	A Mortgage on which the ending UPB is lower than the beginning UPB due to a court order. Includes court-ordered modifications and bankruptcy cramdowns.	The date the loan appears on the "Loan Modification Status Report" available in the Freddie Mac Service Loans application

8303.21: Reporting inactivation of a Mortgage (02/12/20)

Inactivation is the process to suspend remitting funds to Freddie Mac for a Mortgage that is 120 days delinquent. The Servicer must change the *reporting status* to *inactive* either by selecting "inactivation" in the Freddie Mac Loan Level Reporting tool (see Exhibit 88, Servicing Tools) or reporting Loan Level Reporting exception code 40 (Inactivation). If the Servicer does not inactivate a Mortgage in the Accounting Cycle the Mortgage becomes 120 days delinquent,

Freddie Mac will inactivate the Mortgage. Once a Mortgage is inactivated, no monthly principal and interest will be drafted unless the Mortgage is partially or fully reinstated.

Note: This does not apply to *biweekly* Mortgages that were originated and delivered with biweekly payment schedules that become 120 days delinquent. Servicers should report $0 principal and $0 scheduled interest, and not advance the DDLPI until at least one full biweekly payment is collected from the Borrower. If a Servicer attempts to inactivate a *biweekly* Mortgage that becomes 120 days delinquent by (1) selecting "inactivation" in the Loan Level Reporting tool or (2) reporting loan-level reporting exception code 40 (Inactivation), it will receive an edit. To clear the edit, the Servicer must report $0 principal and $0 scheduled interest and not advance the DDLPI until at least one full biweekly payment is collected from the Borrower. ***Please note, Mortgages where the Borrower and Servicer agree to a biweekly payment plan, pursuant to Section 8104.2, after the Mortgage was delivered to Freddie Mac must be inactivated in accordance with this Section 8303.21.***

The Servicer must not report the forecasted scheduled interest in the month for which the Mortgage is inactivated.

Once the Servicer has inactivated the Mortgage, the Servicer must report it to Freddie Mac monthly as *principal and interest activity* with zero principal and zero interest due. The Servicer must continue to report it in this manner until the Mortgage is reactivated by a full or partial reinstatement, paid off, sold at foreclosure sale or transferred to REO. The Servicer may accept and report partial payments, in increments of one full monthly payment for *inactive* Mortgages. See Section 8303.23(b) for information on partial reinstatements.

8303.22: Newly-funded Mortgage reporting and drafting requirements (05/01/19)

A newly-funded Mortgage is a Mortgage sold to Freddie Mac during the current Accounting Cycle. The Funding Date and the Mortgage balance at the end of the Accounting Cycle determine when the Servicer must report a newly-funded Mortgage. The Servicer must comply with the requirements of Section 8302.22 regarding the initial reporting and drafting of a newly funded Mortgage.

To report a newly funded Mortgage, the Servicer must:

1. Report prepayments or principal curtailments, if applicable, on a newly funded Mortgage to Freddie Mac in the current Accounting Cycle. The Servicer may report forecasted scheduled interest by the end of the current Accounting Cycle.

2. If prepayments or principal curtailments are reported prior to the P&I Determination Date, Freddie Mac will draft principal due to Freddie Mac on the P&I Draft Date. If prepayments or principal curtailments are received after the P&I Determination Date, they must be

reported by the end of the Accounting Cycle and principal will be drafted on the P&I Draft Date of the next Accounting Cycle.

3. Continue to report monthly. See Section 8303.3(a) for monthly reporting requirements.

8303.23: Reinstatement (05/01/19)

Reinstatement is the process of restoring a delinquent Mortgage or a Mortgage in foreclosure to current status. A full reinstatement requires full payment of all past-due amounts and brings an *inactive* Mortgage current. A partial reinstatement occurs when the Borrower makes a payment (at minimum, at least one full monthly principal payment and delinquent interest, if applicable) on an *inactive* Mortgage, but does not bring the Mortgage current. The Servicer must comply with the requirements as specified in Sections 9203.3 through 9203.7 regarding full and partial reinstatements.

(a) Full reinstatement of an *inactive* Mortgage

The Servicer must complete the following steps to report and remit when the Servicer fully reinstates an *inactive* Mortgage:

1. Report all delinquent principal and interest collected from the Borrower and forecasted scheduled interest for the next Accounting Cycle as follows:

   - If the DDLPI is on or before the inactivation date, Servicers must report principal from the previously reported DDLPI to the current Accounting Cycle (or later) and interest from the inactivation date to the current Accounting Cycle plus forecasted scheduled interest for the next Accounting Cycle

   - If the DDLPI is after the inactivation date, Servicers must report principal from the previously reported DDLPI to the current Accounting Cycle (or later) and interest from the previously reported DDLPI to the current Accounting Cycle plus forecasted scheduled interest for the next Accounting Cycle

   - If the Servicer reports principal and interest on or prior to the P&I Determination Date, Freddie Mac will draft the full amount of any principal due to Freddie Mac on the P&I Draft Date of the current Accounting Cycle. If reported after the P&I Determination Date, Freddie Mac will draft any principal due to Freddie Mac on the P&I Draft Date of the following Accounting Cycle

   - Delinquent and forecasted scheduled interest will be drafted on the P&I Draft Date of the following Accounting Cycle

2. Resume monthly P&I reporting on this Mortgage in future Accounting Cycles unless the reinstatement resulted in a payoff.

Note: Servicers are encouraged, but not required, to report Loan Level Reporting exception code 50 (Reinstatement). If exception code 50 is not entered prior to the end of the Accounting Cycle, Freddie Mac will update the Loan Level Reporting system with a reinstatement transaction.

(b) Partial reinstatement of an *inactive* Mortgage

The Servicer must complete the following steps to report when the Servicer partially reinstates an *inactive* Mortgage:

If the Servicer accepts at least one full monthly principal payment and delinquent interest, then the Servicer must advance the DDLPI one month for each full payment received. Until brought current, the Inactivation Date will not change and the Mortgage will remain *inactive* regardless of the number of delinquent payments accepted by the Servicer.

If the DDLPI is on or prior to the Inactivation Date, the Servicer must report the principal (increments of at least one full expected principal payment as of the new DDLPI) accepted and zero interest. If the Servicer reports the partial reinstatement on or before the P&I Determination Date, Freddie Mac will draft the principal on the P&I Draft Date. If reported after the P&I Determination Date, Freddie Mac will draft the principal on the P&I Draft Date in the following Accounting Cycle.

If the Servicer advances the DDLPI beyond the Inactivation Date, the Servicer must report the principal (increments of at least one full expected principal payment as of the new DDLPI) received and the Freddie Mac expected delinquent interest.

If the Servicer reports the partial reinstatement on or before the P&I Determination Date, Freddie Mac will draft the principal on the P&I Draft Date. If reported after the P&I Determination Date, Freddie Mac will draft the principal on the P&I Draft Date in the following Accounting Cycle. Delinquent interest will be drafted on the P&I Draft Date in the following Accounting Cycle.

8303.24: Principal balance correction (09/01/24)

If the Servicer reports an erroneous principal reduction amount, the Servicer must comply with the following requirements:

(a) Understated principal reduction

If the Servicer understates a principal reduction during an Accounting Cycle, it may adjust the amount of the understatement during the current Accounting Cycle’s loan-level transaction by increasing the amount of total principal reduction. However, if the Servicer is unable to correct the understated amount during the current Accounting Cycle, then they must adjust the amount of the understatement in the following Accounting Cycle.

(b) Overstated principal reduction

If the Servicer overstates a principal reduction during an Accounting Cycle, then it may adjust the amount of the overstatement during the current Accounting Cycle's loan-level transaction by reporting Loan Level Reporting exception code 80 (Principal Balance Correction) and decreasing the amount of total principal reduction.

However, if the Servicer is unable to correct the overstated amount during the current Accounting Cycle, then they must adjust the amount of the understatement in the following Accounting Cycle. This will result in an increase in the UPB of that Mortgage, which Freddie Mac refers to as negative principal reduction.

The Servicer may confirm the processing of the UPB adjustment on the Negative Principal Reduction Report and the Loan Reconciliation Difference Report in Servicing Gateway. Freddie Mac may contact the Servicer should it require additional documentation or information regarding the negative principal reduction.

8303.25: Deed-in-lieu of foreclosure reporting and remittance requirements (12/09/19)

A deed-in-lieu of foreclosure is a Borrower's voluntary conveyance of clear title to the property in exchange for a discharge of debt. The Servicer must comply with the requirements of Sections 9209.1 through 9209.8 regarding a deed-in-lieu of foreclosure.

The Servicer must submit two separate transactions to Freddie Mac to report a deed-in-lieu of foreclosure as follows:

1. In the Foreclosure Sale Reporting tool (see Exhibit 88, Servicing Tools), by the first Business Day after receiving the executed deed or, in the case of a leasehold Mortgage, an executed lease assignment or new lease (collectively the "lease"), report "Foreclosure Sale/DIL." If the Borrower was required to make a cash contribution as a condition of acceptance of the deed-in-lieu of foreclosure, the Servicer must remit the funds, see Section 9209.8(b) for remittance requirements, no later than the fifth Business Day after the receipt of funds.

2. In the Loan Level Reporting tool (see Exhibit 88, Servicing Tools), report the Mortgage as a Transfer to REO transaction by the end of the Accounting Cycle in which the Servicer receives the executed deed or executed lease

If the Mortgage was *inactive* as of the previous Accounting Cycle, a credit for the reimbursement of advanced interest (calculated from the DDLPI up to, but not including, the month the Servicer inactivated the Mortgage), if applicable, will be reflected in the current Accounting Cycle Draft Report if reported as REO on or before the P&I Determination Date, or the next Accounting Cycle if reported as REO after the P&I Determination Date.

If the Mortgage was *active* as of the previous Accounting Cycle, a credit for the reimbursement of advanced interest (calculated from the DDLPI through the end of the previous Accounting Cycle), if applicable, will be reflected in the current Accounting Cycle Draft Report if reported as REO on or before the P&I Determination Date, or the next Accounting Cycle if reported as REO after the P&I Determination Date.

Do not report on this Mortgage for future Accounting Cycles.

8303.25: Deed-in-lieu of foreclosure reporting and remittance requirements (Future effective date 12/09/24)

A deed-in-lieu of foreclosure is a Borrower's voluntary conveyance of clear title to the property in exchange for a discharge of debt. The Servicer must comply with the requirements of Sections 9209.1 through 9209.8 regarding a deed-in-lieu of foreclosure.

The Servicer must submit two separate transactions to Freddie Mac to report a deed-in-lieu of foreclosure as follows:

1. Report the deed execution in Resolve® (see Exhibit 88, Servicing Tools) within one Business Day of receiving the executed deed or, in the case of a leasehold Mortgage, an executed lease assignment or new lease (collectively the "lease"). If the Borrower was required to make a cash contribution as a condition of acceptance of the deed-in-lieu of foreclosure, the Servicer must remit the funds, see Section 9209.8(b) for remittance requirements, no later than the fifth Business Day after the receipt of funds.

2. In the Loan Level Reporting tool (see Exhibit 88, Servicing Tools), report the Mortgage as a Transfer to REO transaction by the end of the Accounting Cycle in which the Servicer receives the executed deed or executed lease

If the Mortgage was *inactive* as of the previous Accounting Cycle, a credit for the reimbursement of advanced interest (calculated from the DDLPI up to, but not including, the month the Servicer inactivated the Mortgage), if applicable, will be reflected in the current Accounting Cycle Draft Report if reported as REO on or before the P&I Determination Date, or the next Accounting Cycle if reported as REO after the P&I Determination Date.

If the Mortgage was *active* as of the previous Accounting Cycle, a credit for the reimbursement of advanced interest (calculated from the DDLPI through the end of the previous Accounting Cycle), if applicable, will be reflected in the current Accounting Cycle Draft Report if reported as REO on or before the P&I Determination Date, or the next Accounting Cycle if reported as REO after the P&I Determination Date.

Do not report on this Mortgage for future Accounting Cycles.

8303.26: FHA/VA foreclosure conveyance reporting and drafting requirements (12/09/19)

An FHA/VA foreclosure conveyance occurs when the Servicer forecloses on a Mortgage insured by the FHA or guaranteed by the VA and the property is not sold to a third party at the foreclosure sale. The Servicer must comply with the requirements of Chapter 9301 and Sections 9603.2 and 9603.3 regarding FHA/VA foreclosures.

The Servicer must notify Freddie Mac of the foreclosure sale by the first Business Day after the completion of the foreclosure sale by reporting a Foreclosure Sale/DIL and completing the applicable data fields.

The Servicer must submit two separate transactions to Freddie Mac via the Freddie Mac Foreclosure Sale Reporting tool (see Exhibit 88, Servicing Tools) to report the FHA/VA conveyance:

1. By the first Business Day after the foreclosure sale, report the Foreclosure Sale/DIL transaction to inform Freddie Mac of the results of the sale

2. Report a Transfer to REO transaction by the end of the Accounting Cycle

If the Mortgage was *inactive* as of the previous Accounting Cycle, a credit for the reimbursement of advanced interest (calculated from the DDLPI up to, but not including, the month the Servicer inactivated the Mortgage), if applicable, will be reflected in the current Accounting Cycle Draft Report if reported as FHA/VA conveyance on or before the P&I Determination Date, or the next Accounting Cycle if reported as FHA/VA conveyance after the P&I Determination Date.

If the Mortgage was *active* as of the previous Accounting Cycle, a credit for the reimbursement of advanced interest (calculated from the DDLPI through the end of the previous Accounting Cycle), if applicable, will be reflected in the current Accounting Cycle Draft Report if reported as FHA/VA conveyance on or before the P&I Determination Date, or the next Accounting Cycle if reported as FHA/VA conveyance after the P&I Determination Date.

The Servicer must not report on this Mortgage in future Accounting Cycles.

8303.26: FHA/VA foreclosure conveyance reporting and drafting requirements (Future effective date 12/09/24)

An FHA/VA foreclosure conveyance occurs when the Servicer forecloses on a Mortgage insured by the FHA or guaranteed by the VA and the property is not sold to a third party at the foreclosure sale. The Servicer must comply with the requirements of Chapter 9301 and Sections 9603.2 and 9603.3 regarding FHA/VA foreclosures.

In accordance with Section 9301.38 the Servicer must notify Freddie Mac of the foreclosure sale no later than one Business Day immediately following the date of the foreclosure sale.

If the Mortgage was *inactive* as of the previous Accounting Cycle, a credit for the reimbursement of advanced interest (calculated from the DDLPI up to, but not including, the month the Servicer inactivated the Mortgage), if applicable, will be reflected in the current Accounting Cycle Draft Report if reported as FHA/VA conveyance on or before the P&I Determination Date, or the next Accounting Cycle if reported as FHA/VA conveyance after the P&I Determination Date.

If the Mortgage was *active* as of the previous Accounting Cycle, a credit for the reimbursement of advanced interest (calculated from the DDLPI through the end of the previous Accounting Cycle), if applicable, will be reflected in the current Accounting Cycle Draft Report if reported as FHA/VA conveyance on or before the P&I Determination Date, or the next Accounting Cycle if reported as FHA/VA conveyance after the P&I Determination Date.

The Servicer must not report on this Mortgage in future Accounting Cycles.

8303.27: REO reporting and drafting requirements (12/09/19)

A transfer to REO occurs when the Mortgaged Premises is not sold to a third party at the foreclosure sale and Freddie Mac acquires the property. The Servicer must comply with the requirements of Sections 8106.3, 9301.38 through 9301.42, and Chapter 9603 regarding the submission on Freddie Mac's behalf of Internal Revenue Service Form 1099-A, Acquisition or Abandonment of Secured Property.

The Servicer must notify Freddie Mac through the Freddie Mac Foreclosure Sale Reporting tool (see Exhibit 88, Servicing Tools) of the foreclosure sale by the first Business Day after the completion of the foreclosure sale by reporting a Foreclosure Sale/DIL and completing the applicable data fields.

The Servicer must complete the following steps to report for a transfer to REO:

1. The Servicer must report the transfer of the property to REO in the Loan Level Reporting tool (see Exhibit 88, Servicing Tools) in the same Accounting Cycle in which the foreclosure sale occurs

2. For the interest the Servicer advanced for the delinquent Mortgage, the Servicer will be provided a credit calculated as follows:

   (a) If the Mortgage was *inactive* as of the end of the Accounting Cycle prior to the foreclosure, a credit for the reimbursement of advanced interest, if applicable, will be reflected in the current Accounting Cycle Draft Report if reported as REO on or before the P&I Determination Date, or the next Accounting Cycle if reported as REO after the P&I Determination Date

   (b) If the Mortgage was *active* as of the end of the Accounting Cycle prior to the foreclosure, a credit for the reimbursement of advanced interest, if applicable, will be reflected in the current Accounting Cycle Draft Report if reported as REO on or before the P&I Determination Date, or the next Accounting Cycle if reported as REO after the P&I Determination Date

3. Do not report on this Mortgage in future Accounting Cycles

Servicers are not required to wait until the end of the redemption period to report the REO transaction to recover the delinquent interest advanced to Freddie Mac.

8303.27: REO reporting and drafting requirements (Future effective date 12/09/24)

A transfer to REO occurs when the Mortgaged Premises is not sold to a third party at the foreclosure sale and Freddie Mac acquires the property. The Servicer must comply with the requirements of Sections 8106.3, 9301.38 through 9301.42, and Chapter 9603 regarding the submission on Freddie Mac's behalf of Internal Revenue Service Form 1099-A, Acquisition or Abandonment of Secured Property.

In accordance with Section 9301.38, the Servicer must notify Freddie Mac of the foreclosure sale no later than one Business Day immediately following the date of the foreclosure sale.

The Servicer must complete the following steps to report for a transfer to REO:

1. The Servicer must report the transfer of the property to REO in the Loan Level Reporting tool (see Exhibit 88, Servicing Tools) in the same Accounting Cycle in which the foreclosure sale occurs

2. For the interest the Servicer advanced for the delinquent Mortgage, the Servicer will be provided a credit calculated as follows:

(a) If the Mortgage was *inactive* as of the end of the Accounting Cycle prior to the foreclosure, a credit for the reimbursement of advanced interest, if applicable, will be reflected in the current Accounting Cycle Draft Report if reported as REO on or before the P&I Determination Date, or the next Accounting Cycle if reported as REO after the P&I Determination Date

(b) If the Mortgage was *active* as of the end of the Accounting Cycle prior to the foreclosure, a credit for the reimbursement of advanced interest, if applicable, will be reflected in the current Accounting Cycle Draft Report if reported as REO on or before the P&I Determination Date, or the next Accounting Cycle if reported as REO after the P&I Determination Date

3. Do not report on this Mortgage in future Accounting Cycles

Servicers are not required to wait until the end of the redemption period to report the REO transaction to recover the delinquent interest advanced to Freddie Mac.

8303.28: Additional monthly reporting requirements (01/01/22)

In addition to the loan-level transaction the Servicer must transmit to Freddie Mac each month, the Servicer must also submit the following report, if applicable.

Supplemental accounting report of Servicemembers Civil Relief Act (SCRA) Mortgages

If the Servicer elects to report adjustments to each SCRA-capped Mortgage on a monthly basis, the Servicer must submit its report (see Exhibit 71, CSV File Format to Report Loans Eligible for the SCRA Interest Rate Subsidy) to Freddie Mac **(see Directory 3)** no later than three Business Days prior to the end of the Accounting Cycle.

8303.29: Freddie Mac's reports to Servicers of discrepancies (05/01/19)

Freddie Mac will process the data the Servicer transmits, compare the data daily against Freddie Mac's database, and notify the Servicer of any discrepancies on the Edit Reports daily. The Servicer is responsible for ensuring the accuracy of the data the Servicer submits to Freddie Mac. If applicable, any discrepancies identified by Freddie Mac prior to the P&I Determination Date must be resolved on or before the P&I Determination Date. Discrepancies identified after the P&I Determination Date must be resolved prior to the end of the current Accounting Cycle. Refer to Sections 8303.5 and 8303.30 for additional information.

8303.30: Daily edit reports (06/10/20)

The Servicer must monitor the daily edit reports provided by Freddie Mac through the Freddie Mac Loan Level Reporting tool available through the **Servicing Gateway** (see Exhibit 88, Servicing Tools) and promptly correct the errors indicated on the reports (refer to Section 8303.29). Failure to promptly correct the errors indicated on the reports may negatively impact the Servicer's Servicer Success Scorecard. (See Section 3501.2 for additional information about the Servicer Success Scorecard.)

The daily edit reports provided by Freddie Mac are:

1. **Freddie Mac Edits to be Cleared Report:** This daily report identifies loan-level transaction edits that prevent Freddie Mac from processing transactions the Servicer has reported. The Servicer must take immediate action to resolve the edit errors and transmit revised transactions to Freddie Mac that reflect the Borrower's payment activity.

2. **Freddie Mac System Cleared Edits Report:** This daily report identifies loan-level transaction edits that Freddie Mac's system changed and continued processing. The Servicer must review and determine the cause of the edit and take action, if necessary, by the end of the current Accounting Cycle to prevent the edit from recurring in future Accounting Cycles.

3. **Warning Report:** This daily report identifies loan-level transactions that were accepted by Freddie Mac that don't require the Servicer to take action but for which Freddie Mac recommends a review. Servicers must use this report to determine whether the correct loan transaction was processed. If the correct loan transaction was not processed, the Servicer must submit a revision.

4. **Loan Level Missing Report:** This report identifies Mortgages missing from the Servicer's monthly loan-level transactions. This includes any Mortgage:

   - That the Servicer did not report to Freddie Mac
   - With unresolved edits on the Edits to be Cleared Report
   - Reported to Freddie Mac with an invalid Freddie Mac loan number, and/or
   - For which Freddie Mac received a transaction, but the Mortgage was rejected by Freddie Mac's system

   Freddie Mac will generate this report daily beginning two Business Days prior to the P&I Determination Date or when Freddie Mac processes 75% of the loan-level transactions for Mortgages the Servicer services for Freddie Mac, whichever occurs first. Servicers must analyze this report and ensure that any Mortgage due to be reported to Freddie Mac is reported no later than 2:00 a.m. Eastern Time on the day following the P&I Determination Date.

5. **Response File:** This report is an outbound file from Freddie Mac that is published multiple times per day and provides loan level details for each Loan Level Reporting file processed. This file contains both the successful and unsuccessful transactions.

The Servicer will need a secure User ID and password to retrieve these reports through the Loan Level Reporting tool.

8303.31: Monthly reports provided to Servicer (12/09/19)

Freddie Mac provides the Servicer the three monthly reports described below that the Servicer must use to reconcile the amounts reported to Freddie Mac and drafted by Freddie Mac from the Servicer's designated Custodial Account. The Servicer must review these reports timely and notify Freddie Mac in writing **(see Directory 7)** of any errors or discrepancies between its data and the report.

1. **Loan Reconciliation Difference Report:** Freddie Mac will make available to the Servicer the final Loan Reconciliation Difference Report through the Freddie Mac Loan Level Reporting tool (see Exhibit 88, Servicing Tools) on the second Business Day of the month following the end of the Accounting Cycle. This report provides the Servicer with detailed information about transactions that:

   - Freddie Mac processed differently than the Servicer reported
   - Freddie Mac added manually
   - The Servicer reported as revisions that Freddie Mac did not process
   - The Servicer reported as revisions that Freddie Mac did process
   - The Servicer reported more than once during the Accounting Cycle
   - The Servicer reported with an invalid Freddie Mac loan number
   - The Servicer reported on Mortgages belonging to another Servicer

   The differences identified on this report may be outstanding items on the Servicer's designated Custodial Account reconciliation or adjustments that the Servicer needs to make to the Servicer's cash remittance.

2. **Monthly Account Statement (MAS):** Freddie Mac will make available to the Servicer the final MAS through the Loan Level Reporting tool on the second Business Day of the month following the end of the Accounting Cycle. This report summarizes the total amount due to Freddie Mac as of the Accounting Cycle.

The ending balance on the MAS includes principal and interest due to Freddie Mac, amounts drafted from the Servicer and adjustments made by Freddie Mac. The ending balance is the amount outstanding (pending Freddie Mac's draft) and non-sufficient funds, if applicable, due to Freddie Mac as of the end of the Accounting Cycle.

The Servicer must reconcile the ending balance to the Principal and Interest Custodial Account balance using Form 59, Principal and Interest Custodial Account Reconciliation Worksheet—Monthly Account Statement, in accordance with Freddie Mac's requirements in Sections 8304.13 through 8304.17. If the Servicer disagrees with the ending balance on the MAS, the Servicer must notify Freddie Mac in writing **(see Directory 7)** within 90 days of the end of the Accounting Cycle. Call the Customer Support Contact Center at 800-FREDDIE for further information.

3. **Draft Report**: The Draft Report will provide summary and loan-level detail of the amounts due and offsetting adjustments associated with revisions, based on Servicer reporting. A preliminary Draft Report will be available in the Cash Manager tool (see Exhibit 88, Servicing Tools) and updated based on daily reporting. A final version of the Draft Report for the current Accounting Cycle will be available in the Cash Manager tool on the morning after the P&I Determination Date.

   The Draft Report details are as follows:

   (i) If the principal and forecasted scheduled interest are reported on or prior to the P&I Determination Date, then:

   - The principal will be reflected on the Draft Report for the current Accounting Cycle
   - The forecasted scheduled interest will be reflected on the Draft Report for the next Accounting Cycle

   (ii) If the principal and forecasted scheduled interest are reported after the P&I Determination Date, then the principal and forecasted scheduled interest amounts will be reflected on the Draft Report for the next Accounting Cycle

   (iii) If a principal and interest revision in the current Accounting Cycle is reported on or before the P&I Determination Date, then:

   - An offsetting principal adjustment will be reflected on the same day as the original transaction
   - An offsetting interest adjustment will be reflected on the same day as the original transaction

(iv) If a principal and interest revision is reported after the P&I Determination Date, then an offsetting principal and interest adjustment will be reflected on the Draft Report for the next Accounting Cycle

(v) If a payoff is reported by the Payoff Determination Date, the payoff transaction will be reflected on the Draft Report and drafted on the fifth Business Day after the Payoff Date

(vi) If a payoff is reported after the Payoff Determination Date, the payoff transaction will be reflected on the Draft Report and drafted on the second Business Day after the payoff transaction is successfully reported to Freddie Mac

(vii) If a payoff is revised prior to the Payoff Determination Date, an offsetting adjustment to the previously accepted payoff amount will be reflected on the Draft Report

(viii) If a payoff is revised after the Payoff Determination Date, an offsetting adjustment will be reflected on the Draft Report on the second Business Day after the payoff revision is successfully reported to Freddie Mac

(ix) If an REO was reported and the Mortgage was *inactive* as of the previous Accounting Cycle, a credit for the reimbursement of advanced interest (calculated from the DDLPI up to, but not including, the month the Servicer inactivated the Mortgage), if applicable, will be reflected in the current Accounting Cycle Draft Report if reported as REO on or before the P&I Determination Date, or the next Accounting Cycle if reported as REO after the P&I Determination Date.

(x) If an REO was reported and the Mortgage was *active* as of the previous Accounting Cycle, a credit for the reimbursement of advanced interest (calculated from the DDLPI through the end of the previous Accounting Cycle), if applicable, will be reflected in the current Accounting Cycle Draft Report if reported as REO on or before the P&I Determination Date, or the next Accounting Cycle if reported as REO after the P&I Determination Date.

8303.32: Reports to reconcile monthly activity (12/09/19)

Freddie Mac will provide preliminary and final versions of the reports listed in Section 8303.31 as follows:

(a) Preliminary

If the Servicer reports and resolves all data discrepancies prior to the close of the Accounting Cycle, the preliminary Loan Reconciliation Difference Report will be available in the Freddie Mac Loan Level Reporting tool (see Exhibit 88, Servicing Tools), and the Draft

Report will be available through the Freddie Mac Cash Manager tool (see Exhibit 88, Servicing Tools).

The Servicer may use the preliminary reconciliation reports to begin reconciling its monthly Mortgage activity and Principal and Interest Custodial Account, or use them to make revisions to the Servicer's loan-level transactions.

(b) Final reports

After Freddie Mac closes its Accounting Cycle, Freddie Mac will provide the Servicer the final MAS and the Loan Reconciliation Difference Reports through the Freddie Mac Loan Level Reporting tool.

Freddie Mac will provide the final Draft Report to the Servicer through the Cash Manager tool on the second Business Day of the month following the end of the Accounting Cycle.

The Servicer should use these reports to reconcile its investor reporting and the Servicer's Custodial Account activity for the month in accordance with Chapter 8304.

8303.33: Reconciling Seller/Servicer Remittance Analysis (05/01/19)

Effective May 1, 2019, this section is deleted.

8303.34: Noncompliance with reporting and drafting requirements (12/09/20)

The Servicer's failure to comply with Freddie Mac's requirements for reporting and drafting constitutes a violation of the Purchase Documents and the contractual obligations of the Guide. In addition to any other remedies Freddie Mac may have at law or in equity, the Servicer is subject to the assessment of compensatory fees for any violations.

Freddie Mac will charge the Servicer a noncompliance compensatory fee for the Servicer's failure to comply with Freddie Mac's Servicing reporting requirements contained in Section 8106.1 or the accounting reporting time requirements contained in this chapter. Servicing reporting and accounting reporting noncompliance compensatory fees are each monitored and assessed separately.

The Servicer will receive written notification of all compensatory and other fee assessments. Freddie Mac reserves the right to revise Freddie Mac's compensatory and other fee schedules and change Freddie Mac's methods of calculating compensatory and other fees at any time at

Freddie Mac's sole discretion. The Servicer may direct any questions regarding the assessment of accounting reporting compensatory and other fees to Freddie Mac **(see Directory 7)**.

See Section 8303.35 for instructions on remitting compensatory fees.

The Servicer must complete, execute and submit to Freddie Mac Form 1132, Authorization for Automatic Transfer of Funds Through the Automated Clearing House (ACH) for Seller/Servicers, as an Electronic Record (as defined in Section 1401.2), using a Portable Document Format (PDF) (or other Electronic Record format commonly used in the mortgage industry), that has been completed and contains the copy or representation of the pen and ink signature of the Servicer's Authorized Employee (such copy or representation of the Authorized Employee's signature shall be such Authorized Employee's adopted Electronic Signature as defined in Section 1401.2) and either:

- Attach to an e-mail and deliver to Freddie Mac at the following e-mail address: **CashCollections@FreddieMac.com**; or

- Upload through the Freddie Mac eBill system

  Freddie Mac and the Servicer agree that the delivery of Electronic Records with Electronic Signatures are eligible Electronic Transactions (as defined in Section 1401.2) and are governed by the applicable provisions of Chapter 1401.

The employee authorized to execute Form 1132 on the Servicer's behalf must be designated as an "Authorized Employee" on the Servicer's Form 988SF, Certificate of Incumbency for a Bank, Savings Bank, Savings and Loan Association, Credit Union, Corporation or Limited Liability Company, or Form 989SF, Certificate of Incumbency for Limited Partnerships, as applicable.

The account identified in Form 1132 for the payment of fees must be a Demand Deposit Account that is separate from any Custodial Account required to be maintained pursuant to any of the Purchase Documents.

The Servicer agrees to notify Freddie Mac immediately at **Servicer_Billing@FreddieMac.com** of any changes to the status of the Servicer's ACH account.

8303.35: Drafting noncompliance compensatory fees (12/09/20)

Freddie Mac will initiate an Automated Clearing House (ACH) draft to collect any compensatory fees billed on the Performing Loans monthly Servicing Billing Statement and the Non-Performing Loans Invoice. To authorize ACH drafting of compensatory fees, the Servicer must:

1. Submit a completed, executed and duly authorized Form 1132, Authorization for Automatic Transfer of Funds Through the Automated Clearing House (ACH) for Seller/Servicers, no

later than 15 Business Days before the last Business Day of the first month in which the Servicer is liable to pay Freddie Mac any compensatory fees, to set up or make certain changes to the draft account. This form will authorize Freddie Mac to initiate an ACH draft, and designates an account from which Freddie Mac will collect any compensatory and other fees for which Freddie Mac may bill the Servicer on the Performing Loans monthly Servicer Billing Statement and the Non-Performing Loans Invoice, and

2. Designate an account other than one of Freddie Mac's Custodial Accounts from which Freddie Mac will draft the amount due; and

3. Deliver Form 1132 to Freddie Mac as an Electronic Record (as defined in Section 1401.2), using a Portable Document Format (PDF) (or other Electronic Record format commonly used in the mortgage industry), that has been completed and contains the copy or representation of the pen and ink signature of the Servicer's Authorized Employee (such copy or representation of the Authorized Employee's signature shall be such Authorized Employee's adopted Electronic Signature as defined in Section 1401.2) and either:

   - Attach to an e-mail and deliver to Freddie Mac at the following e-mail address: **CashCollections@FreddieMac.com**; or
   - Upload through the Freddie Mac eBill system

   - Freddie Mac and the Servicer agree that the delivery of Electronic Records with Electronic Signatures are eligible Electronic Transactions (as defined in Section 1401.2) and are governed by the applicable provisions of Chapter 1401.

The employee authorized to execute Form 1132 on the Servicer's behalf must be designated as an "Authorized Employee" on the Servicer's Form 988SF, Certificate of Incumbency for a Bank, Savings Bank, Savings and Loan Association, Credit Union, Corporation or Limited Liability Company, or Form 989SF, Certificate of Incumbency for Limited Partnerships, as applicable.

Servicers may establish one ACH account for the payment of invoices for both the Performing Loans monthly Servicer Billing Statement and the Servicer Non-Performing Loans Invoice, or establish two separate accounts. Servicers may submit billing inquires or billing-related requests to **Servicer_Billing@FreddieMac.com**.

See Section 9102.1 concerning Non-Performing Loans remittances.

See Sections 7101.2, 8303.34, 8303.36 through 8303.43 and 9603.17 for information on these compensatory fees.

8303.36: Reporting noncompliance compensatory fees (05/01/19)

Freddie Mac assesses a compensatory fee when the Servicer fails to comply with Freddie Mac's Servicing reporting requirements for the reports listed in Section 8106.1 or with Freddie Mac's reporting requirements contained in this chapter and Section 9102.7.

If the Servicer commits more than one type of reporting offense within any consecutive 12-month period, the Servicer may be subject to more than one reporting noncompliance fee.

The Servicer will be subject to the applicable compensatory fee in accordance with Section 8303.38 for its failure to:

1. Submit complete and accurate Servicing reports, including the submission of error-free loan-level data within the required time frame

2. Report mandated data elements, such as the Last Payment Received Date (LPRD) or other fields as listed in Exhibit 60, Loan-Level Reporting Data Description

3. Provide information requested by Freddie Mac that is outside of the regular monthly reporting requirements of this chapter, or its failure to provide such requested information in a usable form within the required time frame

Freddie Mac will notify the Servicer in writing of all instances of noncompliance.

8303.37: Reporting noncompliance compensatory fees – all loans (05/01/19)

Effective May 1, 2019, this section is deleted.

8303.38: EDR noncompliance compensatory fees (03/02/16)

Freddie Mac assesses a compensatory fee when a Servicer fails to report applicable delinquent Mortgage information through EDR, within the first three Business Days of a month in accordance with Section 9102.7. The compensatory fees are based on the number of noncompliance violations the Servicer commits in any consecutive 12-month period starting with the month in which the first violation occurred and as shown below.

IF the noncompliance violation within a consecutive 12-month period is the Servicer's...	THEN the reporting noncompliance compensatory fee is...	AND the Servicer...
First violation	Greater of $250 or $50 per loan, up to $5,000	
Second violation	Greater of $500 or $50 per loan, up to $10,000	May be required to attend a reporting training seminar at the Servicer's expense
Third violation or more	Greater of $1,000 or $50 per loan, up to $15,000	

In addition to the monetary compensatory fees, beginning with the second violation, Freddie Mac may require the Servicer to attend reporting training at the Servicer's expense. Freddie Mac reserves the right to invoke additional remedies, including suspension or disqualification as a Seller/Servicer or a full or partial termination of Servicing, in the event of continuing violations.

Freddie Mac will bill the Servicer for such fees on the Servicer Non-Performing Loans Invoice. Refer to Section 9102.1 for information on the payment of Servicing Non-Performing Loans Invoices via an Automated Clearing House draft.

8303.39: Unreported transactions and loan simulation compensatory fee (05/01/19)

Freddie Mac assesses a compensatory fee of $100 per loan when a Servicer fails to clear outstanding edits or report loan-level activity by the end of the Accounting Cycle.

8303.40: Aged data errors compensatory fee (03/02/16)

Freddie Mac may assess a $100 compensatory fee per loan, per occurrence, up to a maximum of $15,000 per month in which there are unresolved loan-level reporting errors that appear on the Loan Reconciliation Difference Report 90 days or more category.

Freddie Mac will submit an Automated Clearing House (ACH) draft transaction for all data error compensatory fees the Servicer owes Freddie Mac on the last Business Day of the month in which the Servicer received the Performing Loans monthly Servicer Billing Statement from Freddie Mac stating the amount of the compensatory fees. Refer to Section 8303.35 for information on establishing the ACH draft.

8303.41: Next month late reported payoff noncompliance compensatory fee (05/01/19)

Freddie Mac assesses this compensatory fee when the Servicer fails to report a paid off Mortgage by the second Business Day of the month following the month in which the Servicer receives the funds. This compensatory fee is equal to one month's interest based on the net yield for each loan that the Servicer reports late. Freddie Mac may assess this compensatory fee in addition to other fees contained in this chapter.

Freddie Mac may assess a late reported payoff compensatory fee if the Servicer fails to report the payoff of a matured Mortgage in accordance with Section 8301.19.

Freddie Mac will submit an Automated Clearing House (ACH) transaction for all late reported payoff noncompliance compensatory fees the Servicer owes Freddie Mac on the last Business Day of the month in which the Servicer received the Performing Loans monthly Servicer Billing Statement from Freddie Mac indicating the amount of the compensatory fee. Refer to Section 8303.35 for information on establishing the ACH draft.

8303.42: Draft delay compensatory fee (05/01/19)

With respect to payoffs, Freddie Mac assesses this compensatory fee when the Servicer fails to report a payoff within two Business Days of the Payoff Date and the late report results in a delayed Payoff Draft Date. (Note: If the Servicer fails to report a paid-off Mortgage by the second Business Day of the month following the month in which the Servicer receives the funds, then the compensatory fee is determined as provided in Section 8303.41 rather than this Section 8303.42.)

Freddie Mac calculates this compensatory fee by the amount of the payoff funds, multiplied by the number of calendar days the payoff draft was late as a result of the late reported payoff, multiplied by the highest quoted prime rate on the last Business Day of the month in which the late payoff draft occurred in the print edition of *The Wall Street Journal* in its regular column entitled "Money Rates" plus 3% divided by 365. If the prime rate is not published, then Freddie Mac will determine a comparable rate.

With respect to principal and interest or payoffs, Freddie Mac assesses this compensatory fee when the Servicer fails to have sufficient funds available for Freddie Mac to draft on the P&I Draft Date or on the Payoff Draft Date, as applicable. Freddie Mac calculates this compensatory fee by the amount of the principal and interest, or payoff, as applicable, multiplied by the number of calendar days the draft of principal and interest, or payoff, was late as a result of the failure of the Servicer to have sufficient funds available, multiplied by the highest quoted prime rate on the last Business Day of the month in which the draft failure occurred in the print edition of *The Wall Street Journal* in its regular column entitled "Money Rates" plus 3% divided by 365. If the prime rate is not published, then Freddie Mac will determine a comparable rate.

The minimum monthly compensatory fee will be based on the number of noncompliance violations the Servicer commits in any consecutive 12-month period starting with the month in which the first violation occurred and as shown below:

IF the noncompliance violation within a consecutive 12-month period is the Servicer's...	THEN the draft delay compensatory fee will be...
First instance	No less than $250 in any given month
Second instance	No less than $500 in any given month
Third instance or more in 12 months	No less than $1,000 in any given month

Freddie Mac will submit an Automated Clearing House (ACH) draft transaction for all cash remittance interest reimbursement compensatory fees the Servicer owes Freddie Mac on the last Business Day of the month in which the Servicer receives the Performing Loans monthly Servicer Billing Statement stating the amount of the compensatory fee. Refer to Section 8303.35 for information on establishing the ACH draft.

Refer to Section 9603.17 for the compensatory fee assessed for late execution of a repurchase request for an REO.

8303.43: Contract noncompliance and contract change compensatory fee (08/09/23)

Except as set forth in Section 6303.3, Freddie Mac may assess a contract noncompliance and contract change compensatory fee based on the circumstances listed below.

(a) Purchase/funding corrections – post-fund data corrections (PFDCs)

When a Seller or Servicer submits a PFDC more than 60 days after the close of the Accounting Cycle in which the loan was funded (purchased), Freddie Mac will assess a compensatory fee of $500 per Mortgage when Freddie Mac processes the database correction necessary to complete an approved PFDC request and the associated cash transaction.

(b) Servicing data corrections (SDC)

(i) Postsettlement correction (loss mitigation workouts)

In the case of Mortgage modification, when a Servicer submits a postsettlement data correction request more than 60 days after the settlement of the loss mitigation workout, Freddie Mac will assess a compensatory fee of $500 per Mortgage when Freddie Mac processes a database correction required to correct the loan-level data discrepancy and the associated cash transaction.

(ii) Loan-level reporting correction (LLR)

When a Servicer submits an LLR correction more than 60 days after the close of the Accounting Cycle in which the initial edit or data discrepancy occurred, Freddie Mac will assess a compensatory fee of $500 per Mortgage when Freddie Mac processes a database correction required to correct the loan-level data discrepancy and the associated cash transaction.

(c) Drafting compensatory fees

Freddie Mac will submit an Automated Clearing House (ACH) draft transaction for all contract noncompliance and contract change compensatory fees on the last Business Day of the month in which the Servicer received the Performing Loans monthly Servicer Billing Statement and/or the Non-Performing Loans Monthly Servicer Invoice. Refer to Section 8303.35 for information on establishing the ACH draft.

8303.44: Freddie Mac resources related to reporting and remittance (05/01/19)

The following are additional resources related to the topics in this chapter:

1. Investor Reporting EDI Implementation Guide
2. Exhibit 60, Loan-Level Reporting Data Description
3. Exhibit 61, Interest and Principal Due Freddie Mac
4. Exhibits 62, 63, and 64, Interest Calculation: Amortization Method
5. Exhibit 82, Electronic Default Reporting Transmission Code List
6. Exhibit 88, Servicing Tools

The Servicer may also visit Freddie Mac Learning at **https://sf.freddiemac.com/tools-learning/freddie-mac-learning/overview** or call the Customer Support Contact Center at 800-FREDDIE for further information.

Chapter 8304: Managing Custodial Accounts

8304.1: Managing Custodial Accounts (05/01/19)

A Custodial Account is a Demand Deposit Account or Interest-Bearing Deposit Account the Servicer must establish and maintain at an Eligible Depository for the safekeeping of funds associated with Freddie Mac-owned Mortgages. The Servicer must maintain Principal and Interest Payments and Escrow Funds in separate Custodial Accounts until Freddie Mac drafts monthly principal and interest payments or loan payoffs or the Servicer remits funds to a third party. Only funds received in connection with the Servicing of Freddie Mac-owned Mortgages are to be deposited into the accounts.

Refer to Chapter 8302 for requirements on establishing Custodial Accounts and this chapter for requirements for administering and reconciling the cash in the Custodial Accounts.

All Freddie Mac accounts must be reconciled within 45 days of the end of each Accounting Cycle. The Servicer must identify and fund any shortages within 90 days of the Accounting Cycle even if the variance has not been identified. However, Freddie Mac reserves the right to request that funding occur immediately.

Managing Custodial Accounts completes the cycle of the Servicer's investor accounting responsibilities. The Servicer must comply with Freddie Mac's administrative and reconciliation requirements for Custodial Accounts.

- Sections 8304.3 through 8304.12 address administering Custodial Accounts, including Freddie Mac's requirements for recordkeeping, investing funds, monitoring depository eligibility and conditions for changing or transferring Custodial accounts

- Sections 8304.13 through 8304.22 address reconciling Custodial Accounts, including Freddie Mac's requirements for identifying and correcting differences between the Servicer's records and Freddie Mac's

8304.2: Freddie Mac's rights (10/01/24)

Freddie Mac reserves the right to:

1. Draft funds directly from the designated Custodial Accounts at any time. To designate the appropriate Custodial Account and to authorize Freddie Mac to draft monthly principal and interest payments and payoff proceeds, Servicers must submit a completed, executed and duly authorized Form 1132A, Authorization for Automatic Transfer of Funds from a Principal and Interest Custodial Account Through the Automated Clearing House (ACH), in accordance with Section 8303.3.

2. Request that the Servicer submit copies of each Custodial Account's records, such as bank account statements, detailed trial balances and completed reconciliations, variance logs, and supporting documentation for such records

3. Assess compensatory fees and/or seek repayment of losses sustained due to errors, omission or delays by the Servicer in complying with the requirements of this chapter

8304.3: Servicer responsibilities related to Custodial Accounts (03/02/16)

Servicers are responsible for properly reconciling and maintaining the Custodial Account(s), and for maintaining accurate records and supporting documentation. Servicers are required to establish and reconcile Custodial Account(s) for each Seller/Servicer number. Servicers may not consolidate multiple Seller/Servicer numbers into a single reconciliation.

The Servicer must, at all times, maintain records for each Custodial Account in which Freddie Mac has an interest that accurately reflect the following information:

1. Designating the accounts in accordance with the requirements of Section 8302.6

2. Account numbers

3. The amounts of Principal and Interest Payments and Escrow Funds deposited for each Mortgage

4. The dates on which funds were deposited

5. Supporting documentation of all deposits to and withdrawals from a Custodial Account

6. Freddie Mac's vested and ascertainable interest in funds deposited into each Custodial Account

8304.4: Investing Custodial Account funds (10/01/24)

The Servicer may not invest funds deposited into any Freddie Mac Custodial Account.

8304.5: Maintaining the Principal and Interest Custodial Account balance (05/01/19)

The Servicer must:

- Maintain Freddie Mac funds separately from the Servicer's general ledger account; a general ledger account is not a substitute for a Demand Deposit account

- Deposit all Freddie Mac funds into a Demand or Interest-Bearing Deposit Account in accordance with Section 8302.3

- Ensure that funds are available for Freddie Mac to draft principal and interest or payoff amounts. If the funds available in a Principal and Interest Custodial Account are less than the amount due to Freddie Mac on the applicable draft date, the Servicer must advance its funds so that the amount due to Freddie Mac is available before the applicable draft date.

- Maintain a positive daily balance in the Principal and Interest Custodial Account(s) at all times

- Perform a consolidated reconciliation if the Servicer has more than one Principal and Interest Custodial Account under a specific Seller/Servicer number

The Servicer may recover any funds it advanced for the payment of delinquent net yield interest from subsequent collections of Principal and Interest Payments.

8304.6: Maintaining the Escrow Custodial Account balance (03/02/16)

The Servicer must:

1. Establish and maintain at least one Escrow Custodial Account for each Seller/Servicer number, even if the Servicer does not collect Escrow Funds for Mortgages serviced under that number

2. Maintain the Escrow Funds separately from the Servicer's general ledger account; a general ledger account is not a substitute for a Demand Deposit Account

3. Deposit all Freddie Mac funds into a Demand Deposit or Interest-Bearing Deposit Account in accordance with Section 8302.3

4. Ensure that each Borrower's vested interest is ascertainable at all times

5. Ensure that funds are available for remittances before disbursing funds to third parties

6. Maintain a positive daily balance in the Escrow Custodial Account(s) at all times

7. Perform a consolidated reconciliation if the Servicer has more than one Escrow Custodial Account under a specific Seller/Servicer number

8. Deposit an advance from the Servicer's funds to the Escrow Custodial Account for any shortages on the same day the shortage occurs and before making any disbursements. The Servicer must not use the overages of one Borrower account to fund the negative Escrow or shortage of other Borrower accounts.

The Servicer may recover any Escrow advance from subsequent payments to the Escrow Custodial Account of the specific Mortgage for which the Servicer made the advance.

8304.7: Maintaining the Buydown Custodial Account (03/02/16)

Servicers may deposit buydown funds into the Escrow Custodial Account, or the Servicer may, at its option, open a separate Custodial Account for buydown funds. If the Servicer establishes a separate Buydown Custodial Account, the Servicer must comply with the requirements regarding Custodial Accounts generally, and the maintenance and reconciliation of Escrow Custodial Accounts set forth in the Guide for such Buydown Custodial Account.

8304.8: Monitoring depository eligibility (10/01/24)

The Servicer must maintain all Custodial Accounts in an Eligible Depository at all times. The Servicer must have its own oversight process to continually monitor its depository to ensure it is viable and in good standing and meet the requirements of Section 8302.4(a). The Servicer's obligation to transfer funds to an Eligible Depository is not dependent upon notification from Freddie Mac.

The Servicer may determine a depository's eligibility by subscribing to any of the rating services referenced in Section 8302.5 or by contacting **Institutional_Eligibility@FreddieMac.com**. In addition, the Servicer may determine a depository's ineligibility based on actual knowledge.

If the Servicer determines that a depository is no longer eligible, it must:

1. Open new Custodial Accounts within 30 days from the release date of the ratings that make the depository ineligible

2. Meet the requirements listed in Sections 8304.11 and 8304.12 for changing or transferring accounts

8304.9: Freddie Mac's right to remove accounts from specified depositories (10/01/24)

Freddie Mac reserves the right to determine, at Freddie Mac's sole discretion, that the Servicer may no longer deposit or hold Principal and Interest Payments and Escrow Funds in a particular depository. Freddie Mac's exercise of its rights under this section means that it may expressly prohibit a Servicer from maintaining Custodial Accounts with a particular Depository.

If Freddie Mac determines that a depository no longer meets Freddie Mac's requirements, Freddie Mac will give the Servicer written notice to remove the Custodial Accounts. The Servicer must comply with all requirements of the notice and take the following actions:

1. Close the Custodial Accounts within the time frame as specified in the notice

2. Open new Custodial Accounts in accordance with the requirements of Section 8304.11 in an Eligible Depository other than the depository specified in the notice

8304.10: The Servicer's right to change or transfer accounts (10/01/24)

The Servicer may choose to change Custodial Accounts or transfer them to another Eligible Depository. If the Servicer chooses to do so, it must adhere to the requirements of Section 8304.11.

8304.11: Requirements for changing or transferring accounts (10/01/24)

Changes to or transfers of Custodial Accounts may result from any of the following circumstances:

1. The ineligibility of a depository according to the requirements of Section 8304.8

2. A written notice from Freddie Mac to remove the account according to the requirements of Section 8304.9

3. The Servicer's choice to change or transfer the account according to the requirements of Section 8304.10

4. A change to the depository's name, account number or bank routing number

(a) Custodial Account

The Servicer must meet the requirements of Sections 8302.3 through 8302.7 to change or transfer any Custodial Account.

(b) Remittance drafting account

In addition to meeting the requirements above, if there is any change or transfer that affects the Custodial Account the Servicer chose as a remittance drafting account, the Servicer must also:

1. Contact Freddie Mac **(see Directory 1)**

2. Submit the documentation required by Section 8302.7(c) at least 15 Business Days before the Servicer plans to use the new account or modified bank routing instruction
3. Continue to use the existing account or bank routing instructions until Freddie Mac gives the Servicer written authorization to use the new account or modified bank routing instructions

4. Transfer funds from the former Custodial Account to the new Custodial Account when the Servicer receives Freddie Mac's written notice that Freddie Mac has processed the new remittance instructions

If Freddie Mac drafts and funds are not available because the Servicer changed its drafting account without receiving Freddie Mac's written authorization, the Servicer will be subject to an interest reimbursement compensatory fee as set forth in Section 8303.41.

8304.12: Liability for Custodial Account transfer costs (10/01/24)

Freddie Mac will not be liable to the Servicer for any costs, fees, penalties, loss of interest income or any other expenses directly or indirectly resulting from the transfer of any Custodial Account from one depository to another. Refer to Sections 8304.8 through 8304.10. This applies whether Freddie Mac requires the Servicer, or the Servicer chooses, to transfer the Custodial Account.

8304.13: Reconciling Custodial Accounts (10/12/22)

The Servicer must reconcile all Custodial Accounts within 45 days of the end of each Accounting Cycle. The purpose of the Custodial Account reconciliation is to enable the Servicer to:

- Identify, at the loan level, variances between the Servicer's receipts, cash disbursements and liabilities due to third parties and Freddie Mac's records

- Identify and correct the root cause of the items causing the variance
- Notify Freddie Mac of errors in Freddie Mac's records
- Fund shortages and clear all variances no later than 90 days from the end of each Accounting Cycle even if the Servicer has not identified the root cause. However, Freddie Mac reserves the right to request that funding occur immediately.

8304.14: Reconciling the Principal and Interest Custodial Account (10/12/22)

The Servicer must not consolidate multiple Seller/Servicer numbers into a single reconciliation. In reconciling the Principal and Interest Custodial Account, the Servicer must:

1. Reconcile the Principal and Interest Custodial Account within 45 days from the end of each Accounting Cycle
2. Establish a separate Custodial Account and reconciliation for each Seller/Servicer number
3. Use the ending balance of the Monthly Account Statement that corresponds to the Accounting Cycle
4. Consolidate all Principal and Interest Custodial Accounts for a specific Seller/Servicer number into a single reconciliation, if the Servicer has multiple Principal and Interest Custodial Accounts for a specific Seller/Servicer number
5. Properly document and account for any prepaid and delinquent interest in order to accurately determine the Custodial Account adjusted liability
6. Identify, at the loan level, variances between the Servicer's receipts, cash disbursements and liabilities due to third parties and Freddie Mac's records
7. Fund shortages and clear all variances within 90 days from the end of the Accounting Cycle, even if the Servicer has not identified the root cause of the issue. However, Freddie Mac reserves the right to request that funding occur immediately.
8. Use the Form 59, Principal and Interest Custodial Account Reconciliation - Monthly Account Statement (MAS), to reconcile the account and identify variances. The Servicer may use either the online version of Form 59 or a copy that is an exact replica of the form, to complete the reconciliation. The Servicer must document every line item on Form 59 of the custodial account reconciliation as follows:
    - Bank statements with a running daily balance that cover the Accounting Cycle

- Bank statements that show deposits in transit, outstanding debits, and funding of shortage variances
- The final version of the MAS
- Delinquent and prepaid interest trial balances
- Supporting documentation for other billings
- Cumulative variance logs
- Any additional documentation requested by Freddie Mac

If the Servicer disagrees with the ending balance or any adjustments listed on the Draft Report with the exception of short sale charge-offs applied to the MAS (see Section 9208.8), the Servicer must notify Freddie Mac **(see Directory 7)** within 90 days of the end of the Accounting Cycle represented by the MAS. Freddie Mac reserves the right to deny the Servicer's request for a refund or interest on a refund if the Servicer does not notify Freddie Mac within the required time frame.

Refer to Section 8304.15 for information on Freddie Mac's review of this reconciliation.

8304.15: Freddie Mac's Principal and Interest Custodial Account review (04/12/23)

Freddie Mac conducts periodic examinations of the Principal and Interest Custodial Account Reconciliation. At any time Freddie Mac may request, and the Servicer must provide, Freddie Mac with a complete reconciliation no later than the requested due date. The reconciliation package must include:

- A completed and fully executed Form 59, Principal and Interest Custodial Account Reconciliation Worksheet — Monthly Account Statement, along with supporting documentation for every line item on Form 59
- Bank statements, including any that show evidence of deposits of shortage variances
- Trial balance of delinquent and prepaid interest
- Variance logs and any supplemental information to explain the nature and age of the variance displaying the Freddie Mac loan number
- Any additional documentation requested by the Freddie Mac examiner

8304.16: Reconciling deposits to the Principal and Interest Custodial Account (04/12/23)

In reconciling a Principal and Interest Custodial Account, the Servicer must, as of the end of each Accounting Cycle, account for all payments received as well as advances and other billings due to Freddie Mac. Section 8302.10 specifies the time frames the Servicer must meet for the deposit of the funds listed below. The required deposits to the Principal and Interest Custodial Account by source are as follows:

(a) Freddie Mac's share of payments received:

1. Principal and interest collected on all Freddie Mac Mortgages, whether received from, or on behalf of, the Borrower or applied from a buydown account

2. Principal curtailments

3. Payoffs, including short sales and third-party foreclosure sale proceeds

4. Prepayment penalties, if applicable

If the Servicer chooses, it may also deposit and later withdraw the Servicing fees that it earns. If the Servicer does not withdraw these funds by the end of the Accounting Cycle, it must account for them in its reconciliation.

(b) Advances and other billings due from the Servicer:

1. Advances for remittance shortages

2. Interest due for newly funded Mortgages

3. Repurchase proceeds

8304.17: Reconciling withdrawals from the Principal and Interest Custodial Account (05/01/19)

In reconciling the Principal and Interest Custodial Account, the Servicer must, as of the end of the Accounting Cycle, account for all withdrawals from the account, including the following:

1. Principal and interest and payoffs to Freddie Mac

2. Earned Service fees and amounts in excess of the Minimum Gross Yield originally deposited with a full Principal and Interest Payment

3. Participant’s share of Principal and Interest Payments

4. Recovery of advances for delinquent Mortgages

5. Deposit errors and other reconciling items

6. Transfers to a Principal and Interest Disbursement Clearing Custodial Account. Refer to Section 8304.22 for reconciliation requirements regarding this optional Custodial Account.

8304.18: Reconciling the Escrow Custodial Account (10/12/22)

The Servicer must not consolidate multiple Seller/Servicer numbers into a single reconciliation. In reconciling the Escrow Custodial Account, the Servicer must:

1. Reconcile the Escrow Custodial Account within 45 days from the end of the Accounting Cycle

2. Establish a separate bank account and reconciliation for each Seller/Servicer number

3. Complete a consolidated reconciliation if the Servicer has more than one Escrow Custodial Account under a specific Seller/Servicer number, and a consolidated reconciliation for its Escrow liabilities

4. Use the positive Escrow balance that corresponds to the end of the Accounting Cycle

5. Properly document and account for all Escrow balances in order to accurately determine the Escrow Custodial Account adjusted liability

6. Identify, at the loan level, variances between the Servicer’s receipts, cash disbursements and liabilities due to third parties and Freddie Mac’s records

7. Fund shortages and clear all variances within 90 days from the end of the Accounting Cycle

8. Include any buydown balances in the Servicer's Escrow Custodial Account reconciliation, if any buydown funds are deposited into the Escrow Custodial Account. The Servicer may complete a separate reconciliation for buydown subsidies if the Servicer chooses to set up an optional buydown Custodial Account. Refer to Section 8304.22 for requirements for reconciling a separate buydown Custodial Account.

9. Reconcile to the positive Escrow balance as of the end of the Accounting Cycle using Form 59E, Escrow Custodial Account Reconciliation Worksheet. The Servicer may use either the online version of Form 59E or a copy that is an exact replica of the form, to

complete the reconciliation. The Servicer must document every line item on Form 59E of the Escrow Custodial Account reconciliation as follows:

- Bank statement(s) with a running daily balance that cover the Accounting Cycle
- Bank statements that show deposits in transit, outstanding debits, and funding of shortage variances
- Loan level trial balance displaying the Escrow balances
- If the Servicer's trial balance nets the escrow liability, and add the negative escrow balance
- Cumulative variance logs that display the Freddie Mac loan number

Refer to Section 8304.19 for information on Freddie Mac's review of this reconciliation.

8304.19: Freddie Mac's Escrow Custodial Account review (04/12/23)

Freddie Mac conducts periodic examinations of the Escrow Custodial Account Reconciliation. At any time, Freddie Mac may request, and the Servicer must provide Freddie Mac with, a complete reconciliation no later than the requested due date. The reconciliation package must include:

- A completed and fully executed Form 59E, Escrow Custodial Account Reconciliation Worksheet, along with supporting documentation for every line item on Form 59E
- Bank statements, including any that show evidence of deposits of shortage variances
- Trial balance displaying all Escrow liabilities
- Variance logs and any supplemental information to explain the nature and age of the variance displaying the Freddie Mac loan number
- Any additional documentation requested by the Freddie Mac examiner

If the Servicer's trial balance reflects a net Escrow balance, the Servicer must add the negative Escrow to determine the liability.

The Servicer may use either the online version of Form 59E, or a copy that is an exact replication of the form, to complete the reconciliation. Upon Freddie Mac's request, the Servicer must be able to provide Freddie Mac with a paper copy of the completed Form 59E, together with any supporting documentation, for up to one year from the date of the related

reconciliation worksheet. All documentation must be received by Freddie Mac no later than the requested due date. Refer to the instructions section of Form 59E for information on supporting documentation.

8304.20: Reconciling deposits to the Escrow Custodial Account (05/01/19)

In reconciling the Escrow Custodial Account, the Servicer must, as of the end of the Accounting Cycle, account for all Escrow Funds received, as well as advances or interest paid on Escrow. The Servicer is required to maintain an active Escrow Custodial Account even if no Escrow amounts are collected from the Borrower(s). The Escrow Custodial Account may also be used to deposit partial payments, suspense amounts where the Borrower has not established clear intent for the payment, and insurance payment proceeds. Section 8302.10 specifies the time frames the Servicer must meet for the deposit of funds to Custodial Accounts.

The following details the deposits to include in the reconciliation:

(a) Payments received:

1. Escrow Funds paid by the Borrower or deposited on the Borrower's behalf, such as insurance loss claim proceeds

2. Payments held in unapplied or suspense pending proper distribution such as, partial payments and biweekly payments from plans that allow for biweekly collection of payments on monthly amortizing Mortgages

3. Buydown funds, if applicable. Refer to Section 8304.22 for reconciliation requirements regarding an optional buydown Custodial Account

(b) Funds due from the Servicer:

1. Advances as specified in Section 8304.6

2. Interest on Escrow, if paid and deposited to the Borrower's Escrow account

8304.21: Reconciling withdrawals from the Escrow Custodial Account (05/01/19)

In reconciling the Escrow Custodial Account, the Servicer must, as of the end of the Accounting Cycle, account for all withdrawals made from the account. The following lists the withdrawals to include in the reconciliation:

1. Disbursements of Escrow Funds, including insurance proceeds resulting from a loss claim

2. Partial payments applied, including biweekly payment plan funds on monthly amortizing Mortgages

3. Buydown funds applied to the Borrower's Mortgage

4. Recovery of the Servicer's advances when the Servicer receives a subsequent Escrow payment for the Mortgage for which the Servicer made the advance

5. Refunds of surplus Escrow Funds resulting from an Escrow analysis or Mortgage payoff

6. Deposit errors and other reconciling items

8304.22: Reconciling an optional Custodial Account (05/01/19)

If a Servicer chooses to open an optional Custodial Account, as referenced in Sections 8302.1 and 8302.2, as of the end of the Accounting Cycle, the Servicer must complete the following consolidated reconciliations:

(a) Principal and Interest Disbursement Clearing Custodial Account

The balance of this type of Custodial Account must equal zero or the amount of a principal and interest payment or payoff amount due to Freddie Mac. The Servicer must only make deposits to this type of Custodial Account immediately prior to the applicable draft date. The Servicer must consolidate the Principal and Interest Disbursement Clearing Custodial Account reconciliation with the Servicer's Principal and Interest Custodial Account reconciliation. Refer to Sections 8304.13 through 8304.17 for requirements on reconciling the Principal and Interest Custodial Account.

(b) Buydown Custodial Account

The balance of this type of Custodial Account must equal the total of buydown funds deposited at the time Freddie Mac purchased a Mortgage, minus the monthly buydown amount times the number of payments applied since Freddie Mac's purchase. The balance in this Custodial Account may represent the buydown balance of more than one Mortgage. Refer to Section 8304.13 for requirements on reconciling this account.

Chapter 8401: Changes to the Mortgaged Premises

8401.1: Partial releases, easements and acquisitions (08/10/22)

(a) Processing requests for partial releases and granting of easements

A Servicer may receive a request to release part of the Mortgaged Premises as security for the Mortgage (a partial release) or a request to approve the granting of an easement on a portion of the Mortgaged Premises. A partial release may be initiated at the Borrower's request or as a result of some other action such as a condemnation or a taking of the property by eminent domain. Except as noted below, the Servicer must obtain an appraisal report with an interior and exterior inspection that meets the requirements of Topic 5600 when considering such requests in order to determine the value of the Mortgaged Premises immediately before the release and the estimated value after the release.

The Servicer, under its delegated authority, may approve a partial release or grant an easement provided the following conditions are met:

1. The Borrower's monthly Mortgage payment is current at the time of the request and there is no change in the expectation that the Borrower can continue to make the monthly payment

2. The Servicer has received written approval of the FHA, VA, RHS or MI and all superior lien-holders, if applicable

3. At least 12 months have passed since the Origination Date, and

4. If either of the situations and the corresponding actions in the chart below are met:

Situation	Action
If: ■ The current loan-to-value (LTV) ratio of the Mortgage based on the value obtained at origination (as described in Section 4203.1) is less than 60%, and ■ The consideration the Borrower receives for the partial release or easement is not greater than 5% of the original value (this would include situations in which the Borrower receives no consideration), and ■ The transaction is arm's-length	Then: ■ An appraisal is not required ■ The Borrower is not required to apply the consideration received for the partial release or easement to reduce the UPB of the Mortgage
If: ■ The current LTV ratio of the Mortgage based on original value is equal to or greater than 60%, or ■ The consideration the Borrower receives for the partial release or easement is greater than 5% of the original value or no consideration is received	Then: Before the easement or partial release is granted, the Servicer must order a new appraisal with interior and exterior inspection that provides current and estimated after release values, and: ■ If based on the estimated value pre-release the LTV is greater than 60%, the Borrower must reduce the UPB of the Mortgage in an amount sufficient to create a post-release/easement LTV ratio, as determined by the appraisal, that is the higher of current LTV ratio or 60%, or ■ If based on the estimated value after the release the LTV ratio is less than 60%, the Borrower is not required to reduce the UPB of the Mortgage

Notwithstanding the above, the Servicer may require that any consideration received by the Borrower for the released land or easement be applied to the UPB of the Mortgage, if the Servicer determines that the intended use of the released land or easement would adversely affect the value or use of the remaining Mortgaged Premises. Upon release, the Servicer must ensure that all applicable tax authorities are notified for adjustment of applicable assessments.

The Servicer is responsible for ensuring that the title of the Mortgaged Premises after the partial release remains a valid First Lien as required in Section 4201.2 and the title insurance meets the requirements of Chapter 4702 after the partial release or easement has been granted.

If any of the above conditions are not met, the Servicer must complete and submit Form 715, Borrower Application for Partial Release or Easement, to Freddie Mac via e-mail at **Distressed_property@freddiemac.com** or fax at (571) 382-4933.

(b) Additional requirements for easements

In addition to the requirements noted in Section 8401.1(a), the Servicer must ensure that any special requirements for the granting of an easement as specified in the Security Instrument are met.

(c) Land acquisition

Freddie Mac does not object to the acquisition of land if the land to be added to the Mortgaged Premises is free and clear of title and does not pose any risks that could devalue Freddie Mac's asset.

8401.2: Prohibition of conversion of the Mortgaged Premises (05/04/20)

The Mortgaged Premises may not be converted from a 1- to 4-unit property to a Condominium Unit or Cooperative Unit, and any such conversion shall be treated as a transfer of the Mortgaged Premises under Section 8406.1. In addition, no individual units of a 2- to 4-unit property may be separately released from the Mortgaged Premises.

8401.3: Condemnation and eminent domain (03/02/16)

In addition to the requirements noted in Section 8401.1, the following conditions must be met in the case of a condemnation or a taking of the property by eminent domain:

1. The Servicer must ensure that any special requirements for a condemnation or the taking of a property by eminent domain as specified in the Security Instrument are met

2. The Servicer must submit the documentation specified in Section 8401.1 and any other applicable documentation, to Freddie Mac **(see Directory 5)** if:

   - The Mortgaged Premises will be taken in whole and the consideration to be paid to the Borrower will be insufficient to satisfy the UPB of the Mortgage or

- The Mortgaged Premises will be taken in part and:
  - The value of the property being taken is greater than the consideration being paid to the Borrower and
  - The loan-to-value ratio does not meet the conditions specified in Section 8401.1 for release without any consideration

Freddie Mac will review the request and provide the Servicer with instructions on how to proceed.

8401.4: Modification, waiver or release of terms (03/02/16)

The Servicer must not modify, waive, or release any term of any Note or Security Instrument, accept any prepayment, or consent to any postponement of performance by any Borrower of any obligation under a Note or Security Instrument, except as authorized by the Purchase Documents.

For leasehold Mortgages, the Servicer must not approve or consent to (i) any partition, subdivision or modification of the ground lease community and the leasehold estate; (ii) any surrender, abandonment or termination of the leasehold estate or the ground lease community; (iii) the termination or cancelation of the lease and any amendments to the lease that affect the rights of the leasehold mortgagee, without the written approval of Freddie Mac.

Chapter 8402: Property Seizure

8402.1: Property seizure (03/02/16)

Under various federal, State and local laws, a law enforcement agency may, in some circumstances, seize and cause the forfeiture of real property that is obtained with the proceeds of activities, or which is used to facilitate activities, committed in violation of federal, State or local laws. Such laws include those relating to controlled substances, gambling and prostitution. Actions that result in the loss of possession of real property by a legal action or process are called property seizures. These different laws commonly provide some avenue of relief from forfeiture for a mortgagee that can prove it is an "innocent owner" (or "innocent lienholder").

An important course of action in protecting the mortgagee's innocent owner status is prompt and cooperative communication with law enforcement agencies.

(a) The Servicer's designee for contacts with law enforcement agencies

To properly handle the sensitive area of mortgagee-law enforcement agency cooperation, and maximize mutual benefits from such cooperation, the Servicer must limit contacts with, or from, law enforcement agencies to a designated management-level employee that the Servicer selects. The Servicer must alert its employees to direct all information regarding a property seizure to the appropriate designee, including, but not limited to, the following:

1. Unsolicited information
2. Government notices
3. Government or other third-party inquiries
4. Telephone calls or written correspondence

(b) Documentation

The management level employee selected as the Servicer's designee to handle a property seizure must:

1. Maintain complete, detailed and accurate records of:
    - All information received, relayed or reported, including (where applicable) the names of all contacting and contacted parties
    - All actions taken by the Servicer
    - The dates of all contacts and actions

2. Confirm in writing communications with Freddie Mac and appropriate law enforcement agencies

3. Deliver the original Mortgage file to Freddie Mac **(see Directory 5)** when and if Freddie Mac requests the Servicer to do so

(c) Restriction on foreclosure action

The Servicer must contact Freddie Mac to request approval to initiate foreclosure **(see Directory 5)**.

(d) Applicability of requirements

The requirements in Sections 8402.1 through 8402.6 address forfeitures arising from violations of federal, State or local laws specified in Section 8402.1(a). However, all of these requirements also extend to government seizure and forfeiture of the property for the Borrower's violation of any other laws.

Refer to Section 9401.2 for Freddie Mac rights when the requirements of this section and Sections 8402.2 through 8402.6 regarding government seizure and forfeiture of the property are not met.

8402.2: Unsolicited disclosure of pre-seizure information (03/02/16)

The Servicer must relay the following information to the asset forfeiture team in the Drug Enforcement Administration (DEA) office nearest to the location of the property:

1. Unsolicited information that the Servicer receives from any party (other than a law enforcement official) regarding a possible connection between alleged or suspected drug transactions and the Mortgage or the property. The Servicer must relay the information without verifying or passing judgment on its source or veracity.

2. Visual observations of suspected drug transactions by any party on the property as reported by a Servicer's employee or a contractor while on a routine inspection of the property

The Servicer must cooperate with all law enforcement agencies to the extent that applicable law allows. If the DEA or another law enforcement agency requests information about the Borrower, Mortgage or property, or requests that the Servicer take certain actions, whether or not in response to a voluntary disclosure of information, the Servicer must determine if:

1. The request complies with the provisions of applicable law including, but not limited to, the Right to Financial Privacy Act (RFPA)

2. The Servicer's compliance with the request is allowed under applicable law

3. The Servicer's compliance with the request would expose the Servicer or the Servicer's staff to potential harm and/or liability

(a) Reporting requirements

Within three Business Days of receiving the DEA's or other law enforcement agency's request, the Servicer must report the information in writing to the DEA or other law enforcement agency. The Servicer must send a copy of that report to Freddie Mac **(see Directory 5)** within three Business Days of reporting the information to the DEA or other law enforcement agency.

When submitting information to the DEA, the Servicer must:

1. Advise the DEA that the Servicer is Servicing the Mortgage for Freddie Mac

2. Disclose to the DEA the name, telephone number and mailing address of the Servicer's contact at Freddie Mac

3. Forward the information to any other applicable federal or local law enforcement agency as the DEA may request

All reporting to the DEA and/or to Freddie Mac must be in writing unless an emergency warrants reporting by telephone, in which case the Servicer must confirm such report in writing to Freddie Mac in accordance with Section 8402.1(b). The Servicer must also report all developments after the initial contact to Freddie Mac **(see Directory 5)** within three Business Days of any such development.

(b) Property inspection

The Servicer must order a property inspection within three Business Days of receiving unsolicited information regarding a possible connection or observation of alleged or suspected drug transactions in connection with the property. Freddie Mac will permit a curbside inspection as specified in Section 9202.12. The Servicer must submit a copy of the inspection report along with the Freddie Mac loan number and the name and phone number of the Servicer's point of contact to Freddie Mac **(see Directory 5)** within three Business Days of the Servicer's receipt of the report.

8402.3: Requested disclosure of pre-seizure information (03/02/16)

The Servicer must cooperate with all law enforcement agencies to the extent that applicable law allows. If the Drug Enforcement Administration (DEA) or another law enforcement agency

requests information about the Borrower, the Mortgage or the property, or requests that the Servicer take certain actions (whether or not in response to a voluntary unsolicited disclosure of information by the Servicer as provided in Section 8402.1), the Servicer must determine if:

1. The request complies with the provisions of applicable law including, but not limited to, the Right to Financial Privacy Act (RFPA)

2. The Servicer's compliance with the request is allowed under applicable law

3. The Servicer's compliance with the request would expose the Servicer or the Servicer's staff to potential harm and/or liability

(a) Reporting requirements

Within three Business Days of receiving the DEA's or other law enforcement agency's request, the Servicer must report the request to Freddie Mac **(see Directory 5)** reporting the request with a copy of the Servicer's response to the agency and any other information the Servicer submitted. The Servicer must also report to Freddie Mac **(see Directory 5)** all developments after the initial contact, within five Business Days of any such development.

When submitting information to the DEA or another law enforcement agency, the Servicer must:

1. Advise the agency that the Servicer is Servicing the Mortgage for Freddie Mac

2. Disclose to the agency the name, telephone number and mailing address of the Servicer's contact at Freddie Mac

3. Forward the information to any other applicable federal or local law enforcement agency as may be requested by the law enforcement agency making the request

All reporting to the DEA and/or to Freddie Mac must be in writing unless an emergency warrants reporting by telephone, in which case the Servicer must confirm such report in writing to Freddie Mac in accordance with Section 8402.1. The Servicer must also report all developments after the initial contact to Freddie Mac **(see Directory 5)** within three Business Days of any such development.

(b) Property inspection

The Servicer must order a property inspection within three Business Days of receiving a request from a law enforcement agency. Freddie Mac will permit a curbside inspection as specified in Section 9202.12. The Servicer must submit a copy of the inspection report along with the Freddie Mac loan number and the name and phone number of the Servicer's point of contact to Freddie Mac **(see Directory 5)** within three Business Days of the Servicer's receipt of the report.

8402.4: Government notice of property seizure to the Servicer (03/02/16)

When the Servicer receives notice that a law enforcement agency has seized and/or intends to initiate forfeiture proceedings against the property, the Servicer must comply with the procedures detailed below.

(a) Reporting to Freddie Mac

Within two Business Days of receiving the notice of seizure and/or intent to initiate foreclosure proceedings, the Servicer must forward such notice to Freddie Mac **(see Directory 5)**. With the notice, the Servicer must submit all of the following:

1. The following information related to the Mortgage:
   - Freddie Mac loan number
   - Mortgage status (current, delinquent or in foreclosure)
   - UPB, interest and per diem interest amount
   - Any other outstanding amounts
   - Any other information regarding the Borrower or the property that the Servicer deems relevant to the law enforcement agency's action
2. A copy of the Note and any modifying instrument
3. A copy of the Security Instrument with applicable recording information
4. A copy of all assignments of the Security Instrument with applicable recording information relating to the property
5. Such other documents and information as Freddie Mac may request

Upon receiving the required documents from the Servicer, Freddie Mac will forward such documents to Freddie Mac's Legal Division, which will assume responsibility for representing Freddie Mac and the Servicer, where applicable, in the forfeiture proceedings. Where warranted, the Servicer will receive appropriate instructions from Freddie Mac.

If the Mortgage is delinquent, the Servicer must report to Freddie Mac via an EDR transmission within the first three Business Days of the month following the month that the law enforcement agency seized the property unless the Mortgage was current. If the Mortgage is current and a law enforcement agency seized the property, the Servicer may, but is not required to report the event in the EDR transmission. Use default action code 24

(Government seizure), and provide the date that the seizure occurred. For additional information on EDR requirements, refer to Section 9102.7.

(b) Reporting to FHA, RHS, VA or MI

The Servicer must report the seizure and Freddie Mac's role in seeking relief from forfeiture to the FHA, RHS, VA or MI, as applicable, and relay any response to Freddie Mac **(see Directory 5)** within three Business Days of receiving the response. The Servicer must include a copy of any instructions issued by the FHA, RHS, VA or MI as a result of the Servicer's report and, unless otherwise instructed by Freddie Mac, must comply with such instructions.

(c) Property inspection

The Servicer must order a property inspection on the property within three Business Days of receiving a notice of property seizure from a law enforcement agency. Freddie Mac will permit a curbside inspection as specified in Section 9202.12(b). The Servicer must submit a copy of the inspection report along with the Freddie Mac loan number and the name and phone number of the Servicer's point of contact to Freddie Mac **(see Directory 5)** within three Business Days of the Servicer's receipt of the report.

8402.5: Government notice of property seizure to Freddie Mac (03/02/16)

If Freddie Mac receives a notice of seizure and/or intent to forfeit, it will notify the Servicer as soon as possible. Within three Business Days of Freddie Mac's notification to the Servicer, or sooner if requested, the Servicer must submit to Freddie Mac **(see Directory 5)** all of the documents and information cited in Section 8402.4 and comply with all other requirements of that section.

8402.6: Reimbursement of expenses related to property seizures (09/27/21)

Freddie Mac will reimburse the Servicer for allowable expenses listed in Exhibit 57A, Approved Attorney Fees and Title Expenses, that the Servicer incurs to comply with Freddie Mac's requirements regarding property seizure only if the expenses are not legally collectible from the Borrower.

The Servicer must obtain Freddie Mac's written pre-approval prior to incurring expenses that are not listed, or that exceed Freddie Mac's expense limits, in Exhibit 57A by submitting a request for pre-approval via PAID (Payments Automated Intelligent and Dynamic) (See Exhibit 88, Servicing Tools). If unusual or emergency circumstances do not allow the Servicer to request

Freddie Mac's prior written approval, then the Servicer must notify Freddie Mac via PAID by the next Business Day after the Servicer incurred the expense. If the Servicer's determination to incur the expense was reasonable, Freddie Mac will reimburse the Servicer for the expense.

Chapter 8403: Abandoned Properties, Distressed Properties and Properties that Pose a Risk of Property Ownership

8403.1: Servicing Mortgages on distressed properties and properties that pose a Risk of Property Ownership (09/27/21)

Servicers are responsible for acting without delay, and in an efficient and responsible manner to protect both the Servicer's and Freddie Mac's interests when the Servicer becomes aware of a Mortgaged Premises that becomes a distressed property. Refer to Section 9401.2 for information regarding Freddie Mac's rights when the Servicer becomes aware of a distressed property and fails to act to protect both the Servicer's and Freddie Mac's interests as required by this section.

A distressed property is real property subject to a Mortgage that may or may not pose a Risk of Property Ownership (see Section 9202.5) to Freddie Mac, and is a property that:

- Requires substantial repairs
- Has sustained significant physical deterioration; or
- Has been condemned by a local authority

Even if the owner has abandoned the Mortgaged Premises, a Servicer must report all Mortgages on distressed properties that are 30 or more days delinquent via an EDR transmission within the first three Business Days of the month following the month in which the Servicer identified the problem using default reason code 011 (Property problem) and the applicable occupancy code.

If a property is distressed, the Servicer must conduct a search of the records of the local code authority to determine if there is any outstanding health or safety violations filed against either the Borrower or the property. If a Servicer discovers any code violations on a distressed property, the Servicer must report them to Freddie Mac **(see Directory 5)** within three Business Days of identifying the violation. Servicers must attach a copy of the code violation and copies of the most recent six consecutive months (or less, depending on the level of Delinquency) of Form 1013, 1-4, Unit Property Inspection Report.

In addition to any reporting requirement set forth above for distressed properties, the Servicer must:

1. Maintain a record of when the condition was discovered and take all necessary actions to protect the property from waste, damage and vandalism and prevent any loss

2. Inspect the property monthly until the condition is resolved

3. Ensure that property insurance coverage is maintained. This includes taking all actions required in the mortgage clause of all applicable property insurance policies, including, but not limited to, providing all notices to the insurer required under such clause, in order to preserve the coverage and its maximum benefits for the Servicer and/or Freddie Mac, as mortgagee.

4. File a claim with the applicable property insurer on Freddie Mac's behalf if the property is damaged and the Borrower has not filed a claim

5. Comply with the requirements of the VA, RHS, FHA or MI, if applicable

Servicers must obtain Freddie Mac's written pre-approval before incurring expenses on distressed properties that exceed the limits contained in Exhibit 57, 1- to 4-Unit Property Approved Expense Amounts, by submitting a request for pre-approval via PAID (Payments Automated Intelligent and Dynamic) (see Exhibit 88, Servicing Tools). If unusual or emergency circumstances do not allow a Servicer to request Freddie Mac's prior written approval, then the Servicer must notify Freddie Mac via PAID by the next Business Day after the Servicer incurred the expense. If the Servicer's determination to incur the expense was reasonable, as determined in Freddie Mac's sole discretion, Freddie Mac will reimburse the expense.
Servicers must obtain Freddie Mac's prior written approval to initiate foreclosure of a Mortgage on a distressed property as required in Section 9301.8.

If a property securing a Mortgage has been identified as posing a Risk of Property Ownership, the Servicer must contact Freddie Mac and report the Mortgage to Freddie Mac **(see Directory 5)**, even if the Mortgage is not delinquent, within three Business Days of identifying the risk. In such instances, the Servicer must attach copies of the most recent six consecutive months (or less, depending on the level of Delinquency) of Form 1013 and any other relevant information when reporting the Risk of Property Ownership to Freddie Mac.

8403.2: Servicing Mortgages on abandoned properties (09/27/21)

A Servicer is responsible for acting without delay and in an efficient and responsible manner to protect both the Servicer's and Freddie Mac's interests when the Servicer becomes aware of an abandoned property. Refer to Section 9401.2 for information regarding Freddie Mac's rights when Servicer becomes aware of a distressed property and fails to act to protect both Servicer's and Freddie Mac's interests as required by this section.

An abandoned property is real property to which the owner has voluntarily and intentionally relinquished possession, claim and control, or real property defined as abandoned property by applicable laws. Conditions that may lead to abandonment include: vacancy, waste, deterioration, lack of utilities or Delinquency.

A Servicer must report all Mortgages on abandoned properties that are 30 or more days delinquent to Freddie Mac via an EDR transmission within the first three Business Days of the month following the month the Servicer determined the property is abandoned, using occupancy code 07 (Abandoned).

In accordance with applicable law, the Servicer must first determine if the Borrower has, in fact, abandoned the property and then take the following actions:

1. Attempt to locate the Borrower and determine the reason for abandonment

2. Protect the property from waste, damage and vandalism, and ensure the continuation of utilities, where necessary. Exhibit 57, 1- to 4- Unit Property Approved Expense Amounts, describes the allowable preservation and maintenance expenses that may be incurred without obtaining Freddie Mac's pre-approval. (Refer to Section 9701.9 regarding reimbursement for property preservation expenses.)

3. Maintain accurate reports of any of these conditions, detailing actions to prevent losses

4. Ensure that property insurance is maintained. This includes taking all actions required in the mortgage clause of all applicable property insurance policies, including, but not limited to, providing all notices to the insurer required under such clause, in order to preserve the coverage and its maximum benefits for the Servicer and/or Freddie Mac, as mortgagee. If the property is damaged, file a claim with the applicable property insurance company.

5. Obtain interior and exterior inspections in accordance with Section 9202.12

6. Comply with the requirements of the VA, FHA, RHS or MI, if applicable

7. Initiate foreclosure proceedings if the Mortgage payments are delinquent. (Refer to Section 9301.26 regarding preserving the property during the foreclosure process.)

8. Provide to the Internal Revenue Service (IRS) and the Borrower, IRS Form 1099-A, Acquisition or Abandonment of Secured Property, as required under Section 6050J of the Internal Revenue Code. (For IRS filing requirements see Section 8106.3.)

Servicers must obtain Freddie Mac's prior written approval via PAID (Payments Automated Intelligent and Dynamic) (see Exhibit 88, Servicing Tools) before incurring expenses that either exceed the approval limits contained in Exhibit 57 or will be incurred after the date of a foreclosure sale, including where the property is sold to a third party. When a delay in taking protective action may result in impairment of the property, the Servicer must contact Freddie Mac via PAID for immediate approval. If the circumstance of incurring the expense is such that the Servicer cannot obtain Freddie Mac's prior approval, then the Servicer must notify Freddie Mac via PAID by the next Business Day after the Servicer incurred the expense. If the Servicer's determination to incur the expense was reasonable, as determined in Freddie Mac's sole discretion, Freddie Mac will reimburse the Servicer for the expense.

Chapter 8404: Servicing Mortgages Impacted by a Disaster

8404.1: Introduction of Servicer responsibilities following a disaster (03/02/16)

This chapter provides Servicers with our requirements for assisting Borrowers whose Mortgaged Premises or places of employment are located in an Eligible Disaster Area.

A disaster may be a natural disaster (e.g., an earthquake, flood or hurricane) or a man-made disaster (e.g., a civil disturbance) that adversely affects a geographical area encompassing properties that secure Freddie Mac Mortgages or Borrowers' places of employment.

8404.2: Property protection activities following a disaster (02/01/22)

In conjunction with the requirements outlined in Section 8404.4, the Servicer is required to protect the Mortgaged Premises by following the requirements outlined in this section.

In the event of a disaster impacting Mortgages serviced for Freddie Mac, a Servicer must:

- Ascertain the number of such Mortgages and the extent of the damage that may have been caused by the disaster for each Mortgaged Premises, which may be completed by:
  - Determining the status of the property through discussions with the Borrower; and/or
  - Completing a property inspection per requirements outlined in Section 9202.12. Servicers are reminded that property inspections will be reimbursed based on the limits set forth in Section 9701.9. Property inspections that are completed outside of the requirements set forth in Section 9701.9 may not receive reimbursement.
- Secure an abandoned property if the Mortgaged Premises has not sustained significant or total damage
- Provide assistance to the Borrower regarding options for local, State or federal disaster assistance
- Monitor and coordinate the insurance claim process and the progress of repairs in accordance with Section 8202.11
- In addition to the requirements of Section 8202.11, comply with the insurance claim process requirements in accordance with Section 8404.3 for Eligible Disasters

If a Servicer determines that the disaster has affected a Mortgaged Premises and it may pose a Risk of Property Ownership (see Section 9202.5), the Servicer must notify Freddie Mac **(see Directory 5)** within five Business Days of learning of the situation. In such instances, the Servicer must attach copies of the most recent six consecutive months (or less, depending on the level of Delinquency) of Form 1013, 1-4 Unit Property Inspection Report, and any other relevant information when reporting the Risk of Property Ownership to Freddie Mac.

Refer to Section 8403.1 for additional requirements on properties that become distressed.

8404.3: Insurance loss settlements after an Eligible Disaster (03/02/16)

If the Mortgaged Premises has been damaged and is located in an Eligible Disaster Area, property insurance proceeds for structural losses must be disbursed in accordance with Section 8202.11.

8404.4: Delinquency management activities following a disaster (10/14/20)

In the event a disaster strikes, it is imperative that Servicers be considerate of the Borrower's circumstances and work to obtain quality right party contact with the Borrower as soon as possible. This section will outline specific activities that a Servicer must take to appropriately manage the Borrower's Delinquency if the Servicer believes the disaster resulted in a hardship for the Borrower and the disaster is an Eligible Disaster.

(a) Circumstances where quality right party contact has not been achieved

If the Servicer has not yet achieved quality right party contact then the Servicer, at its discretion, may place a Borrower who becomes 31 or more days delinquent due to an Eligible Disaster in a forbearance plan for up to 90 days, in accordance with the requirements in this section, Section 8404.6 and Sections 9203.12 through 9203.17. If a Borrower is 31 days or more delinquent at the time of impact due to an Eligible Disaster, the Servicer must achieve quality right party contact before approving forbearance.

The forbearance plan must not exceed 90 days without either achieving quality right party contact or receiving approval from Freddie Mac **(see Directory 5)**. If the Servicer has relevant information regarding the Borrower's current financial circumstances and/or the extent of the property damage caused by the Eligible Disaster, the Servicer should consider these factors in its evaluation decision whether to provide forbearance.

If quality right party contact has not been achieved by the end of the forbearance period, then the Servicer must comply with the requirements of Section 8404.6(b), which provide the transition requirements when quality right party contact has not been achieved.

(b) Circumstances where quality right party contact has been achieved

- If the Borrower does not require any form of relief and there is no Risk of Property Ownership (see Section 9202.5) to Freddie Mac as a result of damage caused by the disaster, Servicers should continue to service the Mortgage in accordance with the requirements of the Guide

- If the Borrower does require a relief option or the Mortgaged Premises has damage that would pose a Risk of Property Ownership to Freddie Mac, Servicers have discretion to suspend collection and foreclosure proceedings by placing the Borrower into a forbearance plan for up to 12 months, based on the circumstances of each case. The Servicer is not required to obtain a complete Borrower Response Package from the Borrower and may offer:

  - Forbearance for a period of one to six months, and

  - If necessary, one or more successive forbearance plan periods of one to six months

  Without prior approval from Freddie Mac, the forbearance plan may not be extended beyond a date that would cause the Delinquency to exceed a cumulative total of 12 months of the Borrower's contractual monthly Mortgage payment, including taxes and insurance if the Servicer is collecting Escrow for those expenses.

- When applicable, such a suspension of Servicing action must be pre-approved by the MI, FHA, RHS or VA to avoid jeopardizing benefits of any applicable insurance or guaranty

- Servicers should reassess each impacted Borrower on a regular basis during the forbearance period to determine if forbearance should be extended up to a total of 12 months or the hardship has been resolved

- If the Servicer believes forbearance beyond a total of 12 months is warranted, the Servicer should make that recommendation to Freddie Mac for consideration **(see Directory 5)**.

  In the event Freddie Mac participated in evaluating a Borrower for forbearance beyond a total of 12 months and Freddie Mac denied the request, the Servicer must refer to Section 1301.2(i) for more information on adverse action notices that must be provided to the Borrower on behalf of Freddie Mac under certain limited circumstances.

At the end of the forbearance period, the Servicer must reassess the Borrower's circumstances to determine whether the Borrower's hardship resulting from the Eligible

Disaster has been resolved. The determination may be based on information from the Borrower as a result of quality right party contact, and/or

- An updated property inspection assessment of the extent of property damage; or
- Discussions with the Borrower

If the hardship has been resolved and the Borrower is ready to transition to a permanent solution, the Servicer must evaluate the Borrower for the most appropriate workout option to cure the Delinquency in accordance with the requirements in Section 8404.6. If the hardship has not been resolved, then the Servicer must evaluate the Borrower's eligibility for extended forbearance.

(c) Mortgage eligibility and forbearance plan requirements

Except as otherwise provided in this section, when offering forbearance relief to Borrowers impacted by an Eligible Disaster, Servicers must utilize the requirements set forth in Chapter 9203.

The Mortgage may be secured by the following property types:

- Primary Residence
- Second home, or
- Investment Property

The property may be vacant or condemned, but not abandoned.

In situations where the Borrower is unable to send or receive documentation, the Servicer may waive the requirement that the forbearance plan be in writing. In these circumstances, the Servicer may enter the Borrower into a forbearance plan through a verbal agreement.

(d) Other Delinquency management activities

The Servicer must not assess late charges as long as the Borrower is on a forbearance plan or paying as agreed on a repayment plan.

8404.5: Disaster reporting requirements (04/21/21)

(a) Credit reporting for Borrowers impacted by an Eligible Disaster

Servicers must report Borrowers who are on a disaster-related forbearance plan, repayment plan or Trial Period Plan to the credit bureaus in accordance with applicable law, including the Fair Credit Reporting Act.

(b) Reporting loans affected by a disaster to Freddie Mac

Servicers must report all Mortgages that are affected by a disaster and are 31 or more days delinquent to Freddie Mac via an EDR transmission within the first three Business Days of the month following the month the Servicer learned of the disaster using default reason code 034 (Eligible Disaster Area).

(c) Reporting forbearance or repayment plans to Freddie Mac

A Servicer must report all Mortgages that are subject to a repayment plan or a forbearance plan resulting from disaster-caused hardship via an EDR transmission using default code 09 for forbearance or default code 12 for a repayment plan within the first three Business Days of the month following the month that the plan was entered into. The Servicer must continue to report that the Mortgage is under the plan until the Mortgage is fully reinstated or the plan ends. Refer to Chapter 9203 for more details.

8404.6: Transition following disaster-related forbearance (08/14/24)

If the Borrower was placed on forbearance as a result of an Eligible Disaster, the Servicer must contact the Borrower on a periodic basis and prior to the end of the forbearance period to determine whether the hardship has been resolved and the most appropriate relief or workout option to cure the Delinquency. The Servicer must consider a number of factors including, but not limited to, the Servicer's ability to achieve quality right party contact, the Borrower's current financial circumstances and ability to resume making monthly payments, and the status of the Mortgage at the time of the disaster.

If, at the end of the disaster-related forbearance period, the Servicer is evaluating the Borrower for a foreclosure prevention alternative based on a Borrower Response Package, the documentation cannot be more than 180 days old as of the date of the evaluation for the foreclosure prevention alternative.

(a) Evaluation hierarchy

If QRPC is established with a Borrower who was current or less than 60 days delinquent (i.e., less than two months delinquent) as of the date the Eligible Disaster occurred, and the

Borrower is unable to resolve the Delinquency through a reinstatement or repayment plan, the Servicer must evaluate the Borrower for the loss mitigation options in the following Disaster evaluation hierarchy:

1. Disaster Payment Deferral

2. Freddie Mac Flex Modification®

3. Standard Short Sale

4. Standard Deed-in-Lieu of Foreclosure

If the Borrower was not current or less than 60 days delinquent (i.e., less than two months delinquent) as of the date of the Eligible Disaster, the Servicer must conduct all loss mitigation evaluations in accordance with the standard loss mitigation evaluation hierarchy, as described in Section 9201.2, or must submit an exception request.

Note: In most cases, Borrowers impacted by an Eligible Disaster who qualify to be evaluated for a Disaster Payment Deferral will be transitioning from a forbearance plan, but forbearance is not a prerequisite.

(b) Solicitation for a Disaster Payment Deferral

The Servicer must proactively solicit the Borrower for a Disaster Payment Deferral in accordance with the requirements in Section 9203.26(e) within 15 days after the expiration of the disaster-related forbearance plan if:

- The Servicer is not able to establish QRPC during the disaster related forbearance plan, and

- The Mortgage was current or less than 60 days delinquent (i.e., less than two months delinquent) as of the date the Eligible Disaster occurred, and

- The Mortgage meets all requirements described in Section 9203.26(g)

Note: Refer to Section 9203.26 for complete requirements for the Disaster Payment Deferral.

(c) Solicitation for a Freddie Mac Flex Modification

If the Borrower is ineligible for a solicitation for a Disaster Payment Deferral as described above, then the Servicer must evaluate the Borrower for a streamlined offer for a Freddie Mac Flex Modification in accordance with the special Freddie Mac Flex Modification requirements for Borrowers impacted by an Eligible Disaster, as described in Section 9206.5(e). Otherwise, the Servicer must evaluate in accordance with regular Guide requirements for a streamlined offer for a Freddie Mac Flex Modification, as described in Section 9206.5(c). The Servicer must send a streamlined offer for a Freddie Mac Flex

Modification to an eligible Borrower within 15 days of the expiration of the forbearance plan.

If the Borrower was eligible for a solicitation for a Disaster Payment Deferral but did not accept the offer, the Servicer must evaluate the Borrower for a streamlined offer for a Freddie Mac Flex Modification following the same requirements as described above except that the Servicer must send the streamlined offer to an eligible Borrower within 15 days of the expiration of the Disaster Payment Deferral offer.

Complete requirements for Freddie Mac Flex Modifications for Borrowers impacted by an Eligible Disaster can be found in Sections 9203.26 and 9206.5(e).

(d) Transition requirements for Borrowers who were on a Trial Period Plan at the time of the Eligible Disaster

If a Borrower who was performing in accordance with the terms of a Trial Period Plan is placed on forbearance as a result of an Eligible Disaster, then within 30 days prior to the end of the forbearance period, the Servicer must determine whether the Borrower's financial circumstances continue to be adversely impacted by the disaster based on verbal confirmation with the Borrower about his or her current financial condition and an updated assessment of the extent of the property damage resulting from most recent property inspection or the current conditions of the property based on discussions with the Borrower.

If the Borrower was performing on a Freddie Mac Flex Modification at the time of the Eligible Disaster, the Servicer must make a new streamlined offer to the Borrower for a Freddie Mac Flex Modification Trial Period Plan meeting the requirements of Section 9206.5.

Regardless of the Borrower's financial circumstances, the Borrower must complete a new three-month Trial Period Plan that begins immediately following the forbearance plan in order to be eligible for a permanent modification.

Chapter 8405: Occupancy Waivers

8405.1: 12-month occupancy waiver request (12/09/20)

For Mortgages secured by a Borrower's Primary Residence or a second home, the Fannie Mae/Freddie Mac Single-Family Uniform Security Instrument and the Second Home Rider provides that a Borrower, except as otherwise permitted by the instrument, must occupy the Mortgaged Premises within 60 days of executing the Security Instrument, or as applicable, occupy and use the property as the Borrower's second home, and continue to occupy the Mortgaged Premises, or as applicable, keep the Property available primarily as a residence for Borrower's personal use and enjoyment, for at least one year after the date of occupancy or as applicable the date of the Second Home Rider. When Freddie Mac approval is required, the Servicer must document the Borrower's request and forward a recommendation to Freddie Mac via e-mail to **shortsales@freddiemac.com**. Freddie Mac will review the request, supporting documentation and the Servicer's recommendation and notify the Servicer of its approval or denial of the request. The Servicer must maintain the Borrower's request, supporting documentation, if applicable, and Freddie Mac's decision in the Mortgage file.

Chapter 8406: Transfers of Ownership and Assumptions

8406.1: General policy on Transfers of Ownership and assumptions (03/02/16)

Ownership of the Mortgaged Premises securing a Mortgage that does not contain a due-on-transfer clause can be transferred without restriction. However, the Servicer must accelerate the maturity of a Mortgage that contains a due-on-sale or due-on-transfer clause when a Transfer of Ownership occurs, unless acceleration is prohibited by provisions of Sections 8406.3 or 8406.4 or applicable law. References in the Guide to "due-on-transfer clause" includes "due-on-sale clauses" and similar provisions in the Mortgage documents that require acceleration upon a Transfer of Ownership.

Servicers should review the definition of Transfer of Ownership in the Glossary for a list of impacted transactions. Servicers are reminded that when a Transfer of Ownership occurs that involves a modified Mortgage, they must review the modification documents in addition to the Note and Security Instrument to determine if a due-on-transfer clause has been triggered. In accordance with Section 9206.12, such clauses must be included in a modified Mortgage.

Upon learning of a Transfer of Ownership that is subject to acceleration under the terms of this chapter, the Servicer must accelerate the debt and initiate appropriate foreclosure action in accordance with applicable law, the terms of the Security Instrument and Chapter 9301. No penalty may be charged for a prepayment resulting from such acceleration.

It may be in the best interest of Freddie Mac to permit an assumption of a delinquent Mortgage by a creditworthy applicant, even if the Mortgage contains a due-on-transfer clause. Freddie Mac approval is necessary to approve or decline any request to assume a delinquent Mortgage. In these instances, refer to Sections 9207.1 through 9207.8 for workout Mortgage assumption requirements and contact Freddie Mac **(see Directory 5)** to determine whether a workout Mortgage assumption is an appropriate alternative to foreclosure.

Freddie Mac will not permit a change in the Note Rate upon a Transfer of Ownership of the Mortgaged Premises, except in connection with a simultaneous assumption and modification that meets the requirements set forth in Section 9207.2. A Servicer that intends to modify the Note Rate without meeting the requirements of Section 9207.2 must first repurchase Freddie Mac's interest in the Mortgage in accordance with Chapter 3602.

8406.2: Transfers of Ownership and assumptions of Mortgages insured by the FHA or guaranteed by the VA or RHS (03/02/16)

The Mortgaged Premises securing Mortgages insured by the FHA or guaranteed by the VA or RHS may be transferred in accordance with applicable FHA, VA or RHS regulations.

The Servicer must comply with all applicable FHA, VA or RHS requirements to ensure that the FHA insurance, or VA or RHS guaranty is maintained and must provide all notices and disclosures required under the Equal Credit Opportunity Act, Truth in Lending Act and any other applicable law or regulation.

Freddie Mac need not be notified of any change of ownership allowed by the FHA, VA or RHS, but the Servicer must ensure that all insurance and guaranty documents reflect the change.

When prior FHA, VA or RHS approval is required and such approval is not granted, the Servicer must provide an adverse action notice to all applicable parties, in addition to any other notice or disclosure required under the Equal Credit Opportunity Act, Fair Credit Reporting Act, Truth in Lending Act and any other applicable law or regulation.

The application for assumption of a Mortgage insured by the FHA or guaranteed by the VA or RHS is not complete until the Servicer receives the following:

1. The completed application for approval of a loan assumption

2. An executed copy of the contract of sale or other document reflecting the Transfer of Ownership (e.g., quit claim deed)

3. With regard to (a) the continuation of the mortgage insurance provided by the FHA, the mortgage guaranty provided by the VA or the mortgage guaranty provided by the RHS, as applicable, and (b) the release of the prior Borrower of liability, when applicable, written approval from:

    - The FHA for Mortgages insured by the FHA

    - The VA for Mortgages guaranteed by the VA

    - The RHS for Mortgages insured by the RHS, and

4. All other information the FHA, VA or RHS, as applicable, may require

8406.3: Federal restrictions on the exercise of the due-on-transfer clause (08/05/24)

For the following Transfers of Ownership, when the Mortgaged Premises is either occupied or to be occupied by the Borrower, the Servicer may not accelerate the maturity of the indebtedness:

1. The creation of a lien or other encumbrance subordinate to the lender's Security Instrument, which does not relate to a transfer of rights of occupancy in the Mortgaged Premises, provided that the lien or encumbrance is not created pursuant to a contract for deed

2. The creation of a purchase-money security interest for household appliances

3. A transfer by devise, descent or operation of law on the death of a joint tenant or tenant by the entirety

4. The granting of a leasehold interest with a term of three years or less and without an option to purchase

5. A transfer in which the transferee occupies or will occupy the Mortgaged Premises and that is one of the following:

   - A transfer to a relative, resulting from the Borrower's death.

     Note: In the case of a Borrower's death, the occupancy requirement may be waived. The Servicer should submit the waiver recommendation to Freddie Mac **(see Directory 5)** for approval.

   - A transfer wherein the spouse, domestic partner or a child of the transferor becomes an owner of the Mortgaged Premises

   - A transfer resulting from a decree of dissolution of a marriage or domestic partnership, a legal separation agreement or from an incidental property settlement agreement by which the spouse or domestic partner becomes an owner of the Mortgaged Premises

6. A transfer into an inter vivo trust in which the Borrower is and remains the beneficiary and occupant of the Mortgaged Premises unless, as a condition precedent to such a transfer, the Borrower refuses to provide the Servicer with reasonable means acceptable to the Servicer by which the Servicer will be assured of timely notice of any subsequent transfer of the beneficial interest or change in occupancy

7. Any other transfer or disposition described in regulations of the Federal Home Loan Bank Board as a basis on which due-on-transfer clauses may not be exercised

Except for the waiver of occupancy requirements for transferees as described above, Servicers may not evaluate the creditworthiness of a transferee, require a transferee to assume the Mortgage or otherwise require the Servicer's or Freddie Mac's approval for any of the Transfers of Ownership types listed in this section.

If the transferee requests to assume the Mortgage and/or the transferor requests to be released from liability, then the Servicer must determine the creditworthiness of the transferee in accordance with the requirements in Sections 8406.5 and 8406.6.

8406.4: Additional permitted Transfers of Ownership (08/05/24)

(a) Unrestricted Transfers of Ownership

In addition to the federal restrictions on the exercise of the due-on-transfer clause provided in Section 8406.3, Freddie Mac will not, and the Servicer may not, restrict a Transfer of Ownership of the Mortgaged Premises in the following situations:

- The Security Instrument does not contain a due-on-transfer clause
- The Security Instrument contains an unenforceable due-on-transfer clause
- The title is acquired by the junior lienholder (that is an institutional counterparty) as the result of a foreclosure or acceptance of a deed-in-lieu of foreclosure of the junior lien. However, Freddie Mac will require acceleration of the indebtedness if the title is further transferred after acquisition by the junior lienholder; or
- The title to the leasehold estate and the improvements are acquired by the fee simple landowner/lessor as the result of the Borrower being evicted from the leasehold estate by court order. However, Freddie Mac will require acceleration of the indebtedness if the title is further transferred to a new lessee after acquisition by the lessor.

In connection with any Transfer of Ownership listed in this Section 8406.4(a), a Servicer may not evaluate the creditworthiness of a transferee, require a transferee to assume the Mortgage, or otherwise require the Servicer's or Freddie Mac's approval of the transfer. However, if the transferee requests to assume the Mortgage and/or the transferor requests to be released of liability, the Servicer must determine the creditworthiness of the transferee, either manually or by using Loan Product Advisor®. Refer to Sections 8406.5 and 8406.6 for additional information.

(b) Permitted Transfers of Ownership

In situations where all of the following conditions are met, Freddie Mac will permit a Transfer of Ownership of the Mortgaged Premises:

- At least 12 months have passed since the Origination Date
- The Servicer has complied with all mortgage insurance requirements applicable to the transfer
- Either:
  - The transfer is to a transferee who occupies or will occupy the Mortgaged Premises as a Primary Residence and is:
    - A parent or child of the transferor, or
    - A grandparent or grandchild of the transferor, or
    - A brother or sister of the transferor, or
    - An original co-Borrower of the transferor under the Note, whether or not related to the transferor
  - The transfer is to a limited liability company (LLC) or limited partnership (LP), provided that:
    - The managing member/general partner of the LLC/LP is the original Borrower. If there are multiple Borrowers, all of them must be members/partners of the LLC/LP, and at least one of them must be a managing member/general partner. If the transfer results in a permitted change of occupancy type to an investment property, such change must not violate the Security Instrument (e.g., the 12-month occupancy requirement for a Primary Residence), and
    - The Servicer notifies the original owner or natural person that the Mortgaged Premises transferred to an LLC/LP must be transferred back to the original owner or natural person prior to any subsequent refinance or modification application to meet Freddie Mac's underwriting requirements
  - The Mortgage is a HeritageOne^{SM} Mortgage, and the transfer is to the Eligible Native American Tribe (as defined in Section 4504.2(c)) within whose Tribal Area the Mortgaged Premises are located if, after acquisition, the Eligible Native American Tribe further transfers or will transfer the title to a transferee who occupies or will occupy the Mortgaged Premises as a Primary Residence, and at least one transferee is also an enrolled member of a Native American Tribe (as defined in Section 8901.1(a))

In connection with any Transfer of Ownership that meets the conditions of this Section 8406.4(b), a Servicer may not evaluate the creditworthiness of a transferee, require a transferee to assume the Mortgage or otherwise require the Servicer's or Freddie Mac's approval of the

transfer. However, if the transferee requests to assume the Mortgage and/or the transferor requests to be released of liability, the Servicer must determine the creditworthiness of the transferee, either manually or by using Loan Product Advisor. Refer to Sections 8406.5 and 8406.6 for additional information.

(c) Transfers of Ownership that require a determination of creditworthiness

In the following situations, the Servicer must determine the creditworthiness of the transferee, even if the transferee is not assuming the Mortgage, and process the Transfer of Ownership in accordance with Sections 8406.5 through 8406.10:

- The Security Instrument contains a due-on-transfer clause that does not allow unrestricted or automatic acceleration of the indebtedness upon transfer of the Mortgaged Premises to a creditworthy transferee, or

- The title is acquired by the junior lienholder (that is *not* an institutional counterparty) as the result of a foreclosure or acceptance of a deed-in-lieu of foreclosure of the junior lien. However, Freddie Mac will require acceleration of the indebtedness if the title is further transferred after acquisition by the junior lienholder.

(d) Assumptions, releases of liability and determination of creditworthiness

If the transferee requests an assumption of the Mortgage obligation as part of a Transfer of Ownership, the Servicer must determine the creditworthiness of the transferee in accordance with the manual underwriting requirements in Topics 5100 through 5500. The Servicer must prepare a written assumption agreement that must be executed by all parties concerned as required in Section 8406.7.

In addition, if the transferor requests to be released of liability, once the Servicer has determined the creditworthiness of the transferee, the Servicer must require a written assumption and release of liability agreement, which then must be executed by all parties concerned in accordance with Section 8406.7.

Servicers must accelerate the Note if title is further transferred by the transferee to someone who is not an eligible transferee under Sections 8406.3 or 8406.4.

8406.5: Application for approval of Transfers of Ownership, assumptions and releases of liability (08/05/24)

For Transfers of Ownership that require the Servicer to first determine the creditworthiness of the transferee, and for all assumptions and releases of liability, the Servicer must obtain the following:

- Form 65, Uniform Residential Loan Application, completed and executed by the transferee
- A copy of the executed contract of sale or other document reflecting the Transfer of Ownership (e.g., quit claim deed)
- A current credit report for the transferee, as described in Section 5203.1
- Income documentation and asset documentation for the transferee as required by Topics 5100 through 5500
- In accordance with requirements in Chapters 5302 through 5307 and Section 5501.3 for standard documentation
  - Written verification of the transferee's current employment and income from a reliable source and
  - Verification or other acceptable evidence of the source and amount of funds for the Down Payment and payment of prepaid items, as reported in the application

Refer to Section 8406.6 for underwriting requirements to determine whether a transferee is creditworthy.

The Servicer must comply with the Equal Credit Opportunity Act, Fair Credit Reporting Act, Truth in Lending Act and any other applicable law or regulation. (See also Section 1301.2 for additional compliance requirements.) The Servicer must also notify the transferee of the decision on the application within 25 days after the Servicer receives all information that constitutes a completed application.

8406.6: Determining eligibility for Transfers of Ownership, assumptions and releases of liability (08/14/24)

(a) Manually reviewing transferee eligibility

When required to determine the creditworthiness of a transferee for assumptions and releases of liability, and when manually underwriting a Transfer of Ownership following the requirements of Section 8406.4, the Servicer must review the application to ensure compliance with Freddie Mac's credit underwriting guidelines in Topics 5100 through 5500 including, but not limited to, income and employment, source of funds for Down Payment and Closing Costs and credit history. The Servicer's analysis must be documented on Form 1077, Uniform Underwriting Transmittal Summary, or on another document in the Mortgage file.

(b) Use of Loan Product Advisor® to assess creditworthiness for Transfers of Ownership and Mortgage Assumptions

For Mortgage assumptions that require the Servicer to first determine the creditworthiness of the transferee as described in Section 8406.4(d), Servicers may use Loan Product Advisor to assess the creditworthiness of the transferee(s) as described in this section. This functionality is permitted only for transferees who request an assumption of the Mortgage obligation as part of a Transfer of Ownership and must only be used to assess creditworthiness of the transferee. All other Guide requirements regarding Transfers of Ownership and Mortgage assumptions remain in effect.

Servicers that opt to use Loan Product Advisor to assess a transferee's creditworthiness to process assumptions in Loan Product Advisor must use the "no cash-out" refinance option and the "Assumption FRE Owned Loan" Loan Program Identifier.

Loan Product Advisor uses the Mortgage's original value to assess the transferee's creditworthiness; therefore, Servicers have the flexibility to manually underwrite an assumption for any reason, including if the transferee requests use of the Mortgage's current UPB with an HVE® rather than the original value.

If the Feedback Certificate returned from the Servicer's last submission to Loan Product Advisor prior to the Servicer's assumption determination (the Last Assumption Feedback Certificate) returns a Feedback Certificate with a Risk Class of "Accept", the Servicer is not required to manually underwrite the assumption of the Mortgage in accordance with the requirements in Topics 5100 through 5500. To move forward with the assumption, the Servicer must follow the steps in Sections 8406.7 through 8406.10, as applicable, to complete the assumption and must maintain the Last Assumption Feedback Certificate in the Mortgage file.

If Loan Product Advisor returns a Feedback Certificate with a Risk Class of "Caution", the Servicer may manually underwrite the assumption of the Mortgage in accordance with the requirements in Topics 5100 through 5500. If the Servicer ultimately declines the assumption application, the Servicer must follow the requirements in Section 8406.8 to notify all affected parties.

Loan Product Advisor may be used to assess the creditworthiness of transferees who want to assume a Mortgage with a previous Payment Deferral; however, it may not be used to assess the creditworthiness of transferees who want to assume a Mortgage that has been previously modified. Modified Mortgages are eligible to be assumed, but they must be manually underwritten using the manual underwriting requirements in Topics 5100 through 5500.

(c) Optional use of Loan Product Advisor

Servicers may continue to process Mortgage assumptions manually if they choose to do so or at the request of the transferee.

The following requirements must be met for all assumptions, when applicable:

1. The transferee must be determined to be creditworthy in accordance with Section 5102.2(b) and:

   - The assumption is manually underwritten, or

   - If Loan Product Advisor was used to assess Transferee creditworthiness, the assumption is one for which Borrower creditworthiness is permitted to be assessed through Loan Product Advisor and the Last Assumption Feedback Certificate includes a Risk Class of Accept

2. A written assumption and release of liability agreement must be executed by all parties concerned in accordance with Section 8406.7. (Note: Freddie Mac will require acceleration of the indebtedness if title is further transferred by the transferee to someone who is not an eligible transferee under Section 8406.3 or 8406.4.)

3. If the Mortgage is being assumed, the transferee must pay at least 5% of the sale price in addition to all adjustments (e.g., for property taxes, and property and mortgage insurance premiums) from cash or other equity as defined in Sections 5501.1 and 5501.3. (Note: The transferee is not required to pay 5% for those Transfers of Ownership protected by federal restrictions on exercise of the due-on-transfer clause as set forth in Section 8406.3 or for those Transfers of Ownership permitted under Sections 8406.4(a) and 8406.4(b), even if, in those cases, the transferee is also assuming the Mortgage.)

4. There must be no changes in the terms of the Security Instrument and the Note other than a change to the name of the transferee, any release and subsequent assumption of personal liability, where applicable, and any change allowed in Section 8103.7

5. Mortgage insurance coverage must be maintained, if applicable

If the Mortgaged Premises to be transferred secures a Mortgage that is covered by a buydown agreement, the Servicer must underwrite the transferee according to the qualification requirements provided in Section 4204.4. See Section 8406.12 for additional information.

8406.7: Approval of the application for Transfers of Ownership (08/05/24)

The Servicer must approve the Transfer of Ownership if, based on its eligibility review in accordance with Section 8406.6, it reasonably determines that the security interest in the Mortgaged Premises will not be impaired by this transfer.

The Servicer is not required to notify Freddie Mac of the Transfer of Ownership permitted under Sections 8406.3 and 8406.4, provided the Mortgage is not assumed by the transferee or the

transferor is not being released of liability, unless it becomes necessary later to communicate with Freddie Mac concerning this Mortgage.

The Servicer must prepare the necessary documents and have them executed by all parties concerned. In addition, if the transferor requests to be released of liability under the Note and Security Instrument, a written assumption and release of liability agreement must be executed. If State law requires Freddie Mac to execute the documents, the Servicer warrants that:

- The documents reflect terms that are consistent with the requirements of this chapter
- All statements set forth in the documents are accurate, and
- The documents comply with all applicable State and local requirements

The Servicer must:

1. Deliver the original executed assumption agreement and, as applicable, release of liability agreement, to the Document Custodian; and copies to all other parties concerned. (Note: Per Section 1402.10(b), the Servicer must update the MERS® eRegistry (as defined in Section 1402.2) to provide notice of the assumption agreement upon an assumption (with or without a release of liability) of an eMortgage (as defined in Section 1402.2).

2. Retain a copy of the executed assumption agreement and, as applicable, release of liability agreement, in the Mortgage file

3. Arrange for any recordation commonly required by private institutional Mortgage investors or required by law to ensure the priority of the existing lien and assess any related costs to the transferee

4. Provide all notices and disclosures required under the Equal Credit Opportunity Act, Fair Credit Reporting Act, Truth in Lending Act and any other applicable law or regulation (see also Section 1301.2 for additional compliance requirements)

5. Ensure that all insurance policies reflect the change of ownership and take any action necessary to continue any required insurance coverage including, mortgage insurance, where applicable

6. Document transferee information in the Freddie Mac Post-Fund Data Correction tool (see Exhibit 88, Servicing Tools). Servicer must submit copies of the settlement statement and assumption agreement in accordance with instructions for use of the tool. If Servicer needs to submit more than one request to change information, Servicer may import the Post-Fund Data Correction Form excel spreadsheet (DCR Form) found on the Post-Fund Data Correction tool webpage (**https://sf.freddiemac.com/tools-learning/servicing-gateway/our-solutions/post-fund-data-correction**) into the Post-Fund Data Correction tool, in accordance with the spreadsheet instructions.

7. For Cooperative Share Loans, comply with the requirements in Section 8801.5(a)

When applicable, the Servicer may cancel mortgage insurance following the Transfer of Ownership of the Mortgaged Premises in accordance with Sections 8203.2 through 8203.4.

If the Servicer is unable to approve the transfer of ownership or assumption following Guide requirements and believes that approval is in the Borrower's and Freddie Mac's best interest, the Servicer must send the request for approval to **ShortSales@FreddieMac.com**.

8406.8: Declination of the application for assumption (03/02/16)

If the application for a Mortgage assumption is declined, the Servicer must provide an adverse action notice to all applicable parties, or any other notice or disclosure required under the Equal Credit Opportunity Act, Fair Credit Reporting Act, Truth in Lending Act and any other applicable federal, State or local law. Freddie Mac must not be identified as a creditor in any notice or disclosure that may be required, as Freddie Mac is not participating in the decision on the application.

8406.9: File retention for Transfers of Ownership and assumptions (08/14/24)

All original documents relating to the application for a Transfer of Ownership must be kept in the Mortgage file, including the Last Assumption Feedback Certificate, as defined in Section 8406.6, if Loan Product Advisor® was used to assess Transferee creditworthiness.

If the application is approved, the documentation must be maintained in the Mortgage file for at least seven years from the date that Freddie Mac's interest in the Mortgage is satisfied.

If the application is declined, the documentation must be kept for the duration required under the Equal Credit Opportunity Act, Fair Credit Reporting Act or any other applicable law or regulation.

Copies of documents may be scanned and stored as Portable Document Format (PDF), Tagged Image File (TIF) format, Joint Photograph Experts Group (JPEG) format, or other electronic document formats commonly used by the mortgage industry in the regular course of business. Refer to Chapter 3302 for Mortgage file retention requirements including those requirements regarding documents for which the paper originals must be maintained.

8406.10: Transfer of Ownership fees (08/05/24)

The Servicer may charge and retain a fee for processing a Transfer of Ownership of, or an interest in, the Mortgaged Premises securing a Mortgage purchased by Freddie Mac as permitted by applicable law. Where applicable law or regulation limits the amount of the allowable fee, the Servicer may not charge more than the lesser of:

- The maximum fee allowed under applicable law or regulation, or
- The maximum fee allowed by Freddie Mac as stated below

This fee must be set in accordance with the following provisions:

(a) Security Instruments without a due-on-transfer clause

The fee charged by the Servicer for changing its records for a Transfer of Ownership for which its consent was not required must not exceed $100.

(b) Security Instruments with a due-on-transfer clause

When the Servicer must determine the creditworthiness of a transferee in connection with a Transfer of Ownership, the Servicer may charge and retain a fee equal to the greater of $400 or 1% of the UPB, with a maximum fee of $900. Transfer fees may be exclusive of out-of-pocket expenses paid to independent third parties for services required to comply with the application and approval process contained in Sections 8406.5 through 8406.8 and to record the change of ownership. Any other services (such as surveys, owner's title policies, etc.), requested by the transferee are the sole responsibility of the transferee. Loan discount fees, yield enhancement fees, lost opportunity fees and similar devices designed to circumvent these limitations or increase the effective interest rate or yield of the Mortgage previously sold to Freddie Mac, regardless of the Servicer's retained interest in the Mortgage, are expressly prohibited.

The Servicer may establish a transfer fee schedule that results in charges less than those permitted by Freddie Mac. However, if any fee charged by the Servicer on Mortgages sold to Freddie Mac exceeds the amounts stated above, it will be considered a breach of this Guide and, unless refunded to the Borrower, Freddie Mac may exercise any remedy available under this Guide or applicable law to remediate the violation.

8406.11: Assumability provisions and rate cap requirements for ARMs (08/05/24)

(a) Assumability provisions

The loan instruments used to originate an ARM contain the provisions governing the right of the lender to accelerate the loan, in the event of a Transfer of Ownership. These provisions determine whether or not the ARM is assumable by the party to whom the Mortgaged Premises is transferred, and, if it is assumable, the transferee must agree to assume the Mortgage loan obligation. Some loan instruments provide that the ARM is assumable for the life of the loan. Other loan instruments provide that the ARM is assumable only after the initial fixed-rate period has expired or until a specified event has occurred and is thereafter not assumable.

The Servicer must review the loan instruments to determine the assumption provisions for an ARM. Regardless of whether a loan instrument indicates that an ARM is not assumable, the ARM may be assumed as a workout Mortgage assumption or a simultaneous modification and assumption. Servicers must refer to and follow the requirements in Sections 9207.2 through 9207.8 for these assumptions.

(b) Rate cap requirements

If the Note for an ARM sold to Freddie Mac does not provide for a Lifetime Ceiling, the following provision or substantially similar provision must be included in the Mortgage assumption and release of liability agreement:

> *The interest rate I am required to pay after I assume this Mortgage obligation and for the entire term of this Mortgage will never be greater than (see note below) percent.*

Note:

To determine the appropriate interest rate to insert in the preceding provision, the Servicer must add six percentage points to the sum of the Margin and the Index value in effect on the date of the Mortgage assumption and release of liability agreement, subject to applicable law, such as the Servicemembers Civil Relief Act. Refer to Chapter 8503.

8406.12: Transfers of ownership and buydown accounts (03/02/16)

Where a Transfer of Ownership is approved, any funds remaining in a related buydown account may continue to be used to reduce the Mortgage payments when:

- The Mortgaged Premises is sold and the Mortgage is assumed by the purchaser and
- The terms of the original buydown plan allow for the continued application of the buydown funds if the Mortgage is assumed

Chapter 8501: Special Requirements for Servicing Step-Rate Mortgages

8501.1: Servicer staff requirements related to Servicing Step-Rate Mortgages (03/02/16)

The Servicer must employ staff, including phone agents for both incoming and outgoing calls, that is adequately trained to discuss interest rate adjustments for Step-Rate Mortgages. Phone agents answering incoming calls must be able to identify potential default situations and promptly refer Borrowers to a default management unit with the ability to advise on default prevention options. Phone agents making outgoing calls must be able to discuss step-rate adjustments when making calls to delinquent Borrowers in accordance with Section 9102.5.

8501.2: Communicating upcoming interest rate adjustments (03/02/16)

The Servicer must send two separate written notifications to the Borrower prior to an initial interest step-rate adjustment on a Step-Rate Mortgage. These notifications must be sent in order to ensure that Borrowers are fully prepared for increases to their PITIAS Payment amounts, and have a full understanding of when and why the payment amount will increase. If after the initial step-rate adjustment the Mortgage will be subject to subsequent interest rate adjustments, the Servicer, in accordance with Section 8501.2(c), must send one notification letter prior to the payment due date associated with each subsequent adjustment.

(a) As early as the 150th day and no later than the 90th day prior to the first payment due date following the initial interest rate adjustment

The Servicer must provide the Borrower with a written notice of the initial interest rate adjustment that will occur as a result of a step-rate feature on the Borrower's Step-Rate Mortgage (i.e., at the end of a fixed-rate term).

(b) As early as the 75th day and no later than the 60th day prior to the first payment due date following the initial interest rate adjustment

The Servicer must provide the Borrower with a second written notice of the initial interest rate adjustment.

- Each written notice of an upcoming interest rate adjustment sent to the Borrower in accordance with the requirements in Section 8501.2(a), 8501.2(b) or 8501.2(c) must:

1. Provide the amount and effective date of the interest rate increase, and the amount and due date of the Borrower's first increased monthly payment at the new adjusted level

2. Explain that, pursuant to the terms of the modification agreement, at the end of the initial fixed-rate term, the interest rate will increase according to the schedule in the agreement until it reaches a pre-determined Interest Rate Cap. (Note: As applicable, the Servicer must explain how the Interest Rate Cap was derived, and that once the interest rate reaches its cap, it will remain fixed for the remaining Mortgage term.)

3. Explain that the monthly payment includes an Escrow for property taxes, hazard insurance and other escrowed expenses, which could also increase the monthly payment amount if those amounts are increased

4. Explain how the new payment is determined

5. Include a payment schedule table similar to the one included in the Borrower's modification agreement, which outlines the future interest rates and monthly payment amounts (identifying principal and interest, as well as Escrows), and the effective dates for each; alternatively, the Servicer may explain these terms, dates and amounts;

6. Include the Servicer's contact information and instructions for the Borrower to contact the Servicer if the Borrower has any questions regarding the content of the notice

7. Include the Homeowners HOPE™ Hotline Number (888-995-HOPE)

8. Explain that free budgeting assistance from the HUD-approved housing counseling agencies is available via **HUD.gov**; and

9. Provide information regarding the availability of additional information on Freddie Mac's Mortgage Help Resource Center web site (**http://myhome.freddiemac.com/**)

(c) As early as the 120th day and no later than the 60th day prior to the first payment due date at each subsequent adjusted rate level

Servicers must provide each Borrower with a written notice of each subsequent interest rate adjustment that will occur as a result of a step-rate feature on a Step-Rate Mortgage.

8501.3: Freddie Mac Flex Modification for Step-Rate Mortgages (10/01/17)

Servicers must refer to Section 9206.5 for complete requirements for a streamlined offer for a Flex Modification to a Borrower with a Step-Rate Mortgage.

Chapter 8502: Special Servicing and Reporting Requirements for ARMs

8502.1: ARM Servicing and reporting (05/01/19)

An ARM has a Note Rate that adjusts periodically based on a specified Index. The specific features of an ARM vary depending upon the terms of the Note.

All ARMs must be accounted for and reported under the net yield accounting reporting method, as described in Section 8301.4, and are reported via the transmission of the Loan-Level Transaction. Under this method, Freddie Mac receives its proportionate share of principal and interest collected each month including any Negative Amortization activity for the period. For purposes of reporting to Freddie Mac, interest is computed by multiplying the Ending UPB of the current Accounting Cycle of a loan by the Accounting Net Yield, using a 30-day month/360-day year.

See Chapters 8301 through 8304 for the accounting and reporting requirements for ARMs.

See Chapter 8303 for remittance requirements.

8502.2: Rate changes on ARMs (12/13/23)

(a) Determining the new Note Rate

The Servicer must adjust the Note Rate on an ARM in accordance with the provisions set forth in the Note and any applicable Adjustable-Rate Riders. The Note will specify the Index on which any adjustments must be based, as well as other factors that must be used to determine the new Note Rate. These factors include, but are not limited to:

- The dates on which the Note Rate may change (Interest Change Date)
- The date on which the Index value used to calculate the new Note Rate is determined, usually expressed as a number of days (known as the Lookback Period)
- The Margin, which is the number of percentage points that must be added to the current Index value to establish the new Note Rate
- The limitations on the amount that the Note Rate may change at the first adjustment, subsequent adjustments and during the life of the Mortgage (Initial Cap, Periodic Cap and Life Cap) and any associated rounding rules

Upon each Note Rate change, the Servicer must calculate a new monthly payment amount based on the new Note Rate that is sufficient to fully amortize the UPB of the ARM over the remaining term. Prepayments on ARMs will only be accepted if the Index is available for the DDLPI reported that corresponds to the prepayment.

(b) Notifying the Borrower

With respect to each ARM serviced for Freddie Mac, the Servicer must correctly calculate any and all adjustments to the interest rate or the monthly payment and give to the Borrower all notices of adjustment of interest rate and monthly payments in strict accordance with the requirements of applicable law and with the terms of the Note and the Security Instrument.

With respect to ARMs, in the notices of adjustment in the interest rate and monthly payment provided the Borrower before the effective date of the change, the Servicer must inform the Borrower that the Index value used to calculate the new interest rate is:

- For LIBOR-indexed ARMs with interest rate adjustments based on a lookback date after July 3, 2023, as applicable and as published on the website of Refinitiv Limited (Refinitiv):
  - FTSE USD IBOR Consumer Cash Fallback 1-Month*
  - FTSE USD IBOR Consumer Cash Fallback 6-Month* or
  - FTSE USD IBOR Consumer Cash Fallback 12-Month*

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- For SOFR-indexed ARMs, the 30-day Average SOFR as published by, or on the website of, the Federal Reserve Bank of New York
- For Constant Maturity Treasury (CMT)-indexed ARMs, the 1-year Weekly CMT, 3-Year Weekly CMT, and 5-Year Weekly CMT, as applicable, as published on the website of, or otherwise made available by, the Board of Governors of the Federal Reserve System (i.e., H.15 Release - Selected Interest Rates)

(c) Notification of the new Accounting Net Yield (ANY)

Freddie Mac will notify the Servicer via the ARM notification report of the revised Accounting Net Yield (ANY) that the Servicer will be required to send us on an ARM in accordance with the product requirements set forth at the time of purchase. The ARM notification report will be available through the Freddie Mac Service Loan Level Reporting tool (see Exhibit 88, Servicing Tools).

The Servicer must verify the rate change notification information. If there are any differences or omissions, the Servicer must notify Freddie Mac of the discrepancy via the Freddie Mac Servicing Data Corrections tool (see Exhibit 88) within the same Accounting Cycle the ARM notification report is published in the Freddie Mac Loan Level Reporting tool. Do not return the notification if the information on it is correct and complete.

The new ANY must be used for the Accounting Cycle date indicated in the notification. In the month of the Interest Change Date, the Servicer must report the forecasted scheduled interest for the next Accounting Cycle based on the new rate. The Servicer will be liable for all net yield interest deficiencies that result from differences in calculations between the ANY that Freddie Mac provides the Servicer and the Servicer's calculations.

Depending on the next Interest Change Date at the time of Mortgage delivery, the Servicer may not receive notification from Freddie Mac prior to the effective date of the new ANY.

8502.3: Negative Amortization (05/01/19)

Negative Amortization results whenever the amount of monthly interest calculated at the Note rate exceeds the Borrower's scheduled monthly interest payment to the Servicer. Increases and decreases in Negative Amortization are to be accounted for in the calculation of principal due Freddie Mac for each Accounting Cycle as set forth in Chapter 8301.

Chapter 8503: Servicing Requirements for Borrowers who are Servicemembers and their Dependents

8503.1: Definitions related to Servicing loans of Servicemembers (03/02/16)

As used in this chapter, the following terms shall have the same definitions as those provided in the Servicemembers Civil Relief Act (SCRA) and any applicable regulations as they shall be amended from time to time:

- Dependent
- Military Service
- Period of Military Service
- Servicemember

The term Permanent Change of Station (PCS) shall have the same meaning as that provided by the Joint Federal Travel Regulations, Volume 1, promulgated by the United States Department of Defense, Defense Management Travel Office.

The term "State Military Relief Law" shall mean any State law that provides benefits, protections or relief to members of the armed forces relating to a Mortgage. For example, and not by way of limitation, the New Jersey Soldiers' and Sailors' Civil Relief Act (N.J.S.A. §§ 38:23C-1 et seq.), is a State Military Relief Law. State Military Relief Laws generally extend SCRA protections to individuals not covered by the SCRA and therefore afford greater protections than the SCRA provides.

8503.2: Relief options exclusive to Servicemembers and their Dependents (10/11/17)

(a) Servicer responsibilities

Servicers must comply with the SCRA and all State Military Relief Laws as they apply to any Borrower or Mortgage. The Servicer must be familiar and comply with all the provisions of the SCRA and State Military Relief Laws and monitor changes to such laws to ensure continuing compliance.

Note:

- When provisions of the SCRA require a Servicemember to provide a copy of his or her military orders*, Servicers may accept: (a) official military orders that reflect the start date of the Period of Military Service; (b) a certification, including a certificate obtained from the Defense Manpower Data Center, that delineates the start date of a Servicemember's Period of Military Service; (c) a letter that is on official letterhead from the military unit to which the Servicemember is assigned, is signed by the Servicemember's commanding officer and contains the following: a statement that the letter is intended to be relied upon by creditors for SCRA purposes, the Servicemember's full name and Social Security Number, home address, start and end dates of the Period of Military Service and commander's contact telephone number; or (d) any document the Department of Defense deems a substitute for official orders.

  *References to "military orders" in the Guide include the alternative documentation outlined above that Servicers may accept in lieu of official military orders.

- Servicers may accept written requests for the SCRA interest rate relief via facsimile, U.S. mail, or electronic submission, such as e-mail or transmitting an online form.

- Servicers may, but are not required to, accept an oral request for SCRA interest rate relief if the Servicer has established processes, policies and procedures that, at a minimum, positively identify the requestor and enable the Servicer to record the request and make the recording available to Freddie Mac upon request.

- Servicers must submit a request for SCRA interest reimbursement, in accordance with Section 8503.7, within 24 months of the end date of a Servicemember's Period of Military Service.

  Freddie Mac will not reimburse Servicers for SCRA interest rate differential requests when the amount requested exceeds the amount of interest represented by the Note Rate minus 6%.

(b) Borrower eligibility for SCRA protection

The SCRA applies to any Borrower who is a Servicemember during a Period of Military Service if the following conditions are met:

- The Mortgage is the contractual obligation of the Servicemember as the Borrower or co-Borrower under the Note; or as obligee under a written agreement by which the Servicemember assumes the Borrower's liability under the Note and the Borrower is released from such liability, and

- The Servicemember executed the Note or the assumption agreement before the reporting date or effective date of the Servicemember's Period of Military Service as shown in military orders

Refer to Sections 8503.4 through 8503.10 for applying SCRA provisions on Mortgages.

(c) Foreclosure relief extended to Servicemembers and their Dependents by Freddie Mac in addition to SCRA provisions and State Military Relief Laws

Freddie Mac offers foreclosure relief in addition to that provided by the SCRA or State Military Relief Laws. Servicers must not initiate or, if already initiated, must not complete foreclosure of a Mortgage where a Servicemember is a Borrower, and the Mortgaged Premises is the Primary Residence of the Servicemember, regardless of when the Mortgage was originated, during his or her Period of Military Service or for one year after the date Military Service ends.

Additionally, Servicers must not initiate or, if already initiated, must not complete foreclosure on a Mortgage, during a Servicemember's Period of Military Service or for one year after the date Military Service ends, when the Borrower:

- Is a Dependent of a Servicemember and the Mortgaged Premises is the Primary Residence of the Servicemember or a Dependent of a Servicemember; or

- Was a Servicemember who died during the Period of Military Service and the Mortgaged Premises continues to serve as the Primary Residence of a Dependent of the Servicemember

For example, if the Borrower is the spouse of a Servicemember who left Military Service on January 1st, and the Mortgaged Premises are the Primary Residence of the Servicemember or the spouse, then the Servicer must not initiate or complete foreclosure until after January 1st of the following year.

If the Servicer believes that there are unusual circumstances that warrant initiating or completing foreclosure prior to the time allowed by this subsection 8503.2(c), such as the Mortgaged Premises being vacant or abandoned, the Servicer must contact Freddie Mac **(see Directory 5)** to obtain prior written approval to initiate or complete foreclosure proceedings.

The Servicer must report a Servicemember who is receiving relief from Freddie Mac as outlined in this subsection 8503.2(c) as "paying as agreed" to any consumer reporting agency to which the Servicer reports.

8503.3: Other relief and workout options for Servicemembers and their Dependents (03/02/16)

If a Servicemember or Dependent experiences an eligible hardship, such as receipt of PCS orders, and does not qualify for protection under the provisions of the SCRA or State Military Relief Laws, or qualifies but chooses to explore other options, the Servicer must evaluate the

Servicemember for the most appropriate relief or workout option in accordance with Chapter 9102.

If a Servicemember requires additional relief beyond what is currently available in the Guide, Servicers should contact their Freddie Mac representative.

8503.4: Applying SCRA provisions (10/11/17)

(a) Interest rate cap

If the Servicemember and the Mortgage qualify for the SCRA's maximum interest rate protection and the Servicemember has submitted a written request for protection in accordance with the SCRA, Freddie Mac will:

- For a Servicemember who is a member of a reserve component, begin applying the interest rate cap with the first monthly Mortgage payment due after the Servicemember receives his or her orders

- For a Servicemember who is a member of the uniformed services as defined by 10 U.S.C. 101(a)(5) or a Servicemember who belongs to the National Guard, begin applying the interest rate cap with the first monthly Mortgage payment due after the reporting date or effective date of the Servicemember's Period of Military Service

- Reinstate the Mortgage to its contractual rate of interest beginning with the second monthly Mortgage payment due one year after the date the Servicemember's Period of Military Service terminates

If the Borrower is delinquent on his or her monthly payments, the Servicer must contact Freddie Mac **(see Directory 5)** via Form 105, Multipurpose Loan Servicing Transmittal, no later than five Business Days after receiving the request for interest rate relief.

For reinstatement purposes, the contractual rate of interest is defined as follows:

- For a fixed-rate Mortgage, the same rate that was in effect before the reporting date or effective date of Military Service, or the date the Servicemember received orders (for members of a reserve component)

- For an ARM, the rate to be determined or calculated based on the last interest rate that would have been in effect, or the last payment adjustment that otherwise would have taken place, during the rate cap period

If the interest rate cap request is made by the Servicemember in accordance with the SCRA notice provisions and it is received by the Servicer no later than 180 days after the Period of Military Service terminates, the Servicer must apply the interest rate cap retroactively to the first monthly Mortgage payment due after the reporting date, effective date of Military

Service or date the Servicemember received orders (for members of a reserve component). However, Freddie Mac will bear the interest loss only from the first monthly Mortgage payment due after the Funding Date.

(b) Notice to Servicemember, Freddie Mac

Within 15 Business Days of receiving an interest rate cap request on a Mortgage that meets the requirements of the SCRA, the Servicer must provide written notice of approval to the Servicemember or the Servicemember's representative, as applicable. Freddie Mac does not prescribe a particular form of notice. The notice must contain the following at a minimum:

1. The amount of the monthly installment of principal and interest calculated at the rate of 6% per year

2. The amount of the monthly installment of Escrow, if any, which remains unchanged unless insurance coverage, property tax rates or other assessments are modified

3. The total amount and first Due Date of the new monthly Mortgage payment

4. The reinstatement of the monthly Mortgage payment to its contractual rate of interest beginning with the second monthly payment due following the date that is one year after the Servicemember is released from Military Service

5. If known at the time, the scheduled date the Servicemember will be released from Military Service and the Due Date of the first monthly payment at the reinstated contractual rate of interest

Within 30 Business Days of receiving the request, the Servicer must:

1. Retain a copy of military orders* evidencing the Servicemember's military status and start and end dates of his or her Period of Military Service and all other related documentation in the Mortgage file and make it available to Freddie Mac upon request

2. Send a CSV file (see Exhibit 71, CSV File Format to Report Loans Eligible for the SCRA Interest Rate Subsidy) to Freddie Mac **(see Directory 3)** documenting the start and end dates of the Servicemember's Period of Military Service

*References to "military orders" in the Guide include the alternative documentation outlined in Section 8503.2 that Servicers may accept in lieu of official military orders.

Once the Servicer has received a request from the Borrower (or the Borrower's authorized representative) and a copy of his or her military orders, the Servicer must implement the interest rate cap.

While the rate cap is in effect, the Servicer must report and remit on the Mortgage in accordance with Section 8106.1 and Chapter 8503.

(c) Assessing a Servicemember's ability to pay at the Note Rate

Unless there are unusual circumstances, Freddie Mac does not require the Servicer to assess the material effect of Military Service on a Borrower's ability to continue making payments on the Mortgage at the contractual rate of interest. The Servicer must implement the 6% rate cap, upon request of a Borrower, provided that the Borrower meets the requirements of the SCRA.

If the Servicer becomes aware of unusual circumstances that give it reason to believe the Servicemember's ability to pay at the contractual rate of interest is not materially affected by a call to Military Service, then the Servicer must notify its investor reporting specialist **(see Directory 3)** that Freddie Mac may wish to investigate the Servicemember's financial circumstances. The Servicer must include any facts to support its supposition and copies of the following:

- The military orders evidencing the Servicemember's call to Military Service
- Form 65, Uniform Residential Loan Application
- The Note

Freddie Mac may determine that a Servicemember's request for the interest rate cap should be challenged. If so, Freddie Mac will provide the Servicer with instructions on how to proceed.

Freddie Mac may decline to implement an interest rate cap if the rate cap was improperly granted to a Servicemember or if the Mortgage did not qualify for SCRA protection (for example, the Servicemember was already in a Period of Military Service at the time the Mortgage was originated). If Freddie Mac informs the Servicer that Freddie Mac declines the request, then within five Business Days, the Servicer must advise the Servicemember or the Servicemember's representative in writing, citing the specific reasons the Mortgage does not qualify for the interest rate cap and offer to consider other forms of assistance.

If further guidance is required, the Servicer may contact its investor reporting specialist **(see Directory 3)**.

(d) Status updates, reinstatements

While the interest rate cap is in effect, the Servicer must periodically, but no less than every three months, verify that the Servicemember is still in a Period of Military Service or that no changes have been made to the duration/term of the Period of Military Service that may affect the Servicemember's eligibility to receive relief. If the Servicemember informs the Servicer, or if the Servicer learns by other means, that the Servicemember's Period of Military Service has ended, the Servicer must send a written notice to the Servicemember at least 30 days before the reinstatement of the contractual interest rate indicating that the

interest rate cap has been terminated and the monthly Mortgage payment has been reinstated to its contractual rate of interest. The written notice of reinstatement of the Mortgage should advise the Servicemember of the following:

- The amount of the monthly Mortgage payment when reinstated to its contractual rate of interest, specifying such interest rate
- The date the reinstated monthly payment amount is first due
- That he or she must furnish a copy of military orders showing any extension of the Period of Military Service beyond the originally scheduled release date, if applicable
- That he or she must furnish a copy of DD Form 214 to document his or her release from a Period of Military Service

The Servicer must follow the pertinent instructions in the chart below:

If:	Then the Servicer Must:
The military orders submitted with the interest rate cap request state the end date of the Period of Military Service	■ 30 days prior to the release date, query the Defense Manpower Data Center web site (**https://www.dmdc.osd.mil/appj/dwp/index.jsp**) to determine if there has been a change to the duration/term of the Period of Military Service ■ If the duration/term of the Period of Military Service has not changed, send the Servicemember or his or her representative a written notice that the Servicer will reinstate the monthly Mortgage payment to its contractual rate of interest, including the effective date of the payment change (which is the second monthly payment due following the date that is one year after the Servicemember's release date), 30 days before the end of the period for which the interest rate is capped at 6%

If:	Then the Servicer Must:
The Period of Military Service has been extended based on notice from the Servicemember, his or her representative, or a certificate obtained from the Defense Manpower Data Center	Within 10 Business Days of learning of the extension, notify the Servicer's investor reporting specialist via CSV file (see Exhibit 71) that the end date of the Servicemember's Period of Military Service has changed. Retain a copy of the of military orders evidencing the Servicemember's military status and Period of Military Service and all other related documentation in the Mortgage file and make it available to Freddie Mac upon request.

If:	Then the Servicer Must:
No evidence of extension of the Period of Military Service has been provided by the Servicemember or his or her representative within 30 days of the scheduled release date and a query of the Defense Manpower Data Center web site does not indicate a change to the duration/term of the Period of Military Service	Take the following steps:
	■ Send the Servicemember or his or her representative a written notice that the Servicer will reinstate the monthly Mortgage payment to its contractual rate of interest, including the effective date of the payment change (which is the second monthly payment due following the date that is one year after the Servicemember's release date), and request documentation of the Servicemember's release from Military Service (for example, DD Form 214)
	■ Reinstate the monthly Mortgage payment to its contractual rate of interest beginning with the second monthly payment due following the date that is one year after the Servicemember's release date
	If, as a result of the Servicer's notification, the Servicemember notifies the Servicer that his or her Period of Military Service has been extended and provides the Servicer with copies of military orders evidencing such extension or a query of the Defense Manpower Data Center web site reveals a change to the duration/term of the Period of Military Service, then the Servicer must notify its investor reporting specialist via CSV file (see Exhibit 71) that the end date of the Servicemember's Period of Military Service has changed within 10 Business Days of receiving the notification from the Servicemember and the Servicer must notify the Servicemember of the new date the Mortgage will reinstate to its contractual interest rate at least 30 days before the reinstatement of the interest rate occurs. Retain a copy of the of military orders evidencing the Servicemember's military status and Period of Military Service and all other related documentation in the Mortgage file and make it available to Freddie Mac upon request.

If:	Then the Servicer Must:
The Servicemember's Period of Military Service has ended and a query of the Defense Manpower Data Center Web site does not indicate a change to the duration/term of the Period of Military Service	Take the following steps:
	■ Reinstate the monthly Mortgage payment to its contractual rate of interest beginning with the second monthly payment due following the date that is one year after the Period of Military Service ended
	■ Send the Servicemember or his or her representative written notice of the date the Mortgage will reinstate to its contractual interest rate at least 30 days before the reinstatement of the interest rate occurs
	■ Remove the Mortgage from the Servicer's monthly (or quarterly) Interest Rate Differential text file (see Exhibit 72, Text File Format to Request SCRA Interest Rate Differential) the second month following the date that is one year after the Period of Military Service ended

(e) Foreclosure relief

The Servicer must not foreclose or initiate foreclosure proceedings against a Borrower who is a Servicemember except in accordance with the SCRA and State Military Relief Laws. See Sections 8503.2 and 8503.3 for Freddie Mac-specific foreclosure relief in addition to that provided by the SCRA or State Military Relief Laws.

When foreclosure is allowed to proceed and if a mortgage insurance claim is eventually filed, the Servicer must notify the MI that the Mortgage was subject to SCRA or State Military Relief Laws so that:

- Interest for SCRA-capped payments due, but unpaid by the Servicemember, is claimable at the Note rate, not at the SCRA-capped rate

- Claimable interest will not be curtailed by the MI for a delay that was caused solely by the Servicer's compliance with applicable law

For further guidance on relief or remedies (other than interest rate cap under the SCRA) involving Servicemembers who are serving or have served a Period of Military Service, the Servicer must consult with their legal counsel or contact Freddie Mac **(see Directory 5)**.

(f) Late charges

The Servicer must waive all late charges or penalties resulting from Mortgage payments deferred, restructured or rate-capped under the SCRA or if required by State Military Relief Laws.

(g) Credit reporting

The Servicer must report a Servicemember who is receiving the protection of the SCRA or State Military Relief Laws as "paying as agreed" to the credit repositories.

The Servicer must fully comply with the SCRA and State Military Relief Laws as they relate to credit reports kept on Servicemembers who exercise their statutory rights to military relief.

(h) Documentation

The Servicer must maintain records of all communications with, and copies of all correspondence and documentation to or from, Servicemembers seeking Mortgage relief for hardship caused by Military Service in the Mortgage file.

(i) Transfers of Servicing

When a Transfer of Servicing includes Mortgages that have any type of military relief, including Mortgages with interest rates capped under the SCRA or with suspended foreclosures, the Transferor must identify each such Mortgage to the Transferee before transferring the Mortgage files to the Transferee. See Chapter 7101 for more information on Transfers of Servicing.

(j) Monthly reporting to Freddie Mac

Default action code 32 – "Military Indulgence": Servicers should use only default action code 32 to report default processes that are delayed due to the Borrower being in a Period of Military Service and covered under the SCRA or foreclosure relief provided to Servicemembers and their Dependents in accordance with Section 8503.2. When utilizing default action code 32, Servicers must provide the date default processes were suspended and continue to report each month that the Servicemember is receiving foreclosure protection under the SCRA or Section 8503.2.

Default reason code 14 – "Military Service": When reporting mortgage relief, loan modifications, or liquidation options extended to Servicemembers, Servicers must report the default action code associated with the specific relief, modification, or liquidation option. Servicers must also report the default reason code 14 to indicate the hardship was caused by military service.

For additional information about EDR, refer to Section 9102.7.

8503.5: Calculation of new monthly payment for SCRA-capped Mortgages (05/01/19)

If the interest rate on a Mortgage is capped in accordance with Section 8503.4, the Servicer may choose between the following two methods for calculating the new monthly payment amount:

- Reamortization of the Mortgage based on the interest rate of 6%, or
- Implementation of the 6% rate using the original amortization schedule

(a) Revised interest rate, reamortized Mortgage

This method applies in calculating the principal and interest (P&I) payment amount both at:

- The interest rate of 6%
- The reinstated contractual rate of interest

The Servicer must use the following formula:

$$P\&I = \frac{a \times (b/12)}{1 - (1 + b/12)^{-c}}$$

a = Mortgage UPB

1. For 6% rate: scheduled UPB after application of the last payment made before the Due Date of the first payment at 6%
2. For reinstatement to contractual rate: scheduled UPB after application of the last payment made before the Due Date of the second payment due one year after the Servicemember's Period of Military Service ends

b = interest rate

1. Rate applicable to the rate cap period: 6%
2. Rate applicable when reinstated to contractual rate: for fixed-rate Mortgages, use the original Note rate; for ARMs, use the current applicable index plus margin

c = actual number of remaining payments, using a calculated term to maturity

(b) 6% rate cap, original amortization schedule

Under this method, the Servicer must calculate the Borrower's monthly P&I at 6% as follows:

d + e = monthly P&I

d = scheduled principal as calculated per amortization schedule in effect before rate cap

e = accrued interest = current cycle Ending UPB x (.06/12)

Upon reinstatement to the contractual rate of interest, the P&I amount will correspond to the amortization schedule in effect before the rate cap.

8503.6: Application of payments on SCRA-capped Mortgages (03/02/16)

Monthly payments made by Servicemembers on SCRA-capped Mortgages must be applied in accordance with Section 8103.4.

8503.7: Accounting reports for SCRA-capped Mortgages (06/12/19)

The Servicer must report each SCRA-capped Mortgage in accordance with Section 8303.28. Net yield interest due must be calculated based on the current Accounting Net Yield rate. The Servicer will receive credit for the interest rate differential, which is defined as follows:

- Interest rate differential = Accounting Net Yield less adjusted interest rate
- Adjusted interest rate or Mortgage with Note Rate higher than net yield = 6% less Servicing fee paid to the Servicer

Each month the Servicer must:

- Continue to report the contractual principal and interest payment in the monthly loan-level transaction for each Mortgage subject to the SCRA interest rate reduction
- Deposit the full contractual monthly payment of each Mortgage subject to the SCRA interest rate reduction into the Servicer's Freddie Mac Custodial Account
- Calculate the interest rate differential reimbursement due to the Servicer for the interest rate differential on each SCRA-capped Mortgage

To effectively manage Mortgages that are eligible for the SCRA interest rate cap, Servicers should take the following steps:

- Notify Freddie Mac via CSV file (see Exhibit 71, CSV File Format to Report Loans Eligible for the SCRA Interest Rate Subsidy) of each new Mortgage that becomes eligible for the SCRA interest rate cap

- Request reimbursement of the interest rate differential on a monthly (or quarterly) basis via text file. (See Exhibit 72, Text File Format to Request SCRA Interest Rate Differential.)

- Remove the loan from the text file (see Exhibit 72) and revert the Mortgage to the normal contractual interest rate 12 months after the end date of the Servicemember's Period of Military Service

Adjustments to each SCRA-capped Mortgage for the previous month must be reported via text file (see Exhibit 72) to Freddie Mac **(see Directory 3)** monthly, or if the Servicer chooses on a quarterly basis, not later than the third Business Day before the end of the month.

Freddie Mac will enter the total credit in the "Adjustment Line" of the Monthly Account Statement (MAS) and will apply the credit against the amount Freddie Mac drafts for that Accounting Cycle and make the appropriate adjustment to the Principal and Interest Custodial Account.

If, prior to the end of the month, an SCRA-capped Mortgage pays off or is involved in a Transfer of Servicing, or if the Servicemember's Period of Military Service ends, the Servicer must complete a separate text file (see Exhibit 72) for the affected Mortgage and submit it to Freddie Mac **(see Directory 3)** within five Business Days.

If the Servicer disagrees with the interest credit Freddie Mac gives the Servicer, the Servicer must notify Freddie Mac **(see Directory 3)** in writing within 30 days of the date of the MAS. The notification must state:

1. The Seller/Servicer number

2. The applicable Freddie Mac loan number(s)

3. A brief description of the problem

4. The unpaid balance for any disputed credit

5. Military orders* supporting the relief period requested

*References to "military orders" in the Guide include the alternative documentation outlined in Section 8503.2 that Servicers may accept in lieu of official military orders.

The Internal Revenue Service (IRS) Form 1098, Mortgage Interest Statement, that the Servicer files in accordance with Section 8106.2 should reflect the reduced interest amount paid by the Borrower during the rate cap period.

8503.8: Rate changes on SCRA-capped ARMs (03/02/16)

Freddie Mac notifies the Servicer of Accounting Net Yield changes on ARMs in accordance with Section 8502.2. When monthly net yield interest is reported on the Loan-Level Transaction for an SCRA-capped adjustable Mortgage, the Servicer must calculate the interest based on the new net yield shown in Freddie Mac's Notification of ARMs Group Net Yield Adjustment.

Freddie Mac will calculate the interest credit due to the Servicer in accordance with Section 8503.7.

8503.9: Servicing compensation for SCRA-capped Mortgages (06/12/19)

The Servicer's compensation for Servicing an SCRA-capped Mortgage will be based on a Servicing Spread that remains at the rate in effect before the first month to which the rate cap applies.

8503.10: Retroactive rate cap for SCRA-capped Mortgages (03/02/16)

Retroactive application of the SCRA rate cap under Section 8503.4 must be processed as follows:

(a) Reimbursement to the Servicemember

The Servicer must calculate the difference between the amount of interest paid by the Servicemember at the contractual rate of interest and the amount of interest due at 6%, for the applicable benefit period. At the Servicemember's option, the resulting amount may be credited to the UPB of the Mortgage or to reduce monthly Escrow installments, or refunded to the Servicemember.

(b) Reimbursement to the Servicer

The Servicer must calculate the credit that results from the retroactive interest rate differential and notify Freddie Mac **(see Directory 3)** of the amount of the credit the Servicer

is claiming (see Section 8503.7). Freddie Mac will validate the credit amount the Servicer requests and enters it on the "Adjustment Line" of the Servicer's Monthly Account Statement (MAS).

Chapter 8504: Special Outreach Requirements for Servicing Mortgages with Deferred Balances

8504.1: Outreach requirements for Mortgages with low interest-bearing UPB and a Deferred Balance that are approaching the Mortgage maturity date or payoff of the interest-bearing UPB (10/01/23)

For Mortgages with an outstanding non-interest bearing UPB (or deferred balance) that is due at the time of maturity or payoff of the interest-bearing UPB, Servicers must complete additional outreach in accordance with the requirements below.

Servicers are reminded that for delinquent Borrowers, the Servicer must continue to follow all existing Guide requirements, including collection efforts in order to achieve quality right party contact, and the loss mitigation evaluation hierarchy unless they conflict with the requirements below.

(a) Outreach Requirements

As early as 180 days but no later than 150 days before the Mortgage maturity date or the projected payoff date of the interest-bearing UPB (the "projected payoff date"), the Servicer must take the following actions:

- Provide written notice to the Borrower informing the Borrower that the non-interest bearing UPB will become due and provide the projected payoff date or pending Mortgage maturity date, as applicable and the amount of the non-interest bearing UPB

- Upon establishing contact with the Borrower, discuss with the Borrower that the non-interest bearing UPB will become due on the projected payoff date or pending Mortgage maturity date and determine, based on communication with the Borrower, whether the Borrower is able to pay the non-interest bearing UPB on the maturity date or projected payoff date

- Send an exception review request to Freddie Mac, if the Servicer determines that the Borrower is unable to pay the amount due

As early as 75 days and no later than 60 days before the Mortgage maturity date or the projected payoff date, the Servicer must take the following actions:

- If the Servicer has not established contact with the Borrower, send an additional notice to the Borrower informing the Borrower that the non-interest bearing UPB will become due and provide the projected payoff date or pending Mortgage maturity date, as applicable, and the amount of the non-interest bearing UPB

- Upon establishing contact with the Borrower, discuss with the Borrower that the non-interest bearing UPB will become due on the projected payoff date or pending Mortgage maturity date and determine, based on communication with the Borrower, whether the Borrower is able to pay the non-interest bearing UPB on the maturity date or projected payoff date

- Send an exception review request to Freddie Mac, if the Servicer determines that the Borrower is unable to pay the amount due

After the initial solicitation but no earlier than 180 days before the maturity date or the projected payoff date, the Servicer may send additional notices at its discretion leading up to the maturity date or projected payoff date.

(b) Written notification requirement

When sending the required written notification set forth above in Section 8504.1(a) to Borrowers regarding the non-interest bearing UPB that is due, the Servicer must refer to Exhibit 1104, Borrower Notification – Non-Interest Bearing Balance. Use of this exhibit is optional; however, it contains the minimum information that must be conveyed to the Borrower.

Chapter 8601: Servicing Requirements for Senior Subordinate Mortgages

8601.1: Servicing Senior Subordinate Mortgages (07/13/16)

The brown font text used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

Servicers of Senior Subordinate Mortgages must comply with all Servicing requirements of the Guide, including the additional Servicing requirements specified in this chapter that are applicable only to Senior Subordinate Mortgages. Freddie Mac will provide prior written notice to the Servicer of the date on which a Freddie Mac-Owned Mortgage becomes a Senior Subordinate Mortgage subject to the requirements set forth in this chapter. In any Guide section that requires a Servicer to act in Freddie Mac's best interests, Servicers of a Senior Subordinate Mortgage must continue to do so on behalf of Freddie Mac in its capacity as trustee and/or master servicer of a Senior Subordinate Trust. Except as set forth in Section 8601.12, unless a Servicer receives notification from Freddie Mac that it services a Senior Subordinate Mortgage, the Servicer must not apply any of the requirements set forth in this chapter, but rather, should continue Servicing in accordance with all other Servicing requirements of the Guide and applicable Purchase Documents. If any Servicing requirement in this Chapter 8601 is inconsistent with a Servicing requirement set forth elsewhere in the Guide, the Servicer must comply with the Servicing requirement set forth in this Chapter 8601 with respect to any Senior Subordinate Mortgage or Senior Subordinate Trust.

8601.2: Key terms and definitions used in this chapter (03/02/16)

The brown font text used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

A Servicer that receives a notice that it services a Senior Subordinate Mortgage should be familiar with the following terms.

Senior Subordinate Mortgage – A Senior Subordinate Mortgage is a Mortgage previously owned by Freddie Mac that Freddie Mac has transferred to a Senior Subordinate Trust.

Senior Subordinate Trust – A securitization trust formed by Freddie Mac into which Freddie Mac transfers ownership of certain Freddie Mac-Owned Mortgages, which become Senior

Subordinate Mortgages upon transfer; Freddie Mac may serve as trustee, master servicer, master custodian and, with respect to certain securities issued by the Trust, guarantor of payments owed on those securities.

Freddie Mac-Owned Mortgage – Any Mortgage purchased by Freddie Mac that is owned by Freddie Mac, in whole or in part, and which currently is not owned by a securitization trust or deposited into a pool backing participation certificates.

Freddie Mac Guaranteed Mortgage – Any Mortgage purchased by Freddie Mac that is then deposited into or transferred to a securitization trust for which Freddie Mac is a guarantor of some or all of the payments owed to holders of the securities issued by that trust.

8601.3: Chapter contents (08/01/18)

The brown font text used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

This chapter sets forth requirements specific to Senior Subordinate Mortgages.

Topic	Section(s)
Freddie Mac's rights and Servicer rights, duties and obligations	8601.4
Limited power of attorney	8601.5
Requesting limited power of attorney	8601.6
Servicer use of Servicing Tools	8601.7
Borrower inquiries	8601.8
IRS Form 1099-A, Acquisition or Abandonment of Secured Property	8601.9
IRS Form 1099-C, Cancellation of Debt	8601.10
IRS Form 1099-MISC, Miscellaneous Income	8601.11
Concurrent and Subsequent Transfers of Servicing	8601.12
Declination of the application	8601.13
Modifying Exhibit 93 model letters for Senior Subordinate Mortgages	8601.14
Foreclosure – general requirements	8601.15
Referral to foreclosure documentation requirements	8601.16

Foreclosing in the Servicer's name	8601.17
Expedited foreclosures	8601.18
Deficiency rights	8601.19
Preserving the Mortgaged Premises	8601.20
Expenses that may become First Liens on the Mortgaged Premises	8601.21
Delivery of clear and marketable title	8601.22
Vesting the title and avoiding transfer taxes	8601.23
Non-routine default-related legal matters	8601.24
Counsel retained by Servicers pursuant to Servicer's duty to indemnify Freddie Mac	8601.25
Servicing Mortgages on distressed properties and properties that pose a Risk of Property Ownership	8601.26
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Retention of firm	8601.28
Referral of Freddie Mac Default Legal Matters to firm	8601.29
REO - General Requirements	8601.30
REO - Documentation and reporting requirements	8601.31
REO - Notifying the taxing authority/homeowners association (HOA)	8601.32

8601.4: Freddie Mac's rights and Servicer rights, duties and obligations (08/17/16)

The brown font text used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

Freddie Mac retains all rights and remedies set forth in the Guide, including, but not limited to, Section 8101.9, except as modified below with respect to the rights set forth in Sections 9204.3, 7101.2(d), 9301.37 and 9301.38.

Unless otherwise specified in this chapter, a Servicer of a Senior Subordinate Mortgage shall continue to have the same rights, duties and obligations with respect to Freddie Mac as it does as a Servicer of any other Freddie Mac-Owned or Guaranteed Mortgage. Consistent with Section 8101.10, the Servicer shall remain an independent contractor of Freddie Mac. The Servicer may

enter into a contract with a Senior Subordinate Trust provided it first obtains written approval from Freddie Mac. Except as specified in a contract between the Servicer and Senior Subordinate Trust, a Servicer of Senior Subordinate Mortgages will not owe any duties or obligations to a Senior Subordinate Trust nor will it have any rights against the Senior Subordinate Trust.

Freddie Mac's rights

Consistent with Section 9204.3, Freddie Mac's approval or settlement of a workout does not limit its right to review the Mortgage file and invoke its remedies under the Guide. If Freddie Mac determines as a result of its review of the Mortgage file or otherwise discovers any failure by a Servicer to comply with Servicing requirements of the Guide or any other Purchase Documents, Freddie Mac has the right to require the Servicer to:

1. Compensate Freddie Mac and hold it harmless for any loss, damage or expense (including court costs, attorney fees and incentive payments) incurred by Freddie Mac, and/or

2. Repurchase a Mortgage that Freddie Mac repurchased from a Senior Subordinate Trust at any time under any of the circumstances outlined in Section 3602.3

Unauthorized Transfer of Servicing

With respect to the rights set forth in Section 7101.2(d) regarding a Servicer's transfer of its Servicing portfolio (in whole or in part) without Freddie Mac's prior written approval will result in the assessment of a compensatory fee as determined by Freddie Mac not to exceed 1% of the Senior Subordinate Trust's share of the UPB of the Mortgages that are being transferred.

8601.5: Limited power of attorney (03/02/16)

The brown font text used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

Each Senior Subordinate Trust appoints Freddie Mac as attorney-in-fact to act on behalf of each Senior Subordinate Trust for purposes of signing all documents necessary to service the Senior Subordinate Mortgage, pursue foreclosure, release the lien, endorse the Note and execute other instruments and documents in connection with the Senior Subordinate Mortgage, take title to the Mortgaged Premises as a result of a deed-in-lieu of foreclosure or foreclosure sale, sell the Senior Subordinate Trust's REO and take all other necessary actions in connection with the Servicing of a Senior Subordinate Mortgage and for the preservation, maintenance and disposition of REO owned by the Senior Subordinate Trust. Further, each Senior Subordinate Trust authorizes Freddie Mac to further delegate to Servicers Freddie Mac's authority to act as attorney-in-fact on behalf of each Senior Subordinate Trust for the purposes stated above and, in furtherance of such authority, Freddie Mac has provided the Servicer with a limited power of attorney to act as attorney-in-fact on behalf of each Senior Subordinate Trust.

Before exercising the authority delegated by Freddie Mac under the limited power of attorney, the Servicer must determine, in consultation with its retained counsel, whether the Servicer may, under applicable law, rely on the limited power of attorney before pursuing foreclosure on behalf of the Senior Subordinate Trust or otherwise exercising the authority set forth in the limited power of attorney in connection with the Servicer's Servicing of a Senior Subordinate Mortgage and/or taking action in connection with the preservation, management or disposition of the REO. If the Servicer determines that it is unable to rely on the limited power of attorney in connection with its intended exercise of any of the authority granted under the limited power of attorney in connection with its obligations under the Guide, then the Servicer must notify Freddie Mac **(see Directory 5)** and await further instructions.

8601.6: Requesting a limited power of attorney (03/02/16)

The brown font text used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

A Servicer that has determined they are in need of one or more limited powers of attorney in order to properly service one or more Senior Subordinate Mortgages must submit a request to Freddie Mac (see **Directory 5**) that includes the following:

1. The name of the applicable Senior Subordinate Trust, including the associated Series number
2. The legal name of the Servicer
3. A statement, in the subject line of the request, that specifies the request is for a limited power of attorney on behalf of a Senior Subordinate Trust
4. The number of limited powers of attorney requested
5. A shipping label, included as an attachment, listing the name, mailing address, and phone number of the Servicer employee that will receive the limited powers of attorney

8601.7: Servicer use of Servicing Tools (06/29/16)

The brown font text used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

Any license, user agreement, term of use or similar document or requirement set forth in the Guide or other Purchase Document applicable to a Servicer's electronic communications with Freddie Mac or the Servicer's use of any Servicing Tools in connection with the Servicing of

Mortgages under the Guide shall govern, and the same terms, conditions, and obligations and requirements shall apply to, a Servicer's electronic communications or use of any Servicing Tools in connection with the Servicing of any Senior Subordinate Mortgage or REO owned by a Senior Subordinate Trust.

If the license, user agreement, terms of use, or similar document in the Purchase Document does not expressly permit the Servicer to use such Servicing Tools in connection with the Servicing of any Senior Subordinate Mortgage or REO owned by a Senior Subordinate Trust, such use is hereby deemed permitted, but subject to and conditioned on all other terms, conditions, obligations and limitations applicable to the Servicer's use of the such Servicing Tools contained in the applicable license, user agreement, terms of use or similar document in the Guide or applicable Purchase Document (including, but not limited to, all "as is" language, all liability limitations, and any restrictions governing use by third parties).

8601.8: Borrower inquiries (03/02/16)

The brown font text used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

This section has been adapted from Section 8101.5 to reflect special Servicing requirements for Senior Subordinate Mortgages.

The Servicer must respond promptly to any Borrower inquiries about the ownership or assignee of a Senior Subordinate Mortgage. When responding to such inquiries the Servicer may, after verifying the Borrower's identity, inform the Borrower that:

- The Mortgage is owned by the Senior Subordinate Trust designated in the Freddie Mac notice informing the Servicer that the Mortgage became a Senior Subordinate Mortgage
- Freddie Mac is master servicer and trustee to the Senior Subordinate Trust; and
- The Servicer services the Mortgage in accordance with Freddie Mac's Servicing requirements, as required by the Senior Subordinate Trust

If the Servicer is unable, for instance, in a telephone conversation, to verify that it is the Borrower who is requesting the information, the Borrower must request the information in writing. If requested, in addition to the information in the preceding bullets, the Servicer must also provide the Borrower with Freddie Mac's address, telephone number and the Freddie Mac loan number associated with the Borrower's Mortgage.

The address and telephone number that the Servicer must provide to the Borrower are:

[Insert legal name of Senior Subordinate Trust]
c/o FREDDIE MAC, Trustee

8200 JONES BRANCH DRIVE
MCLEAN, VA 22102
(800) FREDDIE

If the Servicer provides the Borrower with the requested information by telephone, the Servicer must provide the same information to the Borrower in writing.

See Sections 7101.11 through 7101.13 and 8101.8 for additional Servicing obligations related to Borrower inquiries.

8601.9: IRS Form 1099-A, Acquisition or Abandonment of Secured Property (11/30/16)

The brown font text used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

This section has been adapted from Section 8106.3 to reflect special Servicing requirements for Senior Subordinate Mortgages.

The Servicer must provide Internal Revenue Service (IRS) Form 1099-A, Acquisition or Abandonment of Secured Property, to the IRS and the Borrower as required under Section 6050J of the Internal Revenue Code. This reporting must be done whenever a Senior Subordinate Trust or a third party acquires an interest in a property in full or partial satisfaction of the Senior Subordinate Trust'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 these reports, the following definitions apply:

- The Senior Subordinate Trust acquires an interest in Mortgaged Premises either:
  - On the date of the foreclosure sale or the date the Borrower's right of redemption, if any, expires, whichever occurs later, and the Senior Subordinate Trust or the Servicer on the Senior Subordinate Trust's behalf is the winning bidder for the Mortgaged Premises, or
  - 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 Mortgaged Premises 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:

- Acquisition by the Senior Subordinate Trust (the Senior Subordinate Trust acquires the Mortgaged Premises at a foreclosure sale or by deed-in-lieu of foreclosure)
- Third-party sale (a third-party acquires the Mortgaged Premises at a foreclosure sale)
- HUD, RHS or VA acquisition (the Mortgaged Premises were acquired by HUD, RHS or the VA)
- Abandonment (the Mortgaged Premises have 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. The Servicer must also furnish the Borrower with an information statement on or before January 31 of that year. The requirement for furnishing such statement to the Borrower can be satisfied by sending a completed IRS Form 1099-A to the Borrower's last known address. The form must name the Senior Subordinate Trust that owns the Mortgage and identify it as the owner of the Mortgage, name Freddie Mac trustee to that Senior Subordinate Trust, list Freddie Mac's address and include a statement that the information is being reported to the IRS. On the form, the "account number" should include the nine-digit Freddie Mac loan number, followed by one space and the six-digit Servicer number.

See Section 8601.13 in the event that both IRS Form 1099-A and IRS Form 1099-C, Cancellation of Debt, may be filed as the result of a cancelation of debt in connection with a foreclosure or similar action in the same year for the same Borrower.

Instructions for completing IRS Form 1099-A are set forth in Form 1065A, Report of IRS Form 1099-A and Form 1099-C Filing for a Senior Subordinate Trust. Servicers must comply with the IRS's and the various States' requirements, as amended from time to time, for filing IRS Form 1099-A. Servicers should consult with either their tax advisors or the IRS concerning questions on such requirements.

The Servicer must file all IRS Forms 1099-A with the IRS electronically.

(a) Electronic reporting

Servicers must file their reports with the IRS no later than March 31 of the year following the calendar year in which the reportable event occurred. Even though a Servicer reports to the IRS electronically, the Servicer must provide a copy of the IRS Form 1099-A to the Borrower (copy B) and to those States that require it (copy C). Copy B must be furnished to the Borrower on or before January 31 of the year following the reportable event.

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 web site at **www.irs.gov** or by calling the IRS at 1-800-TAX-FORM (1-800-829-3676).

When filing electronically, the Servicer must:

- Insert appropriate header information on the electronic report it files with the IRS in accordance with the following record description:

Field Name	Data Description
"A" Record	
Payer's TIN	[Insert Senior Subordinate Trust's TIN as provided in the written notice from Freddie Mac]
First payer name line	[Insert name of Senior Subordinate Trust as provided in the written notice from Freddie Mac]
Payer shipping address	c/o Freddie Mac, Trustee for [insert name of Senior Subordinate Trust]
Payer shipping address	8200 Jones Branch Drive
Payer city, State and Zip Code™	McLean, VA 22102-3100
"B" Record	
Payer's account number	The nine-digit Freddie Mac loan number and the six-digit Seller/Servicer number, separating these two numbers by one space

- Notify Freddie Mac that the Servicer reported to the IRS electronically:
  - When the report is sent to the IRS, the Servicer must submit Form 1065A to Freddie Mac **(see Directory 3)**
  - A Servicer should not send Freddie Mac copies of the report that it filed with the IRS

(b) Correcting or voiding previously submitted IRS Forms 1099-A

To correct or void a previously submitted IRS Form 1099-A, 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. When corrections or voids are submitted to the IRS, a copy of Form 1065A must be submitted to Freddie Mac **(see Directory 3)**. Form 1065A should indicate the number of corrected or voided IRS Forms 1099-A submitted to the IRS.

(c) Filing accuracy and documentation

Servicers are responsible for completing the IRS Form 1099-A and for providing the information to the IRS and to the Borrower in a timely and accurate manner. 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 6050J of 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.

If the IRS penalizes Freddie Mac or any Senior Subordinate Trust or assesses any fee for failure to produce such information or because a Servicer failed to file a return or statement or filed an untimely, incorrect or incomplete return or statement, the Servicer will be required to reimburse Freddie Mac for all costs incurred by Freddie Mac or any Senior Subordinate Trust as a result of such penalty or assessment and an amount representing Freddie Mac's or any Senior Subordinate Trust's total tax liability resulting from such reimbursement. Such reimbursement will not be required if the Servicer can show that it met the filing requirements.

8601.10: IRS Form 1099-C, Cancellation of Debt (12/13/17)

The brown font text used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

This section has been adapted from Section 8106.4 to reflect special Servicing requirements for Senior Subordinate Mortgages.

The Servicer must report cancelations of Borrowers' mortgage debt on Internal Revenue Service (IRS) Form 1099-C, Cancellation of Debt, as required under Section 6050P of the Internal Revenue Code for all cancelations of mortgage debt of $600 or more occurring on or after January 1, 2005, with respect to any Senior Subordinate Mortgage. IRS Form 1099-C must be filed regardless of whether the Borrower must report the cancelation of debt as income.

Form 1065A, Report of IRS Form 1099-A and Form 1099-C Filing for a Senior Subordinate Trust, includes instructions for completing IRS Form 1099-C.

(a) Coordination with IRS Form 1099-A, Acquisition or Abandonment of Secured Property

If, in the same calendar year, the Servicer cancels a debt in connection with a foreclosure or abandonment of the Mortgaged Premises, it is not necessary to file both IRS Form 1099-A, Acquisition or Abandonment of Secured Property (see Section 8601.9), and IRS Form 1099-C for the same Borrower. The Servicer will meet the filing requirement for IRS Form 1099-A by completing boxes 4, 5 and 7 on IRS Form 1099-C. However, the Servicer may complete both IRS Forms 1099-A and 1099-C separately; in that case do not complete boxes 4, 5 and 7 on IRS Form 1099-C. (See Form 1065A for filing instructions for IRS Forms 1099-A and 1099-C.)

(b) Requesting taxpayer identification numbers (TINs)

A Servicer must make a reasonable effort to obtain the correct name and TIN of the Borrower whose debt was cancelled. If the Servicer does not obtain the TIN before the debt is cancelled, it must request the Borrower's TIN. Such request must clearly notify the Borrower that the IRS requires the Borrower to furnish the TIN and that failure to furnish such TIN subjects the Borrower to a $50 penalty imposed by the IRS. Use IRS Form W-9, Request for Taxpayer Identification Number and Certification, to request the TIN. However, a Borrower is not required to certify the TIN under penalties of perjury.

(c) Exceptions

The Servicer is not required to report the following on IRS Form 1099-C:

(i) Certain bankruptcies

Debt cancelled in bankruptcy is not reported unless the debt was incurred for business or investment purposes. Senior Subordinate Mortgages may be incurred either for personal purposes or for business or investment purposes. Thus, Servicers should only file IRS Form 1099-C for discharges of debt in bankruptcy if they are aware that the Borrower is holding the property for investment and not as a Primary Residence or second home, such as in the case of an Investment Property Mortgage, determined at origination. In that case, report debt cancelled for the later of:

- The year in which the amount of cancelled debt first can be determined, or
- The year in which the debt is cancelled in bankruptcy

(ii) Interest

Servicers do not need to include interest as part of the cancelled debt in box 2. However, if interest is reported as part of the cancelled debt in box 2, show the interest separately in box 3.

(iii) Nonprincipal amounts

Nonprincipal amounts include penalties, fines, fees and administrative costs. These do not need to be reported.

(iv) Release of a Borrower

IRS Form 1099-C does not need to be filed if one of the Borrowers on a Senior Subordinate Mortgage is released as long as the remaining Borrowers remain liable for the full amount of the unpaid Mortgage.

(v) Guarantor or surety

IRS Form 1099-C does not need to be filed for a guarantor or surety. A guarantor is not a debtor for purposes of IRS Form 1099-C, even if demand for payment is made to the guarantor.

(vi) Multiple Borrowers

For Senior Subordinate Mortgages originated after 1994 that involve Borrowers who are jointly and severally liable for the Mortgage, report the entire amount of the cancelled debt on each Borrower's IRS 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 it can be shown that joint and several liability does not exist, an IRS Form 1099-C is required for each Borrower for whom the Servicer cancelled a debt of $600 or more.

- For Senior Subordinate Mortgages originated before 1995, the Servicer must file IRS 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 it has no information that these circumstances have changed, the Servicer may file only one IRS Form 1099-C
- See the instructions to Form 1065A for the application of these rules to entity borrowers (e.g., estates or trusts)

(d) Definitions

For purposes of these reports, the following definitions 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 cancelled on the date an identifiable event occurs. An identifiable event is:

    1. A discharge in bankruptcy under Title 11 of the U.S. Code (but see exceptions in Subsection 8601.10(c), above)

    2. A cancelation or extinguishment making the debt unenforceable in a receivership, foreclosure or similar proceeding

    3. A cancelation 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 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 judgment or decision of a court and the appeal period has expired.

    4. A cancelation or extinguishment when deficiency rights were not preserved during the foreclosure process

    5. A cancelation or extinguishment when Freddie Mac (or its vendor per Section 9601.1) makes the determination not to pursue a deficiency action post-foreclosure and notifies the Servicer of such determination

    6. A cancelation or extinguishment when a creditor 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 cancelation or extinguishment due to a probate or similar proceeding

    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). 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 cancelled 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 an IRS 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, we will notify the Servicer in the report described below and the Servicer must then file the IRS Form 1099-C.

Servicers must review the *1099-C Loan Detail* report, accessible via the "Default Reporting" tile of the Servicer's Servicer Performance Profile (SPP) (see Exhibit 88, Servicing Tools), by the end of January annually, and ensure that an IRS Form 1099-C is filed with the IRS as required in Subsection 8601.10(e) and is provided to the Borrower as required in Subsection 8601.10(f) for all Senior Subordinate Mortgages in which the debt has been discharged in the prior year. This report will list all Freddie Mac-Owned or Guaranteed Mortgages whereby Freddie Mac has determined not to pursue collection of the deficiency on behalf of the Senior Subordinate Trust in the prior year.

To help facilitate this annual review, from February 1 to December 31 each year, Servicers can monitor the *1099-C Loan Detail* report in the SPP, which also provides a tentative aggregate list of Mortgages for which Freddie Mac has decided to not pursue collection of the deficiency on behalf of the Senior Subordinate Trust for the current year.

Servicers may use this current year's list to prepare for the required annual review and any eventual IRS Form 1099-C filings; however, as the status of the Mortgage and/or the cancelation of debt may subsequently change, any Servicer that chooses to use this current year's list in such a manner must, as part of the required annual review, reconcile the final report against any IRS Form 1099-C filings already prepared.

(e) Reporting IRS Form 1099-C to IRS

The Servicer must file IRS Forms 1099-C on the Senior Subordinate Trust's behalf. The Servicer must file all IRS Forms 1099-C with the IRS electronically.

IRS Publication 1220, *Specifications for Electronic Filing of Forms 1097, 1098, 1099, 3921, 3922, 5498 and W-2G*, sets forth the IRS requirements for filing electronic reports and corrections. The Servicer can obtain this publication by downloading it from the IRS web site at **http://www.irs.gov/**, or by calling 1-800-TAX-FORM (1-800-829-3676).

When filing electronically through the IRS FIRE System, the Servicer must insert appropriate header information on the report it files with the IRS in accordance with the following record descriptions:

Field Name	Data Description
"A" Record	
Payer's TIN	[Insert Senior Subordinate Trust's TIN as provided in the written notice from Freddie Mac]
First payer name line	[Insert name of Senior Subordinate Trust as provided in the written notice from Freddie Mac]
Payer shipping address	c/o Freddie Mac, Trustee for [insert name of Senior Subordinate Trust]
Payer shipping address	8200 Jones Branch Drive
Payer city, State and Zip Code™	McLean, VA 22102-3100
"B" Record	
Payer's account number	The 9-digit Freddie Mac loan number and the 6-digit Seller/Servicer number, separating these two numbers by one space

Each Servicer must file its reports with the IRS not later than March 31 of the year following the calendar year in which the cancelation of debt occurs.

(f) Reporting to the Borrower

Even though a Servicer reports to the IRS electronically, the Servicer is still responsible for providing a paper copy of the IRS Form 1099-C to the Borrower (copy B) by January 31 of the year following the calendar year in which the cancelation of debt occurred. The Servicer can satisfy the requirement for furnishing such statement to the Borrower by sending a completed IRS Form 1099-C to the Borrower's last known address. The form must identify the Senior Subordinate Trust that owns the Senior Subordinate Mortgage, name Freddie Mac as Trustee to the Senior Subordinate Trust, list Freddie Mac's address and include a statement that the information is being reported to the IRS.

The Servicer is also required to file IRS Form 1099-C with any State that requires this filing in accordance with the State's filing deadlines.

(g) Notification to Freddie Mac of electronic reporting

The Servicer must notify Freddie Mac that the Servicer reported IRS Form 1099-C to the IRS. When the electronic report is sent to the IRS, the Servicer must submit Form 1065A to the attention of **(see Directory 3)**.

(h) Correcting or voiding previously submitted IRS Form 1099-C

To correct or void a previously submitted IRS Form 1099-C, the Servicer must refer to IRS requirements to determine how to report either electronic corrections or voids. To avoid or minimize penalties that may be imposed by the IRS, the Servicer must promptly report corrections or voids to the IRS when an error is discovered. When the Servicer submits corrections or voids to the IRS, the Servicer must also submit a copy of Form 1065A to Freddie Mac **(see Directory 3)**. The Servicer must indicate on Form 1065A the number of corrected or voided IRS Forms 1099-C submitted to the IRS.

(i) Filing accuracy and documentation

Servicers are responsible for completing the IRS Form 1099-C and for providing the information to the IRS and to the Borrower in a timely and accurate manner. 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 6050P of 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 (which will be a minimum of four years).

If the IRS penalizes Freddie Mac or the Senior Subordinate Trust or assesses any fees for failure to produce such information, or because the Servicer failed to file a return or statement, or filed an untimely, incorrect, or incomplete return or statement, the Servicer will be required to reimburse Freddie Mac for all costs incurred by Freddie Mac or any Senior Subordinate Trust as a result of such penalty or assessment and for the amount representing Freddie Mac's or any Senior Subordinate Trust's total tax liability resulting from such reimbursement. Freddie Mac will not require such reimbursement if the Servicer can show that it met the filing requirements.

8601.11: IRS Form 1099-MISC, Miscellaneous Income (03/02/16)

The brown font text used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

This section has been adapted from Section 8106.5 to reflect special Servicing requirements for Senior Subordinate Mortgages.

Servicers should not prepare or file Internal Revenue Service (IRS) Form 1099-MISC, Miscellaneous Income, using either Freddie Mac's or the Senior Subordinate Trust's names or Taxpayer Identification Numbers. The Servicer should consult with its tax advisor to review its reporting obligations with regard to the filing of IRS Form 1099-MISC.

8601.12: Concurrent and Subsequent Transfers of Servicing (11/01/21)

The brown font text used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

In addition to the requirements governing Concurrent Transfers of Servicing and Subsequent Transfers of Servicing set forth elsewhere in the Guide, Servicer must inform Freddie Mac and the Transferee Servicer of any Transfers of Servicing with respect to Mortgages that are being sold or were sold to Freddie Mac under any Senior Subordinate Mortgage Purchase Document by designating on Form 960 or in the Electronic Agreement (as defined in Section 1401.2) for Subsequent Transfer of Servicing of Single-Family Mortgages ("STOS Agreement") in the Freddie Mac Servicing Transfer Manager (see Exhibit 88, Servicing Tools), as applicable, whether the Transfer of Servicing involves such Mortgages. In addition, the Seller/Transferor Servicer must, in the list of Mortgages that the Seller/Transferor Servicer provides to the Transferee Servicer and Freddie Mac, indicate the following status of each such Mortgage:

If a Mortgage has not yet been transferred to a Senior Subordinate Trust:

- The Mortgage is subject to a Senior Subordinate Mortgage Purchase Document; and
- Whether the Mortgage is the subject of a notice from Freddie Mac under Section 8601.1 that designates the date on which the Mortgage will become a Senior Subordinate Mortgage

If a Mortgage has been transferred to a Senior Subordinate Trust:

- The Mortgage is subject to a Senior Subordinate Mortgage Purchase Document
- The name of the Senior Subordinate Trust that holds the Mortgage

With respect to each Mortgage transferred to a Senior Subordinate Trust and subject to a Transfer of Servicing, the Seller/Transferor Servicer must promptly provide the Senior Subordinate Mortgage Purchase Document and any notice issued by Freddie Mac under Section 8601.1 to the Transferee Servicer. The Seller/Transferor Servicer also must inform the

Transferee Servicer as to the status of any post-funding quality control review that is underway for Mortgages that have not yet been transferred to a Senior Subordinate Trust.

The Transferee Servicer must comply with any obligations set forth in the Senior Subordinate Mortgage Purchase Document including, but not limited to, specific requirements pertaining to post-funding quality control reviews and Tri-Party Agreement version requirements (e.g., using a version of Form 1035, Form 1035DC, or Form 1035CS revised on or after February 2015).

For purposes of Bulletin 2015-5, a Transferee Servicer's execution of Form 960 or the STOS Agreement constitutes an agreement by the Transferee Servicer with Freddie Mac to service the transferred Mortgages that the Transferor Servicer designated as those that are or may become Senior Subordinate Mortgages in accordance with the requirements of this Chapter 8601.

8601.13: Declination of the application for assumption (03/02/16)

The brown font text used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

This section has been adapted from Section 8406.8 to reflect special Servicing requirements for Senior Subordinate Mortgages.

If the application for a Mortgage assumption is declined, the Servicer must provide an adverse action notice to all applicable parties, or any other notice or disclosure required under the Equal Credit Opportunity Act, Fair Credit Reporting Act, Truth in Lending Act and any other applicable federal, State or local law. Neither Freddie Mac nor the Senior Subordinate Trust may be identified as a creditor in any notice or disclosure that may be required, as neither Freddie Mac nor the Senior Subordinate Trust is participating in the decision on the application.

8601.14: Modifying Exhibit 93 model letters for Senior Subordinate Mortgages (03/02/16)

The brown font text used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

When denying a Borrower for a loan modification of a Senior Subordinate Mortgage based on the First Complete Borrower Response Package, the Servicer must amend the appropriate Exhibit 93, Evaluation Model Clauses, model clause language pertaining to the Mortgage Servicing Regulatory Notice and Right of Appeal by adding the following sentence after the phrase "**You were not approved for a loan modification Trial Period Plan**"

> ***Your Mortgage is owned by [name of Senior Subordinate Trust], which requires your loan to be serviced in accordance with the servicing requirements of Freddie Mac, the Master Servicer of your Mortgage Loan***

and deleting the phrase **"the owner of your Mortgage loan**" after "**Freddie Mac**" in the sentence that currently reads:

> ***You were evaluated for mortgage payment assistance based on the eligibility requirements of Freddie Mac, the owner of your mortgage loan***

Use of the model clauses in Exhibit 93 is optional, and the Servicer may, instead, choose to use customized equivalent model clauses when meeting this requirement; however, as with Exhibit 93 model clauses, any equivalent model clauses, prior to use by the Servicer, must be modified, where applicable, to identify the appropriate Senior Subordinate Trust as the owner of a Senior Subordinate Mortgage, instead of Freddie Mac, and also identify Freddie Mac as the master servicer of the Senior Subordinate Mortgage, instead of as the owner. Further, these model clauses should inform the Borrower that the Borrower's Senior Subordinate Mortgage is, as obligated by the Senior Subordinate Trust, serviced in accordance with Freddie Mac's Servicing requirements and that any eligibility decisions were made in accordance with those requirements.

8601.15: General requirements for Freddie Mac Default Legal Matters (03/02/16)

The brown font text used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

This section has been adapted from Section 9301.2 to reflect special Servicing requirements for Senior Subordinate Mortgages.

When following the requirements provided in Chapter 9301 while processing Freddie Mac Default Legal Matters, the Servicer must comply with:

1. The terms and conditions of the Mortgage documents, including the Note
2. Applicable federal, State and local laws and customs
3. Requirements of the FHA, VA, RHS or MI, if applicable
4. The Guide and other Purchase Documents

5. The limited power of attorney granted to the Servicer by Freddie Mac on behalf of the Senior Subordinate Trust

8601.16: Referral to foreclosure documentation requirements (05/04/20)

The brown font text used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

This section has been adapted from Section 9301.9 to reflect special Servicing requirements for Senior Subordinate Mortgages.

For a Senior Subordinate Mortgage, appropriate foreclosure documentation includes, but is not limited to, all documents required by the foreclosure counsel to complete the first legal action. The Servicer must continue to comply with applicable law, but at a minimum, must supply the foreclosure counsel with the following:

1. A statement that informs foreclosure counsel that the Senior Subordinate Mortgage is owned by a Senior Subordinate Trust and that also provides counsel with the name of the Senior Subordinate Trust

2. A copy of the limited power of attorney provided to the Servicer by Freddie Mac authorizing the Servicer to pursue foreclosure on behalf of the Senior Subordinate Trust

3. Instructions, given along with the limited power of attorney, requiring foreclosure counsel to inform the Servicer if counsel determines upon referral or at any later time that the limited power of attorney provided to the Servicer by Freddie Mac cannot be relied upon under applicable law*

4. Copies of the Note (or the original Note if required by applicable law) evidencing the indebtedness along with any intervening assignments, endorsements, or any applicable modifying instrument, such as a modification agreement, a conversion agreement or an assumption of indebtedness and release of liability agreement

5. Mortgage or deed of trust

6. Copy of the original title insurance policy. For Cooperative Share Loans recognized as personal property, refer to Section 8801.1(f)(ii) regarding certain Servicer warranties when foreclosing on a Cooperative Share Loan.

7. Copy of the breach, acceleration or demand letter sent to the Borrower

8. Military affidavits

9. Executed Substitution of Trustee, as necessary

10. Payoff statement with per diem interest as of the date of the foreclosure referral

11. Send foreclosure counsel the following information by facsimile transmission or other electronic means:

    - Name, mailing address and telephone number of the Borrower(s)
    - Property address (if different from the Borrower's mailing address)
    - A statement that the Senior Subordinate Mortgage is a Freddie Mac Guaranteed Mortgage and include the nine-digit Freddie Mac loan number
    - Name and address of the person to contact in the Servicer's foreclosure department

*The Servicer must comply with any applicable requirements in Section 8601.7 if the Servicer makes the determination, on advice of foreclosure counsel or otherwise, that the limited power of attorney cannot be relied upon and the Servicer has also determined that a limited power of attorney issued directly by the Senior Subordinate Trust and/or action by Freddie Mac, such as the execution of documents, is necessary to the proper Servicing of the Senior Subordinate Mortgage.

Referral to foreclosure documentation requirements on a Senior Subordinate Mortgage secured by a Manufactured Home

In addition to the above requirements, if the Mortgage is secured by a Manufactured Home, the Servicer must notify the foreclosure counsel that the property is a Manufactured Home when it submits the case to the foreclosure counsel. The Servicer must also provide the foreclosure counsel with evidence that the property is legally classified as real property under the laws in the State where the property is located.

(a) Evidence that the property is real property in a non-certificate of title State

The Servicer must provide the foreclosure counsel with copies of the following documentation in non-certificate of title States (see Section 5703.7) evidencing that the Manufactured Home and the land are real property under the laws of the State where the property is located:

- Information stating the legal basis (statutory or common law) for determining that the Manufactured Home is real property that is exempt from certificate of title requirements. This information may be included in the documentation received at origination of the Senior Subordinate Mortgage from the title insurance company that the Manufactured Home is real property, and

- Evidence that a certificate of title has not been issued, such as the manufacturer's statement of origin, if the manufacturer's statement of origin is not required to be surrendered to a State agency

(b) Evidence that the property is real property in a certificate of title surrender State

The Servicer must provide the foreclosure counsel with copies of the following documentation in certificate of title surrender States (see Section 5703.7) evidencing that the Manufactured Home and the land are real property under the laws of the State where the property is located:

- A certificate of cancelation, notification letter or other acknowledgment from the Department of Motor Vehicles (DMV) or the appropriate State agency to which the certificate of title was surrendered, or a copy of the documents submitted in connection with the surrender along with evidence that the documents were delivered and received by the appropriate State agency, and

- Copies of the documents, such as an affidavit of affixture, recorded in the land records as part of the title surrender procedures to show the Manufactured Home has been converted to real property

(c) Evidence of clear and marketable title to the Manufactured Home and land in certificate of title States

The Servicer must provide the foreclosure counsel with the following documentation in certificate of title States (see Section 5703.7) evidencing the Borrower's ownership of both the Manufactured Home and the land on which it is permanently affixed and documentation evidencing that the land is legally classified as real property under the laws in the State where the property is located:

- The original or a copy of the certificate of title showing the Borrower as owner of the Manufactured Home. The certificate of title must have a notation of the original Seller/Servicer's security interest in the Manufactured Home in the name of the Seller and its successors in interest and assigns and have a notation of all intervening assignments from the original mortgagee to each successive Servicer, ending with the current Servicer, and

- A copy of the deed evidencing ownership of the land showing the owner of the land on the deed to be identical to the owner of the Manufactured Home on the certificate of title

This and any other relevant information must be provided within five days of the referral to foreclosure so that the foreclosure counsel has the information necessary to simultaneously enforce the liens (whenever possible) and so as not to unnecessarily lengthen the foreclosure process.

8601.17: Foreclosing in the Servicer's name (03/02/16)

The brown font text used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

This section has been adapted from Section 9301.12 to reflect special Servicing requirements for Senior Subordinate Mortgages.

(a) Conducting the foreclosure

The Servicer must instruct the foreclosure counsel to process the foreclosure in the Servicer's name and in a manner that would avoid any obligation to pay a transfer tax. However, the Servicer may instruct foreclosure counsel to conduct the foreclosure in the Senior Subordinate Trust's name if applicable law:

- Precludes the Servicer from conducting the foreclosure in its name because it owns or services a subordinate Mortgage on the Mortgaged Premises, or

- Requires the foreclosure to be processed in the Senior Subordinate Trust's name to avoid any obligation to pay a transfer tax and foreclosure counsel could not otherwise process the foreclosure in a manner that would successfully avoid imposition of the transfer tax obligation

When Servicing Senior Subordinate Mortgages, the Servicer may not, under any circumstance, foreclose or take title in Freddie Mac's name, even if doing so would be necessary to avoid any obligation to pay a transfer tax.

For these special circumstances, the Servicer does not need to obtain written approval but must notify Freddie Mac within two Business Days of the Servicer's determination to foreclose in the Senior Subordinate Trust's name and record the basis of the decision in the Mortgage file. All notifications must be sent via e-mail **(see Directory 5)**. For all other circumstances in which the Servicer may need to instruct foreclosure counsel to conduct the foreclosure in the Senior Subordinate Trust's name, the Servicer must obtain written approval from Freddie Mac (refer to Section 8601.24 regarding initiating legal actions on the Senior Subordinate Trust's behalf).

When processing the foreclosure in the Senior Subordinate Trust's name, all pleadings and related documents must comply with Section 8601.24. The Servicer remains obligated to notify Freddie Mac pursuant to Section 9501.12 in the event that any foreclosure conducted in the Senior Subordinate Trust's name evolves into a non-routine litigation matter (see Section 8601.24).

When a Servicer conducts the foreclosure in the Senior Subordinate Trust's name, the Servicer is not permitted to have the same foreclosure counsel represent the Servicer or another lien holder in the same proceeding. Freddie Mac, as master servicer and/or trustee of

the Senior Subordinate Trust, does not consent to dual representation of the Senior Subordinate Trust and another lien holder on the same property.

(b) Executing documents

If Freddie Mac needs to execute a document for the Servicer to process the foreclosure, or execute a document related to a foreclosure sale, the Servicer must submit Form 105, Multipurpose Loan Servicing Transmittal, to Freddie Mac **(see Directory 5)** with all supporting documentation, which may include, but is not limited to, the last recorded document in the chain of title, and include the document Freddie Mac needs to execute.

If an assignment of the Security Instrument to the Senior Subordinate Trust has been recorded and the Servicer is conducting the foreclosure in the Servicer's name, then the Security Instrument must be assigned back to the Servicer before the foreclosure counsel files the first legal action. Refer to Section 9301.16 for an explanation of first legal action.

The limited power of attorney provided to the Servicer by Freddie Mac authorizing the Servicer to pursue foreclosure on behalf of the Senior Subordinate Trust should provide the Servicer with the authority to assign the Security Instrument assigned back to the Servicer. The Servicer must comply with any applicable requirements in Section 8601.5 if the Servicer makes the determination that the limited power of attorney granted to the Servicer by Freddie Mac cannot be relied upon under the applicable State or local law.

If the Servicer is foreclosing on a Senior Subordinate Mortgage registered with MERS®, the Servicer must prepare and execute (using the Servicer's employee who is a MERS authorized "signing officer") an assignment of the Security Instrument from MERS to the Servicer. The Servicer must record the prepared assignment where required by State law. State mandated recordings are non-reimbursable by Freddie Mac, are not considered part of the Freddie Mac allowable foreclosure counsel fees and must not be billed to the Borrower.

If the Senior Subordinate Mortgage is an FHA, Section 502 GRH or VA Mortgage, then the Servicer must follow FHA, RHS or VA guidelines to determine in whose name the foreclosure action should be brought.

Refer to Sections 6301.6 and 6301.8 for additional information on Freddie Mac's requirements for assignments of the Security Instrument.

8601.18: Expedited foreclosures (03/02/16)

The brown font text used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

This section has been adapted from Sections 9301.19, 9301.21 and 9301.22 to reflect special Servicing requirements for Senior Subordinate Mortgages.

Servicers must always consider how to resolve a Freddie Mac Default Legal Matter in a legally-compliant manner that obtains the best result for the Senior Subordinate Trust. While Servicers are not required to use expedited methods identified in Chapter 9301 or corresponding expedited methods in this chapter, if a Servicer does proceed with an expedited method, it must adhere to the requirements set forth in those chapters.

Chapter 9301 and this section provide requirements for expediting Freddie Mac Default Legal Matters, such as:

- Waiving the Senior Subordinate Trust's right to pursue deficiency actions against a Borrower
- Expediting the foreclosure if the Mortgaged Premises is identified as vacant/abandoned
- Obtaining default judgment for an amount less than total amount owed by the Borrower
- State-specific methods for expediting Freddie Mac Default Legal Matters

(a) Expedited foreclosures – Illinois

In Illinois, Servicers may obtain a consent judgment from a Borrower and take title to the Mortgaged Premises in the name of the Senior Subordinate Trust instead of selling the Mortgaged Premises at foreclosure sale. In doing so, Servicers must follow the requirements of Section 9301.21.

(b) Expedited foreclosures – New York

Servicers may use the New York Foreclosure Inquest Program, as a method to expedite foreclosure actions on Senior Subordinate Mortgages in accordance with the requirements of Section 9301.22.

8601.19: Deficiency rights (03/02/16)

The brown font text used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

In implementing the requirements of Sections 9301.23, 9301.24, 9601.1 and 9601.2, all references concerning the right to pursue a deficiency are the right of the Senior Subordinate Trust with respect to Senior Subordinate Mortgages. In addition, the Servicer must ensure that any consent judgment in Illinois results in title to the Mortgaged Premises being conveyed to the Senior Subordinate Trust and not to Freddie Mac or the Servicer.

8601.20: Preserving the Mortgaged Premises (03/02/16)

The brown font text used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

The Servicer must comply with the requirements of Section 9301.26, except that, with respect to Senior Subordinate Mortgages, either the Servicer or the Senior Subordinate Trust would be the mortgagee, and not Freddie Mac.

8601.21: Expenses that may become First Liens on the Mortgaged Premises (03/02/16)

The brown font text used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

With respect to the Servicing of Senior Subordinate Mortgages, the Servicer must protect the Senior Subordinate Trust's interest in the property and its First Lien Position to the same extent that it is obligated under Section 9301.27, with respect to Freddie Mac-Owned or Guaranteed Mortgages to protect "Freddie Mac's interest in the property" and "Freddie Mac's First Lien Position."

8601.22: Delivery of clear and marketable title (03/02/16)

The brown font text used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

This section has been adapted from Section 9301.40 to reflect special Servicing requirements for Senior Subordinate Mortgages.

(a) Property located in a State without a redemption or confirmation period

When the Servicer is the purchaser of the property at a foreclosure sale, it must ensure that the foreclosure counsel provides the Senior Subordinate Trust with clear and marketable title to the property after the foreclosure sale. The title must be free of any liens, claims, defects and encumbrances. The title must be marketable so Freddie Mac can sell the property freely to others on behalf of the Senior Subordinate Trust.

The Servicer must instruct the foreclosure counsel to:

1. Submit the foreclosure deed for recordation within one Business Day after receipt of the deed

2. Obtain the recorder's receipt as evidence that the deed was presented for recordation

3. Send the Servicer the recorder's receipt within three Business Days after receiving it from the recorder

4. Provide the recorded deed to the Servicer within three Business Days after receiving the deed from the recorder's office. The Servicer must retain the deed in the Mortgage file.

(b) Property located in a State with a redemption or confirmation period

After the redemption period has expired or the foreclosure sale has been confirmed, the Servicer must ensure that clear and marketable title is obtained as stated in this Section 8601.22.

Executing documents

If Freddie Mac or the Senior Subordinate Trust needs to execute a document for the Servicer to process the foreclosure, or execute a document related to a foreclosure sale, the Servicer must submit Form 105, Multipurpose Loan Servicing Transmittal, to Freddie Mac **(see Directory 5)** with all supporting documentation, which may include, but is not limited to, the last recorded document in the chain of title, and include the document Freddie Mac or the Senior Subordinate Trust needs to execute.

8601.23: Vesting the title and avoiding transfer taxes (09/27/21)

The brown font text used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

This section has been adapted from Section 9301.41 to reflect special Servicing requirements for Senior Subordinate Mortgages.

After the foreclosure sale, or when closing a deed-in-lieu of foreclosure transaction, the Servicer must ensure that title to the foreclosed property purchased by the Senior Subordinate Trust is vested to the appropriate party. (See Section 9209.8 regarding closing, reporting and remittance requirements for a deed-in-lieu of foreclosure transaction.)

(a) Conventional Mortgages

After the foreclosure sale, or when closing a deed-in-lieu of foreclosure transaction, the Servicer must ensure that title to the foreclosed property is vested in the legal name of the Senior Subordinate Trust if the property is not purchased by a third party. The property may not at any time vest in the Servicer's or Freddie Mac's name, even when doing so would provide additional benefits to the Senior Subordinate Trust.

Freddie Mac will not reimburse the Servicer for any transfer taxes, unless:

- Local authorities require the Servicer to pay the transfer tax to record a deed and ensure that title vests appropriately
- The transfer tax is paid under protest
- The Servicer submits the request for written pre-approval (RPA) for reimbursement of the transfer tax via PAID (Payments Automated Intelligent and Dynamic) **(see Exhibit 88, Servicing Tools)** (see Section 9701.15); and
- Counsel could not process the foreclosure and/or deed-in-lieu of foreclosure transaction in a manner that would successfully avoid the imposition of the transfer tax obligation

Servicers will not be reimbursed for transfer taxes if any of the above conditions and requirements do not exist or are not met.

If the foreclosure involves a Manufactured Home in a certificate of title State, the Servicer must conduct the replevin or other legal action necessary to repossess the home in the Servicer's name and have the new certificate of title issued in the Senior Subordinate Trust's name.

(b) Mortgages insured by the FHA or guaranteed by the VA or RHS

The Servicer must follow FHA, VA or RHS guidelines for conveying title to the foreclosed property to the applicable agency.

8601.24: Non-routine default-related legal matters (07/13/16)

The brown font text used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

This section has been adapted from Section 9402.2 to reflect special Servicing requirements for Senior Subordinate Mortgages.

Freddie Mac reserves the right to direct and control all litigation involving a Senior Subordinate Mortgage, regardless of whether Freddie Mac or the Senior Subordinate Trust is a named party. The Servicer and any law firm handling the litigation must cooperate fully with Freddie Mac in the prosecution, defense and handling of the matter.

(a) Definition of routine and non-routine litigation

- **Routine litigation** generally is a contested action in which the Borrower alleges case-specific defenses or issues which, if successful, would not create negative legal precedent beyond the immediate case

- **Non-routine litigation** generally is a contested action in which the Borrower alleges case-specific defenses or issues, which, if successful, would create negative legal precedent beyond the immediate case

Examples of non-routine litigation that must be reported to Freddie Mac as non-routine litigation include, but are not limited to, the following:

- Actions that name Freddie Mac and/or the Senior Subordinate Trust as a party

- Action that seeks monetary relief against Freddie Mac and/or the Senior Subordinate Trust, including any claim (including counterclaims, cross-claims, or third-party claims in foreclosure or bankruptcy actions) for damages against Freddie Mac or its officers, directors, or employees and/or the Senior Subordinate Trust

- Actions that challenge the validity, priority, or enforceability of a Senior Subordinate Mortgage or seek to impair Freddie Mac's and/or the Senior Subordinate Trust's interest in an REO including, by way of example:

    1. An action seeking to demolish a structure on the property or the property as a result of a code violation

    2. An action seeking to avoid a lien based on a failure to comply with a law or regulation

    3. An attempt by a junior lienholder to assert priority over a Senior Subordinate Mortgage or extinguish Freddie Mac's or the Senior Subordinate Trust's interests

    4. A quiet title action seeking to declare the Senior Subordinate Trust's lien void, and

    5. An attempt by a Borrower to effect a cramdown of a Senior Subordinate Mortgage in bankruptcy as to which Freddie Mac has not delegated authority to the Servicer or law firm to address

- Actions that present an issue that may pose significant legal or reputational risk to Freddie Mac include, by way of example:

  1. Any issue involving Freddie Mac's conservatorship, its conservator (FHFA), Freddie Mac's status as a federal instrumentality, or an interpretation of Freddie Mac's charter

  2. Any assertion that Freddie Mac is a federal agency or otherwise part of the United States Government

  3. Any "due process" or other constitutional challenge

  4. Any challenge to the methods by which Freddie Mac does business

  5. Any putative class actions involving a Senior Subordinate Mortgage

  6. Challenges to the standing of the Servicer or the Senior Subordinate Trust to conduct foreclosures or bankruptcies which, if successful, could create negative legal precedent with an impact beyond the immediate case

  7. Challenges to the methods by which MERS® does business or its ability to act as nominee under a Mortgage

  8. Any "show cause orders" or motions for sanctions relating to a Senior Subordinate Mortgage, whether against a Senior Subordinate Trust, Freddie Mac, the Servicer, a law firm, or a vendor of the Servicer or law firm

  9. Any appellate or other action for post-judgment relief in any foreclosure, bankruptcy or legal action in which Freddie Mac and/or the Senior Subordinate Trust is a named party

  10. Foreclosures on HUD-Guaranteed Section 184 Native American Mortgages

  11. Any environmental litigation relating to a Senior Subordinate Mortgage

  12. A need to foreclose judicially in a State where non-judicial foreclosures predominate

  13. Any claim invoking Home Affordable Modification Program℠ (HAMP®) as a basis to challenge a foreclosure

  14. Any claim brought by a governmental body

  15. Cross-border insolvency proceedings under Chapter 15 of the Bankruptcy Code

  16. Any claim of predatory lending or discrimination in Mortgage origination or Servicing, and

17. Any claim implicating the interpretation of the terms of the Fannie Mae/Freddie Mac Uniform Mortgage Instruments

Given the evolving nature of default-related litigation, it is not possible to provide an exhaustive list of non-routine litigation. Each contested action presents unique circumstances, and the Servicer should evaluate each action on a case-by-case basis to determine whether a contested action is routine or non-routine.

(b) Legal actions and strategies initiated by the Servicer

A Servicer must obtain written approval **(see Directory 5)** from the Freddie Mac Legal Division prior to initiating the following legal actions and strategies:

- Filing a new legal action, other than a Freddie Mac Default Legal Matter, on behalf of Freddie Mac and/or the Senior Subordinate Trust
- Filing a motion to intervene in a pending legal action on behalf of Freddie Mac and/or the Senior Subordinate Trust
- Appealing or otherwise challenging a judgment in any foreclosure or bankruptcy proceeding, or any legal action in which Freddie Mac and/or the Senior Subordinate Trust is a named party
- Filing a notice of removal to federal district court for any legal action in which Freddie Mac and/or the Senior Subordinate Trust is a named party
- Asserting any position in a legal action that relates to Freddie Mac's status as a Government Sponsored Enterprise (GSE), its conservatorship, or its conservator, FHFA
- Propounding discovery requests or otherwise serving or providing any discovery responses on behalf of Freddie Mac and/or the Senior Subordinate Trust

(c) Referring to Freddie Mac in litigation

Freddie Mac must be described in legal proceedings as "Federal Home Loan Mortgage Corporation ("Freddie Mac"), a corporation organized and existing under the laws of the United States of America." Freddie Mac may not be referred to as a "government agency."

(d) Referring to the Senior Subordinate Trust in litigation

The Senior Subordinate Trust must be described in legal proceedings as "[insert legal name], an entity organized and existing under the laws of the United States of America." Servicers and counsel must not refer to any Senior Subordinate Trust as a "government agency."

(e) MERS-registered Mortgages

See Section 8101.12 for additional requirements relating to notices from MERS and MERS-registered Mortgages.

8601.25: Counsel retained by Servicers pursuant to Servicer's duty to indemnify Freddie Mac (07/13/16)

The brown font text used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

This section has been adapted from Section 9402.4 to reflect special Servicing requirements for Senior Subordinate Mortgages.

From time to time, the Servicer may retain counsel to represent Freddie Mac, the Senior Subordinate Trust and the Servicer, or any combination thereof, with respect to litigation involving, related to, or arising out of allegations which, if true, could subject the Servicer to liability to Freddie Mac for a failure to comply with any selling or Servicing representation or warranty or requirement of the Guide or other Purchase Documents. When the Servicer retains counsel for this purpose, the Servicer remains liable for legal fees and costs incurred in the defense of any litigation, as well as any and all losses, judgments, damages and expenses, including fees and costs entered against and incurred on behalf of Freddie Mac. Freddie Mac will reimburse the Servicer for the Senior Subordinate Trust's proportionate share of expenses for responding to Borrower defenses.

Counsel retained and paid by Servicers pursuant to Section 8601.24 and this section do not need to be selected and engaged pursuant to Chapter 9501. In all other Freddie Mac Default Legal Matters, the Servicer must use counsel selected and engaged pursuant to Chapter 9501.

Servicers must notify Freddie Mac **(see Directory 5)** of its retention of counsel not selected and engaged pursuant to Chapter 9501 and are required to comply with the reporting requirements in Section 9402.3(b).

The Servicer must ensure that the law firm to which the Freddie Mac Default Legal Matter was originally referred is updated on the current status of the litigation either by the Servicer or its new counsel. Once the litigation for which new counsel is retained concludes, unless the entire legal matter or action is resolved, the Servicer is responsible for transitioning the Freddie Mac Default Legal Matter back to the law firm to which it was originally referred for any required further proceedings no later than one Business Day after the resolution of the litigation matter.

In instances in which the Security Instrument provides for the Borrower to reimburse any legal fees and costs incurred by the Servicer, the Servicer should instruct its counsel to notify the Borrower about his or her responsibility for such expenses. The Servicer's counsel should

attempt to handle such matters by stipulation or any other expeditious manner that will reduce the fees and costs that the Borrower has to pay.

8601.26: Servicing Mortgages on distressed properties and properties that pose a Risk of Property Ownership (06/08/22)

The brown font text used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

This section has been adapted from Section 8403.1 to reflect special Servicing requirements for Senior Subordinate Mortgages.

Servicers are responsible for acting without delay, and in an efficient and responsible manner to protect the Servicer, Freddie Mac and the Senior Subordinate Trust's interests when the Servicer becomes aware of a Mortgaged Premises that becomes a distressed property. Refer to Section 9401.2 for information regarding Freddie Mac's rights when the Servicer becomes aware of a distressed property and fails to act to protect the Servicer's, Freddie Mac's and the Senior Subordinate Trust's interests as required by this section.

A distressed property is real property subject to a Mortgage that may or may not pose a Risk of Property Ownership (see Section 9202.5) to Freddie Mac or the Senior Subordinate Trust, and is a property that:

- Requires substantial repairs
- Has sustained significant physical deterioration; or
- Has been condemned by a local authority

Even if the owner has abandoned the Mortgaged Premises, a Servicer must report all Senior Subordinate Mortgages on distressed properties that are 30 or more days delinquent via an EDR transmission within the first three Business Days of the month following the month in which the Servicer identified the problem using default reason code 011 (Property problem) and the applicable occupancy code. If the problem identified is contaminated drywall the Servicer should report default reason code 032 (Contaminated Drywall) rather than default reason code 011 (Property problem).

If a property is distressed, the Servicer must conduct a search of the records of the local code authority to determine if there are any outstanding health or safety violations filed against either the Borrower or the property. If a Servicer discovers any code violations on a distressed property, the Servicer must report them to Freddie Mac **(see Directory 5)** within three Business Days of identifying the violation. The Servicer must attach a copy of the code violation and

copies of the most recent six consecutive months (or less, depending on the level of Delinquency) of Form 1013, 1-4 Unit Property Inspection Report.

In addition to any reporting requirement set forth above for distressed properties, the Servicer must:

1. Maintain a record of when the condition was discovered and take all necessary actions to protect the property from waste, damage and vandalism and prevent any loss

2. Inspect the property monthly until the condition is resolved

3. Ensure that property insurance coverage is maintained. This includes taking all actions required in the mortgage clause of all applicable property insurance policies, including, but not limited to, providing all notices to the insurer required under such clause, in order to preserve the coverage and its maximum benefits for the Servicer and/or the Senior Subordinate Trust, as mortgagee.

4. File a claim with the applicable property insurer on the Senior Subordinate Trust's behalf if the property is damaged and the Borrower has not filed a claim

5. Comply with the requirements of the VA, RHS, FHA or MI, if applicable

Servicers must obtain Freddie Mac's written pre-approval before incurring expenses on distressed properties that exceed the limits contained in Exhibit 57, 1- to 4-Unit Property Approved Expense Amounts, by submitting a request for pre-approval via PAID (Payments Automated Intelligent and Dynamic) (see Exhibit 88, Servicing Tools). If unusual or emergency circumstances do not allow a Servicer to request Freddie Mac's prior written approval, then the Servicer must notify Freddie Mac via PAID by the next Business Day after the Servicer incurred the expense. If the Servicer's determination to incur the expense was reasonable, as determined in Freddie Mac's sole discretion, Freddie Mac will reimburse the expense.

Servicers must obtain Freddie Mac's prior written approval to initiate foreclosure of a Senior Subordinate Mortgage on a distressed property as required in Section 9301.13. Approval requests should be sent to **Foreclosures@FreddieMac.com**.

If a property securing a Senior Subordinate Mortgage has been identified as posing a Risk of Property Ownership, the Servicer must contact and report the Senior Subordinate Mortgage to Freddie Mac **(see Directory 5)**, even if the Senior Subordinate Mortgage is not delinquent, within three Business Days of identifying the risk. In such instances, the Servicer must attach copies of the most recent six consecutive months (or less, depending on the level of Delinquency) of Form 1013 and any other relevant information when reporting the Risk of Property Ownership to Freddie Mac.

8601.27: Servicing Mortgages on abandoned properties (03/02/16)

The brown font text used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

The Servicer must comply with the requirements of Section 8403.2, except that, with respect to Senior Subordinate Mortgages, either the Servicer or the Senior Subordinate Trust would be the mortgagee, and not Freddie Mac.

8601.28: Retention of firm (03/02/16)

The brown font text used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

This section has been adapted from Section 9501.5 to reflect special Servicing requirements for Senior Subordinate Mortgages.

(a) Servicer contract with firm

Unless the Servicer has entered into a contract with a selected firm and Freddie Mac has provided a "no objection" determination, then the Servicer must enter into a contract with the firm. The Servicer must notify Freddie Mac when the contract has been executed by updating the Servicer Attorney Tracking System (SATS) via **https://www.freddiemacsats.com**, and must provide a copy of the contract to Freddie Mac, upon request.

(b) Freddie Mac limited retention agreement with firm

Freddie Mac, on its behalf and on behalf of each Senior Subordinate Trust that Freddie Mac creates, will enter into a limited retention agreement that sets forth certain key retention provisions with each selected firm for each State in which the firm has received a "no objection" determination.

(c) Conflict between Servicer's contract and limited retention agreements; Servicer's respective consent

The Servicer acknowledges that the limited retention agreement recognizes and reflects a joint attorney-client relationship between the law firm, Freddie Mac, each Senior Subordinate Trust, and the Servicer, and the Servicer consents to such joint representation. The Servicer consents, in advance, to the selected firm's representation of Freddie Mac, the Senior Subordinate Trust, or both, in any Freddie Mac Default Legal Matter that is or might be adverse to the Servicer, and further agrees that the firm can use in such representation any

information the firm gained in the course of jointly representing the Servicer, Freddie Mac and the Senior Subordinate Trust. In the event of any inconsistency or conflict between the terms and conditions of the Servicer's contract with the selected firm and the terms and conditions of Freddie Mac's limited retention agreement with the firm, Freddie Mac's limited retention agreement shall control.

8601.29: Referral of Freddie Mac Default Legal Matters to firm (03/02/16)

The brown font text used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

This section has been adapted from Section 9501.7 to reflect special Servicing requirements for Senior Subordinate Mortgages.

(a) Requirements prior to referral

Prior to referring a Freddie Mac Default Legal Matter to a firm, the Servicer must confirm that the firm is eligible to receive a referral by ensuring that:

- The firm meets the Firm Minimum Requirements, as specified in Section 9501.3
- Freddie Mac has provided a "no objection" determination, as specified in Section 9501.4
- The firm has executed a contract with the Servicer requiring the firm to comply with all applicable Freddie Mac requirements, as specified in Section 8601.28
- The firm has executed a limited retention agreement with Freddie Mac, as specified in Section 8601.28(b)
- The firm has completed Freddie Mac training and any additional Servicer training, as specified in Section 9501.6
- There are no conflicts of interest with respect to the retention of the firm and referral of Freddie Mac Default Legal Matters to the firm

(b) Diversification of referrals

The Servicer must diversify its referrals of Freddie Mac Default Legal Matters to an appropriate number of firms in each State to protect the interests of Freddie Mac and to mitigate the risks related to a high concentration of Freddie Mac files. In selecting firms for referrals, the Servicer must consider firm capacity and management of staff to file ratios.

(c) Bankruptcy and foreclosure matters

The Servicer must not refer foreclosure matters directly to trustees listed on deeds of trust.

Refer to Section 9401.10(b) for additional referral requirements.

(d) Providing documentation to firm

The Servicer must identify a file as a Freddie Mac Default Legal Matter when sending the file to a firm. In this file, the Servicer must also include the name of the Senior Subordinate Trust that owns the delinquent Senior Subordinate Mortgage that prompted the referral and identify the Senior Subordinate Trust as owner of the Senior Subordinate Mortgage and Freddie Mac as both master servicer and trustee to the Senior Subordinate Trust.

When referring a file to a firm, the Servicer must provide all documentation required to initiate a foreclosure. If the firm requests any additional information and/or documentation at any time, the Servicer must provide such requested information and/or documents within three Business Days after receipt of the request, or within such earlier time frame if necessary to comply with timing requirements under applicable law or court orders and procedures.

For any Mortgage that the Servicer refers for foreclosure that is subsequently repurchased by Freddie Mac from the Senior Subordinate Trust and/or subsequently repurchased by the Servicer from Freddie Mac, whether voluntarily or involuntarily, the Servicer must notify foreclosure and/or bankruptcy counsel within two Business Days of the completed repurchase. (See Chapter 3602 for additional information about repurchases.)

(e) Contingency plan

All Servicers must have a contingency plan in place, either in the form of a stand-alone document or incorporated into policies and procedures, to redirect new foreclosure and bankruptcy referrals.

8601.30: REO – General requirements (05/04/20)

The brown font text used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

This section has been adapted from Section 9603.1 to reflect special Servicing requirements for Senior Subordinate Mortgages.

Once the Senior Subordinate Trust has acquired a property as an REO, and after the Servicer has successfully reported the foreclosure sale or deed-in-lieu of foreclosure via the Freddie Mac Foreclosure Sale Reporting tool (see Exhibit 88, Servicing Tools) pursuant to Section 9603.9, the

Servicer will no longer be responsible for the following REO activities, including for properties located in States that have a redemption, confirmation process or ratification of sale:

1. Securing, maintaining, protecting, inspecting and preserving the property

2. Making advances to superior lienholders including condominium/homeowners association (HOA) or Cooperative Corporation assessments (see Chapter 8801 for special Servicing requirements for Cooperative Share Loans), Condominium Unit maintenance fees or Cooperative Unit Maintenance Fees, and ground rents

3. Evicting the occupants in the property

4. Marketing and rehabilitating the REO

Servicers are responsible for the following activities pending the sale of the REO by Freddie Mac, the MI, FHA, RHS or VA:

1. Filing and concluding FHA, RHS and VA claims, if applicable. (Freddie Mac will file MI claims.)

2. Filing and concluding property insurance claims, if applicable, and applying for premium refunds in accordance with Section 9603.11. The Servicer is required to cancel any existing property insurance policies no later than 14 days after the foreclosure sale or deed-in-lieu of foreclosure has been successfully reported to Freddie Mac. Freddie Mac may instruct the Servicer to maintain property insurance (even if the property is vacant and has no claimable damage). If Freddie Mac makes this request, the Servicer must continue the insurance coverage until Freddie Mac notifies the Servicer that Freddie Mac has sold the REO.

3. Referring all inquiries and offers regarding purchase of the REO to Freddie Mac **(see Directory 6)** within one Business Day of the inquiry or offer

4. Fulfilling all requests made by Freddie Mac, including attorney selection. If the Servicer requires the assistance of an attorney in fulfilling any of the obligations set forth in this chapter, the Servicer must use an attorney who meets the criteria in Section 9501.3.

5. Taking such action that Freddie Mac may request regarding a property

Servicers may review the REO Overview report, assessible via the "REO" tile of the Servicer's Servicer Performance Profile (SPP) (see Exhibit 88), for the property status. The Servicer may also call the Customer Support Contact Center at 800-FREDDIE to obtain this information. Freddie Mac will not send the Servicer a written notice of the sale of the REO.

8601.30: REO – General requirements (Future effective date 12/09/24)

The brown font text used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

This section has been adapted from Section 9603.1 to reflect special Servicing requirements for Senior Subordinate Mortgages.

Once the Senior Subordinate Trust has acquired a property as an REO, and after the Servicer has successfully reported the foreclosure sale or deed-in-lieu of foreclosure in Resolve® pursuant to Section 9603.9, the Servicer will no longer be responsible for the following REO activities, including for properties located in States that have a redemption, confirmation process or ratification of sale:

1. Securing, maintaining, protecting, inspecting and preserving the property

2. Making advances to superior lienholders including condominium/homeowners association (HOA) or Cooperative Corporation assessments (see Chapter 8801 for special Servicing requirements for Cooperative Share Loans), Condominium Unit maintenance fees or Cooperative Unit Maintenance Fees, and ground rents

3. Evicting the occupants in the property

4. Marketing and rehabilitating the REO

Servicers are responsible for the following activities pending the sale of the REO by Freddie Mac, the MI, FHA, RHS or VA:

1. Filing and concluding FHA, RHS and VA claims, if applicable. (Freddie Mac will file MI claims.)

2. Filing and concluding property insurance claims, if applicable, and applying for premium refunds in accordance with Section 9603.11. The Servicer is required to cancel any existing property insurance policies no later than 14 days after the foreclosure sale or deed-in-lieu of foreclosure has been successfully reported to Freddie Mac. Freddie Mac may instruct the Servicer to maintain property insurance (even if the property is vacant and has no claimable damage). If Freddie Mac makes this request, the Servicer must continue the insurance coverage until Freddie Mac notifies the Servicer that Freddie Mac has sold the REO.

3. Referring all inquiries and offers regarding purchase of the REO to Freddie Mac **(see Directory 6)** within one Business Day of the inquiry or offer

4. Fulfilling all requests made by Freddie Mac, including attorney selection. If the Servicer requires the assistance of an attorney in fulfilling any of the obligations set forth in this chapter, the Servicer must use an attorney who meets the criteria in Section 9501.3.

5. Taking such action that Freddie Mac may request regarding a property

Servicers may review the REO Overview report, assessible via the "REO" tile of the Servicer's Servicer Performance Profile (SPP) (see Exhibit 88), for the property status. The Servicer may also call the Customer Support Contact Center at 800-FREDDIE to obtain this information. Freddie Mac will not send the Servicer a written notice of the sale of the REO.

8601.31: REO – Documentation and reporting requirements (07/15/19)

The brown font text used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

This section has been adapted from Section 9603.8 to reflect special Servicing requirements for Senior Subordinate Mortgages.

This section details Freddie Mac's requirements for submitting documentation and reporting information during the REO holding period.

The Servicer may review the *REO Overview* report, accessible via the "REO" tile of the Servicer's Servicer Performance Profile (SPP) (see Exhibit 88, Servicing Tools) for the property status, including the Property Condition Certificate (PCC) completion date. The Servicer may also call the Customer Support Contact Center at 800-FREDDIE to obtain this information. Freddie Mac will not send the Servicer a written notice of the sale of the REO.

8601.32: REO – Notifying the taxing authority/homeowners association (HOA) (07/15/20)

The brown font text used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

This section has been adapted from Section 9603.10, to reflect special Servicing requirements for Senior Subordinate Mortgages.

Within five days of successfully reporting the foreclosure sale or deed-in-lieu of foreclosure via the Freddie Mac Foreclosure Sale Reporting tool (see Exhibit 88, Servicing Tools), the Servicer

must notify the taxing authority and condominium association, homeowners association (HOA) or Cooperative Corporation (see Chapter 8801 for special Servicing requirements for Cooperative Share Loans), as applicable, of the Senior Subordinate Trust's ownership of the property and Freddie Mac's management of the property on behalf of the Senior Subordinate Trust to ensure that statements are sent to the appropriate location.

When the Servicer contacts these organizations, the Servicer must update the remitter's name as follows:

[Legal Name of Senior Subordinate Trust]
c/o Radian Real Estate Management
7730 South Union Park Avenue, Suite 400
Midvale, UT 84047

Important: Freddie Mac will pay the property taxes, condominium/HOA or Cooperative Corporation assessments, Condominium Unit maintenance fees or Cooperative Unit Maintenance Fees, and ground rents, as applicable, as they become due after the Servicer successfully reports the foreclosure sale or the deed-in-lieu of foreclosure. Freddie Mac may retain a vendor to conduct such activities.

There are special requirements for REO located in California. California taxing authorities reassess properties for supplemental taxes from the foreclosure sale date to the sale date of the REO. Also, taxing authorities often generate a supplemental tax statement long after the REO sale date. Therefore, the Servicer must notify the taxing authority in writing to send any supplemental tax bills to the Senior Subordinate Trust in care of the address above within five days following the foreclosure sale or the deed-in-lieu of foreclosure date.

8601.32: REO – Notifying the taxing authority/homeowners association (HOA) (Future effective date 12/09/24)

The brown font text used throughout this chapter denotes the special requirements for Servicing Senior Subordinate Mortgages. Text in black or green font denotes general Servicing requirements that also apply elsewhere in the Guide.

This section has been adapted from Section 9603.10, to reflect special Servicing requirements for Senior Subordinate Mortgages.

Within five days of successfully reporting the foreclosure sale or deed-in-lieu of foreclosure in Resolve®, the Servicer must notify the taxing authority and condominium association, homeowners association (HOA) or Cooperative Corporation (see Chapter 8801 for special Servicing requirements for Cooperative Share Loans), as applicable, of the Senior Subordinate Trust's ownership of the property and Freddie Mac's management of the property on behalf of the Senior Subordinate Trust to ensure that statements are sent to the appropriate location.

When the Servicer contacts these organizations, the Servicer must update the remitter's name as follows:

[Legal Name of Senior Subordinate Trust]
c/o Radian Real Estate Management
7730 South Union Park Avenue, Suite 400
Midvale, UT 84047

Important: Freddie Mac will pay the property taxes, condominium/HOA or Cooperative Corporation assessments, Condominium Unit maintenance fees or Cooperative Unit Maintenance Fees, and ground rents, as applicable, as they become due after the Servicer successfully reports the foreclosure sale or the deed-in-lieu of foreclosure. Freddie Mac may retain a vendor to conduct such activities.

There are special requirements for REO located in California. California taxing authorities reassess properties for supplemental taxes from the foreclosure sale date to the sale date of the REO. Also, taxing authorities often generate a supplemental tax statement long after the REO sale date. Therefore, the Servicer must notify the taxing authority in writing to send any supplemental tax bills to the Senior Subordinate Trust in care of the address above within five days following the foreclosure sale or the deed-in-lieu of foreclosure date.

Chapter 8701: Servicing Requirements for Community Land Trust Mortgages

8701.1: Servicing Community Land Trust Mortgages (04/14/21)

(a) Key terms used in this chapter

Key terms and definitions used in this Chapter 8701 (e.g., Community Land Trust and Community Land Trust Mortgage) can be found in the Glossary. Servicers of Community Land Trust Mortgages should be familiar with such key terms and definitions found therein.

Refer to Chapter 4502 for specific requirements for selling Community Land Trust Mortgages to Freddie Mac including, but not limited to, requirements for the specified form of ground lease (the "Community Land Trust Ground Lease") and Form 490, Community Land Trust Ground Lease Rider. References to "ground lease, as amended" in this chapter refer to the executed and recorded Community Land Trust Ground Lease, as amended by Form 490.

(b) Tracking Community Land Trust Mortgages

Servicers of Community Land Trust Mortgages must implement policies, procedures and systems to identify and track Community Land Trust Mortgages to ensure that such Community Land Trust Mortgages are serviced in accordance with the Servicing requirements of the Guide and this chapter.

(c) Servicing requirements applicable to Community Land Trust Mortgages

Servicers of Community Land Trust Mortgages must service Community Land Trust Mortgages in accordance with the Servicing requirements of the Guide and this chapter. The Servicing requirements of this chapter are applicable only to the Servicing of Community Land Trust Mortgages. If any Servicing requirement in this chapter is inconsistent with a Servicing requirement set forth elsewhere in the Guide (except for requirements to comply with applicable law, which supersede any other Servicing requirement in the Guide), the Servicer must comply with the Servicing requirement set forth in this chapter with respect to any Community Land Trust Mortgage.

Servicers must not apply any of the requirements set forth in this chapter to a non-Community Land Trust Mortgage, but rather, should continue Servicing such Mortgages in accordance with all other Servicing requirements of the Guide and other applicable Purchase Documents.

(d) Community Land Trust Ground Lease Rider

In accordance with Section 4502.10, a Community Land Trust Mortgage must be originated using Form 490, completed and executed by both the lessor (Community Land Trust or its duly authorized representative) and each lessee (Borrower), and recorded in the land records along with the Community Land Trust Ground Lease and applicable Security Instrument.

A Servicer must comply with the provisions of Form 490 when Servicing the Community Land Trust Mortgage including, but not limited to, provisions related to the following:

- The Servicer must honor the lessor's timely exercise of certain rights that may be available to it under the ground lease, as amended
- The termination of any resale restrictions contained in the ground lease, as amended upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure
- For a Borrower being considered for an alternative to foreclosure, the Servicer is not required to obtain the lessor's approval of any proposed workout or relief options

(e) Leasehold Mortgages

Unless inconsistent with a Servicing requirement set forth in this Chapter 8701, all Servicing requirements of the Guide governing Mortgages secured by leasehold estates (leasehold Mortgages) apply to Community Land Trust Mortgages.

Refer to Sections 9301.26, 9401.3 and 9701.10(c) for requirements for Servicing leasehold Mortgages, if termination of the lease will jeopardize Freddie Mac's lien position or interest in the property. Refer to Sections 9206.4(a) and 9206.5(b) for requirements to negotiate the extension of the current term of a lease (or applicable renewal options) in the event the current term of a lease (or applicable renewal options) terminate earlier than five years after the maturity date of the proposed modification of a leasehold Mortgage.

(f) Resale restrictions

As described in Chapter 4502, the Community Land Trust Ground Lease includes resale restrictions. Unless inconsistent with a Servicing requirement set forth in this Chapter 8701, all Servicing requirements of the Guide governing Mortgages secured by properties subject to resale restrictions that terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure apply to Community Land Trust Mortgages.

Refer to Sections 9208.2(c) and 9208.5 for the Freddie Mac Standard Short Sale ("short sale") evaluation requirements for Mortgages secured by properties subject to resale restrictions, unless inconsistent with a Servicing requirement set forth in this Chapter 8701.

Refer to Section 9301.31 for foreclosure sale bidding requirements on properties subject to resale restrictions.

(g) General notice, disclosure and foreclosure requirements

In addition to any disclosures and notices required by applicable law, the Servicer must provide to the Borrower all disclosures and notices required under the ground lease, as amended, on a timely basis. The Servicer must retain copies of all such disclosures and notices in the Mortgage file.

Regardless of the additional Servicing requirements specified in this chapter that are applicable only to Community Land Trust Mortgages, in the event a foreclosure sale occurs, the Servicer's performance will be measured against Freddie Mac's State foreclosure timelines (refer to Exhibit 83, Freddie Mac State Foreclosure Timelines).

8701.2: Cancellation of Borrower-paid mortgage insurance (11/05/18)

For the purpose of canceling Borrower-paid mortgage insurance based on the original value, for a Community Land Trust Mortgage, "value" is determined in accordance with the requirements of Section 4502.7 (see also Section 4203.1).

8701.3: Concurrent and Subsequent Transfers of Servicing with respect to Community Land Trust Mortgages (04/14/21)

In addition to the requirements governing Concurrent Transfers of Servicing and Subsequent Transfers of Servicing set forth elsewhere in the Guide, the Transferor Servicer must inform the Transferee Servicer whether the Transfer of Servicing involves Community Land Trust Mortgages, and, upon request, must provide a list of such Community Land Trust Mortgages (identified, at a minimum, by Transferor Servicer loan number and Freddie Mac loan number) to the Transferee Servicer.

8701.4: Delinquency management for Community Land Trust Mortgages (02/10/21)

(a) Special Servicing and Early Delinquency Counseling

Unless otherwise noted below, the requirements for special Servicing and Early Delinquency Counseling as described in Sections 9101.2 and 9102.4, as applicable, apply to Community Land Trust Mortgages, regardless of the Mortgage product type.

If the Servicer has knowledge or reason to believe that a lessor (Community Land Trust or its duly authorized representative) has established program requirements to offer early delinquency counseling (e.g., analyzing the Borrower's financial situation during a counseling session and developing a plan of action for solving the Delinquency) and/or has offered early delinquency counseling to a delinquent Borrower on a Community Land Trust Mortgage, then the Servicer is not required to offer Early Delinquency Counseling.

If the Servicer is not required to offer Early Delinquency Counseling, as noted above, the Servicer must document the basis for not offering such counseling in the Mortgage file.

(b) Delinquency management process for Community Land Trust Mortgages

The steps below describe the process that Servicers must follow, in addition to other Servicing requirements of the Guide, when a Borrower obligated under a Community Land Trust Mortgage is delinquent in his or her Mortgage payments:

(i) Step 1 – Servicing requirements for Community Land Trust Mortgages during Delinquency

(A) Early Delinquency Counseling

Pursuant to Section 8701.4(a), if applicable, Servicers of Community Land Trust Mortgages must offer Early Delinquency Counseling as described in Sections 9101.2 and 9102.4, as applicable.

(B) Lessors rights during Delinquency

Certain rights available to the lessor under the ground lease, as amended, include, but are not limited to, curing the Delinquency on behalf of the Borrower, or, if curing the Delinquency on behalf of the Borrower is determined by the lessor not to be a viable solution to the Delinquency, paying off the Community Land Trust Mortgage (e.g., by finding a new potential lessee to purchase the property from the Borrower for an amount that pays off the total debt).

(ii) Step 2 – Servicing requirements for Community Land Trust Mortgages prior to referral to foreclosure

Servicers of Community Land Trust Mortgages must complete a pre-foreclosure referral account review in accordance with the requirements in Section 9301.4.

The Servicer must refer a Community Land Trust Mortgage to foreclosure if nothing in the Servicer's pre-foreclosure referral account review prevents the Servicer from referring the Community Land Trust Mortgage to foreclosure.

(iii) Step 3 – Servicing requirements for Community Land Trust Mortgages post-referral to foreclosure

During the foreclosure process, the Servicer may, but is not obligated to, provide notice to the lessor that describes how it may, via written notice to the Servicer, express its intention to exercise certain rights available to it under the ground lease, as amended.

Upon delivery of such notice to the lessor, if applicable, the lessor must give written notice to the Servicer of its intention to exercise certain rights available to it under the ground lease, as amended, within the time frame specified by the Servicer. If such written notice is given to the Servicer timely, upon receipt, the Servicer may suspend foreclosure proceedings to allow the lessor to exercise such rights. If a foreclosure sale date is scheduled, the Servicer may, to the extent possible and in accordance with applicable law, extend the foreclosure sale date.

Chapter 8801: Servicing Requirements for Cooperative Share Loans

8801.1: Servicing Cooperative Share Loans (09/27/21)

(a) Key terms

Key terms and definitions used in this Chapter 8801 (e.g., Cooperative Share Loan) can be found in the Glossary. Servicers of Cooperative Share Loans should be familiar with such key terms and definitions found therein.

Note: The terms "Mortgage" and "Mortgaged Premises" as used in the Servicing requirements of the Guide include (as the context requires) the terms "Cooperative Share Loan" and "Cooperative Unit", respectively. As such, Servicing requirements pertaining to Mortgages or Mortgaged Premises apply respectively to Cooperative Share Loans or Cooperative Units.

(b) Servicers of Cooperative Share Loans

A Servicer does not need to obtain Freddie Mac's prior written approval to service Cooperative Share Loans nor must the Servicer be a Seller/Servicer approved to sell Cooperative Share Loans to Freddie Mac in accordance with Chapter 5705. (Refer to Chapter 5705 for specific requirements for selling Cooperative Share Loans to Freddie Mac including, but not limited to, the approval process to sell Cooperative Share Loans to Freddie Mac.)

For each Cooperative Share Loan being serviced for Freddie Mac, the Servicer must:

- Service the Cooperative Share Loan in accordance with the Servicing requirements of the Guide and this chapter
- Verify that the UCC-1 financing statements are current and valid to perfect Freddie Mac's security interest; and
- Recognize that it is responsible for understanding the responsibilities, rights and available remedies under the Cooperative Project Documents and the Recognition Agreement between the Cooperative Corporation and the lender, its successors or assigns, and will protect Freddie Mac's interest under the terms of such documents

(c) Servicing requirements applicable to Cooperative Share Loans

The Servicing requirements of this chapter are applicable only to the Servicing of Cooperative Share Loans.

If any Servicing requirement in this chapter is inconsistent with a Servicing requirement set forth elsewhere in the Guide (except for requirements to comply with applicable law, which supersede any other Servicing requirement in the Guide), then the Servicer must comply with the Servicing requirement set forth in this chapter with respect to any Cooperative Share Loan.

Servicers must not apply any of the requirements set forth in this chapter to a non-Cooperative Share Loan, but rather, should continue Servicing such Mortgages in accordance with all other Servicing requirements of the Guide and other applicable Purchase Documents.

(d) Combined Cooperative Units

A Cooperative Share Loan secured by a First Lien on the Cooperative Interest to Cooperative Units that were combined into a single unit must be serviced as a 1-unit dwelling, and, in the event of a foreclosure, the Cooperative Share Loan must be foreclosed as a 1-unit dwelling. (Refer to Section 5705.9 for selling requirements for combined Cooperative Units.)

(e) Proprietary Lease

Without the prior written consent of Freddie Mac, a Servicer must not approve or consent to any amendments to the Proprietary Lease if such amendment affects the rights of the Cooperative Share Loan Borrower.

See also Section 8801.5(b) for loan modification requirements for a Cooperative Share Loan and the Proprietary Lease.

(f) Cooperative Share Loans recognized as personal property

If a Cooperative Share Loan is recognized as personal property and a title insurance policy cannot be issued (refer to Section 4702.6 for title insurance requirements for cooperatives):

(i) In the event of a loan modification, when it is necessary to record the modification agreement to retain the modified Cooperative Share Loan's First Lien position, where a title endorsement or similar title insurance product would otherwise need to be obtained pursuant to Section 9206.12 if a title insurance policy was issued, then the Servicer must warrant that:

- The Cooperative Share Loan Borrower continues to have good and marketable title to the Cooperative Shares; and

- The Cooperative Corporation continues to have good and marketable title to the Cooperative Project

(ii) When foreclosing on a Cooperative Share Loan, in lieu of supplying foreclosure counsel with a copy of the title insurance policy pursuant to Section 9301.9 (or, for Senior

Subordinate Mortgages, pursuant to Section 8601.16), then the Servicer must provide evidence of title supporting the warranty that:

- The Cooperative Share Loan Borrower has good and marketable title to the Cooperative Shares; and

- The Cooperative Corporation has good and marketable title to the Cooperative Project

(g) Notifications to/from the Cooperative Corporation and insurers

(i) The Servicer must have processes in place and must have given notice to all appropriate parties (including, but not limited to, the Cooperative Corporation and insurers, as applicable), as necessary, so that the Servicer is in receipt of the following notifications in a timely manner:

- Notifications the Cooperative Corporation is legally bound to provide that are of a material and adverse nature to Sellers (refer to Section 5705.6(d) regarding the rights of cooperative Shareholders and Sellers)

- Any notifications from the Cooperative Corporation relating to the rights granted to a lender, its successors or assigns, in the Cooperative Project Documents or Recognition Agreement (refer to Section 5705.6(h) regarding the Cooperative Corporation responsibilities and Seller/Servicer rights); and

- Notifications regarding any substantive lapse in compliance with any of the insurance requirements. (Refer to Section 5705.6(d) regarding the rights of cooperative Shareholders and Sellers and Section 8801.3 for Servicing requirements in the event of a reduction or cancelation in insurance coverage.)

(ii) Upon receipt of a notification regarding the following, the Servicer must notify Freddie Mac (**Distressed_Property@FreddieMac.com**) and include the Servicer's recommendation on how to proceed:

- A proposed action that requires the consent of a specified percentage of eligible lenders of Cooperative Share Loans

- A lender's right to review and approve:

  - Any surrender, cancelation, modification, assignment or pledge of any documents evidencing ownership, possession, and use of the Shareholder's Cooperative Unit

  - Any further or additional pledge or mortgage of any documents evidencing ownership, possession, and use of the Shareholder's Cooperative Unit

- Any action to change the size, existence or form of ownership of the Cooperative Project

Freddie Mac must be provided sufficient opportunity, but no less than five Business Days before any deadline given, to review and provide comments.

(h) Stock transfer fee ("flip tax")

For Cooperative Share Loans where the imposition of a flip tax is permitted (refer to Section 5705.5(f) regarding Cooperative Share Loans subject to a stock transfer fee), Freddie Mac will reimburse the Servicer the paid flip tax in the event it is imposed as a result of a foreclosure, in a transfer by the Cooperative Share Loan Borrower in lieu of foreclosure ("deed-in-lieu of foreclosure"), or a transfer of the Cooperative Share Loan Borrower's interest in the Cooperative Unit as a result of a completed short sale.

To be reimbursed, the Servicer must obtain written pre-approval from Freddie Mac (by submitting a request for pre-approval (RPA) via the RPA functionality in PAID (Payments Automated Intelligent and Dynamic) (see Exhibit 88, Servicing Tools).)

See also Section 8801.7 regarding reimbursement of expenses incurred on a Cooperative Share Loan.

8801.2: Transfers of Servicing with respect to Cooperative Share Loans (05/04/20)

A Transferee Servicer, whether in a Concurrent or Subsequent Transfer of Servicing involving Cooperative Share Loans, does not need to be a Seller/Servicer approved to sell Cooperative Share Loans to Freddie Mac in accordance with Chapter 5705 in order to service Cooperative Share Loans for Freddie Mac when engaging in the Transfer of Servicing with a Transferor Servicer.

In addition to the requirements governing Concurrent Transfers of Servicing and Subsequent Transfers of Servicing set forth elsewhere in the Guide, for each Cooperative Share Loan being serviced for Freddie Mac:

- The Transferor Servicer must verify that the UCC-1 financing statements are current and valid to perfect Freddie Mac's security interest on the Effective Date of Transfer; and

- Consistent with the requirements in Section 7101.14, the Transferee Servicer must provide notice to all appropriate parties (including, but not limited to, the Cooperative Corporation and insurers, as applicable), as necessary, to avoid disruption in the Transferee Servicer's timely receipt of any notifications from the Cooperative Corporation and insurers. (Refer to Section 8801.1(g) regarding notifications from the Cooperative Corporation and insurers.)

8801.3: Reduction or cancelation in insurance coverage maintained by the Cooperative Corporation (05/04/20)

For insurance being maintained by the Cooperative Corporation under Chapter 8202, when the Servicer learns that any of the required insurance coverage(s) will be reduced or no longer in force, the Servicer must contact the Cooperative Corporation to:

- Determine the reasons for the reduction or cancelation in insurance coverage and whether and when such insurance coverage will be reinstated; and
- Advise the Cooperative Corporation that the lack of adequate insurance coverage will make future Cooperative Share Loans in the Cooperative Project ineligible for sale to Freddie Mac

If the insurance coverage is not reinstated within 60 days after the reduction or cancelation, then the Servicer must:

- Advise its loan origination staff, if any, that future Cooperative Share Loans in the Cooperative Project are not eligible for sale to Freddie Mac; and
- Immediately notify Freddie Mac (**Distressed_Property@FreddieMac.com**) of the reduction or cancelation in insurance coverage and include the Servicer's recommendation on how to proceed

8801.4: Cooperative Share Loan expenses that may become First Liens on the property (09/27/21)

In consideration of the requirements in Section 9301.27, if a delinquent expense (as listed below) is or may become a First Lien on the property or that if not paid would result in the subordination of Freddie Mac's interests, then the Servicer must obtain written pre-approval from Freddie Mac (by submitting a request for pre-approval (RPA) via the RPA functionality in PAID (Payments Automated Intelligent and Dynamic) (see Exhibit 88, Servicing Tools)) before advancing and paying any such expense, when and to the extent necessary, to protect Freddie Mac's interests. These expenses include:

- Cooperative Corporation assessments that represent the Pro Rata Share; and
- For a Cooperative Unit located in the State of New York, Cooperative Unit Maintenance Fees (and any associated collection expenses)

See also Section 8801.7 regarding reimbursement of expenses incurred on a Cooperative Share Loan.

8801.5: Loss mitigation for Cooperative Share Loans (10/09/24)

This section contains requirements related to:

- Assumptions and workout loan assumptions
- Loan modifications
- Short sales
- Deeds-in-lieu of foreclosure
- Charge-offs

(a) Assumptions and workout loan assumptions

In the event an assumption or workout loan assumption (with or without a release of liability) of a Cooperative Share Loan is approved, then, in addition to the approval of the application for transfers of ownership requirements listed in Section 8406.7 and the approval conditions for a workout assumption in Section 9207.6, as applicable, the Servicer must:

- Obtain the consent of the Cooperative Corporation, if such consent is required by the Proprietary Lease, and obtain a new stock certificate, if applicable
- Ensure the transferee acquires the transferor's ownership interest in the Cooperative Corporation (e.g., evidenced in a stock certificate) and either obtains a new Proprietary Lease or assumes the existing Proprietary Lease; and
- If applicable, timely file a UCC-1 financing statement naming the transferee that became the debtor

(b) Loan modifications

When evaluating a Cooperative Share Loan Borrower for a loan modification under a Freddie Mac loan modification program, in addition to the modification requirements in Chapter 9206 and other loan modification requirements under the Purchase Documents, as applicable, the following requirements must be met:

- The Servicer must ensure that the term of the Proprietary Lease must not terminate earlier than the maturity date of the proposed modified Cooperative Share Loan. If the current term of the Proprietary Lease terminates earlier than the maturity date of the proposed Cooperative Share Loan, then the term of the Proprietary Lease must be renegotiated to satisfy this requirement.

- For purposes of calculating the housing expense-to-income ratio(s), as applicable, the Servicer must make reasonable efforts to obtain written documentation verifying the monthly amounts of Cooperative Corporation assessments and Cooperative Unit Maintenance Fees

- Consistent with the requirements in Section 9206.15, any delinquent Cooperative Share Loan expenses that may become First Liens on the property pursuant to Section 8801.4 may be capitalized, provided that such capitalization is not prohibited by applicable law

Note: See also Section 8801.1(f)(i) regarding certain Servicer warranties required in the event of a loan modification.

(c) Short sales

(i) When evaluating a Cooperative Share Loan Borrower for a Freddie Mac Standard Short Sale ("short sale"), in addition to the short sale requirements in Chapter 9208, the following requirements must be met:

- For purposes of calculating the housing expense-to-income ratio, if applicable, the Servicer must make reasonable efforts to obtain written documentation verifying the monthly amounts of Cooperative Corporation assessments and Cooperative Unit Maintenance Fees

- If the Servicer is considering a Cooperative Share Loan Borrower for a short sale, then the Servicer is not delegated to approve the short sale and the file must be sent to Freddie Mac. Pursuant to Section 9208.2, the Servicer must submit a recommendation to Freddie Mac for review with the following additional documentation:

  - A detailed explanation of the Servicer's recommendation and rationale for its recommendation documented in the comments section of Workout Prospector®. (Note: The Servicer must also identify that the recommendation pertains to a Cooperative Share Loan in the comments section.)

  - The monthly amounts of Cooperative Corporation assessments and Cooperative Unit Maintenance Fees, as well as the total amounts of any delinquent Cooperative Share Loan expenses that may become First Liens on the property pursuant to Section 8801.4

(ii) In the event a short sale is approved, then, in addition to the requirements listed in Section 9208.8, the Servicer must:

- Obtain the consent of the Cooperative Corporation, if such consent is required by the Proprietary Lease

- Ensure the buyer acquires an ownership interest in the Cooperative Corporation (e.g., evidenced in a new stock certificate) and either obtain the assignment of the Proprietary Lease or a new Proprietary Lease

- If applicable, timely file a termination statement for the UCC-1 financing statements; and

- Unless otherwise instructed by Freddie Mac, pay, prior to and outside of the transaction, any delinquent Cooperative Share Loan expenses that may become First Liens on the property pursuant to Section 8801.4

(d) Deeds-in-lieu of foreclosure

(i) When evaluating a Cooperative Share Loan Borrower for a Freddie Mac Standard Deed-in-Lieu of Foreclosure ("deed-in-lieu of foreclosure"), in addition to the deed-in-lieu of foreclosure requirements in Chapter 9209, the following requirements must be met:

- For purposes of calculating the housing expense-to-income ratio, if applicable, the Servicer must make reasonable efforts to obtain written documentation verifying the monthly amounts of Cooperative Corporation assessments and Cooperative Unit Maintenance Fees

- If the Servicer is considering a Cooperative Share Loan Borrower for a deed-in-lieu of foreclosure, then the Servicer is not delegated to approve the deed-in-lieu of foreclosure and the file must be sent to Freddie Mac. Pursuant to Section 9209.2, the Servicer must submit a recommendation to Freddie Mac for review with the following additional documentation:

  - A detailed explanation of the Servicer's recommendation and rationale for its recommendation documented in the comments section of Workout Prospector. (Note: The Servicer must also identify that the recommendation pertains to a Cooperative Share Loan in the comments section.)

  - The monthly amounts of Cooperative Corporation assessments and Cooperative Unit Maintenance Fees, as well as the total amounts of any delinquent Cooperative Share Loan expenses that may become First Liens on the property pursuant to Section 8801.4

(ii) In the event a deed-in-lieu of foreclosure is approved, then, in addition to the requirements listed in Section 9209.8, the Servicer must:

- Obtain the consent of the Cooperative Corporation, if such consent is required by the Proprietary Lease, and obtain a new stock certificate

- Ensure an ownership interest in the Cooperative Corporation is acquired (e.g., evidenced in a new stock certificate) and either obtain the assignment of the Proprietary Lease or a new Proprietary Lease

- If applicable, timely file a termination statement for the UCC-1 financing statements; and

- Unless otherwise instructed by Freddie Mac, pay any delinquent Cooperative Share Loan expenses that may become First Liens on the property pursuant to Section 8801.4

(e) Charge-offs

In the event a charge-off of a Cooperative Share Loan is approved, then, in addition to the requirements listed in Section 9210.5, the Servicer must, if applicable, timely file a termination statement for the UCC-1 financing statements.

See also Section 9210.2 regarding when a Servicer must recommend a charge-off of a Cooperative Share Loan to Freddie Mac.

8801.5: Loss mitigation for Cooperative Share Loans (Future effective date 12/09/24)

This section contains requirements related to:

- Assumptions and workout loan assumptions
- Loan modifications
- Short sales
- Deeds-in-lieu of foreclosure
- Charge-offs

(a) Assumptions and workout loan assumptions

In the event an assumption or workout loan assumption (with or without a release of liability) of a Cooperative Share Loan is approved, then, in addition to the approval of the application for transfers of ownership requirements listed in Section 8406.7 and the approval conditions for a workout assumption in Section 9207.6, as applicable, the Servicer must:

- Obtain the consent of the Cooperative Corporation, if such consent is required by the Proprietary Lease, and obtain a new stock certificate, if applicable

- Ensure the transferee acquires the transferor's ownership interest in the Cooperative Corporation (e.g., evidenced in a stock certificate) and either obtains a new Proprietary Lease or assumes the existing Proprietary Lease; and

- If applicable, timely file a UCC-1 financing statement naming the transferee that became the debtor

(b) Loan modifications

When evaluating a Cooperative Share Loan Borrower for a loan modification under a Freddie Mac loan modification program, in addition to the modification requirements in Chapter 9206 and other loan modification requirements under the Purchase Documents, as applicable, the following requirements must be met:

- The Servicer must ensure that the term of the Proprietary Lease must not terminate earlier than the maturity date of the proposed modified Cooperative Share Loan. If the current term of the Proprietary Lease terminates earlier than the maturity date of the proposed Cooperative Share Loan, then the term of the Proprietary Lease must be renegotiated to satisfy this requirement.

- For purposes of calculating the housing expense-to-income ratio(s), as applicable, the Servicer must make reasonable efforts to obtain written documentation verifying the monthly amounts of Cooperative Corporation assessments and Cooperative Unit Maintenance Fees

- Consistent with the requirements in Section 9206.15, any delinquent Cooperative Share Loan expenses that may become First Liens on the property pursuant to Section 8801.4 may be capitalized, provided that such capitalization is not prohibited by applicable law

Note: See also Section 8801.1(f)(i) regarding certain Servicer warranties required in the event of a loan modification.

(c) Short sales

(i) When evaluating a Cooperative Share Loan Borrower for a Freddie Mac Standard Short Sale ("short sale"), in addition to the short sale requirements in Chapter 9208, the following requirements must be met:

- For purposes of calculating the housing expense-to-income ratio, if applicable, the Servicer must make reasonable efforts to obtain written documentation verifying the monthly amounts of Cooperative Corporation assessments and Cooperative Unit Maintenance Fees

- If the Servicer is considering a Cooperative Share Loan Borrower for a short sale, then the Servicer is not delegated to approve the short sale and the file must be sent to

Freddie Mac. Pursuant to Section 9208.2, the Servicer must submit a short sale exception review in Resolve® with the following additional documentation:

- ❑ A detailed explanation of the Servicer's recommendation and rationale for its recommendation documented in the comments section of Resolve. (Note: The Servicer must identify that the recommendation pertains to a Cooperative Share Loan.)

- ❑ The monthly amounts of Cooperative Corporation assessments and Cooperative Unit Maintenance Fees, as well as the total amounts of any delinquent Cooperative Share Loan expenses that may become First Liens on the property pursuant to Section 8801.4

(ii) In the event a short sale is approved, then, in addition to the requirements listed in Section 9208.8, the Servicer must:

- ■ Obtain the consent of the Cooperative Corporation, if such consent is required by the Proprietary Lease

- ■ Ensure the buyer acquires an ownership interest in the Cooperative Corporation (e.g., evidenced in a new stock certificate) and either obtain the assignment of the Proprietary Lease or a new Proprietary Lease

- ■ If applicable, timely file a termination statement for the UCC-1 financing statements; and

- ■ Unless otherwise instructed by Freddie Mac, pay, prior to and outside of the transaction, any delinquent Cooperative Share Loan expenses that may become First Liens on the property pursuant to Section 8801.4

(d) Deeds-in-lieu of foreclosure

(i) When evaluating a Cooperative Share Loan Borrower for a Freddie Mac Standard Deed-in-Lieu of Foreclosure ("deed-in-lieu of foreclosure"), in addition to the deed-in-lieu of foreclosure requirements in Chapter 9209, the following requirements must be met:

- ■ For purposes of calculating the housing expense-to-income ratio, if applicable, the Servicer must make reasonable efforts to obtain written documentation verifying the monthly amounts of Cooperative Corporation assessments and Cooperative Unit Maintenance Fees

- ■ If the Servicer is considering a Cooperative Share Loan Borrower for a deed-in-lieu of foreclosure, then the Servicer is not delegated to approve the deed-in-lieu of foreclosure and the file must be sent to Freddie Mac. Pursuant to Section 9209.2, the Servicer must submit a deed-in-lieu of foreclosure exception review through Resolve with the following additional documentation:

- ❑ A detailed explanation of the Servicer's recommendation and rationale for its recommendation documented in the comments section of Resolve. (Note: The Servicer must identify that the recommendation pertains to a Cooperative Share Loan.)

- ❑ The monthly amounts of Cooperative Corporation assessments and Cooperative Unit Maintenance Fees, as well as the total amounts of any delinquent Cooperative Share Loan expenses that may become First Liens on the property pursuant to Section 8801.4

(ii) In the event a deed-in-lieu of foreclosure is approved, then, in addition to the requirements listed in Section 9209.8, the Servicer must:

- ■ Obtain the consent of the Cooperative Corporation, if such consent is required by the Proprietary Lease, and obtain a new stock certificate

- ■ Ensure an ownership interest in the Cooperative Corporation is acquired (e.g., evidenced in a new stock certificate) and either obtain the assignment of the Proprietary Lease or a new Proprietary Lease

- ■ If applicable, timely file a termination statement for the UCC-1 financing statements; and

- ■ Unless otherwise instructed by Freddie Mac, pay any delinquent Cooperative Share Loan expenses that may become First Liens on the property pursuant to Section 8801.4

(iii) Charge-offs

In the event a charge-off of a Cooperative Share Loan is approved, then, in addition to the requirements listed in Section 9210.5, the Servicer must, if applicable, timely file a termination statement for the UCC-1 financing statements.

See also Section 9210.2 regarding when a Servicer must recommend a charge-off of a Cooperative Share Loan to Freddie Mac.

8801.6: Delinquency management for Cooperative Share Loans (09/27/21)

(a) Pre-foreclosure referral account review

In addition to the requirements in Section 9301.4 regarding the pre-foreclosure referral account review, the Servicer must seek Freddie Mac's approval (**Foreclosures@FreddieMac.com**) to refer a Cooperative Share Loan to foreclosure if:

- The Servicer becomes aware of or has reason to believe that proceeding with foreclosure on the Cooperative Share Loan is not in Freddie Mac's best interest; and/or
- A charge off would produce a lesser estimated loss severity, as opposed to proceeding with foreclosure on the Cooperative Share Loan

If directed by Freddie Mac, the Servicer must submit a recommendation for a charge-off to Freddie Mac in accordance with the requirements in Section 9210.3.

(b) Foreclosure of a Cooperative Share Loan

When referring a Cooperative Share Loan to foreclosure, the Servicer must follow the requirements in Chapter 9301, as such requirements may be applicable to Cooperative Units. Additionally, consistent with the requirements in Section 9501.3, the Servicer must ensure that the firm accepting the foreclosure referral meets the Firm Minimum Requirements (as that term is described in Section 9501.3), including, but not limited to:

- Having experience in general housing-related issues such as Cooperative Share Loans; and
- No substantial part of the firm's practice includes matters that are adverse to financial institutions, such as Cooperative Corporation foreclosures

Servicers may submit any foreclosure-related questions or concerns when foreclosing on a Cooperative Share Loan to Freddie Mac (**Foreclosures@FreddieMac.com**).

See also Section 8801.1(f)(ii) regarding certain Servicer warranties required when foreclosing on a Cooperative Share Loan.

(c) Foreclosure attorney fees

Freddie Mac will reimburse the Servicer for attorney fees to foreclose on a Cooperative Share Loan if the Servicer has obtained Freddie Mac's written pre-approval (by submitting a request for pre-approval (RPA) via the RPA functionality in PAID (Payments Automated Intelligent and Dynamic) (see Exhibit 88, Servicing Tools)). (Refer to Exhibit 57A, Approved Attorney Fees and Title Expenses.)

See also Section 8801.7 regarding reimbursement of expenses incurred on a Cooperative Share Loan.

Note: In addition to the legal services included in the attorney fees for an uncontested foreclosure outlined in Section 9701.11, any transfer of the Cooperative Shares and Proprietary Lease is also considered included.

(d) Post-foreclosure/Real Estate Owned

Consistent with the requirements in Sections 8601.30 and 9601.3, as applicable, once Freddie Mac has acquired a Cooperative Unit in REO, Freddie Mac will pay the Cooperative Corporation assessments and Cooperative Unit Maintenance Fees.

Additionally, pursuant to Section 9603.9, for a Cooperative Unit in REO, the Servicer must submit to Freddie Mac any information Freddie Mac requests from the Servicer, whether from the Mortgage file or, for documents a Document Custodian maintains physical custody, from the Document Custodian. This includes, but is not limited to:

- The stock certificate, which evidenced the Cooperative Share Loan Borrower's ownership interest in the Cooperative Corporation
- The Cooperative Share Loan Borrower's Proprietary Lease; and
- The Recognition Agreement

8801.7: Reimbursement of Cooperative Share Loan expenses (09/27/21)

The Servicer must obtain written pre-approval from Freddie Mac (by submitting a request for pre-approval (RPA) via the RPA functionality in PAID (Payments Automated Intelligent and Dynamic) (see Exhibit 88, Servicing Tools)) to be reimbursed for the following expenses incurred on a Cooperative Share Loan:

- Flip tax pursuant to Section 8801.1(h)
- Attorney fees to foreclose on a Cooperative Share Loan pursuant to Section 8801.6(c); and
- Cooperative Share Loan expenses that may become First Liens on the property pursuant to Section 8801.4

See also Exhibit 74, Expense and Income Codes for Expense Reimbursement Claims, regarding expense codes 014005 (Foreclosure on a Cooperative Share), 080008 (Cooperative Share Loan –

Flip Tax), 080009 (Cooperative Share Loan – Pro Rata Share Assessments) and 080010 (Cooperative Share Loan – Maintenance Fees).

Additionally, consistent with the requirements in Section 9701.21, standard supporting documentation (e.g., proof of disbursements) for reimbursement of expenses incurred on a Cooperative Share Loan include, but is not limited to, a copy of the Cooperative Project Documents, Recognition Agreement or other legal documents highlighting, if applicable, that:

- The Cooperative Corporation assessments that represent the Pro Rata Share and/or Cooperative Unit Maintenance Fees (and any associated collection expenses) may become First Liens on the property

- The Cooperative Share Loan is subject to the payment of a flip tax and the imposition of the flip tax is permitted

Chapter 8901: Servicing Requirements for HeritageOne^{SM} Mortgages

8901.1: Servicing HeritageOne^{SM} Mortgages (10/02/23)

(a) Key terms used in this chapter

Key terms and definitions used in this Chapter 8901 can be found below and in Section 4504.2(c). Servicers of a HeritageOne^{SM} Mortgage should be familiar with these key terms and definitions:

- **BIA:** U.S. Department of the Interior Bureau of Indian Affairs
- **Native American:** Any person recognized as being Native American, American Indian or Alaska Native by a Native American Tribe, the federal government or any State
- **Native American Tribe:** A federally recognized Indian tribe of the United States that is included in the BIA's most recent publication of the notice titled "Indian Entities Recognized by and Eligible To Receive Services From the United States Bureau of Indian Affairs". As used in this chapter, "Native American Tribe" includes any housing authority, utility, corporation, partnership or other entity that is partially or wholly owned by the Native American Tribe
- **Tribal Area**: A census tract, or any portion thereof, that is designated as both a HUD Indian Housing Block Grant (IHBG) Area and a rural area under FHFA's Duty to Serve Regulation and is identified as an "Indian area" in the current version of FHFA's Indian Areas File

Refer to Chapter 4504 for specific requirements for selling a HeritageOne Mortgage to Freddie Mac.

(b) Servicer approval/eligibility

This Chapter 8901 is not a general offering and is only available to specific Servicers approved by Freddie Mac due to the necessary expertise and additional requirements to service HeritageOne Mortgages. A Seller/Servicer must either complete a Concurrent Transfer of Servicing or have explicit Freddie Mac approval as outlined below:

- The Seller/Servicer (Transferor Servicer) must complete a Concurrent Transfer of Servicing to a Transferee Servicer designated by Freddie Mac in accordance with Chapter 7101 and the requirements of this Chapter 8901; and

- If the Seller/Servicer intends to retain the Servicing of HeritageOne Mortgages and fulfill the Servicing obligations in its capacity as Seller/Servicer, the Servicer must obtain explicit approval from Freddie Mac to service HeritageOne Mortgages

(c) Tracking HeritageOne Mortgages

Servicers of HeritageOne Mortgages must implement policies, procedures and systems to identify and track HeritageOne Mortgages to ensure that such Mortgages are serviced in accordance with the servicing requirements of the Guide and this chapter.

(d) Additional Servicing requirements applicable to HeritageOne Mortgages

For each HeritageOne Mortgage being serviced for Freddie Mac, the Servicer must:

- Be approved to service loans on the Native American Tribe's Tribal Area in which the property resides, in accordance with applicable law; and

- Service HeritageOne Mortgages in accordance with the Servicing requirements of the Guide, this chapter and applicable law

The Servicing requirements of this chapter are applicable only to the servicing of HeritageOne Mortgages. If any Servicing requirement in this chapter is inconsistent with a Servicing requirement set forth elsewhere in the Guide (except for requirements to comply with applicable law, which supersede any other Servicing requirement in the Guide), the Servicer must comply with the Servicing requirement set forth in this chapter with respect to any HeritageOne Mortgage.

Servicers must not apply any of the requirements set forth in this chapter to a Mortgage that is not designated a HeritageOne Mortgage; rather, the Servicer should continue Servicing such Mortgages in accordance with all other Servicing requirements of the Guide and other applicable Purchase Documents.

(e) HeritageOne leasehold Mortgages

Unless inconsistent with a Servicing requirement set forth in this Chapter 8901, all Servicing requirements of the Guide governing Mortgages secured by leasehold estates (leasehold Mortgages) apply to HeritageOne leasehold Mortgages.

Refer to Sections 9301.26, 9401.3 and 9701.10(c) for requirements related to Servicing leasehold Mortgages if termination of the lease will jeopardize Freddie Mac's lien position or interest in the property.

Refer to Section 9206.5(b) for requirements to negotiate the extension of the current term of a lease (or applicable renewal options) in the event the current term of a lease (or applicable renewal options) terminates earlier than five years after the maturity date of the proposed

modification of a leasehold Mortgage. As noted in Section 4504.8(b), this may include obtaining approval from the U.S. Secretary of the Interior or the BIA, as applicable.

For additional requirements for HeritageOne leasehold Mortgages, refer to Section 4504.9.

(f) Resale restrictions

As described in Section 4504.5, HeritageOne Mortgages may be subject to resale restrictions. Unless inconsistent with a Servicing requirement set forth in this Chapter 8901, Servicers should refer to Chapter 4406 and Section 4504.5 for additional requirements regarding resale restrictions on HeritageOne Mortgages.

Refer to Sections 9208.2(c) and 9208.5 for the Freddie Mac Standard Short Sale ("short sale") evaluation requirements for Mortgages secured by properties subject to resale restrictions, unless inconsistent with a Servicing requirement set forth in this Chapter 8901.

Refer to Sections 9301.31, 9301.32 and 9301.34 for foreclosure sale bidding requirements on properties subject to resale restrictions.

(g) General notice and disclosure requirements

The Servicer must provide all notices and disclosures to the Borrower obligated under a HeritageOne Mortgage and, as applicable, the Native American Tribe, the BIA and/or the Secretary of the Interior as required by applicable law, the Mortgage documents, and any applicable Freddie Mac HeritageOne memorandum of understanding, as outlined in this chapter.

All notices and disclosures must include any required response requirements and/or time frames.

(h) Occupancy attestation

The Servicer is highly encouraged, but not required, to have the Borrower obligated under a HeritageOne Mortgage complete an annual attestation in which the Borrower attests to the current occupancy status of the property. Upon completion, the Servicer is encouraged to add the attestation to the Mortgage file.

8901.2: Subsequent Transfers of Servicing with respect to HeritageOne^{SM} Mortgages (10/02/23)

HeritageOne^{SM} Mortgages must not be included in any Subsequent Transfers of Servicing unless the transfer is expressly approved by Freddie Mac.

8901.3: Delinquency management for HeritageOne[SM] Mortgages (10/02/23)

(a) Borrower communication and single point of contact (SPOC)

In addition to the communication and outreach requirements for delinquency as outlined in Chapters 9101 and 9102, Freddie Mac encourages, but does not require, the Servicer to use a SPOC model for communications with a Borrower obligated under a HeritageOne[SM] Mortgage to ensure contact continuity.

(b) Special Servicing and Early Delinquency Counseling

Unless otherwise noted below, the requirements for special Servicing and Early Delinquency Counseling as described in Sections 9101.2 and 9102.4, as applicable, apply to HeritageOne Mortgages, regardless of the Mortgage product type.

Additionally, Servicers may refer Borrowers obligated under a HeritageOne Mortgage who are not located in a Duty to Serve high-needs area as listed in Exhibit 40, Duty to Serve High-Needs Areas, for referral to Next Job re-employment services.

The Servicer is not required to offer Early Delinquency Counseling if the Servicer has knowledge or reason to believe that one of the following entities has established program requirements to offer its own early delinquency counseling (e.g., analyzing the Borrower's financial situation during a counseling session and developing a plan of action for solving the Delinquency) and/or has already offered early delinquency counseling to a delinquent Borrower obligated under on a HeritageOne Mortgage:

- The Native American Tribe,
- A Native community development financial institution (CDFI), and/or
- A Tribal Designated Housing Entity associated with the applicable Native American Tribe

If the Servicer is not required to offer Early Delinquency Counseling, the Servicer must document the basis for not offering such counseling in the Mortgage file.

(c) Delinquency management process for HeritageOne Mortgages

The steps below describe the process that Servicers must follow, in addition to the other Servicing requirements of the Guide, when a Borrower obligated under a HeritageOne Mortgage is delinquent in his or her Mortgage payments.

(i) Step 1 – Servicing requirements for HeritageOne Mortgages during Delinquency

(A) Early Delinquency Counseling

Pursuant to Section 8901.3(b), if applicable, Servicers of HeritageOne Mortgages must offer Early Delinquency Counseling as described in Sections 9101.2 and 9102.4, as applicable.

(B) Property Inspections

The Servicer must order Property Inspections on the Mortgaged Premises in accordance with Section 9202.12 and applicable law on all HeritageOne Mortgages. The Servicer must meet any notification requirements per applicable law based upon the location of the Mortgaged Premises.

In accordance with Section 9202.12, in the event that extenuating circumstances cause property inspection delays, Servicers must document the Mortgage file explaining the cause of the delay(s) and any efforts to work with the Native American Tribe to access the property and complete the property inspection.

(C) Property preservation

The Servicer must follow property preservation requirements for abandoned properties in accordance with Section 8403.2 and for properties in foreclosure in accordance with Section 9301.26 for all HeritageOne Mortgages.

The Servicer must meet any notification requirements per applicable law based upon the location of the Mortgaged Premises. In addition, if the property contains Native American artifacts or remains, the Servicer must work with the Native American Tribe or the BIA to ensure proper handling of the artifacts or remains when maintaining the property.

(D) The Native American Tribe's rights during Delinquency

The Native American Tribe may have certain rights if a Borrower subject to a HeritageOne Mortgage becomes delinquent.

In accordance with applicable law, Chapter 4504, the Mortgage documents and any applicable Freddie Mac HeritageOne memorandum of understanding, these rights may include, but are not limited to:

I. Right of first refusal; or

II. In the case of a HeritageOne leasehold Mortgage, curing the Delinquency on behalf of the Borrower obligated under a HeritageOne Mortgage, or, if curing the Delinquency on behalf of the Borrower is determined by the lessor not to be a

viable solution to the Delinquency, paying off the HeritageOne leasehold Mortgage (e.g., by finding a new potential lessee to purchase the property from the Borrower for an amount that pays off the total debt)

For additional requirements regarding right of first refusal on a HeritageOne Mortgage, see Section 4504.5.

(ii) Step 2 – Pre-foreclosure referral Servicing requirements for HeritageOne Mortgages

(A) Breach letter

In accordance with Section 9101.2, Servicers must mail the breach letter for all HeritageOne Mortgages, including First Lien Mortgages and modified Mortgages, no later than the 75th day of Delinquency (i.e., 105 days after the DDLPI).

If applicable law requires the breach letter (or any other pre-breach letter or notice) to be sent prior to the 75th day of Delinquency in order to be able to refer the Mortgage to foreclosure as required in Sections 9301.6 and 9301.7, the Servicer must send the breach letter on such earlier date.

Servicer must provide a copy of the breach letter to all parties as required by applicable law, which may include, but are not limited to the Borrower obligated under a HeritageOne Mortgage, Native American Tribe, any tribal entity named in a right of first refusal, BIA and/or the Secretary of the Interior.

(B) Pre-foreclosure referral account review

Within 15 days prior to foreclosure referral, the Servicer must review the Mortgage file to ensure that:

- The Servicer has made every attempt to achieve quality right party contact in accordance with Section 9102.3;
- At least one Borrower Solicitation Package or Borrower Solicitation Letter has been sent by the 45th day after the Due Date of an unpaid monthly installment and the response period has expired without an affirmative Borrower response;
- There is neither an approved payment arrangement nor an alternative to foreclosure offer pending for which the Borrower response period has not expired;
- The breach letter (1) has been issued and expired and (2) has been provided to all required parties in accordance with applicable law, which may include, but are not limited to, the Borrower obligated under a HeritageOne Mortgage, Native

American Tribe, any tribal entity named in a right of first refusal, the BIA and/or Secretary of the Interior;

- If applicable, any additional required notices or demand letters, with the required time frame for response included, have been provided to appropriate parties in accordance with applicable law, any applicable Freddie Mac HeritageOne memorandum of understanding, and the Mortgage documents. Such appropriate parties may include, but are not limited to, the Borrower obligated under a HeritageOne Mortgage, Native American Tribe, any tribal entity named in a right of first refusal, the BIA and/or the Secretary of the Interior. Additionally, the Servicer must confirm the response time frame provided in the notices has expired.

(iii) Step 3 – Foreclosure Servicing requirements for HeritageOne Mortgages

(A) Additional notices post referral

Pursuant to applicable law, any applicable Freddie Mac HeritageOne memorandum of understanding and the Mortgage documents, the Servicer must provide any required foreclosure-related notices to the Native American Tribe, and any other required parties, that describes how the Servicer may express its intention to exercise any enforcement rights available to it under applicable law or the Mortgage documents.

Upon delivery of the foreclosure-related notices to the required parties, the required parties must give written notice to the Servicer of their intention to exercise any rights available to them under applicable law and the Mortgage documents within the time frame specified by the Servicer. Unless otherwise prohibited per applicable law, if such timely written notice is given to the Servicer, the Servicer may, upon receipt and in accordance with applicable law and the Mortgage documents, suspend foreclosure proceedings to allow the required party(ies) to exercise its rights. If a foreclosure sale date is scheduled, the Servicer may, to the extent possible and in accordance with applicable law, extend the foreclosure sale date.

(B) HeritageOne Mortgage foreclosure – State jurisdiction

If the State holds jurisdiction in the Mortgage proceedings (e.g., if the Mortgaged Premises is owned in fee simple and located within exterior boundaries of the reservation area) or the applicable tribal court chooses to apply State Mortgage laws and procedures to its foreclosure proceedings, then the Servicer must follow the requirements in Chapter 9301 unless inconsistent with the Servicing requirements provided in this chapter.

(C) HeritageOne Mortgage Foreclosure – tribal jurisdiction

If the foreclosure must be conducted through tribal court, the Servicer must follow the requirements in Chapters 9301 and 8901 and all applicable tribal law and tribal court procedures.

(D) Tribal jurisdiction foreclosure Counsel

When the foreclosure must be processed through tribal court, the Servicer must refer the foreclosure to Counsel that meets the Firm Minimum Requirements, as specified in Section 9501.3, and is approved to appear in the Native American Tribe's reservation and applicable tribal courts in accordance with applicable law.

In the event that extenuating circumstances cause excessive delays in foreclosure processing on a HeritageOne Mortgage, Servicers are instructed to document the Mortgage file explaining the cause of the delays.

Chapter 9101: Delinquency Management for Mortgages Secured by Primary Residences

9101.1: Delinquency management for Mortgages secured by Primary Residences (03/02/16)

This chapter sets forth Servicing requirements relating to collection efforts, Borrower communications, foreclosure postponement and management of an appeals process in connection with a denial of a Trial Period Plan for Mortgages secured by Primary Residences. Except as otherwise noted in this chapter, Servicers must refer to Chapters 9102 through 9401 and Chapter 8404 for all other Delinquency management requirements.

9101.2: Servicer collection efforts for Mortgages secured by Primary Residences (06/14/23)

(a) All collection efforts

The Servicer must treat each Delinquency individually by varying the collection techniques to fit the individual circumstances. The Servicer must avoid establishing a fixed routine; this is particularly ineffective when dealing with chronically delinquent Borrowers.

All collection efforts must be based on the extent of the Delinquency and the Servicer's knowledge of the following factors:

1. Borrower's prior payment history
2. Borrower's credit history
3. Borrower's employment situation
4. Borrower's reason for default
5. Borrower's willingness and ability to repay
6. Borrower is deceased or the property is included as part of the Borrower's estate
7. Mortgaged Premises' condition
8. Mortgaged Premises' occupancy status

If there is a known potential risk of loss or ownership to Freddie Mac, the Borrower must be referred for loss mitigation immediately.

Borrowers on Automatic Withdrawal (Automated Clearing House (ACH))

Servicers should encourage Borrowers to set up ACH payment arrangements. If a Borrower agreed to have his or her monthly payments automatically withdrawn from a bank account, the Servicer must ensure that the correct monthly payment is withdrawn (especially after an Escrow analysis has taken place) and processed timely. If the ACH payment cannot be processed on the specified date the Borrower has agreed to, the Servicer must begin efforts to contact the Borrower within 48 hours to determine the reason for the missed payment.

(b) Minimum collection efforts

The Servicer must, at a minimum:

- Be readily available to the Borrower to offer financial counseling and advice on curing the Delinquency and explaining alternatives to foreclosure

- Make personal contact with the Borrower as early and often as necessary to promptly cure the Delinquency. (Mortgages in bankruptcy or litigation may be excluded if necessary under applicable law, rules of professional responsibility or court rules.)

  Servicers are authorized to use alternative outreach methods to contact the Borrower as permitted by applicable law including, but not limited to, e-mail, text messaging or voice response unit (VRU) technology.

- Continue to contact the Borrower if satisfactory arrangements have not been made to cure the Delinquency or until the Servicer determines foreclosure is appropriate

- Issue the breach letter (may also be referred to as the "notice of acceleration" or "demand letter") for all Mortgages no later than the 75th day of Delinquency. If State law requires the breach letter (or any other pre-breach letter or notice) to be sent prior to the 75th day of Delinquency in order to be able to refer the Mortgage to foreclosure as required in Sections 9301.6 and 9301.7, the Servicer must send the breach letter on such earlier date.

  If the Servicer determines the property is vacant or abandoned pursuant to Section 9202.14, then the Servicer must:

  - Issue a breach letter within 10 days of the determination, provided the Mortgage is greater than 30 days delinquent; and

  - Refer all Mortgages secured by Primary Residences to foreclosure after expiration of the breach letter, but no earlier than 151 days from the DDLPI (121st day of Delinquency). Refer to Sections 9301.6 and 9301.7 for additional requirements related to foreclosure referral.

- Contact the lessor for leasehold Mortgages and any lender with a prior lien on the fee simple landowner/lessor's fee simple interest

- Continue skip trace efforts until all reasonable sources have been attempted or contact numbers and addresses have been verified

Servicers that maintain a call center must meet minimum call center performance standards as set forth in Section 9201.5.

The following chart lists the minimum collection efforts that must be made in an attempt to bring a delinquent Mortgage secured by a Primary Residence current.

Note: If the day a Servicer is required to call a Borrower is not a Business Day and the Servicer is not open on such day to conduct loss mitigation and collection activities, the Servicer may call the Borrower on the next Business Day.

Days after Due Date	Action required
17	Mail late notices/reminder letters to delinquent Borrowers by the 17th day after the Due Date or the next Business Day if the 17th day after the Due Date is not a Business Day
36	Initiate contact with each delinquent Borrower as early in the delinquency cycle as possible to secure a payment or payment arrangement but no later than the 36th day after the Due Date of an unpaid monthly installment unless ACH payment arrangements or other arrangements to cure the Delinquency have been established. The Servicer may tailor its contact attempts appropriately based on the risk characteristics of the Mortgage, each Borrower's level of Delinquency and previous payment habits and the minimum contact requirements set forth in this section. Borrower contact must continue at least every seventh day at varying times throughout the day until the earlier of the 210th day after the Due Date of an unpaid monthly installment or quality right party contact is achieved and: ■ The Servicer determines that the Borrower does not want to pursue an alternative to foreclosure; ■ The Delinquency is cured, the Servicer achieves quality right party contact and has obtained from the Borrower a promise to pay the delinquent amount by a specified date (not to exceed 30 days); ■ A complete Borrower Response Package is received in accordance with Section 9102.5; OR

Days after Due Date	Action required
	■ The Borrower enters into a relief or workout option with the Servicer
45	If a Servicer has not achieved quality right party contact and a resolution to the Delinquency, the Servicer must send at least one Borrower Solicitation Package to the delinquent Borrower no later than the 45th day after the Due Date of an unpaid monthly installment. If a Servicer has achieved quality right party contact and has obtained from the Borrower a resolution to the Delinquency, the Servicer is not required to send the Borrower Solicitation Package. However, in such instance, the Servicer must comply with any early intervention notice that may be required under applicable law. If the Borrower fails to perform under the conditions of a relief or workout option, the Servicer must resume collection efforts, including sending the Borrower Solicitation Package. Generally, the Borrower Solicitation Package must include a Borrower Solicitation Letter (see Exhibit 1145), Form 710, Mortgage Assistance Application, frequently asked questions (FAQs) and foreclosure rescue scam information. However, a Servicer may choose to send only the Borrower Solicitation Letter and elect to send Form 710, FAQs and foreclosure rescue scam information upon establishing quality right party contact. In addition, the Servicer may provide the FAQs and foreclosure rescue scam information on its website and provide a link to that information in the Borrower Solicitation Letter. See also Section 9102.5(c) for specific information on what must be included in the solicitation to the Borrower. Note: When sending the Borrower Solicitation Package, Servicers are authorized to edit Form 710, if permitted by applicable law, to exclude references to IRS Form 4506-C; or, to the extent required by applicable law, to indicate that such forms may be required to complete the application and the circumstances when such forms must be obtained or processed in accordance with Section 9102.5(b)(2).

Days after Due Date	Action required
60-75	Send the Freddie Mac Flex Modification® Solicitation Cover Letter and Flex Modification Trial Period Plan Solicitation Offer – Not Based on an Evaluation of a BRP as set forth in Section 9102.5 to Borrowers with Step-Rate Mortgages who are eligible for a streamlined offer for a Freddie Mac Flex Modification in accordance with Section 9206.5. Send 60-75 days after the Due Date of an unpaid monthly installment for an eligible Borrower with a Step-Rate Mortgage. Servicers must continue to make efforts to complete an incomplete Borrower Response Package to the extent required by applicable law and regulations. Order the initial property inspection on or after day 90 and obtain a complete property inspection report no later than day 120 unless: (i) the Servicer has established quality right party contact or (ii) a full monthly Mortgage payment has been received within the last 30 days. If the property is found to be vacant or the occupancy status is unknown, property inspections must continue as long as the Mortgage remains 90 or more days delinquent, regardless of whether the Servicer achieves quality right party contact or a prospective resolution to the delinquency. Contact each known superior lienholder, if applicable.
75	Mail the breach letter for all Mortgages, including First Lien Mortgages and modified Mortgages no later than the 75th day of Delinquency (i.e., 90 days after the DDLPI). If State law requires the breach letter (or any other pre-breach letter or notice) to be sent prior to the 75th day of Delinquency in order to be able to refer the Mortgage to foreclosure as required in Sections 9301.6 and 9301.7, the Servicer must send the breach letter on such earlier date.
90-105	Send the Freddie Mac Flex Modification® Solicitation Cover Letter and Flex Modification Trial Period Plan Solicitation Offer – Not Based on an Evaluation of a BRP as set forth in Section 9102.5 to Borrowers eligible for a streamlined offer for a Freddie Mac Flex Modification in accordance with Section 9206.5. Send **90-105** days after the Due Date of an unpaid monthly installment for all eligible Borrowers. Servicers are not required to re-solicit Borrowers with Step-Rate Mortgages who were previously solicited between day 60 and 75 of Delinquency.

Days after Due Date	Action required
	Servicers must continue to make efforts to complete an incomplete Borrower Response Package to the extent required by applicable law and regulations.
106 and greater	Within 15 days prior to foreclosure referral, the Servicer must review the Mortgage file to ensure that: it made every attempt to achieve quality right party contact in accordance with Section 9102.3, the breach letter has been issued and expired, at least one Borrower Solicitation Package has been sent by the 45th day after the Due Date of an unpaid monthly installment and the response period has expired without an affirmative Borrower response and there is neither an approved payment arrangement nor an alternative to foreclosure offer pending for which the Borrower response period has not expired.
121 and greater	Refer all Mortgages secured by Primary Residences to foreclosure after expiration of the breach letter, but no earlier than 151 days from the DDLPI (121st day of Delinquency). Refer to Sections 9301.6 and 9301.7 for additional requirements related to foreclosure referral.
211	After the 210th day after the Due Date of an unpaid monthly installment, the Servicer has discretion on continuation and frequency of contact attempts with a delinquent Borrower. However, the Servicer must discontinue all contact attempts 60 days prior to a foreclosure sale date for a judicial foreclosure or 30 days prior to a foreclosure sale date for a non-judicial foreclosure, unless the Servicer is required to continue contact attempts by applicable law.

Use of a Collection and Loss Mitigation Tool

Servicers may use their own methodology or a tool that uses statistical models to predict worsening Delinquency and use the results of the tool to tailor its collection efforts ("Collection and Loss Mitigation Tool"), to determine when contact attempts should begin. Regardless of the methodology or tool employed, Servicers must comply with the minimum collection time frames in this section even if a Collection and Loss Mitigation Tool is used, including initiating contact attempts no later than 36 days after the Due Date of an unpaid monthly installment. Servicers using a Collection and Loss Mitigation Tool when managing contact attempts must make model specifications and code available to Freddie Mac upon request.

Servicers must conduct periodic reviews to ensure the effectiveness of the Collection and Loss Mitigation Tool, including compliance with applicable laws, such as anti-discriminatory laws. Freddie Mac reserves the right to require a Servicer to discontinue the use of a Collection and Loss Mitigation Tool for Freddie Mac Mortgages.

(c) Special Servicing and Early Delinquency Counseling

The requirements for special Servicing and Early Delinquency Counseling, as described in this section, apply to Home Possible® Mortgages (see Chapter 4501).

1. Special Servicing — Welcome Letter

Servicers must send the Borrower a letter, shortly after closing and before the first Mortgage payment is due, stressing the importance of making timely payments and advising the Borrower to contact the Servicer if he or she experiences any financial problems. The letter may be incorporated into the welcome letter sent to Borrowers after closing. The letter must include the following:

- Instructions on how to contact the Servicer if the Borrower is having difficulty making the Mortgage payment on time
- The Servicer's business hours
- A toll-free telephone number to reach the Servicer

2. Early Delinquency Counseling

The following provisions apply to Early Delinquency Counseling:

- Early Delinquency Counseling is counseling provided to a delinquent Borrower by a nonprofit third-party homeownership-counseling agency or an eligible Servicer that involves identifying the reason(s) a Borrower did not make a Mortgage payment on time and working with the Borrower to resolve any financial problems so that future Mortgage payments can be made on a timely basis. The counseling includes a personal and interactive relationship with the Borrower that deals with money management, budgeting and debt management counseling.
- Applicable Time Periods. Servicers must offer Early Delinquency Counseling including household budget management counseling at no charge to delinquent Borrowers for each Delinquency that occurs during the first year following the Note Date. In addition, if at any time during the life of the Mortgage, the Borrower is having difficulty making Mortgage payments, the Servicer should advise the Borrower to speak with the Servicer or contact a counseling agency for further assistance.

- Counseling. The Servicer must provide counseling in accordance with at least one of the following options:

  - A nonprofit third-party homeownership counseling agency

  - A Servicer. The Servicer may conduct the counseling provided the Servicer has policies and procedures in place to offer the same kind of comprehensive counseling, budgeting and advising capabilities as a counseling agency.

  - A HUD-approved national counseling agency specified by Freddie Mac. The Servicer may use this option to refer delinquent Borrowers with Home Possible Mortgages to Freddie Mac for counseling services provided by a national counseling agency, without charge to the Servicer.

    To refer a delinquent Borrower for counseling services provided by an agency, the Servicer must complete the "Counseling Agency-Servicer Referral" template in accordance with the instructions provided in the template and send the referral via secure e-mail to Freddie Mac at **FM_Counseling_Outreach@FreddieMac.com**. The template is accessible at **https://sf.freddiemac.com/content/_assets/resources/xls/fact-sheet/counseling_servicer_referral.xls**. The template contains instructions for carrying out referrals to the agencies and for identifying Mortgages that are ineligible for referral. After Freddie Mac receives the referral, Freddie Mac and the agency will contact the Borrower to offer counseling services to the Borrower.

    For more information about the network of national counseling agencies, Servicers should visit **https://sf.freddiemac.com/articles/news/borrower-help-center**.

If a Servicer relies on a counseling agency, it must be fully aware of the status or outcome of all counseling efforts the counseling agency undertakes with a specific Borrower, including:

- Initial contact with delinquent Borrower. If the Borrower is experiencing a Delinquency, the Servicer must:

  - Send a letter advising the Borrower of the availability of free counseling

  - Contact the delinquent Borrower to determine the Borrower's current financial situation and the reason for the Delinquency

- Counseling Process and Actions. The counseling must include the following:

  - Analyzing the Borrower's financial situation and developing a plan of action for solving the Delinquency, which in most cases will be a budget worksheet or workout plan giving priority to the Mortgage payment

- ❑ Developing a budget and debt repayment plan enabling the Borrower to meet his or her financial obligations

- ❑ Reviewing the budget worksheet or workout plan with the Borrower and the Servicer, if applicable, so a decision can be made on how to proceed

- In addition to minimum collection efforts set forth in this section, the Servicer must offer Early Delinquency Counseling no later than the 30th day after the Due Date and schedule or conduct the initial counseling session with the Borrower no later than the 45th day after the Due Date.

- If the Servicer or a third-party non-profit homeownership counseling agency chosen by the Servicer provides the counseling, the Servicer must include in the Mortgage file:

  - ❑ A copy of the "Welcome Letter" as described in Section 9102.4(c)(i)

  - ❑ The date(s) that counseling was offered

  - ❑ The Borrower's response(s)

  - ❑ The name of the counseling agency providing the counseling (if not the Servicer)

  - ❑ A brief summary of the results of the counseling

- If the Servicer utilizes a HUD-approved national counseling agency specified by Freddie Mac to provide the counseling, as outlined above, the Servicer must include in the Mortgage file:

  - ❑ A copy of the "Welcome Letter" as described in Section 9102.4(c)(i)

  - ❑ The results of the counseling outreach as provided by Freddie Mac or the specified HUD national counseling agency, as applicable

- Transfer of Servicing. If the Mortgage is included in a Transfer of Servicing before the end of the one-year period during which Early Delinquency Counseling is required, the transferee Servicer must be informed of the requirement and must be able to provide the required counseling or make arrangements for a counseling agency, as necessary.

9101.3: Evaluation requirements and appeals process in response to the First Complete Borrower Response Package (04/14/21)

This section describes the requirements a Servicer must undertake to facilitate an appeals process when the Borrower is denied a Trial Period Plan based on the Servicer's evaluation of the First Complete Borrower Response Package. The appeals process described in this section does not apply to evaluation decisions that are offered based on a review of an incomplete or no Borrower Response Package.

(a) Evaluation timing and communication to Borrower

1. Within five days of an evaluation decision, but no later than 30 days following receipt of the First Complete Borrower Response Package, the Servicer must provide the appropriate Borrower Evaluation Notice as set forth in Section 9101.3(a)(3).

2. If the Servicer receives a complete Borrower Response Package 90 or more days before a scheduled foreclosure sale date or prior to the sale date being set, the Servicer must provide the appropriate Borrower Evaluation Notice, which informs the Borrower of:

   - The option to either accept or reject an offer of an alternative to foreclosure, and the additional option to appeal within 14 days of the date of the evaluation notice

   - The right to accept an offer of an alternative to foreclosure and simultaneously appeal a denial of a Trial Period Plan

   - The right to accept any offer of an alternative to foreclosure for which the Borrower is approved as a result of the appeal or to accept or indicate an intent to accept any original offer of an alternative to foreclosure, which will still be available as an option up to 14 days after the appeal decision has been sent to the Borrower

   - Any determination of ineligibility for the Freddie Mac Flex Modification® upon review of a complete Borrower Response Package; and

   - The right to appeal a denial of a Trial Period Plan and the process and timeline including:

     - The address to which the Borrower must submit the appeal, which must be in writing and must include the Borrower's name, property address and mortgage loan number

     - A statement that the Servicer's appeal determination is not subject to further appeal

- ❑ A statement that the foreclosure process will be suspended during the appeals process

3. The Servicer must send the Borrower the appropriate Borrower Evaluation Notice communicating the decision with one of the following outcomes:

   - ■ Offer reinstatement
   - ■ Offer a repayment plan (with or without a partial reinstatement offer)*
   - ■ Offer a forbearance plan
   - ■ Offer a Trial Period Plan as set forth in Chapter 9206 (e.g., Flex Modification)
   - ■ Offer a short sale as set forth in Chapter 9208 (i.e., Freddie Mac Standard Short Sale)
   - ■ Offer a deed-in-lieu of foreclosure as set forth in Chapter 9209 (i.e., Freddie Mac Standard Deed-in-Lieu of Foreclosure)
   - ■ Non-Approval, Ineligible for Mortgage Assistance – Mortgage is Current
   - ■ Non-Approval, Ineligible for Mortgage Assistance – Mortgage is Delinquent

   Model letters describing each of these responses are included in Exhibit 93, Evaluation Notices. Use of the model letters is optional; however, they illustrate the level of specificity that is deemed to be in compliance with the requirements of this section. The model letters may be altered at the Servicer's discretion to meet the requirements of this chapter and Chapters 8404, 9203, 9206, 9208 and 9209 and must be altered by the Servicer as necessary to comply with applicable federal, State and local law.

   Servicers must ensure that the model letters are revised as necessary to include denial reasons and information about the Borrower's right to appeal the Servicer's decision when the Borrower is denied a Trial Period Plan based on an evaluation of the First Complete Borrower Response Package. Exhibit 93 includes a list of denial reasons for use with the model letters. As a reminder, impermissible denial reasons include, but are not limited to, the following:

   - ■ Full lender recourse or indemnification – In situations where the Servicer chose not to repurchase the Mortgage from Freddie Mac or, in the case of indemnification, chose not to modify the Mortgage, the Servicer must disclose the reason it will not modify the Mortgage, which must be based on its own requirements. Servicers are reminded that they may repurchase any Mortgage subject to full lender recourse or indemnification in accordance with the requirements set forth in Bulletin 2012-10, and may choose to modify a Mortgage subject to indemnification in accordance with the requirements in Bulletins 2016-5 and 2021-14.

- FHA, RHS or VA Mortgage – The Servicer must determine eligibility for a loan modification under applicable agency requirements

*Note: A Servicer may combine the relevant contents of the Borrower Evaluation Notice for a reinstatement offer with the contents of the notice for a repayment plan offer when offering the Borrower a partial reinstatement of the Mortgage coupled with a repayment plan in accordance with the requirements of Chapter 9203. Further, if the offer for a foreclosure alternative is made 37 days or less prior to a scheduled foreclosure sale as set forth in Section 9301.28, a Borrower's intent to accept the offer may not be communicated verbally, but must be in writing, at this late stage in the foreclosure process. Therefore, the Servicer must delete the reference "at [SERVICER PHONE NUMBER] or" and otherwise amend the Evaluation Notice as appropriate.

Servicers must comply with applicable law when obtaining a complete Borrower Response Package. Refer to Chapters 8404, 9203, 9204, 9206, 9208 and 9209 for requirements related to forbearance, modifications, short sales and deeds-in-lieu of foreclosure.

(b) Managing the Borrower's response to an evaluation decision

The Servicer may only accept and review a valid appeal of the denial of any Trial Period Plan based on the evaluation of the First Complete Borrower Response Package within 14 days from the date of the Servicer's offer or denial notice. A valid appeal requires the Borrower to provide the following:

- An appeal of the denial for a Trial Period Plan in writing with his or her name
- Property address; and
- Mortgage loan number

Any Borrower appeal must be reviewed by different Servicer personnel than those responsible for the initial evaluation decision. The Borrower may, but is not required to, submit any supporting documentation at the time he or she notifies the Servicer of an appeal.

If the Borrower submits supporting documentation within 14 days of the date the Servicer sent the Borrower Evaluation Notice, the Servicer must evaluate the supporting documentation during the appeal review. If documentation presented causes the Borrower to no longer be eligible for an original alternative to foreclosure, then the Servicer must inform the Borrower that the Borrower is no longer eligible for that original alternative to foreclosure. The model clauses in Exhibit 93 include language that conditions the offers on continuing eligibility based on information known to the Servicer.

If the Borrower submits new information or documentation after the 14-day Borrower response period, the new information or documentation is not subject to the right of appeal process in this section and must be evaluated in accordance with Section 9201.2. However,

the Servicer may consider such new information as part of the appeal process within the time frames described in this section if it is feasible to do so.

The Servicer must have a policy applied consistently to all Mortgages to determine whether any new information received after the appeal decision is a material change in circumstance that warrants another review. Servicers must treat any new information and documentation received after the 14-day Borrower response period as a new Borrower Response Package.

If the Servicer concludes that a review of the updated complete Borrower Response Package is warranted, the Servicer must provide a decision to the Borrower within 30 days of receipt of the new information as provided under Section 9102.5(c).
The Servicer must provide the Borrower with an appeal decision notice within 30 days of receipt of the Borrower's appeal. The appeal decision must include the original offer, if any, provided the Borrower remains eligible for the original offer. If the Borrower is eligible for a Trial Period Plan with different terms or that was not part of the original offer, the Servicer must provide the new Trial Period Plan to that Borrower. The Servicer must provide the Borrower with 14 days (from the date the Servicer sends the appeal decision notice) to accept either the original offer, if the Borrower remains eligible, or indicate an intent to accept the new Trial Period Plan offer. If a payment is required under an offer, then the Servicer must follow the relevant requirements under Chapters 9203, 9205, 9206, 9208 and 9209 concerning legal acceptance for that offer. However, the Servicer must continue to suspend foreclosure until the deadline for submission of the first payment under that offer has passed.

Borrower acceptance of an original offer after an appeal decision

If the Borrower accepts the original offer after receiving the appeal decision and remains eligible for the original offer, the Servicer must:

- Reissue the original offer extended in the initial Borrower Evaluation Notice

- Reissue the original offer with a new first Trial Period Plan due date, if applicable and

  - Inform the Borrower that unpaid interest and other amounts that continue to accrue during the appeal, such as Escrows for taxes and insurance, will result in the Mortgage becoming more delinquent; and

  - Inform the Borrower that if the Trial Period Plan is successfully completed, then, at the time of modification, any additional arrearages will be capitalized into the modified UPB, if permitted by applicable law

When the original offer is reissued to the Borrower, the Servicer may either revise the Trial Period payment amount or keep it the same provided it applies the same method consistently to all similarly situated Borrowers for the Freddie Mac Mortgages it services. However, the Servicer must ensure the final terms of the modification reflect all arrearages, including any additional delinquent amounts accrued during the appeal review process.

Trial Period payment due date

If a new Trial Period Plan offer is made with the appeal decision, the Trial Period payment due date must be set in accordance with Section 9206.11, assuming that there is a new Trial Period Plan offer being made. The period for the Borrower to indicate an intent to accept the new Trial Period Plan offer is extended until 14 days following the new Trial Period Plan offer, and legal acceptance via payment, as required under the Trial Period Plan, remains unchanged.

The Trial Period payment due date of a new Trial Period Plan offer, or revised payment due date for an original Trial Period Plan offer, is based on when the appeals decision is sent by the Servicer to the Borrower. The Servicer must determine the Trial Period Plan Effective Date and the due date of the first Trial Period payment in accordance with the following instructions:

- If the Servicer sends the appeal decision on or before the 15th of the month, then the Trial Period Plan Effective Date and the due date of the first Trial Period payment is the first day of the next month

- If the Servicer sends the appeal decision after the 15th of the month, then the Trial Period Plan Effective Date and the due date of the first Trial Period payment is the first day of the month after the next month

For example, if the Servicer sends the appeal decision notice to the Borrower between June 1 and June 15, the Trial Period Plan Effective Date and first Trial Period payment due date are both July 1. If the Servicer sends the appeal decision notice to the Borrower between June 16 and June 30, the Trial Period Plan Effective Date and the first Trial Period payment due date are both August 1.

In response to the Servicer's decision, the Borrower's notification to the Servicer that he or she intends to accept an offer may be demonstrated as follows:

- Verbal notification, as permitted in Sections 9101.4 and 9301.28

- Written notification; or

- Remittance of payment due under the offer of an alternative to foreclosure that requires payment (e.g., a Trial Period Plan)

(See also foreclosure postponement requirements in Section 9101.4 in response to an evaluation decision.)

(c) Document retention

The Servicer must maintain in the Mortgage file documentation of all communications relating to appeals. The Servicer must provide appeal case files or aggregated information to Freddie Mac for review upon request.

9101.4: Foreclosure suspension obligations and additional short sale and deed-in-lieu of foreclosure requirements once the First Complete Borrower Response Package is received (03/02/16)

(a) General foreclosure suspension obligations

Servicers must comply with the following foreclosure suspension requirements for the First Complete Borrower Response Package received more than 37 days prior to a scheduled foreclosure sale. However, existing foreclosure suspension requirements set forth in Section 9301.28 still apply when:

- The First Complete Borrower Response Package is received 37 days or less prior to a scheduled foreclosure sale date; or
- The Mortgage is not secured by a Primary Residence; or
- The Mortgage is secured by a Primary Residence and the Servicer is reviewing a complete Borrower Response Package received after the First Complete Borrower Response Package

The Servicer must delay or ensure that foreclosure counsel delays filing the first legal action (as defined in Section 9301.19), the motion for judgment or order of sale, or if the motion has been filed, request the court to delay a hearing or ruling as permitted under State or local law, unless:

- The First Complete Borrower Response Package was received 90 or more days prior to a scheduled foreclosure sale, or received at any time prior to a foreclosure sale date being set, and (i) the Servicer has reviewed the First Complete Borrower Response Package, (ii) the Servicer notified the Borrower of its decision, and (iii) the Borrower has not requested an appeal within 14 days of the Servicer’s evaluation decision or the Borrower’s appeal has been denied
- The Servicer has reviewed the First Complete Borrower Response Package received less than 90 days prior to the foreclosure sale date and notified the Borrower of a denial decision. In this instance, the Servicer's decision is not subject to an appeal
- The Borrower rejects an alternative to foreclosure offered by the Servicer; or

- The Borrower fails to perform under the terms of an alternative to foreclosure, such as missing a Trial Period Plan payment

To accept an offer

A Borrower's notification to the Servicer that he or she intends to accept an offer may be demonstrated as follows:

- Verbal notification
- Written notification

Additionally, if a payment is required to accept an alternative to foreclosure offer, and the Borrower does not communicate a verbal or written rejection of the offer, the Servicer must postpone foreclosure actions where legally permitted until after the last day of the month in which the first payment is due under the terms of the alternative to foreclosure offer. If the Servicer receives the first payment timely in accordance with the terms of a Trial Period Plan, repayment plan or forbearance plan, the Servicer must delay the next legal action unless the Borrower breaches the plan.

(b) Freddie Mac Standard Short Sale ("short sale") evaluations and foreclosure suspension obligations

The following requirements describe the actions a Servicer must take when the First Complete Borrower Response Package is received more than 37 days prior to a scheduled foreclosure sale and results in an offer to proceed with a short sale.

- The Servicer must provide a decision to the Borrower within five days of an evaluation decision but no later than 30 days from the Servicer's receipt of the complete Borrower Response Package
- The Servicer must include in the evaluation notice a date by which the Borrower must respond to the short sale offer (including a counteroffer to the purchase offer received), which must be 14 days from the date of the Borrower Evaluation Notice
- If a purchase offer was not submitted with the First Complete Borrower Response Package:
  - The Servicer must require the Borrower to provide a purchase offer no later than 45 days from the date of the Borrower Evaluation Notice, or the date of an appeal decision if applicable, for purposes of delaying the next legal action in the foreclosure process
  - The Servicer must communicate to the Borrower that if a purchase contract is not received by the due date, which is 45 days from the date of the Borrower Evaluation

Notice, the Borrower can continue to market the property after the expiration of the due date; however, foreclosure legal actions will commence or recommence

- ❑ Once a purchase offer is received within 45 days from the date of a Borrower Evaluation Notice, the Servicer must complete its review and provide a decision to the Borrower within 15 days of receipt of the purchase offer and, if the Servicer sends a counteroffer, it must require the Borrower to respond to the counteroffer within five Business Days of the date the Borrower receives the counteroffer

The Servicer must delay, or ensure that foreclosure counsel delays, filing the first legal action, the motion for judgment or order of sale, or if the motion has been filed, request the court to delay a hearing or ruling as permitted under State or local law during the following:

- The evaluation of the First Complete Borrower Response Package
- The Borrower response period to the Servicer's evaluation decision (i.e., 14 days from the date of the Borrower Evaluation Notice)
- The 45-day response period in which the Borrower must provide a purchase offer to the Servicer, provided the Borrower responded timely to the Servicer's evaluation decision
- The Servicer review period (up to 15 days) to provide a decision on a purchase offer received within 45 days from the date of a Borrower Evaluation Notice
- The appeal period, if applicable, if the Borrower exercises his or her right to appeal a denial of a loan modification. The Servicer must delay the next legal action during its review of the Borrower's appeal and up to an additional 14 days for the Borrower to respond to the appeal decision. In cases where a purchase offer was not submitted with the First Complete Borrower Response Package, the Servicer must adjust the time frame in which the purchase offer must be submitted, which is 45 days from the date of the appeal decision.

If the Servicer approves a purchase offer received within 45 days of the date of the Borrower Evaluation Notice, it must continue to delay filing the first legal action, the motion for judgment or order of sale, or foreclosure sale to permit settlement of the short sale.

If the purchase offer is rejected and the Borrower does not assert his or her right to appeal for a loan modification, or the purchase offer is not received within 45 days from the date of the Borrower Evaluation Notice, the Servicer must proceed with the next legal action in the foreclosure process. However, the Borrower may continue to market the property while foreclosure legal actions commence or recommence. If a purchase offer is eventually received, the Servicer must provide a decision within 30 days of receipt.

Refer to Sections 9208.2 through 9208.9 for additional requirements for completing a short sale and requirements specific to situations where the Servicer is not evaluating the First

Complete Borrower Response Package received more than 37 days prior to a scheduled foreclosure sale date.

(c) Freddie Mac Standard Deed-in-lieu of foreclosure ("DIL") evaluations and foreclosure suspension obligations

The following requirements describe the actions a Servicer must take when the First Complete Borrower Response Package is received more than 37 days prior to a scheduled foreclosure sale and results in an offer to proceed with a DIL.

- The Servicer must provide a decision to the Borrower within five days of an evaluation decision but no later than 30 days from the Servicer's receipt of the complete Borrower Response Package

- The Servicer must include in the evaluation notice a date by which the Borrower must respond to the DIL offer, which must be 14 days from the date of the Borrower Evaluation Notice

- If the Borrower is approved to proceed with the DIL and accepts the offer, the Servicer must receive all necessary approvals (e.g., title, secondary lien(s), MI) and execute the DIL within 60 days of the date the Borrower's communication to accept the offer was received by the Servicer

The Servicer must ensure that foreclosure counsel delays filing the first legal action, the motion for judgment or order of sale, or if the motion has been filed, request the court to delay a hearing or ruling as permitted under State or local law, during:

- The evaluation of the complete Borrower Response Package in which the Servicer must provide a decision within five days of an evaluation decision but no later than 30 days from receipt of the Borrower Response Package

- The Borrower response period to the Servicer's evaluation decision (14 days from the date of the Borrower Evaluation Notice)

- The appeal period, if applicable, if the Borrower exercises his or her right to appeal for a loan modification. The Servicer must delay the next legal action during its review of the Borrower's appeal (up to 30 days) and up to an additional 14 days for the Borrower to respond to the appeal decision. The Servicer must adjust the time frame in which to delay foreclosure actions for up to 60 days to complete the DIL, to be based on the date of the Borrower acceptance of an offer after an appeal decision has been communicated.

- Completion of the DIL transaction within 60 days of the date the Borrower communicated acceptance of the DIL offer. The Servicer must continue to delay the next legal action in the foreclosure process to complete the DIL provided that the Borrower did not previously accept a short sale offer that was not viable and then subsequently accepts the DIL offer.

If the Servicer is unable to complete the DIL transaction within 60 days of the date of Borrower acceptance, the Servicer must proceed with the next legal action in the foreclosure process. The Servicer will be allocated an additional 30 days to complete the DIL transaction and must only delay the next legal action in the foreclosure process upon receipt of the executed deed and all required DIL documents.

In addition, if the Borrower was previously approved for a short sale and transitioned to a DIL because the short sale transaction was not successful, the Servicer must not delay the next legal action in the foreclosure process until the Servicer has received the executed deed and all required DIL documents.

Refer to Sections 9209.2 through 9209.8 for additional requirements related to the completion of a DIL, and requirements specific to situations where the Servicer is not evaluating the First Complete Borrower Response Package received more than 37 days prior to a scheduled foreclosure sale date.

Chapter 9102: Delinquencies

9102.1: General requirements for Servicing delinquent Mortgages (09/27/21)

(a) Servicer responsibilities

The Servicer must develop, follow and maintain prudent and efficient written procedures that meet Freddie Mac requirements for promptly curing Delinquencies and comply with all applicable laws.

The Servicer must employ staff that is experienced and skilled in financial counseling and Mortgage collection techniques. The Servicer's staff must assist a Borrower in bringing a Mortgage current, while protecting the Borrower's equity and credit rating and protecting Freddie Mac's interests. The Servicer must also employ staff that is adequately trained to discuss interest rate adjustments for Step-Rate Mortgages, in accordance with the requirements in Chapter 8501.

Freddie Mac encourages Servicers to develop a Borrower Delinquency management model that allows a Borrower to contact one individual or a dedicated team of individuals in the Servicer's organization to obtain accurate information on the various alternatives to foreclosure available to the Borrower.

If the Servicer develops a Borrower Delinquency management model, the individual or dedicated team of individuals should also be able to handle and resolve Borrower issues throughout the Delinquency management process and provide updates on the status of any request for an alternative to foreclosure and the status of pending foreclosure proceedings.

(b) Delinquency rates

The Servicer's continued eligibility to service Mortgages for Freddie Mac is contingent on maintaining Delinquency rates that are acceptable to Freddie Mac. Freddie Mac may disqualify or suspend a Servicer if the Servicer's 30-, 60- or 90+-day Delinquency rate or REO rate is more than 50% higher than the average 30-, 60- or 90+-day Delinquency rate or REO rate for all Mortgages owned or guaranteed by Freddie Mac nationally or in the same geographical area (which may include Standard Metropolitan Statistical Area, county or State) in which the Mortgaged Premises that secure the Mortgages serviced by the Servicer are located and with similar Mortgage and Borrower characteristics such as origination year, loan-to-value ratio and documentation type (e.g., full documentation, reduced documentation).

(c) Collection records

The Servicer must maintain records of all collection efforts and make the records available for Freddie Mac's inspection on request. The Servicer's collection records must evidence:

- Dates that letters and notices were mailed
- Dates and results of personal contacts with the Borrower via telephone, e-mail, face-to-face or other responsible collection techniques
- Reasons for prior and current defaults
- Terms of any repayment arrangements
- Documentation of property inspections, as required in Section 9202.11

(d) Buydown accounts

Funds in a buydown account should not automatically be used to bring a delinquent Mortgage current. Such funds may be applied for this purpose if permissible under the terms of the applicable buydown agreement and the Servicer has determined that, despite the reduction of funds in the buydown account, there is a reasonable prospect that the Borrower will be able to maintain the Mortgage current after the application of buydown funds to cure the Delinquency.

(e) FHA, RHS, VA and MI requirements

The Servicer must be familiar with and satisfy all applicable requirements of the FHA, RHS, VA or MI. The Servicer is required to file on a timely basis all notices to the FHA, RHS, VA or MI. Copies of routine notices sent to the FHA, RHS, VA, MI or the Borrower must be maintained in the Mortgage file but need not be sent to Freddie Mac, unless specifically requested.

Each notice to the MI must state that Freddie Mac is the owner of each related Mortgage.

(f) Freddie Mac rights

Freddie Mac retains the right in its discretion to:

- Impose additional Servicing requirements as Freddie Mac deems appropriate
- Direct the Servicer to transfer Servicing of any delinquent Mortgage serviced for Freddie Mac that has two or more payments outstanding as of a date in the month specified by Freddie Mac (the "Determination Date") to a Servicer designated by Freddie Mac. The Transfer of Servicing of delinquent Mortgages will occur monthly, effective as of a date in the month specified by Freddie Mac (the "Transfer Date"). Any Mortgage identified as

two or more payments in arrears on the Determination Date will transfer on the Transfer Date, regardless of whether the loan becomes current before the Transfer Date. Freddie Mac will provide the Servicer (the Transferor Servicer) with written notice at least 90 days in advance of the first Transfer of Servicing date for such Mortgages. With respect to such a Transfer of Servicing:

- The Servicing compensation for the Mortgages being transferred shall be determined by Freddie Mac and shall be payable to the new Servicer
- No compensation will be paid to the Transferor Servicer
- The Transferor Servicer will be responsible for any transfer-related expenses (see Section 3603.1(a)(i) for a description of such expenses)
- Such Mortgages will remain with the Transferee Servicer, whether or not they become current after the Determination Date

The Transfer of Servicing does not relieve the Transferor Servicer of any of its obligations under the Purchase Documents with respect to the Mortgages for which Servicing is transferred.

Freddie Mac may discontinue the monthly transfer of delinquent Mortgages at any time upon written notice to the Transferor Servicer, and may provide up to 180 days' notice prior to the discontinuation of the monthly transfer of delinquent Mortgages if requested by the Servicer.

The Transferor Servicer must cooperate with Freddie Mac and is responsible for:

- Facilitating, at its expense, the transfer of the Mortgage file, payment history, escrow account, copies of all correspondence with the Borrower and any other information, records or documentation pertaining to the Mortgages requested by Freddie Mac
- Providing the Borrower with any notice of the change with respect to the servicing activities as may be required by Freddie Mac
- Informing any necessary third parties, such as tax and insurance services, attorneys, and vendors of the change with respect to the servicing activities

(g) Remitting compensatory and other fees

Servicers may be assessed compensatory and other fees associated with its failure to comply with certain Freddie Mac requirements as provided under the Guide. For example, Servicers may be assessed fees for failing to comply with Freddie Mac's EDR requirements, late foreclosure sale reporting compensatory fees or State foreclosure timeline compensatory fees. Such fees will be billed to the Servicer on the Servicer's monthly Servicer Non-Performing Loans Invoice.

Servicers must remit payment of Servicer Non-Performing Loans Invoices via an Automated Clearing House (ACH) draft initiated by Freddie Mac. Freddie Mac will initiate the ACH draft on the last Business Day of the month in which the Servicer receives the Servicer Non-Performing Loans Invoice.

To authorize ACH drafting of Servicer Non-Performing Loans Invoices or to make changes to ACH draft account instructions previously provided, Servicers must complete, execute and submit a Form 1132, Authorization for Automatic Transfer of Funds Through the Automated Clearing House (ACH) for Servicers, no later than 15 Business Days before the last Business Day of the first month in which the Servicer owes any compensatory and other fees to Freddie Mac reflected on the Servicer Non-Performing Loans Invoice.

The Servicer must deliver Form 1132 to Freddie Mac as an Electronic Record (as defined in Section 1401.2), using a Portable Document Format (PDF) (or other Electronic Record format commonly used in the mortgage industry), that has been completed and contains the copy or representation of the pen and ink signature of the Servicer's Authorized Employee (such copy or representation of the Authorized Employee's signature shall be such Authorized Employee's adopted Electronic Signature as defined in Section 1401.2) and either:

- Attach to an e-mail and deliver to Freddie Mac at the following e-mail address: **CashCollections@FreddieMac.com**; or

- Upload through the Freddie Mac eBill system

Freddie Mac and the Servicer agree that the delivery of Electronic Records with Electronic Signatures are eligible Electronic Transactions (as defined in Section 1401.2) and are governed by the applicable provisions of Chapter 1401.

The employee authorized to execute Form 1132 on the Servicer's behalf must be designated as an "Authorized Employee" on the Servicer's Form 988SF, Certificate of Incumbency for a Bank, Savings Bank, Savings and Loan Association, Credit Union, Corporation or Limited Liability Company, or Form 989SF, Certificate of Incumbency for Limited Partnerships, as applicable.

The account the Servicer designates as the ACH draft account must not be a Custodial Account. Servicers may establish one ACH account for the payment of invoices for both the Performing Loans monthly Servicer Billing Statement and the Servicer Non-Performing Loans Invoice, or establish two separate accounts. Servicers may submit billing inquires or billing-related requests to **Servicer_Billing@FreddieMac.com**.

See Sections 8303.6 and 8303.35 concerning Performing Loans remittances.

The term "Performing Loans Invoices" on Form 1132 includes, but is not limited to, "Performing Loans monthly Servicer Billing Statements" and "PL001 (Performing Loans)."

The term "Nonperforming Loans Invoices" on Form 1132 includes, but is not limited to, "Servicer Non-Performing Loans Invoices" and "NPL01 (Non Performing Loans)."

(h) Receiving reimbursement of expenses/payment of incentives via ACH credit entries

To be reimbursed for expenses and paid incentives (see Section 9204.6 regarding Servicer compensation for alternatives to foreclosure), Servicers must authorize Freddie Mac to make such payments via ACH credit entries into their commercial checking accounts. See Section 2405.1 for information on authorizing receipt of ACH credit entries or making changes to ACH credit account instructions previously provided.

Servicers may submit ACH credit-related questions or concerns to: **104_Expense@FreddieMac.com**.

Servicers should refer to Chapter 9701 for detailed information related to the reimbursement of expenses and the use of PAID (Payments Automated Intelligent and Dynamic) (see Exhibit 88, Servicing Tools).

Note: Before a Servicer may receive expense reimbursements and incentive payments via ACH credit entries, the Servicer must have completed the certificate of incumbency ("COI") process requirements in Section 2201.1, and Freddie Mac must have accepted the Servicer's COI and all other required forms and documents. The employee authorized to execute Form 1132, Authorization for Automatic Transfer of Funds Through the Automated Clearing House (ACH) For Sellers/Servicers (the "ACH Authorization"), on the Servicer's behalf must be designated as an "Authorized Employee" on the Servicer's Form 988SF or Form 989SF as applicable.

9102.2: Late charges (03/02/16)

(a) Late charge assessment

The Servicer must not assess a late charge in an amount greater than 5% of the principal and interest payment. On an FHA or VA Mortgage, a late charge may be assessed and collected in accordance with the applicable program terms. The Servicer is responsible for collecting from the Borrower any recording or similar costs incidental to the granting of relief.

The Servicer may not impose a late charge if the Mortgage is a Home Mortgage and the installment is received within 15 days* after the Due Date.

* If this date is a Saturday, Sunday or federal holiday, it is extended to the next Business Day. The Servicer may retain any late charge collected as additional Servicing compensation if the charge is allowed under the Note.

(b) Late charge collection

Regardless of any provision to the contrary in the Note or the Security Instrument, the Servicer may not collect a late charge by any of the following methods:

1. Charging the Borrower's Escrow or impound account
2. Deducting from a regular monthly installment
3. Deducting from a payment made to partially or fully cure a Delinquency
4. Adding to the outstanding principal balance of the Mortgage
5. Causing a Mortgage to become delinquent or be placed in foreclosure because of an unpaid late charge

For payment application requirements, refer to Sections 8103.4 through 8103.7.

9102.3: Establishing Borrower contact during Delinquency (03/01/19)

(a) Collection techniques

Servicing of a delinquent Mortgage must be based upon personal contact, either by telephone, e-mail or face-to-face interviews with a Borrower. Form letters and notices, while having a place in any Servicing program, generally are not as effective as personal contact and must not be used exclusively.

The Servicer's collection techniques must include the use of:

1. Telephone contacts or face-to-face interviews
2. Written communications such as notices and letters
3. Other responsible collection techniques as permitted under applicable law including, but not limited to, e-mail, text messaging, voice response unit (VRU) technology or a Servicer's web portal.

If the Servicer discovers that the Borrower's contact information (phone number or mailing address) is invalid, then it should initiate skip trace activities to obtain alternate phone numbers or mailing addresses.

(b) Quality right party contact

A Servicer's objective in contacting a delinquent Borrower is to establish quality right party contact.

Quality right party contact occurs when a Servicer establishes contact with the Borrower and discusses with the Borrower, co-Borrower or trusted advisor, such as a housing counselor, the most appropriate options for Delinquency resolution. A Servicer must make every attempt to achieve quality right party contact by:

- Determining the reason for the Delinquency and whether the reason is temporary or permanent in nature
- Determining the occupancy status of the property
- Determining the Borrower's ability to repay the debt
- Setting payment expectations and educating the Borrower on the availability of alternatives to foreclosure as appropriate
- Obtaining a commitment from the Borrower to either resolve the Delinquency through traditional methods (paying the total delinquent amount) or engaging in an alternative to foreclosure solution

The Servicer must notify Freddie Mac that it achieved quality right party contact with the Borrower via an EDR transmission within the first three Business Days of the month as follows:

- Report default action code AW and the date of the first quality right party contact established with the Borrower. Report the date one time in the month following the month that quality right party contact was established with the Borrower.
- Report default action code AX if any subsequent quality right party contact was made with the Borrower after the initial contact was established. Report the date of the last quality right party contact one time in the month following the month that the action occurred. Default action code AX may be reported in the same month as default action code AW if a Servicer establishes a subsequent quality right party contact with the Borrower in the same month that initial contact was achieved. If the Servicer is working with the Borrower over a period of several months to resolve the Delinquency, it must continue to report default action code AX with the date of the last quality right party contact for each month in which the action applies.

For additional information about EDR, refer to Section 9102.7 and Exhibit 82, Electronic Default Reporting Transmission Code List.

A Servicer will be measured on its effectiveness in achieving quality right party contact. Borrowers in bankruptcy are excluded from the quality right party contact performance standard.

Refer to Section 9201.5 for additional information on the quality right party contact performance standard.

The Borrower outreach and solicitation requirements specified in this chapter represent the minimum required effort a Servicer must make to reach Borrowers early in the Delinquency process and throughout the Delinquency cycle to more efficiently mitigate default. Freddie Mac encourages and fully supports Servicers that have or will implement additional processes, such as a single point of contact model, not currently required under the Guide or Servicers' other Purchase Documents for purposes of achieving contact continuity throughout the Delinquency process. If the Servicer elects to have a process supporting a single point of contact model and is using a team approach, the Servicer should provide the Borrower the ability to request and speak to a specific person from the assigned personnel team and leave a message. However, the Servicer may not use any additional processes that are not compliant with applicable law or otherwise adverse to Freddie Mac.

9102.4: Servicer collection efforts (12/13/23)

(a) All collection efforts

The Servicer must treat each Delinquency individually by varying the collection techniques to fit the individual circumstances. The Servicer must avoid establishing a fixed routine; which is particularly ineffective when dealing with chronically delinquent Borrowers.

All collection efforts must be based on the extent of the Delinquency and the Servicer's knowledge of the following factors:

1. Borrower's prior payment history
2. Borrower's credit history
3. Borrower's employment situation
4. Borrower's reason for default
5. Borrower's willingness and ability to repay
6. Borrower is deceased or the property is included as part of the Borrower's estate
7. Mortgaged Premises' condition
8. Mortgaged Premises' occupancy status

If there is a known potential risk of loss or ownership to Freddie Mac, the Borrower must be referred for loss mitigation immediately.

Borrowers on Automatic Withdrawal (Automated Clearing House (ACH))

Servicers should encourage Borrowers to set up ACH payment arrangements. If a Borrower agreed to have his or her monthly payments automatically withdrawn from a bank account, the Servicer must ensure that the correct monthly payment is withdrawn (especially after an Escrow analysis has taken place) and processed timely. If the ACH payment cannot be processed on the specified date the Borrower has agreed to, the Servicer must begin efforts to contact the Borrower within 48 hours to determine the reason for the missed payment.

(b) Minimum collection efforts

The Servicer must, at a minimum:

- Be readily available to the Borrower to offer financial counseling and advice on curing the Delinquency and explaining alternatives to foreclosure

- Make personal contact with the Borrower as early and often as necessary to promptly cure the Delinquency. (Mortgages in Bankruptcy or litigation may be excluded if necessary under applicable law, rules of professional responsibility or court rules.)

  Servicers are authorized to use alternative outreach methods to contact the Borrower as permitted by applicable law including, but not limited to, e-mail, text messaging or voice response unit (VRU) technology.

- Continue to contact the Borrower if satisfactory arrangements have not been made to cure the Delinquency or until the Servicer determines foreclosure is appropriate

- Issue the breach letter (may also be referred to as the "notice of acceleration" or "demand letter") for all Mortgages no later than the 75th day of Delinquency. If State law requires the breach letter (or any other pre-breach letter) to be sent prior to the 75th day of Delinquency in order to be able to refer the Mortgage to foreclosure by the 120th day of Delinquency (i.e., 150 days after the DDLPI), the Servicer must send the breach letter on such earlier date.

  If the Servicer determines the property is vacant or abandoned pursuant to Section 9202.14, then the Servicer must:

  - Issue a breach letter within 10 days of the determination, provided the Mortgage is greater than 30 days delinquent; and

  - Refer the Mortgage to foreclosure after expiration of the breach letter, unless the Servicer establishes quality right party contact with the Borrower to resolve the Delinquency. Regardless of whether quality right party contact is achieved, the

Mortgage must be referred to foreclosure no later than the 120th day of Delinquency unless one of the exceptions to postpone foreclosure referral described in Sections 9301.6 and 9301.7 applies.

- Contact the lessor for leasehold Mortgages and any lender with a prior lien on the fee simple landowner/lessor's fee simple interest

- Continue skip trace efforts until all reasonable sources have been attempted or contact numbers and addresses have been verified

Servicers that maintain a call center must meet minimum call center performance standards as set forth in Section 9201.5.

The following chart lists the minimum collection efforts that must be made in an attempt to bring a delinquent Mortgage current.

Note: If the day a Servicer is required to call a Borrower is not a Business Day and the Servicer is not open on such day to conduct loss mitigation and collection activities, the Servicer may call the Borrower on the next Business Day.

Days after Due Date	Action required
17	Mail late notices/reminder letters to delinquent Borrowers by the 17th day after the Due Date or the next Business Day if the 17th day after the Due Date is not a Business Day **Note**: Servicers are authorized to not send a late notice/reminder letter to a Borrower during an active forbearance plan term. This applies without regard to whether the Borrower's monthly payment is reduced or suspended during the forbearance plan term. Additionally, this applies to forbearance plans for Borrowers with any eligible hardship type.
36	Initiate contact with each delinquent Borrower as early in the delinquency cycle as possible to secure a payment or payment arrangement but no later than the 36th day after the Due Date of an unpaid monthly installment, unless ACH payment arrangements or other arrangements to cure the Delinquency have been established. The Servicer may tailor its contact attempts appropriately based on the risk characteristics of the Mortgage, each Borrower's level of Delinquency and previous payment habits and the minimum contact requirements set forth in this Section 9102.4. Borrower contact must continue at least every seventh day at varying times throughout the day until the earlier of the 210th day after the Due

Days after Due Date	Action required
	Date of an unpaid monthly installment or quality right party contact is achieved and: ■ The Servicer determines that the Borrower does not want to pursue an alternative to foreclosure or the Delinquency is cured; ■ The Servicer achieves quality right party contact and has obtained from the Borrower a promise to pay the delinquent amount by a specified date (not to exceed 30 days); ■ A complete Borrower Response Package is received in accordance with Section 9102.5(c); OR ■ The Borrower enters into a relief or workout option with the Servicer.
45	If a Servicer has not achieved quality right party contact and a resolution to the Delinquency, the Servicer must send at least one Borrower Solicitation Package to the delinquent Borrower no later than the 45th day after the Due Date of an unpaid monthly installment. If a Servicer has achieved quality right party contact and has obtained from the Borrower a resolution to the Delinquency, the Servicer is not required to send the Borrower Solicitation Package. However, in such instance, the Servicer must comply with any early intervention notice that may be required under applicable law. If the Borrower fails to perform under the conditions of a relief or workout option, the Servicer must resume collection efforts, including sending the Borrower Solicitation Package. Generally, the Borrower Solicitation Package must include a Borrower Solicitation Letter (see Exhibit 1145), Form 710, Mortgage Assistance Application, frequently asked questions (FAQs) and foreclosure rescue scam information. However, a Servicer may choose to send only the Borrower Solicitation Letter and elect to send Form 710, FAQs and foreclosure rescue scam information upon establishing quality right party contact. In addition, the Servicer may provide the FAQs and foreclosure rescue scam information on its website and provide a link to that information in the Borrower Solicitation Letter. See also Section 9102.5(c) for specific information on what must be included in the solicitation to the Borrower. Note: When sending the Borrower Solicitation Package, Servicers are authorized to edit Form 710, if permitted by applicable law, to exclude references to IRS Form 4506-C; or, to the extent required by applicable law, to indicate that such form may be required to complete the

Days after Due Date	Action required
	application and the circumstances when such form must be obtained or processed in accordance with Section 9102.5(b)(2).
60-75	Send the Freddie Mac Flex Modification® Solicitation Cover Letter and Freddie Mac Flex Modification Trial Period Plan Solicitation Offer – Not Based on an Evaluation of a BRP as set forth in Section 9102.5 to Borrowers eligible for a streamlined offer for a Freddie Mac Flex Modification in accordance with Section 9206.5. Send 60-75 days after the Due Date of an unpaid monthly installment for an eligible Borrower with a Step-Rate Mortgage. Servicers must continue to make efforts to complete an incomplete Borrower Response Package to the extent required by applicable law and regulations. Order the initial property inspection on or after day 90 and obtain a complete property inspection report by day 120 unless: (i) the Servicer has established quality right party contact or (ii) a full monthly Mortgage payment has been received within the last 30 days. If the property is found to be vacant or the occupancy status is unknown, property inspections must continue as long as the Mortgage remains 90 or more days delinquent, regardless of whether the Servicer achieves quality right party contact. Contact each known superior lienholder, if applicable.
75	Mail the breach letter for all Mortgages, including First Lien Mortgages and modified Mortgages no later than the 75th day of Delinquency (i.e., 105 days after the DDLPI). If State law requires the breach letter (or any other pre-breach letter or notice) to be sent prior to the 75th day of Delinquency in order to be able to refer the Mortgage to foreclosure as required in Sections 9301.6 and 9301.7, the Servicer must send the breach letter on such earlier date.
90-105	Send Freddie Mac Flex Modification® Solicitation Cover Letter and Freddie Mac Flex Modification Trial Period Plan Solicitation Offer – Not Based on an Evaluation of a BRP as set forth in Section 9102.5 to Borrowers eligible for a streamlined offer for a Freddie Mac Flex Modification in accordance with Section 9206.3.

Days after Due Date	Action required
	Send **90-105** days after the Due Date of an unpaid monthly installment for all other eligible Borrowers who did not receive a solicitation between day 60 and 75 of Delinquency (i.e., certain Borrowers with Step-Rate Mortgages).
105 and greater	Within 15 days prior to foreclosure referral, the Servicer must review the Mortgage file to ensure that: the Servicer made every attempt to achieve quality right party contact in accordance with Section 9102.3, the breach letter has been issued and expired, at least one Borrower Solicitation Package or Borrower Solicitation Letter has been sent by the 45th day after the Due Date of an unpaid monthly installment and the response period has expired without an affirmative Borrower response, and there is neither an approved payment arrangement nor an alternative to foreclosure offer pending for which the Borrower response period has not expired.
120	Refer all Mortgages secured by properties other than Primary Residences and Mortgages secured by Primary Residences when permitted by applicable law, including First Lien Mortgages and modified Mortgages with expired breach letters to foreclosure no later than the 120th day of Delinquency **(150 days after the DDLPI)** unless one of the exceptions in Sections 9301.6 and 9301.7 applies
121 and greater **(or earlier if referral to foreclosure occurs prior to day 120)**	Refer all Mortgages secured by Primary Residences to foreclosure after expiration of the breach letter, but no earlier than 151 days from the DDLPI (121st day of Delinquency). Refer to Sections 9301.6 and 9301.7 for additional requirements related to foreclosure referral.
211	After the 210th day after the Due Date of an unpaid monthly installment, the Servicer has discretion on the continuation and frequency of contact attempts with a delinquent Borrower. However, the Servicer must discontinue all contact attempts 60 days prior to a foreclosure sale date for a judicial foreclosure or 30 days prior to a foreclosure sale date for a non-judicial foreclosure, unless the Servicer is required to continue contact attempts by applicable law.

Use of a Collection and Loss Mitigation Tool

Servicers may use their own methodology or a tool that uses statistical models to predict worsening Delinquency and use the results of the tool to tailor its collection efforts ("Collection and Loss Mitigation Tool"), to determine when contact attempts should begin. Regardless of the methodology or tool employed, Servicers must comply with the minimum collection time frames in this section even if a Collection and Loss Mitigation Tool is used, including initiating contact attempts no later than 36 days after the Due Date of an unpaid monthly installment. Servicers using a Collection and Loss Mitigation Tool when managing contact attempts must make model specifications and code available to Freddie Mac upon request.

Servicers must conduct periodic reviews to ensure the effectiveness of the Collection and Loss Mitigation Tool, including compliance with applicable laws, such as anti-discriminatory laws. Freddie Mac reserves the right to require a Servicer to discontinue the use of a Collection and Loss Mitigation Tool for Freddie Mac Mortgages.

(c) Special Servicing, Early Delinquency Counseling and NextJob® re-employment services

The requirements for special Servicing, Early Delinquency Counseling and NextJob® re-employment services, as described in this section, apply to Freddie Mac Home Possible® Mortgages (see Chapter 4501).

(i) Special Servicing — Welcome Letter

Servicers must send the Borrower a letter, shortly after closing and before the first Mortgage payment is due, stressing the importance of making timely payments and advising the Borrower to contact the Servicer if he or she experiences any financial problems. The letter may be incorporated into the welcome letter sent to Borrowers after closing. The letter must include the following:

- Instructions on how to contact the Servicer if the Borrower is having difficulty making the Mortgage payment on time
- The Servicer's business hours
- A toll-free telephone number to reach the Servicer

(ii) Early Delinquency Counseling

The following provisions apply to Early Delinquency Counseling:

- Early Delinquency Counseling is counseling provided to a delinquent Borrower by a nonprofit third-party homeownership-counseling agency or an eligible Servicer, that involves identifying the reason(s) a Borrower did not make a Mortgage payment on time and working with the Borrower to resolve any financial problems so that future

Mortgage payments can be made on a timely basis. The counseling includes a personal and interactive relationship with the Borrower that deals with money management, budgeting and debt management counseling.

- Applicable Time Periods. Servicers must offer Early Delinquency Counseling including household budget management counseling at no charge to delinquent Borrowers for each Delinquency that occurs during the first year following the Note Date. In addition, if at any time during the life of the Mortgage, the Borrower is having difficulty making Mortgage payments, the Servicer should advise the Borrower to speak with the Servicer or contact a counseling agency for further assistance.

- Counseling. The Servicer must provide counseling in accordance with at least one of the following options:

  - A nonprofit third-party homeownership counseling agency

  - A Servicer. The Servicer may conduct the counseling provided the Servicer has policies and procedures in place to offer the same kind of comprehensive counseling, budgeting and advising capabilities as a counseling agency.

  - A HUD-approved national counseling agency specified by Freddie Mac. The Servicer may use this option to refer delinquent Borrowers with Home Possible Mortgages to Freddie Mac for counseling services provided by a national counseling agency, without charge to the Servicer.

    To refer a delinquent Borrower for counseling services provided by an agency, the Servicer must complete the "Counseling Agency-Servicer Referral" template in accordance with the instructions provided in the template and send the referral via secure e-mail to Freddie Mac at **FM_Counseling_Outreach@FreddieMac.com**. The template is accessible at **https://sf.freddiemac.com/docs/xls/fact-sheet/counseling_servicer_referral.xls**. The template contains instructions for carrying out referrals to the agencies and for identifying Mortgages that are ineligible for referral. After Freddie Mac receives the referral, Freddie Mac and the agency will contact the Borrower to offer counseling services to the Borrower.

    For more information about the network of national counseling agencies, Servicers should visit Freddie Mac's My Home website at **https://sf.freddiemac.com/articles/news/borrower-help-center**.

If a Servicer relies on a counseling agency, it must be fully aware of the status or outcome of all counseling efforts the counseling agency undertakes with a specific Borrower, including:

- Initial Contact with delinquent Borrower. If the Borrower is experiencing a Delinquency, the Servicer must:

- ❑ Send a letter advising the Borrower of the availability of free counseling

- ❑ Contact the delinquent Borrower to determine the Borrower's current financial situation and the reason for the Delinquency

- Counseling Process and Actions. The counseling must include the following:

  - ❑ Analyzing the Borrower's financial situation and developing a plan of action for solving the Delinquency, which in most cases will be a budget worksheet or workout plan giving priority to the Mortgage payment

  - ❑ Developing a budget and debt repayment plan enabling the Borrower to meet his or her financial obligations

  - ❑ Reviewing the budget worksheet or workout plan with the Borrower and the Servicer, if applicable, so a decision can be made on how to proceed

- In addition to minimum collection efforts set forth in this section, the Servicer must offer Early Delinquency Counseling no later than the 30th day after the Due Date and schedule or conduct the initial counseling session with the Borrower no later than the 45th day after the Due Date.

- If the Servicer or a third-party non-profit homeownership counseling agency chosen by the Servicer provides the counseling, the Servicer must include in the Mortgage file::

  - ❑ A copy of the "Welcome Letter" as described in Section 9102.4(c)(i)

  - ❑ The date(s) that counseling was offered

  - ❑ The Borrower's response(s)

  - ❑ The name of the counseling agency providing the counseling (if not the Servicer)

  - ❑ A brief summary of the results of the counseling

- If the Servicer utilizes a HUD-approved national counseling agency specified by Freddie Mac to provide the counseling, as outlined above, the Servicer must include in the Mortgage file:

  - ❑ A copy of the "Welcome Letter" as described in Section 9102.4(c)(i)

  - ❑ The results of the counseling outreach as provided by Freddie Mac or the specified HUD national counseling agency, as applicable

- Transfer of Servicing. If the Mortgage is included in a Transfer of Servicing before the end of the one-year period during which Early Delinquency Counseling is required, the transferee Servicer must be informed of the requirement and must be able to provide the required counseling or make arrangements for a counseling agency, as necessary.

(iii) NextJob re-employment services

Increasing homeownership opportunities in underserved markets across the nation, including in rural and high-needs areas, is a key component of Freddie Mac's Duty to Serve plan. High-needs areas include middle Appalachia, the lower Mississippi Delta and colonias and other tracts located in areas subject to persistent poverty. As part of our Duty to Serve plan, we are providing an opportunity for distressed Borrowers with a Home Possible Mortgage who reside in a high-needs area to receive re-employment services through NextJob. NextJob is a re-employment services company that assists Borrowers with job search skills and training to increase the Borrower's likelihood of re-employment after the loss of a job, reduced hours or other employment challenges that threaten the Borrower's ability to make timely mortgage payments.

NextJob will contact the Borrower and offer re-employment services, which include:

- One-on-one job coaching
- Access to "Job Talk" webinars, and
- Access NextJob's proprietary online job search training program

Servicers are encouraged to refer Borrowers with Home Possible Mortgages in Duty to Serve high-needs areas (refer to Exhibit 40, Duty to Serve High-Needs Areas) who have suffered a loss of income due to unemployment or underemployment to Freddie Mac for referral to NextJob.

The Borrower qualifications appear in the table below:

NextJob Re-employment Services Eligibility Requirements	
Borrower eligibility	The Borrower must have: ■ Suffered a loss of income due to unemployment or underemployment, and ■ Requested loss mitigation assistance from the Servicer
Mortgage eligibility	The Mortgage must be:

NextJob Re-employment Services Eligibility Requirements	
	■ Located in a designated Duty to Serve high-needs area listed in Exhibit 40 ■ A Home Possible Mortgage
Eligibility exclusions	The following Borrowers are not eligible for NextJob re-employment services: ■ Borrowers who are 12 months or more delinquent at the time of Servicer evaluation ■ Borrowers in active repayment plans ■ Borrowers in active modification Trial Period Plans ■ Borrowers approved for short sales or deeds-in-lieu of foreclosure ■ Borrowers with Mortgages: ❑ Subject to active non-routine litigation ❑ Subject to active bankruptcy proceedings ❑ That are FHA, VA or RHS insured ❑ With a foreclosure sale scheduled within the next 60 days, or ❑ That have been referred to foreclosure if the parties are in mediation

If a Borrower meets the eligibility criteria above, Servicers participating in the NextJob program must provide the following information to Freddie Mac on a Microsoft Excel® spreadsheet for each Borrower the Servicer is referring, in the format provided in Exhibit 41, NextJob Referral Template for Borrowers with Home Possible Mortgages, which includes the following information:

- Freddie Mac loan number
- Borrower name
- Borrower phone number
- Borrower State of residence, and
- Servicer contact name and e-mail address

The Servicer must send the Excel spreadsheet to **Rural_Borrower_Help@FreddieMac.com** up to twice per month only on the 15th or

30th day of the month. Servicers with no eligible Borrowers for a particular month are not required to make a submission.

Three to six Business Days after receiving the submission, Freddie Mac will e-mail the Servicer a list of Borrowers who were referred to NextJob.
NextJob will contact Borrowers by phone and work with them to complete the "Homeowner Re-employment Registration" and "Waiver Agreement" to initiate the re-employment services. NextJob will attempt to contact the Borrowers for 20 days.
NextJob will provide job skills services and ask the Borrower to complete a survey at the end of the skills training.

Freddie Mac will e-mail the Servicer monthly updates in a report entitled "Disposition of NextJob Referrals."

9102.5: Borrower solicitation and communication (10/20/21)

This section sets forth Servicer communication, solicitation, and notification requirements during a Borrower's Delinquency or upon receipt of a Borrower's request for an alternative to foreclosure.

Servicers should be familiar with Freddie Mac's definitions for the following terms as they relate to Borrower solicitation and communication:

- Borrower Evaluation Notice
- Borrower Response Package
- Borrower Solicitation Package

(a) Borrower solicitation

Borrower solicitation – pre-foreclosure
A Servicer may not solicit a Borrower whose Mortgage is current or less than 31 days delinquent (i.e., no more than one payment past due) for an alternative to foreclosure described in Section 9201.2.

In addition to the minimum collection efforts set forth in Section 9102.4, Servicers may begin soliciting Borrowers who are 31 or more days delinquent in accordance with the processes and timelines set forth below in order to determine the reason for Delinquency and solicit them for possible alternatives to foreclosure.

If a Servicer previously determined that a Borrower who was less than 60 days delinquent did not qualify for any alternative to foreclosure and the Borrower subsequently becomes 60 days

delinquent, then the Servicer must continue its solicitation and collection efforts with the Borrower in accordance with the requirements of this chapter. Continued solicitation may include sending another Borrower Solicitation Package if documentation needs to be refreshed in order to perform the subsequent evaluation of the Borrower for alternatives to foreclosure.

(i) No later than the 45th day after the Due Date

Servicers must send at least one Borrower Solicitation Package or solicitation letter to the Borrower with information, including but not limited to, the availability of alternatives to foreclosure as set forth in Section 9102.5(b) below. See Section 9102.5(c) below for specific information that must be included in the Borrower Solicitation Package.

If the Servicer has not achieved quality right party contact and a resolution to the Delinquency, the Servicer is required to send at least one Borrower Solicitation Package or solicitation letter to the delinquent Borrower no later than the 45th day after the Due Date of an unpaid monthly installment.

The Servicer may send either:

- A Borrower Solicitation Package, which includes a Borrower Solicitation Letter (see Exhibit 1145), Form 710, Mortgage Assistance Application, frequently asked questions (FAQs) and foreclosure rescue scam information;

  OR

- A Borrower Solicitation Letter (see Exhibit 1145) and elect to send Form 710, FAQs and foreclosure rescue scam information upon establishing quality right party contact. The Servicer may also provide the FAQs and foreclosure rescue scam information on its website and provide a link to that information in the Borrower Solicitation Letter.

If a Servicer has achieved quality right party contact and has obtained from the Borrower a resolution to the Delinquency, the Servicer is not required to send the Borrower Solicitation Package. However, in such instance, the Servicer must comply with any early intervention notice that may be required under applicable law. If the Borrower fails to perform under the conditions of a relief or workout option, the Servicer must resume collection efforts, including sending the Borrower Solicitation Package.

(ii) As early as the 90th day and no later than the 105th day after the Due Date, or, for a Borrower with a Step-Rate Mortgage who becomes 60 days delinquent within 12 months following the first payment due date resulting from an interest rate adjustment, as early as the 60th day and no later than the 75th day after the Due Date

When a Borrower becomes 90 days delinquent, or when a Borrower has a Step-Rate Mortgage and becomes 60 days delinquent within the 12 months following the first

payment due date resulting from an interest rate adjustment, the Servicer must determine if the Borrower is eligible for a streamlined offer for a Freddie Mac Flex Modification® in accordance with Section 9206.5(c) and, if eligible, solicit the Borrower for such modification. The Servicer must send an initial Exhibit 1191, Freddie Mac Flex Modification® Solicitation Cover Letter, and a Freddie Mac Flex Modification Trial Period Plan Solicitation Offer – Not Based on an Evaluation of a BRP, included in Exhibit 93, Evaluation Notices, on or before the 105th day of Delinquency to a Borrower who becomes 90 days delinquent and is otherwise eligible. For a Borrower with a Step-Rate Mortgage who becomes 60 days delinquent and is otherwise eligible, the Servicer must send an initial Exhibit 1191B, Freddie Mac Flex Modification® Solicitation Cover Letter for Day 60 Rate Reset, and a Freddie Mac Flex Modification Trial Period Plan Solicitation Offer – Not Based on an Evaluation of a BRP on or before the 75th day of Delinquency.

If the Borrower has been approved for a streamlined offer for a Freddie Mac Flex Modification in accordance with the special requirements for Borrowers impacted by an Eligible Disaster described in Section 9206.5(e), the Servicer must send Exhibit 1191A, Freddie Mac Flex Modification® Post-Disaster Forbearance Solicitation Cover Letter, in place of Exhibit 1191. The Servicer must amend the applicable letter template as necessary to conform to the Freddie Mac Flex Modification terms and requirements.

The Freddie Mac Flex Modification Solicitation Cover Letter and the Freddie Mac Flex Modification Trial Period Plan Solicitation Offer – Not Based on an Evaluation of a BRP may be altered at the Servicer's discretion as it deems necessary to meet the requirements of this section and Chapter 9206, and to comply with disclosure and other requirements under applicable law.

If the Servicer fails to send the streamlined offer for a Freddie Mac Flex Modification by the 105th day of Delinquency to a Borrower who becomes 90 days delinquent and is otherwise eligible, or by the 75th day of Delinquency to a Borrower with a Step-Rate Mortgage who becomes 60 days delinquent and is otherwise eligible, the Servicer must solicit eligible Borrowers as soon as possible to minimize the impacts of the delay. If the Borrower does not respond to the initial Freddie Mac Flex Modification solicitation and otherwise remains eligible, then the Servicer may continue to solicit the Borrower for a Freddie Mac Flex Modification at its discretion, in accordance with the "continuation of solicitation efforts" requirements in this section.

Continuation of solicitation efforts

The Servicer must continue to try to contact and solicit the Borrower for alternatives to foreclosure throughout the foreclosure process. After the 210th day after the Due Date of an unpaid monthly installment, the Servicer has discretion to continue contact attempts and must discontinue all contact attempts 60 days prior to a foreclosure sale date for a judicial foreclosure or 30 days prior to a foreclosure sale date for a non-judicial foreclosure, unless the Servicer is required to continue contact attempts by applicable law.

Attempts to solicit for alternatives to foreclosure while the Mortgage is in foreclosure must be communicated to and coordinated with the foreclosure attorney, as appropriate. A Servicer must keep the attorney informed of the status of relevant alternative to foreclosure negotiations and must notify the attorney within two Business Days after arrangements for an alternative to foreclosure have been agreed to or within two Business Days after the Mortgage is fully reinstated.

Borrower solicitation during bankruptcy

A Servicer is not required to solicit a Borrower in an active Chapter 7 or Chapter 13 bankruptcy. However, a Borrower in an active Chapter 7 or Chapter 13 bankruptcy case must be considered for an alternative to foreclosure if the Borrower, the Borrower's counsel or bankruptcy trustee (with the Borrower's written consent) submits a request to the Servicer.

(b) Documents and forms

The following documents and forms have been developed to fulfill the solicitation requirements of this section.

1. Solicitation documents

In accordance with Section 9102.5(a) above, the Servicer must send, via regular or electronic mail, at least one Borrower Solicitation Package no later than the 45th day after the Due Date of an unpaid monthly installment. The Borrower Solicitation Package consists of the following documents:

- Exhibit 1145, Borrower Solicitation Letter (sent to Borrowers by the 45th after the Due Date of an unpaid monthly installment)

And (the Servicer may elect to send the following upon establishing quality right party contact):

- Mortgage Assistance Application (Form 710); and
- Frequently asked questions and foreclosure rescue scam notice

Exhibit 1145 is the solicitation template that reflects content a Servicer must include in its Borrower Solicitation Package. In addition, Servicers must amend Exhibit 1145 as necessary to comply with applicable law. The content of Exhibit 1145 includes:

- A cover letter that includes a statement encouraging the Borrower to contact the Servicer, the Servicer's contact information, a description of loss mitigation options that are available, and contact information for homeownership counseling
- Information on available alternatives to foreclosure to help Borrowers understand the options they may have to stay in their home or leave their home, and avoid foreclosure

- Frequently asked questions (FAQs) to help answer Borrowers' questions regarding the Borrower Response Package and evaluation process. This information may also be provided on the Servicer's website.

- Important notices, such as tips for avoiding foreclosure scams. This information may also be provided on the Servicer's website.

In accordance with Section 9102.5(a) above, the Servicer must send via regular or electronic mail, the applicable Freddie Mac Flex Modification solicitation cover letter and include the Freddie Mac Flex Modification Trial Period Plan Solicitation Offer – Not Based on an Evaluation of a BRP to a Borrower in accordance with the requirements in Section 9206.3. Solicitation for the Freddie Mac Flex Modification is in addition to, and not in place of, all other solicitation requirements described in this section.

The solicitation template included in Exhibits 1145, 1191, 1191A and 1191B may be altered in the Servicer's or attorney's discretion as it deems necessary to meet the requirements of this section and to comply with disclosure and other requirements under applicable law.

2. Use of the Mortgage Assistance Application

Form 710 is a required document that a Servicer must use to obtain Borrower and co-Borrower financial information, including the cause/reasons for the Borrower or co-Borrower's financial hardship. The financial information and hardship sections of Form 710 must be completed and the form must be executed by all Borrowers on the Mortgage.

The Servicer must require the submission of Form 710 by all Borrowers requesting consideration for an alternative to foreclosure. The Servicer may use a customized equivalent of Form 710, provided that it requests the same financial information, hardship affidavit and attestations from the Borrower. However, if the Servicer receives Form 710 rather than its customized equivalent, the Servicer must accept Form 710. References of Form 710 in the Guide include any customized equivalent to Form 710.

Note: When sending the Borrower Solicitation Package, Servicers are authorized to edit Form 710, if permitted by applicable law, to exclude references to IRS Form 4506-C; or, to the extent required by applicable law, to indicate that such form may be required to complete the application and the circumstances when such form must be obtained or processed in accordance with Section 9102.5(b)(2).

3. Model letters

The Servicer must send the Borrower the appropriate Borrower Evaluation Notice communicating the evaluation decision with one of the following outcomes:

- Reinstatement Notice*

- Repayment Plan Offer*

- Forbearance Plan Offer – Reduced Payment
- Forbearance Plan Offer – Suspended Payment
- Freddie Mac Flex Modification Trial Period Plan Notice – Based on an Evaluation of a Complete BRP
- Freddie Mac Flex Modification Trial Period Plan Solicitation Offer – Not Based on an Evaluation of a BRP
- Freddie Mac Standard Short Sale
- Standard Deed-in-Lieu
- Non-Approval, Ineligible for Mortgage Assistance – Mortgage is Current
- Non-Approval, Ineligible for Mortgage Assistance – Mortgage is Delinquent

Model letters describing each of these responses are included in Exhibit 93. Use of the model letters provided in Exhibit 93 is optional; however, each model letter illustrates the level of specificity that is deemed to be in compliance with the requirements of Section 9102.5(c)(5) and the reinstatement, relief and workout requirements prescribed in the Guide. The model letters must be altered by the Servicer as necessary to comply with applicable federal, State or local law.

Servicers must ensure the model letters are revised as necessary to include Trial Period Plan ineligibility reasons and information about the Borrower's right to appeal the Servicer's decision when the Borrower is denied a Trial Period Plan based on an evaluation of the First Complete Borrower Response Package. Exhibit 93 includes a list of ineligibility reasons for use with the model letters. As a reminder, impermissible denial reasons include, but are not limited to, the following:

- Full lender recourse or indemnification – In situations where the Servicer chose not to repurchase the Mortgage from Freddie Mac or, in the case of indemnification, chose not to modify the Mortgage, the Servicer must disclose the reason it will not modify the Mortgage, which must be based on its own requirements. Servicers are reminded that they may repurchase any Mortgage subject to full lender recourse or indemnification in accordance with the requirements set forth in Bulletin 2012-10, and may choose to modify a Mortgage subject to indemnification in accordance with the requirements in Bulletins 2016-5 and 2021-14.
- FHA, RHS or VA Mortgage – The Servicer must determine eligibility for a loan modification under applicable agency requirements

*Note: A Servicer may combine the relevant contents of the Borrower Evaluation Notice for a reinstatement offer with the contents of the notice for a repayment plan offer when offering the Borrower a partial reinstatement of the Mortgage coupled with a repayment plan in accordance with the requirements of Chapter 9203. Further, if the offer for a foreclosure alternative is made 37 days or less prior to a scheduled foreclosure sale as set forth in Section 9301.28, a Borrower's intent to accept the offer may not be communicated verbally, but must be in writing, at this late stage in the foreclosure process. Therefore, the Servicer must delete the reference "at [SERVICER PHONE NUMBER] or" and otherwise amend the Evaluation Model Clause as appropriate.

(c) Communications with the Borrower

1. Borrower Solicitation Package

The Servicer must provide in the cover letter included in the Borrower Solicitation Package a specific date by which the package must be returned, which must be 30 days from the date of the communication. In the event the 30th day falls on a non-Business Day, the Servicer must specify the following Business Day as the date by which the Borrower Response Package must be returned. Refer to Section 9102.5(b) for the documentation and content that must be included in a Borrower Solicitation Package.

2. Borrower Response Package

A complete Borrower Response Package must include the following:

- Completed and signed Form 710
- Income Documentation in accordance with Section 9202.3
- Hardship Documentation in accordance with Section 9202.2
- Completed and signed IRS Form 4506-C, Request for Transcript of Tax Return, if any of the following circumstances apply:
  - The Servicer must submit IRS Form 4506-C, as applicable, to the IRS to obtain a copy of the Borrower's tax transcript. This is required:
    - To reconcile inconsistencies between other information the Borrower provided (e.g., information the Borrower provided in Form 710, Mortgage Assistance Application) and the income documentation; or
    - When the Borrower is self-employed or is a fiscal year tax filer but the Borrower has not provided any of the required documentation specified in Section 9202.3(b) to support his or her income type
  - As otherwise requested by Freddie Mac

A Servicer may accept and rely on any information and documentation submitted on behalf of a Borrower by the Borrower's authorized trusted advisor, such as a HUD-approved housing counselor, provided the Servicer complies with applicable privacy and other laws and, when necessary, obtains and maintains in the Mortgage file evidence of the Borrower's written consent to the Servicer's sharing of the Borrower's private financial and any other protected information with the Borrower's trusted advisor. A Servicer should notify Freddie Mac via an EDR transmission by reporting default action code H5 within the first three Business Days of the month following the month that it received a complete Borrower Response Package, but is not required to do so.

When a Borrower is in an active Chapter 7 or Chapter 13 bankruptcy, the Servicer may accept copies of the bankruptcy schedules and tax returns (if returns are required to be filed) in lieu of Form 710, and may use this information to determine Borrower eligibility (with the income documentation). Servicers should request the schedules and tax returns from the Borrower, Borrower's counsel or bankruptcy court. If the bankruptcy schedules are greater than 90 days old as of the date the Servicer first determines the Borrower submitted a complete Borrower Response Package, the Borrower must provide updated evidence of income.

To the extent that a Servicer receives sufficient information to evaluate the Borrower for a reinstatement or relief option in accordance with Chapter 9203 without the complete Borrower Response Package, the Servicer should do so.

3. Acknowledgement of receipt of Borrower Response Package

The Servicer must acknowledge to the Borrower receipt of the Borrower Response Package within five Business Days of receipt from the Borrower, and must indicate whether the package is complete or incomplete. The acknowledgement of receipt, which must be in writing, must include the following:

- The Servicer's evaluation process and timeline
- An explanation of the foreclosure process, including that:
  - Referral to foreclosure will not occur if the Servicer is reviewing a complete Borrower Response Package
  - Referral to foreclosure will not occur if the Servicer extends an offer for an alternative to foreclosure and the Borrower's deadline to respond has not expired
  - Following referral to foreclosure, the foreclosure process may continue during the evaluation

- For a Borrower who submits a complete Borrower Response Package 37 days or less prior to a scheduled foreclosure sale, an explanation of the Servicer's plans for evaluating the Borrower for an alternative to foreclosure and suspending the foreclosure, if appropriate

- A description of those situations where a court with jurisdiction over the foreclosure proceeding (if any) or public official charged with carrying out the activity could fail or refuse to halt a scheduled foreclosure sale, if applicable

- Any other disclosure as required under applicable law

The Servicer must maintain evidence of the date of receipt of the Borrower's Response Package in its records.

4. Incomplete information notice

Upon receipt of an incomplete Borrower Response Package, the Servicer is required to send an incomplete information notice to the Borrower at the same time as the acknowledgement of receipt of the Borrower Response Package, which is no later than five Business Days from receipt of the Borrower Response Package. The incomplete information notice must include the following:

- A list of documents or information needed to evaluate the Borrower for an alternative to foreclosure

- A reference to the HUD website for HUD-approved counseling agencies as resources available to help the Borrower complete the package

  - The U.S. Department of Housing and Urban Development (HUD) at (800) 569-4287 or **www.hud.gov/counseling**

  - The Consumer Financial Protection Bureau (CFPB) at (855) 411-2372 or **https://www.consumerfinance.gov/mortgagehelp/**

- A reminder that if the Borrower does not submit all required documentation or information, the Servicer may determine the Borrower to be ineligible for an alternative to foreclosure and foreclosure proceedings will continue, including referral to foreclosure if the Mortgage was not previously referred

- Statement indicating that, depending on when the necessary information or documentation is received, there is no guarantee that the Servicer may be able to evaluate the Borrower for alternatives to foreclosure and halt foreclosure proceedings

- A toll-free telephone number the Borrower may contact for questions on the necessary documentation

Within five Business Days of receiving the completed Borrower Response Package from the Borrower, the Servicer is required to acknowledge to the Borrower that the completed Borrower Response Package has been received.

A Servicer may, but is not required to, send an incomplete information notice to a Borrower who submits an incomplete Borrower Response Package 37 days or less prior to a scheduled foreclosure sale. The Servicer is strongly encouraged to work with a Borrower who submits an incomplete Borrower Response Package 37 days or less prior to a scheduled foreclosure sale to complete the Borrower Response Package and expedite a decision.

Notwithstanding receipt of an incomplete Borrower Response Package and the Servicer's transmittal of an incomplete information notice, the Servicer must still refer a Mortgage to foreclosure while attempting to obtain a complete Borrower Response Package

5. Evaluation requirements in response to a complete Borrower Response Package

Within five days of an evaluation decision but no later than 30 days following receipt of the complete Borrower Response Package, the Servicer must provide the appropriate Borrower Evaluation Notice communicating the decision to the Borrower, with one of the following possible outcomes:

- Offer reinstatement
- Offer a repayment plan (with or without a partial reinstatement offer)*
- Offer a forbearance plan
- Offer a modification as set forth in Chapter 9206 (i.e., Freddie Mac Flex Modification)
- Offer a short sale as set forth in Chapter 9208 (i.e., Standard Short Sale)
- Offer a deed-in-lieu of foreclosure as set forth in Chapter 9209 (i.e., Standard Deed-in-Lieu of Foreclosure)
- Non-Approval, Ineligible for Mortgage Assistance – Mortgage is Current
- Non-Approval, Ineligibility for Mortgage Assistance – Mortgage is Delinquent

Refer to Chapter 9101 for additional requirements related to Borrower communication with respect to the receipt of the First Complete Borrower Response Package on a Mortgage secured by a Primary Residence.

In addition, refer to Section 9208.6 for specific evaluation timelines for a short sale and Section 9206.3 for requirements on evaluating a complete Borrower Response Package

after a streamlined offer for a Freddie Mac Flex Modification solicitation has been sent to the Borrower.

*Note: A Servicer may combine the relevant contents of the Borrower Evaluation Notice for a reinstatement offer with the contents of the notice for a repayment plan offer when offering the Borrower a partial reinstatement of the Mortgage coupled with a repayment plan in accordance with the requirements of Chapter 9203. Further, if the offer for a foreclosure alternative is made 37 days or less prior to a scheduled foreclosure sale as set forth in Section 9301.28, a Borrower's intent to accept the offer may not be communicated verbally at this late stage in the foreclosure process. Therefore, the Servicer must delete the reference "at [SERVICER PHONE NUMBER] or" and otherwise amend the Evaluation Notice to specify that a Borrower's intent to accept the offer must be in writing.

Further, with respect to the evaluation notices that are offers for alternatives to foreclosure, Servicers must include in the evaluation notice a date by which the Borrowers must accept such offers, which must be 14 days from the date of the evaluation notice for most alternatives to foreclosure except a short sale or deed-in-lieu of foreclosure. The Servicer must suspend foreclosure referral, the foreclosure process generally, or the foreclosure sale, upon receiving a Borrower's verbal (where permitted) or written notification that he or she intends to accept an offer for an alternative to foreclosure other than a short sale or deed-in-lieu of foreclosure. Absent such written or verbal notification, the Servicer must suspend foreclosure referral, the foreclosure process, or the foreclosure sale upon receipt of a Borrower's first payment under a Trial Period Plan or other plan requiring payments (e.g., repayment or forbearance plan). However, the repayment, forbearance or Trial Period Plan will not be legally binding unless the first payment is made by no later than the last day of the month that the first payment is due under the terms of the plan. See Sections 9301.6, 9301.7 and 9301.28 for all foreclosure suspension requirements.

Model letters describing each of these responses are included in Exhibit 93. Use of the model letters is optional; however, they illustrate the level of specificity that is deemed to be in compliance with the requirements of this section. The model letters may be altered at the Servicer's discretion to meet the requirements of Chapters 9203, 9206, 9208 and 9209, and to comply with disclosure and other requirements under applicable federal, State or local law.

Servicer evaluation obligations once foreclosure has been initiated (See also Section 9301.28)

a. Borrower Response Package received after referral to foreclosure and greater than 37 days prior to the foreclosure sale date

If the Servicer receives a complete Borrower Response Package after referral to foreclosure, the Servicer is not required to suspend foreclosure proceedings to review the complete Borrower Response Package.

Borrower Response Package received without a short sale purchase offer and foreclosure sale is scheduled

If the foreclosure sale has been scheduled and the Servicer sends the Borrower a Borrower Evaluation Notice that is an intent to pursue a short sale based on receipt of a complete Borrower Response Package but a purchase offer was not received, then the Borrower Evaluation Notice must be amended to indicate the following:

- *Contact a real estate broker to list your property for sale if it is not currently listed. If your property is not currently listed, there may not be adequate time to market the property or to review a potential buyer's offer prior to the foreclosure sale date*

- *Once you receive a potential buyer's offer, contact us immediately and we will review the offer to determine whether to accept it in full satisfaction of your obligation*

The "Standard Short Sale – All Other Scenarios" Evaluation Model Clause included in Exhibit 93 is representative of this Borrower Evaluation Notice.

Short sale evaluations

Once the Mortgage has been referred to foreclosure, the Servicer must continue with foreclosure proceedings during the short sale process, except where delay for motion of judgment is provided for Mortgages subject to judicial proceedings. However, the Servicer must not complete a foreclosure sale if the short sale has been approved based on a review of a purchase offer and a complete Borrower Response Package (or other streamlined documentation permitted in Section 9208.3). The Servicer must suspend the foreclosure sale where permitted under State or local law.

Deed-in-lieu of foreclosure evaluations

Once the Mortgage has been referred to foreclosure, the Servicer must continue with foreclosure proceedings during the deed-in-lieu of foreclosure process, except where delay for motion of judgment is provided for Mortgages subject to judicial proceedings. The Servicer may only suspend foreclosure sale once the executed deed and all required deed-in-lieu of foreclosure documents have been received by the Servicer. Additionally, the Servicer must receive an executed deed from the Borrower no later than 30 days prior to the scheduled foreclosure sale date.

When considering a Borrower for a deed-in-lieu of foreclosure, the Servicer must ensure that there is sufficient time to complete processing of the deed-in-lieu of foreclosure (inclusive of sending the deed-in-lieu of foreclosure offer to the Borrower) so that the Servicer receives the executed deed no later than 30 days prior to the foreclosure sale date.

b. Borrower Response Packages received 37-15 days prior to the scheduled foreclosure sale date

If a complete Borrower Response Package is received between 37 and 15 days, inclusively, before a scheduled foreclosure sale date, the Servicer must expedite its review and make a determination regarding the Borrower's request for assistance at least seven days before the scheduled foreclosure sale date. This will ensure that the Servicer will be able to complete a foreclosure certification to the attorney seven days prior to a scheduled foreclosure sale date, if appropriate, or offer the Borrower an alternative to foreclosure.

c. Borrower Response Packages received less than 15 days prior to the scheduled foreclosure sale date

In cases where a complete Borrower Response Package is received less than 15 days prior to a scheduled foreclosure sale date, the Servicer must first determine whether it can conduct an expedited review of the Borrower Response Package and render a decision by the foreclosure certification date (i.e., seven days prior to the scheduled foreclosure sale date) and if so, complete the review.

(d) Electronic submission of documents

Servicers should refer to Chapter 1401 for the definition of the following terms used in this subsection:

- Electronic
- Electronic Record
- Electronic Transaction

In lieu of paper documents, loss mitigation documents may be prepared, signed and sent electronically by and between the Servicer to the Borrower or by a Borrower to the Servicer, provided these Electronic Transactions comply with the requirements of Chapter 1401 and this section.

With the exception of IRS Form 4506-C, Request for Transcript of Tax Return, all documentation required to be prepared, signed or sent by either the Servicer or the Borrower are considered "loss mitigation documents" for purposes of Section 1401.17. Refer to Section 9206.19 for requirements related to eModification Agreements of paper Notes and Sections 1402.10 and 1402.11 for additional requirements related to eModification Agreements of eMortgages.

Note: IRS Form 4506-C is only defined as a loss mitigation document for purposes of Section 1401.17 if the form is received from the Borrower in a manner that permits the Servicer to submit the form to the IRS in compliance with the IRS instructions and requirements.

All Electronic loss mitigation documents and any other Electronic Mortgage file documents are Electronic Records and must be able to be retrieved and printed in a manner that accurately reflects the information they originally contained. Additionally, all Electronic Records must be accessible (either electronically or on paper) and made available to Freddie Mac upon request.

9102.6: Investment Property and rental income during Delinquency (03/02/16)

If satisfactory arrangements for repayment of the Delinquency have not been made, the Servicer must request that the Borrower consent to the appointment of a real estate agent or other agent to collect rents, maintain the Mortgaged Premises and make payments to the Servicer. If such arrangements are not made, the Servicer must determine what means are available to obtain the rental income and submit a recommendation to Freddie Mac **(see Directory 5)**.

9102.7: Monthly EDR (10/14/20)

(a) Reporting to Freddie Mac

A Servicer must report, within the first three Business Days of a month, applicable information through the Freddie Mac EDR tool (see Exhibit 88, Servicing Tools) for:

- All status and event codes for Mortgages that are current AND placed on a forbearance plan
- All status and event codes, if applicable, for Mortgages that are 30 or 60 days delinquent and Mortgages for which the Borrower was in bankruptcy during the previous month, regardless of whether the Borrower is current or delinquent in his or her Mortgage payments
- All Mortgages that were 90 or more days delinquent, including referral to foreclosure, or Mortgages for which the Borrower was in bankruptcy during the previous month
- Mortgages for which the Borrower is current in his or her Mortgage payments and for which the Servicer is pursuing an alternative to foreclosure (**Note**: Servicers must comply with all Guide requirements with respect to considering a Borrower who is current in his or her Mortgage payment for an alternative to foreclosure, including, as applicable, any requirement that the Borrower be in imminent default or found to have suffered an involuntary inability to pay.)

  A Servicer must continue to report the applicable information through the EDR tool for each Mortgage until:

- ❑ The Mortgage is current and no longer on a forbearance plan
- ❑ The Mortgage is fully reinstated or paid off
- ❑ A workout is completed and settled in Freddie Mac's system
- ❑ A foreclosure sale is held
- ❑ The Borrower is no longer in bankruptcy and the Mortgage is current
- ❑ For current Mortgages under consideration for an alternative to foreclosure, there are no applicable default action codes to report for the month

If a Servicer services Mortgages under more than one Seller/Servicer number, the Servicer must report via the EDR tool for each number.

For each Mortgage reported, a Servicer must provide the Seller/Servicer Number and the Freddie Mac loan number. The Servicer may include the DDLPI (optional).

When reporting on a current Mortgage that was placed on a forbearance plan, the following data elements must be reported, as applicable:

- ■ Default Reason
- ■ Default action(s)
- ■ Default action date(s) - Servicers must report the due date of the first payment due under the forbearance plan

When reporting on a Mortgage that is between 30 and 60 days delinquent, the following data elements must be reported, as applicable:

- ■ Default action(s)
- ■ Default action date(s)

A Servicer must also report the following data elements in the earliest EDR transmission after receiving the information, but no later than when reporting on a Mortgage that is 90 days delinquent:

- ■ Default Reason
- ■ Property Condition
- ■ Occupancy Status

Refer to Exhibit 82, Electronic Default Reporting Transmission Code List, for descriptions of the default action, default reason, property condition, occupancy status and associated codes. For detailed programming instructions, please refer to the *Electronic Default Reporting (EDR) Quick Reference Guide,* available at **https://sf.freddiemac.com/content/_assets/resources/pdf/other/edr_quickref.pdf**.

(b) Reports from Freddie Mac

In response to a Servicer's monthly EDR transmission, Freddie Mac will make available, accessible via the "Default Reporting" tile of the Servicer's Servicer Performance Profile (SPP) (see Exhibit 88, Servicing Tools), the following reports. The Servicer must retrieve these reports, review them and transmit any necessary information, as indicated below:

- ***EDR Edit Errors*** **report** — One Business Day after transmitting EDR information, a Servicer must retrieve this report, which is available in the SPP, that will contain any exceptions and errors on the Mortgages that were reported. The Servicer must correct all exceptions/errors documented on the report and transmit the corrected data to Freddie Mac by the sixth Business Day after accessing the report. For additional information, Servicers may refer to the *EDR Quick Reference Guide* available at **https://sf.freddiemac.com/content/_assets/resources/pdf/other/edr_quickref.pdf**

- ***EDR Loans Not Reported*** **report** — A Servicer must retrieve this report, which is available in the SPP, the morning of the fourth Business Day of the month. The report identifies any Mortgage that was reported as being 90 or more days delinquent during the prior month, but was omitted from the current month's EDR transmission and it was not reported as fully reinstated or paid off, that a foreclosure sale was held, or a workout option was completed. If the Mortgage is still delinquent, the Servicer must report the delinquent Mortgage by the sixth Business Day of the month. If the Servicer has not already reported a full reinstatement, payoff, foreclosure sale, or executed deed-in-lieu of foreclosure of the Mortgage, it must report the action to Freddie Mac (see Chapter 8303 or Sections 9203.6, 9209.8 and 9301.38 for these reporting requirements).

9102.8: Compensatory fees for failure to report via EDR (03/02/16)

A Servicer that fails to comply with the EDR requirements in Section 9102.7 will be subject to being assessed the noncompliance fees set forth in Sections 8303.36 and 8303.38.

Freddie Mac will bill the Servicer for such fees on the Servicer Non-Performing Loans Invoice. Refer to Section 9102.1 for information on the payment of Servicing Non-Performing Loans Invoices via an Automated Clearing House draft.

In addition, if the Servicer does not report a Mortgage to Freddie Mac as required via EDR and the Servicer requests reimbursement of expenses on that Mortgage, Freddie Mac reserves the right to deny reimbursement of those expenses on account of the Servicer's failure to report.

Chapter 9201: Freddie Mac Loss Mitigation Evaluation Hierarchy and Performance Standards

9201.1: Rationale for Servicer loss mitigation activities (04/12/23)

Freddie Mac's interest in a Mortgage, the Borrower and the home securing the Mortgage begins when Freddie Mac purchases the Mortgage. The Borrower's ownership of the home is jeopardized when he or she stops making monthly payments. Freddie Mac is committed to helping Borrowers find a solution to the Delinquency if they are experiencing financial difficulty in making the Mortgage payment.

The Borrower must make a commitment to reduce any discretionary, unnecessary expenditures as a condition of Freddie Mac granting a relief or workout option. Additionally, the Borrower is expected to work out similar relief or workout options with other creditors whenever possible.

Freddie Mac recognizes that not every Borrower who is experiencing financial difficulty can retain home ownership. When this is the case, the Servicer can help a Borrower understand the benefits of selling the property to avoid the consequences of foreclosure, where applicable, and the risk of a deficiency judgment.

Freddie Mac wants the Servicer to pursue alternatives to foreclosure whenever possible, because they benefit not only the Borrower, but also the Servicer, Freddie Mac and other interested parties in the Mortgage by:

1. Eliminating the staff time and expense the Servicer incurs to service a delinquent Mortgage or a Mortgage in foreclosure

2. Reinstating the Servicing fee income the Servicer earns if a Mortgage Delinquency is cured, or reinstating part or all of the Servicing fee income if a Mortgage is modified

3. Improving the Servicer's relationship with the Borrower

4. Minimizing Freddie Mac's credit losses

5. Reducing an MI or guarantor's claim payment, when applicable

Even after the Servicer has initiated foreclosure, it should still pursue alternatives to foreclosure to mitigate potential credit losses, whenever possible.

9201.2: Freddie Mac loss mitigation evaluation hierarchy (06/14/23)

If a Borrower who is current or less than 31 days delinquent contacts the Servicer for loss mitigation assistance, the Servicer must first evaluate the Borrower for a reinstatement and then a relief option as set forth in Chapter 9203.

If a reinstatement or relief option as provided in Chapter 9203 is not appropriate based on Borrower circumstances, the Borrower may qualify for a workout option under the Guide. The Servicer must consider a Borrower for workout options in the following sequence:

1. The Servicer must first consider the Borrower for a Freddie Mac Flex Modification in accordance with the requirements of Chapter 9206

2. If a Borrower is ineligible for, does not accept, or fails to complete the Trial Period Plan, the Servicer must next consider the Borrower for a Freddie Mac Standard Short Sale ("short sale") pursuant to Chapter 9208

3. If a Borrower is ineligible for a short sale or a short sale is not a viable option, the Servicer must next consider the Borrower for a Freddie Mac Standard Deed-in-Lieu of Foreclosure ("deed-in-lieu of foreclosure") in accordance with the requirements of Chapter 9209

When a Borrower becomes 90 days delinquent, or when a Borrower has a Step-Rate Mortgage and becomes 60 days delinquent within the 12 months following the first payment due date resulting from an interest rate adjustment, the Servicer must determine if the Borrower is eligible for a streamlined offer for a Flex Modification in accordance with Section 9206.5(c) and if eligible, solicit the Borrower for such modification in accordance with Section 9102.5(a).

If the Borrower's hardship is the result of an Eligible Disaster but the Borrower indicates he or she is able to resume making the existing contractual monthly payments on the Mortgage, the Servicer must evaluate the Borrower for Flex Modification as provided in Section 9206.5(e), if reinstatement, repayment plan, or Payment Deferral is not a viable option.

If the Borrower's hardship is one of the four listed below and the Borrower has indicated a desire to sell or vacate the property, the Servicer may consider the Borrower for a short sale without first evaluating the Borrower for a home retention option; however, the Servicer must ensure that the Borrower is aware that a home retention option may be possible:

- Death of a Borrower or death of the primary or secondary wage earner in the household

- Long-term or permanent disability; serious illness of a Borrower/co-Borrower or dependent family member

- Divorce or legal separation; separation of Borrower unrelated by marriage, civil union or similar domestic partnership under applicable law

- Distant employment transfer, including Permanent Change of Station orders or relocation due to new employment, where the transfer or new employment location is greater than 50 miles one-way from the Borrower's current Primary Residence

If the Borrower is not eligible for a relief or workout option, but the Servicer believes that a relief or workout option is still the best solution to the Delinquency, then the Servicer may submit a recommendation to Freddie Mac for review along with the reason for the recommendation, in accordance with the submission procedures in the relevant chapters for relief or workout options.

Additionally, Freddie Mac has a charge-off option available to cease collection and loss mitigation activities on a Mortgage, under certain conditions. (See Sections 9210.1 through 9210.5 for requirements related to the charge-off option.)

9201.3: Servicer's responsibilities for loss mitigation activities (03/02/16)

The Servicer's loss mitigation activities must include:

1. Pursuing reinstatement as the first option to resolve a Delinquency

2. Analyzing the Borrower's financial situation, and determining his or her intention toward the Mortgage obligation

3. Determining the value and condition of the property to calculate the Borrower's equity position and Freddie Mac's potential loss if Freddie Mac were to acquire the property as an REO

4. Pursuing alternatives to foreclosure in accordance with the hierarchy set forth in Section 9201.2 when the Servicer determines the Borrower cannot reinstate

5. Continuing to pursue alternatives to foreclosure even after the Servicer has initiated foreclosure in accordance with Section 9102.4(b)

6. Managing the foreclosure process to ensure that expenses and accruing interest are minimized and obtaining clear and marketable title as soon as legally possible

In conducting loss mitigation activities, the Servicer must comply with:

1. The specific requirements in this chapter and Chapters 9102, 9203 through 9211, 9301 and 9401
2. All FHA, RHS, VA or MI requirements, if applicable

9201.4: Servicer's loss mitigation operations (03/02/16)

Loss mitigation activities must be an integral part of the Servicer's Servicing operations.

Freddie Mac expects the Servicer's collection and loss mitigation staffs to coordinate their efforts.

The Servicer must ensure that it has:

1. A documented process for loss mitigation activities and approving foreclosures
2. Skilled staff devoted to loss mitigation activities
3. Trained collections and loss mitigation staff who:
    a. Have the ability to gain a Borrower's confidence, and help the Borrower explore alternatives to foreclosure
    b. Provide counseling to a Borrower early in the Delinquency to explain potential options, and the consequences of foreclosure
    c. Maintain a record of conversations with a Borrower in the Mortgage file or other form of data storage
    d. Screen Borrower requests for assistance to identify eligible workout candidates

9201.5: Servicer default management performance standards (01/01/17)

Freddie Mac will measure a Servicer's default management performance against certain metrics, which may be amended by Freddie Mac from time to time.

The Servicer's performance in the metrics will comprise its overall Servicer Success Scorecard assessment in the default management category of the Servicer Success Scorecard.

In addition to the performance standards prescribed below, a Servicer must also refer to its Servicer Success Scorecard for the specific metrics and to Section 3501.2 for additional information about the Servicer Success Scorecard.

(a) Call center performance standards

The following terms are described for purposes of this section:

- **Blockage Rate:** Number of calls blocked, whether intentional or unintentional, as a percentage of inbound calls directed to a Servicer's call center. Example: A Borrower attempting to call the Servicer receives a busy signal as a result of a Servicer's inbound call center's failure to receive such call.

- **Abandon Rate:** Percentage of calls made by the Servicer to Borrowers or by a Borrower to a Servicer that are not intercepted by the Servicer (i.e., a live operator) before the Borrower disconnects.

  Servicers that maintain a call center must meet the following minimum call center and other contact performance standards as measured in monthly increments:

  - Average speed to answer a telephone call of 60 seconds or less
  - 5% or less telephone call Abandon Rate
  - 1% or less telephone call Blockage Rate
  - Average time for a live operator to respond to e-mails of 48 hours or less after receipt (automated responses not included)
  - Live operator chat response times of 5 minutes or less between chats

  Servicers that maintain a call center must maintain data related to the performance standards described above, and must make such data available to Freddie Mac upon request.

(b) Quality right party contact performance standard

In its efforts to contact Borrowers, a Servicer must strive to achieve a quality right party contact benchmark of at least 60% on its 120-day delinquent Freddie Mac portfolio. Borrowers in bankruptcy are excluded from the quality right party contact performance standard. A Servicer's obligation for establishing contact with a delinquent Borrower and scope of a quality right party contact is set forth in Section 9102.3.

Each time the Servicer achieves quality right party contact with a delinquent Borrower, the Servicer must notify Freddie Mac via an EDR transmission in accordance with the following requirements:

- First quality right party contact: Servicers must report default action code AW and the date of the first quality right party contact established with the Borrower within the first three Business Days of the month following the month that the first quality right party contact was established with the Borrower. Default action code AW is reported one time.

- Subsequent quality right party contact: Servicers must report default action code AX if any subsequent quality right party contact was made with the Borrower after the initial contact was established within the first three Business Days of the month following the month that the subsequent contact occurred. Default action code AX may be reported in the same month as default action code AW if a Servicer establishes a subsequent quality right party contact with the Borrower in the same month that initial contact was achieved.

  A Servicer must continue to report default action code AX as often as it applies (that is, as often as the Servicer continues to establish quality right party contact with a Borrower when working with the Borrower to resolve a Delinquency) with the date of the last quality right party contact for each month in which the action applies.

For additional information about EDR, refer to Section 9102.7 and Exhibit 82, Electronic Default Reporting Transmission Code List.

(c) Alternative to foreclosure pull-through rate

Servicers will be measured on their ability to successfully transition newly 60-day delinquent Borrowers into an alternative to foreclosure in a given quarter.

At a minimum, Servicers must achieve at least a 60% alternative to foreclosure pull-through rate. The alternative to foreclosure pull-through rate is measured as follows:

Alternatives to foreclosure in the current quarter divided by the prior quarter's new 60-day delinquent Borrower inflows

Reinstatements, forbearance plans, repayment plans, trial period plans, payoffs, modifications, short sales and deeds-in-lieu of foreclosure are included in this performance standard. Mortgages in bankruptcy are excluded from this measurement.

9201.6: Alternatives to foreclosure (12/08/21)

Alternatives to foreclosure are reinstatements, and relief and workout options that, when used, result in a resolution of a Mortgage Delinquency without foreclosing on the property.

Below is a list of the all Freddie Mac alternatives to foreclosure:

(a) Reinstatements

A reinstatement restores a delinquent Mortgage to current status either with a lump-sum payment of all amounts due or a partial payment followed by a repayment plan.

Freddie Mac has two types of reinstatements:

- Full reinstatement

- Partial reinstatement

Refer to Chapter 9203 for additional information on reinstatements.

(b) Relief options

A relief option provides temporary relief to a Borrower and allows the Borrower to cure the Delinquency over a defined period of time. Freddie Mac's relief options are:

- Repayment plan
- Forbearance plan

Refer to Chapter 9203 for additional information on relief options.

(c) Workout options

A workout option is an alternative to foreclosure that eliminates or reduces the potential loss that Freddie Mac would incur if the property securing the Mortgage were acquired through a foreclosure sale.

A mortgage modification is a workout option that will enable the Borrower to retain homeownership.

Refer to Chapter 9206 for additional information.

Freddie Mac's workout options for situations where it is not feasible for the Borrower to retain the property are:

- Short sale
- Deed-in-lieu of foreclosure
- Workout mortgage assumption

Refer to Chapters 9207, 9208 and 9209 for additional information

(d) Charge-offs

Freddie Mac has a charge-off option available for use under certain conditions. A charge-off ceases collection efforts on a Mortgage. See Section 9210.2 for situations when Freddie Mac requires Servicers to make a recommendation for a charge-off.

Chapter 9202: Evaluating the Borrower

9202.1: Delinquency, default and imminent danger of default (09/01/19)

Throughout this chapter, Chapters 9203 through 9210 and 9301, Freddie Mac will use the term Delinquency, which is defined in the Glossary, rather than the term default. Many of the specific requirements for workout options are tied to the severity of the Delinquency.

Except as set forth in Sections 9206.7, 9208.3 and 9209.3, a Borrower is considered to be in imminent danger of default, if, based upon the facts and circumstances of the particular Mortgage and using prudent business judgment, it appears more likely than not that the Borrower will default on his or her Mortgage payments within the next 12 months.

A Borrower must be delinquent in his or her Mortgage payments, or be in imminent danger of default, to be considered for an alternative to foreclosure. The Borrower must document an eligible hardship to be eligible for certain workout and relief options.

Refer to Section 9202.2 for information on verifying a Borrower's hardship. In addition, refer to:

- Chapter 9203 for additional requirements related to relief options
- Chapters 9204 and 9206 through 9210 for additional requirements related to workout options

9202.2: Verifying a Borrower's hardship (06/01/18)

(a) Eligible hardships

A Borrower must have one or more of the eligible hardships identified below in order to be eligible for certain relief or workout options.

The Borrower must document the financial hardship by:

- Signing and submitting to the Servicer a completed Form 710, Mortgage Assistance Application; and
- Providing to the Servicer the applicable hardship documentation described below.

Hardship	Required Hardship Documentation
Unemployment	■ Not required

Hardship	Required Hardship Documentation
Reduction in income: a hardship that has caused a decrease in the Borrower's income due to circumstances outside the Borrower's control (e.g., elimination of overtime, reduction in regular working hours, or a reduction in base pay)	■ Not required
Increase in housing expenses: a hardship that has caused an increase in the Borrower's housing expense due to circumstances outside the Borrower's control (e.g., uninsured losses, increased property taxes, or an HOA special assessment)	■ Not required
Disaster (natural or man-made) impacting the property or Borrower's place of employment	■ Not required
Long-term or permanent disability; serious illness of a Borrower/co-Borrower or dependent family member	■ Written statement from the Borrower, or other documentation verifying disability or illness Note: Detailed medical information is not required, and information from a medical provider is not required
Divorce or legal separation	■ Final divorce decree or final separation agreement; OR ■ Recorded quit claim deed
Separation of Borrowers unrelated by marriage, civil union or similar domestic partnership under applicable law	■ Recorded quitclaim deed; OR ■ Legally binding agreement evidencing that the non-occupying Borrower or co-Borrower has relinquished all rights to the property

Hardship	Required Hardship Documentation
Death of a Borrower or death of either the primary or secondary wage earner	■ Death certificate; OR ■ Obituary or newspaper article reporting the death
Distant employment transfer/ Relocation (transfer or relocation must be greater than 50 miles one-way from Borrower's current Primary Residence)	**For active-duty service members:** Permanent Change of Station (PCS) orders or letter showing transfer **For employment transfers/new employment:** ■ Copy of signed offer letter or notice from employer showing transfer to a new location or notice from employer showing transfer to a new location or written explanation if employer documentation is not applicable; AND ■ Documentation that reflects the amount of any relocation assistance provided (not required for those with PCS orders)
Other hardship that is not covered above	■ Written explanation describing the details of the hardship and relevant documentation

(b) Situations not considered to be an eligible hardship

Any other events or circumstances other than those described above in Section 9202.2(a) are not considered eligible hardships for purposes of eligibility for a workout option or certain relief options under the Guide. For example, the following are not considered eligible hardships:

1. Depreciation in the value of the Mortgaged Premises

2. Temporary income interruption, but the Borrower has assets (liquid or that can be liquidated) available to pay the Mortgage

3. Interest rate adjustment on an ARM or re-amortization of an interest only Mortgage upon expiration of the interest only period

9202.3: Borrower income documentation for workout or relief options (06/14/23)

(a) Verification of income

A Servicer must verify the income for all Borrowers on the Note when evaluating a Borrower for certain workout or relief options. The Borrower's income must be supported by documentation that is not more than 90 days old as of the date the Servicer first determines that the Borrower submitted a complete Borrower Response Package. (Refer to Section 9102.5 for information on the Borrower Response Package.)

In addition to the income documentation required in Section 9202.3(b), in the following circumstances, a Servicer must obtain a Borrower's tax transcript by processing Internal Revenue Service (IRS) Form 4506-C, Request for Transcript of Tax Return.

- There are inconsistencies in the information the Borrower provided (e.g., information the Borrower provided in Form 710, Mortgage Assistance Application, and the income documentation);

  The Borrower is self-employed or is a fiscal year tax filer (i.e., files federal income tax returns based on a fiscal year – a tax year beginning in one calendar year and ending in the following year) and the Borrower has not provided any of the required documentation specified in Section 9202.3(b) to support the income type; or

- As otherwise requested by Freddie Mac

IRS Form 4506-C is available at **http://www.irs.gov**. Servicers are encouraged to use the IRS Income Verification Express Service (IVES), which uses secure e-mail to deliver tax return transcripts to Servicers.

(b) Required income documentation

The Borrower must document all types of income by providing the following income documentation as part of the Borrower Response Package:

Income Types	Required Documentation
Income that requires IRS Form 4506-C to be obtained and processed	Borrowers who (i) are self-employed or (ii) are fiscal year tax filers and who have not provided any of the required documentation specified below, must provide IRS Form 4506-C, Request for Transcript of Tax Return.

Income Types	Required Documentation
Gross (pre-tax) wages, salaries and overtime pay, commissions, tips, and bonuses	■ Most recent pay stub and documentation of year-to-date earnings if not on paystub; **OR** ■ Two most recent bank statements showing income deposit amounts (Note: When bank statements provide net income, for this and subsequent income types, refer to Section 9202.3(c), below, for instructions on how to calculate gross income)
Self-employment income	■ Two most recent bank statements showing self-employed income deposits amounts; **OR** ■ Most recent signed and dated quarterly or year-to-date profit/loss statement; **OR** ■ Most recent complete and signed business tax return; **OR** ■ Most recent complete and signed individual federal income tax return
Rental income	■ Two most recent bank statements demonstrating receipt of rent; **OR** ■ Two most recent deposited rent checks
Taxable Social Security, disability or death benefits, pension, public assistance, housing allowance or adoption assistance	■ Two most recent bank statements showing deposit amounts; **OR** ■ Award letter or other documentation showing the amount and frequency of the benefits such as letters, exhibits, a disability policy or benefits statement from the provider
Non-taxable Social Security or disability income	■ Two most recent bank statements showing deposit amounts; **OR** ■ Award letter or other documentation showing the amount and frequency of the benefits such as letters, exhibits, a disability policy or benefits statement from the provider
Unemployment benefits	■ Not required

Income Types	Required Documentation
Non-Borrower income	Servicers must include non-Borrower household income in the monthly gross income if: ■ It is voluntarily provided by the Borrower ■ The Servicer verifies that the non-Borrower occupies the subject property as a Primary Residence based on a review of a credit report or other documentation (e.g., utility bills, paystubs, benefits statements); and ■ There is documentary evidence to support that the income has been, and reasonably can continue to be, relied upon to support the Mortgage payment A Servicer should not consider expenses of non-Borrower household members, but may only consider the percentage of his or her income that the non-Borrower routinely contributes to the household.
Investment or insurance income	■ Two most recent investment or insurance income statements showing receipt of income; **OR** ■ Two most recent bank statements supporting receipt of the income
Other types of income not listed above (Note: Only include alimony, child support, or separate maintenance income if the Borrower chooses to have it considered for repaying the Mortgage)	■ Two most recent bank statements showing receipt of income; **OR** ■ Other documentation showing the amount and frequency of the income

As outlined in Section 5302.4, the following are acceptable alternatives for the Borrower's signature on the tax return(s):

- Evidence the tax returns were filed electronically (e.g., signed Form 8879, IRS e-file Signature Authorization or equivalent), or
- Tax transcripts that validate the information on the unsigned tax returns, or

- A completed IRS Form 4506-C signed by the Borrower, or alternate form acceptable to the IRS that authorizes the release of comparable tax information to a third party

  Note: All income must comply with all applicable federal, State and local laws, ordinances, regulations, orders and regulatory guidance in accordance with Section 1301.2.

(c) Determining gross monthly income

The Borrower's gross income includes all taxable and non-taxable income, before any payroll deductions, including, but not limited to, base wages and salaries, overtime pay, commissions, fees, tips, bonuses, housing allowances, other compensation for personal services, Social Security payments, including Social Security received by adults on behalf of minors or by minors intended for their own support, payments from annuities, insurance policies, retirement funds, and pensions, disability or death benefits, and positive net rental income, except that the Borrower may, but is not required to, provide alimony, child support or separation maintenance income.

The Servicer must gross up all non-taxable income received by the Borrower only if the Borrower is able to provide documentation verifying that the income is not taxable. The Servicer must maintain such documentation in the Mortgage file. To gross up non-taxable income, the Servicer must multiply the amount of the non-taxable income by 1.25; if the actual amount of federal or State taxes that would be paid is more than 25% of the Borrower's nontaxable income, the Servicer may use the actual percentage.

The Servicer must gross up all net income when the Borrower submits bank statements to support the income type.

To gross up net income, the Servicer must:

1. Establish the Borrower's monthly net income in accordance with this Section 9202.3; and

2. Multiply the amount of the monthly net income by 1.25 to determine the Borrower's monthly gross income

Refer to Exhibit 101, Income Calculation Guidelines for Alternative to Foreclosure Options, for additional instructions on calculating income.

(d) Substitution of income documents

When a Borrower is in an active Chapter 7 or Chapter 13 bankruptcy, the Servicer may accept copies of the bankruptcy schedules and tax returns (if returns are required to be filed) in lieu of Form 710, and IRS Form 4506-C, and may use this information to determine Borrower eligibility (with the income documentation). Servicers should request the schedules and tax returns from the Borrower, Borrower's counsel or bankruptcy court. If the bankruptcy schedules are more than 90 days old as of the date that such schedules are

received by the Servicer, the Borrower must provide updated evidence of income in accordance with this section.

(e) Use of Third Party Vendors

Servicers are reminded that per existing guidance around the use of outsourced vendors in Section 8102.1(f), they may utilize Third Party Vendors for the verification of income as outlined in Section 9202.3 above as long as they comply with all requirements in the Guide.

9202.4: Servicer reconciliation of inconsistencies; fraud detection; and document authenticity (03/02/16)

(a) Reconciling income and/or hardship information inconsistencies

If, based on the Servicer's good business judgment, the Borrower's income and/or the hardship information disclosed by the Borrower is inconsistent with the income and/or hardship documentation provided by the Borrower, the Servicer must attempt to reconcile such inconsistencies. The Servicer must also document such material differences in its servicing system.

(b) Fraud detection

The Servicer must not offer the Borrower a relief or workout option if there is reasonable evidence indicating the Borrower submitted false or misleading information or otherwise engaged in fraud in connection with the request for payment relief. A Servicer must use good business judgment in determining whether the evidence is reasonably indicative of a Borrower's intentional misrepresentation or submission of false or misleading information. Refer to Section 3201.2 for reporting requirements related to the discovery of fraud or possible fraud on a Mortgage.

(c) Document authenticity

A Servicer must use good business judgment when determining whether verification documents are authentic and accurate, and allow the Servicer to underwrite the Borrower in accordance with the requirements of this Guide. A Servicer may elect to accept documentation with imperfections (blank fields, erasures, use of correction tape, inaccurate dates, etc.) if the Servicer determines that the imperfections are immaterial to the eligibility decision, are not indicative of fraud and do not impact the Servicer's ability to verify the completeness and accuracy of the Borrower's financial representations.

9202.5: Risk of Property Ownership (08/01/18)

Risk of Property Ownership exists when there is a risk of liability to Freddie Mac if Freddie Mac becomes the owner of the property. For example, there is Risk of Property Ownership if the condition of the Mortgaged Premises, or its immediate surroundings, pose a threat to the health or safety of a property owner (e.g., condemnation), or there is otherwise a situation or presence that is exigent or atypical that would cause a potential property owner to incur extraordinary risk of liability if it becomes the owner of the property.

The Servicer must review the property inspection reports that the Servicer receives to determine if a Risk of Property Ownership exists. Refer to Section 8403.1 for the requirements for managing a property securing a Mortgage identified as posing a Risk of Property Ownership.

9202.6: Analyze the reason for Delinquency (12/01/18)

In the course of performing collection activities, the Servicer should have determined why the Borrower has not remitted its Mortgage payments. Additionally, the Servicer should have determined the Borrower's willingness to resolve the Delinquency problem and have counseled the Borrower about the consequences of the Delinquency.

If the Servicer has determined that the Borrower's reason for not paying the Mortgage payment is temporary, it may consider whether a partial reinstatement, a repayment plan or forbearance plan may be a solution to cure the Delinquency. For the Servicer to consider such alternatives, the Borrower must have the ability to make payments and bring the Mortgage current within one year.

If the Borrower's financial situation and/or circumstances will not permit him or her to bring the Mortgage current within a year, the Servicer must analyze the Borrower's financial situation and determine the Borrower's desire to retain ownership of the home to determine the appropriate solution to the Delinquency. See Section 9201.2 for the sequence in which a Borrower must be evaluated for loss mitigation solutions.

9202.7: Tenant-occupied properties built before 1978 (11/13/19)

Before considering a deed-in-lieu of foreclosure on a tenant-occupied property built before 1978, if the Servicer is aware of, or becomes aware of, any outstanding lead-based paint or health code citations or violations against the property or property owner, it must notify Freddie Mac **(see Directory 5)**, and include a copy of the citation or violation and any other pertinent information.

After reviewing the documentation, Freddie Mac will provide the Servicer with instructions on the course of the action to take.

9202.8: Analyze the Mortgage characteristics and terms (03/02/16)

The Servicer must review the Mortgage characteristics and terms to determine what effect they might have on determining a course of action to resolve the Delinquency.

The Servicer must compare the UPB and any delinquent amounts to the probable sale price of the property to determine the Borrower's equity position and Freddie Mac's potential loss should Freddie Mac have to acquire the property, if the Delinquency cannot be cured or resolved.

The Servicer must also review the Mortgage product type and the current interest rate compared to current market interest rates to identify potential roadblocks in curing a Delinquency. For example, if the Mortgage is an adjustable-rate Mortgage, the Borrower may be facing a new monthly payment that he or she cannot afford.

9202.9: Determine the best course of action for Delinquency (12/01/18)

After evaluating the Borrower's financial information and circumstances, the value and condition of the property, and the Mortgage characteristics and terms, the Servicer must begin to determine the best course of action to resolve the Delinquency. Based on the information provided by the Borrower, the Servicer must determine which of the various relief and workout options is appropriate.

If the Borrower's property has been damaged by a natural or man-made disaster, or the Borrower has an extraordinary circumstance, the Servicer should consider recommending a forbearance plan. If the Borrower wants to keep the property and has a source of stable monthly income, the Servicer should consider whether to consider a repayment plan, reinstatement or forbearance plan, or recommend a loan modification. If the Borrower cannot or does not want to retain ownership of the property, the Servicer should consider recommending workout options that allow the Borrower to sell or transfer the property.

If a relief or workout option will not resolve the Delinquency, the Servicer must initiate foreclosure in accordance with the requirements in Chapter 9301.

Refer to Chapter 8404 for additional requirements for Mortgages secured by properties affected by a disaster.

9202.10: What is a property inspection? (03/02/16)

Except when an interior inspection is required (see Section 9202.12(c)), a property inspection is an exterior inspection of the property to determine:

1. The condition of the property

2. If there is any waste, deterioration or vandalism

3. The occupancy status

4. If the property has been abandoned

5. If the property is listed for sale

6. If there are obvious environmental hazards

7. If there is deferred maintenance or there are health and safety problems. The property is considered to have deferred maintenance when the Borrower has allowed the property condition to deteriorate to a point where general maintenance items such as trash removal, painting, yard work and general repairs have not been performed.

8. If visible asset preservation is needed

9202.11: Documenting property inspections (03/02/16)

(a) Form to use

A Servicer must document each inspection of the property with an inspection report that is prepared on Form 1013, 1-4 Unit Property Inspection Report, or a substitute report. The substitute report can be the Servicer's proprietary form or a form the inspection company performing the inspection prepares, including a computer-generated or automated form. The substitute form must contain all of the data elements on Form 1013.

(b) Retaining inspection reports

The Servicer must retain the inspection reports in the Mortgage file or other form of data storage for the same period of time that it retains the Mortgage file.

9202.12: When to order a property inspection (10/09/24)

This section contains requirements related to:

- Inspection dates
- Curbside inspections

- Abandonment or waste
- Property seizure

The Mortgaged Premises must be inspected in accordance with the requirements below to determine the physical condition and occupancy status.

The Servicer may use a third party to conduct property inspections.

(a) Inspection dates

The Servicer must order a property inspection on or after the 90th day of Delinquency and obtain the complete inspection report by the 120th day of Delinquency. The Servicer must continue to obtain a newly completed property inspection report every calendar month. No two reports may be completed within a 20-day period while the Mortgage remains 90 days or more delinquent. However, weekly and biweekly ordinance-required property inspections (reimbursable under expense codes 404016 and 404017) are exempt from the 20-day limitation.

The Servicer must discontinue obtaining newly-completed property inspection reports when or upon:

- The Servicer has achieved Quality Right Party Contact (QRPC) within the last 30 days
- The Borrower has made a full P&I payment within the last 30 days
- The Borrower has been approved for, or is performing under the terms of a reinstatement, relief option, or workout option
- The Borrower has filed for bankruptcy and is performing under the applicable bankruptcy plan, or where otherwise performing a property inspection would be considered a violation of the automatic stay provision
- The Servicer has successfully reported the foreclosure sale date or the deed-in-lieu of foreclosure via the Freddie Mac Foreclosure Sale Reporting tool (see Exhibit 88, Servicing Tools) pursuant to Section 9603.1; or
- The property is sold to a third party at the foreclosure sale and the foreclosure action is complete. (Note that, depending upon the jurisdiction, a foreclosure action may not be complete until the sale is confirmed or ratified.)

If the property is found to be vacant or if the occupancy is unknown, property inspections must continue as long as the Mortgage remains 90 or more days delinquent regardless of the Servicer achieving quality right party contact or a prospective resolution to the Delinquency.

In the event that extenuating circumstances cause property inspection delays, Servicers are instructed to document the mortgage file explaining the cause of the delays.

(b) Curbside inspections

Freddie Mac does not generally consider a curbside or "drive-by" property inspection to be a sufficient exterior property inspection. However, Freddie Mac will permit a curbside inspection to be performed in the following circumstances:

- Legal constraints due to compliance with federal, State or local law, including, but not limited to, an active bankruptcy by the Borrower; or
- Personal danger to the inspector

(c) Abandonment or waste

When the Servicer learns that the Mortgaged Premises have been abandoned or are in a severe state of deterioration, waste or disrepair that warrants a physical condition rating of "poor" on Form 1013, 1-4 Unit Property Inspection Report, the Servicer must take action as required in Sections 8403.1 and 8403.2 including, but not limited to, ordering a monthly property inspection, even if the Mortgage payments are less than 60 days delinquent.

In addition, if the Mortgaged Premises have been confirmed as abandoned, the Servicer must obtain monthly interior inspections, in accordance with the terms of the Mortgage documents and applicable law.

(d) Property seizure

Refer to Sections 8402.2, 8402.3 and 8402.4 for property inspection requirements related to property seizure.

9202.12: When to order a property inspection (Future effective date 12/09/24)

This section contains requirements related to:

- Inspection dates
- Curbside inspections
- Abandonment or waste
- Property seizure

The Mortgaged Premises must be inspected in accordance with the requirements below to determine the physical condition and occupancy status.

The Servicer may use a third party to conduct property inspections.

(a) Inspection dates

The Servicer must order a property inspection on or after the 90th day of Delinquency and obtain the complete inspection report by the 120th day of Delinquency. The Servicer must continue to obtain a newly completed property inspection report every calendar month. No two reports may be completed within a 20-day period while the Mortgage remains 90 days or more delinquent. However, weekly and biweekly ordinance-required property inspections (reimbursable under expense codes 404016 and 404017) are exempt from the 20-day limitation.

Discontinuance of property inspections

The Servicer must discontinue obtaining newly-completed property inspection reports when or upon:

- The Servicer has achieved Quality Right Party Contact (QRPC) within the last 30 days
- The Borrower has made a full P&I payment within the last 30 days
- The Borrower has been approved for, or is performing under the terms of a reinstatement, relief option, or workout option
- The Borrower has filed for bankruptcy and is performing under the applicable bankruptcy plan, or where otherwise performing a property inspection would be considered a violation of the automatic stay provision
- The Servicer has successfully reported the foreclosure sale date or the deed-in-lieu of foreclosure via Resolve® pursuant to Section 9603.1; or
- The property is sold to a third party at the foreclosure sale and the foreclosure action is complete. (Note that, depending upon the jurisdiction, a foreclosure action may not be complete until the sale is confirmed or ratified.)

If the property is found to be vacant or if the occupancy is unknown, property inspections must continue as long as the Mortgage remains 90 or more days delinquent regardless of the Servicer achieving quality right party contact or a prospective resolution to the Delinquency.

In the event that extenuating circumstances cause property inspection delays, Servicers are instructed to document the mortgage file explaining the cause of the delays.

(b) Curbside inspections

Freddie Mac does not generally consider a curbside or "drive-by" property inspection to be a sufficient exterior property inspection. However, Freddie Mac will permit a curbside inspection to be performed in the following circumstances:

- Legal constraints due to compliance with federal, State or local law, including, but not limited to, an active bankruptcy by the Borrower; or
- Personal danger to the inspector

(c) Abandonment or waste

When the Servicer learns that the Mortgaged Premises have been abandoned or are in a severe state of deterioration, waste or disrepair that warrants a physical condition rating of "poor" on Form 1013, 1-4 Unit Property Inspection Report, the Servicer must take action as required in Sections 8403.1 and 8403.2 including, but not limited to, ordering a monthly property inspection, even if the Mortgage payments are less than 60 days delinquent.

In addition, if the Mortgaged Premises have been confirmed as abandoned, the Servicer must obtain monthly interior inspections, in accordance with the terms of the Mortgage documents and applicable law.

(d) Property seizure

Refer to Sections 8402.2, 8402.3 and 8402.4 for property inspection requirements related to property seizure.

9202.13: Results of property inspection (03/02/16)

Review the completed inspection report and determine if any further action is needed.

IF the property inspection indicated that the property is...	THEN the Servicer must...
Listed for sale	1. Obtain the name and telephone number of the listing broker and retain for future use 2. Enter in its monthly EDR, the date that it became aware that the property was listed for sale
Vacant and/or not maintained	Follow the requirements in Sections 8403.1 and 8403.2

9202.14: What is an abandoned property? (03/02/16)

An abandoned property is:

1. A property to which the owner has voluntarily and intentionally relinquished ownership, claim and control, or

2. As otherwise defined under local laws. Factors evidencing abandonment include vacancy, waste, deterioration and lack of utilities.

9202.15: Reimbursement of property inspections (03/02/16)

For each property inspection completed in accordance with the requirements set forth in Section 9202.12, Freddie Mac will reimburse the Servicer the lesser of:

- The actual cost of the property inspection

- The applicable expense limit stated in Exhibit 57, 1- to 4- Unit Property Approved Expense Amounts

Refer to Section 9701.9 for details regarding the reimbursement of property inspections.

9202.16: When to obtain a property value (10/02/23)

(a) Obtaining a property value to prepare foreclosure sale bidding instructions

Servicers are not required to obtain property values when preparing foreclosure sale bidding instructions on properties subject to resale restrictions that survive foreclosure or recordation of a deed-in-lieu of foreclosure (in accordance with Chapters 4406, 4502 or 4504, as applicable). The Servicer must refer to the applicable resale restrictions for details on the property valuation and/or the restricted resale price, as well as any other terms and conditions that must be met.

If State law requires that an appraisal report be used to set the bid, then the Servicer must obtain the appraisal report in sufficient time to complete the foreclosure by the scheduled foreclosure sale date. The Servicer may obtain the appraisal report either directly from Freddie Mac through BPOdirect® or from an appraiser of its choice.

If a Servicer does not obtain the appraisal report directly from Freddie Mac, then the Servicer must:

- Obtain Freddie Mac's prior written approval to order the appraisal report from an appraiser of its choice at least 30 days before the scheduled foreclosure sale date. Freddie Mac's approval can be obtained by submitting a request for pre-approval (RPA) via PAID (Payments Automated Intelligent and Dynamic) (see Exhibit 88, Servicing Tools). If a Servicer does not obtain Freddie Mac's prior approval, Freddie Mac will not reimburse the Servicer for the appraisal expense.

- Ensure the appraisal is obtained in accordance with applicable law, and the appraisal must comply with the requirements of Topic 5600 and Section 9301.33

When State law does not require an appraisal report to be used to set the bid, unless the foreclosure sale is of a property subject to resale restrictions that survive foreclosure or recordation of a deed-in-lieu of foreclosure, the Servicer must comply with the credit bid requirements in Section 9301.32 for First-Lien Mortgages not covered by mortgage insurance.

In States where the sheriff orders an appraisal to determine the opening bid at a foreclosure sale, the Servicer must still determine the maximum bid the Servicer is authorized to make on Freddie Mac's behalf. (See Sections 9301.31 through 9301.36 for instructions for bidding at a foreclosure sale.)

(b) Obtaining a property value in connection with an alternative to foreclosure

Servicers must obtain a property value from Freddie Mac when considering a Borrower for a workout. The requirements for obtaining a property value differ based on the type of alternative to foreclosure for which the Borrower is being considered. Refer to Chapters 9206 through 9210 for the requirements for obtaining a property value for each specific foreclosure alternative.

Note: If the Mortgage is covered by mortgage insurance, the Servicer must ensure that the property value it obtains is based on a property valuation type that is consistent with the MI's requirements.

9202.17: Obtaining a property value (03/01/20)

Regardless of whether the Servicer, Freddie Mac or both are evaluating the Borrower for a workout or relief option, the Servicer must provide the Borrower such notices and valuations as are required by applicable law, including the Equal Credit Opportunity Act. This includes notices and valuations developed in connection with a workout or relief option that is considered to be an application for credit. The Servicer must give the Borrower the property valuation provided to the Servicer by Freddie Mac through BPOdirect® or other sources.

If Freddie Mac participated in evaluating a Borrower for a workout or relief option that gives rise to an obligation to provide the Borrower a valuation developed in connection with an application for a workout or relief option, then the Servicer must provide the valuation to the Borrower on

behalf of Freddie Mac. In these cases, the communication from the Servicer to the Borrower transmitting the valuation must identify both the Servicer and Freddie Mac as providing the valuation.

(a) Obtaining a property value via BPOdirect

For requirements on obtaining a property value via BPOdirect, refer to Section 2406.4.

(b) Property values obtained via the Freddie Mac Real Estate Valuation and Pricing tool

Except for Mortgages secured by properties subject to resale restrictions (in accordance with Chapter 4502 or 4406, as applicable), the Servicer must obtain a property value through the Real Estate Valuation and Pricing tool (see Exhibit 88, Servicing Tools) for a Borrower being considered for a Standard Short Sale. Refer to Section 9208.5 for additional details on obtaining a short sale property value.

(c) Obtaining an HVE® point value estimate

The Servicer may determine the value of the Mortgaged Premises by obtaining an HVE® point value estimate through one of Freddie Mac's HVE distributors where permitted under the Guide. Refer to Section 9206.8 for additional requirements on obtaining an automated property value for a modification. For detailed information on HVE and Freddie Mac's distributors, visit **https://sf.freddiemac.com/tools-learning/home-value-suite/home-value-explorer**.

Contact Freddie Mac with any questions about obtaining a property valuation **(see Directory 6)**.

9202.18: Checking the status of orders for property valuations (10/23/20)

A Servicer may determine the status of its BPO order by accessing BPODirect® and entering the Freddie Mac loan number. Contact Freddie Mac with any questions about a BPO order (see Directory 6).

A Servicer may determine the status of the property valuation ordered in the Freddie Mac Real Estate Valuation and Pricing tool (see Exhibit 88, Servicing Tools) for the purposes of a Freddie Mac Standard Short Sale pursuant to Section 9202.17. (See also Section 9208.5 for details on obtaining a short sale property value via the Freddie Mac Real Estate Valuation and Pricing tool.)

9202.19: Valuation costs (05/01/23)

Freddie Mac does not charge a fee for automated valuations. For all other valuations, the cost of the valuation depends on whether an interior or exterior valuation is conducted. Servicers should consult the chart below for further details related to the cost of the property valuations ordered through BPODirect® or Real Estate Valuation Pricing (see Exhibit 88, Servicing Tools):

Purpose of valuation order	Valuation type	Cost
■ Short sale ■ Deed-in-lieu of foreclosure ■ Workout Mortgage assumption of: ❑ A Mortgage secured by a 2- to 4-unit property, a Manufactured Home or a dwelling subject to a leasehold estate ❑ A Cooperative Share Loan secured by a First Lien on the Cooperative Interest to a Cooperative Unit (see Chapter 8801 for special Servicing requirements for Cooperative Share Loans) ■ Determine value for Borrower-requested cancelation of Borrower-paid mortgage insurance	BPO: Interior valuation with interior and exterior photographs Full interior/exterior appraisal 1-unit single family property 2-4 unit property Note: A Servicer should only order an appraisal when required by applicable law or the Servicer determines an appraisal is in the best interest of the Borrower	$150 $775 $850
■ Modification of a Mortgage secured by a 1- to 4-unit property (not a Manufactured Home, a dwelling subject to a leasehold estate or a Cooperative Unit) ■ Note: A Servicer must not order a new BPO through BPOdirect® for a 1- or 2-unit property if the Servicer is required to use an available HVE® point value estimate or automated value in accordance with the requirements of Section 9206.8. (See Section 2406.4 regarding	BPO: Exterior valuation with exterior photographs Exterior (drive-by) appraisal Note: A Servicer should only order an appraisal when required by applicable law or the Servicer determines an appraisal is in the best interest of the Borrower	$100 $550

Purpose of valuation order	Valuation type	Cost
obtaining a property value via BPOdirect.) ■ Modification of: ■ A Mortgage secured by a Manufactured Home or a dwelling subject to a leasehold estate ■ A Cooperative Share Loan secured by a First Lien on the Cooperative Interest to a Cooperative Unit ■ Workout Mortgage assumption of a Mortgage secured by a 1-unit property (not a Manufactured Home, a dwelling subject to a leasehold estate or a Cooperative Unit) Note: A Servicer must not order a new BPO through BPOdirect for a 1-unit property if the Servicer is required to use an available automated value in accordance with the requirements of Section 9207.4. ■ Prepare bidding instructions for a foreclosure sale ■ Determine value for a bankruptcy		

9202.20: Remitting BPO cost reimbursements to Freddie Mac (03/02/16)

(a) BPOs ordered for loss mitigation or foreclosure sale bidding

For BPOs ordered for loss mitigation or foreclosure sale bidding, the Servicer must forward a check made payable to the Federal Home Loan Mortgage Corporation at the following address.

FREDDIE MAC
P.O. BOX 730453
Dallas, TX 75373-0453

Send overnight and courier deliveries to:

JP MORGAN CHASE
Dallas National Wholesale LB TX 1-0029
14800 Frye Road
Fort Worth, TX 76155
Attn: HomeSteps #73453

Whenever possible and if permitted by State law, the Servicer must collect the cost of any applicable BPOs from the Borrower if the Mortgage was fully reinstated, paid-off or modified pursuant to the modification requirements in Chapter 9206 or assumed under Freddie Mac's workout Mortgage assumption option in Chapter 9207. If the Servicer was unable to collect the cost of the BPO from the Borrower, it must document in the Mortgage file the reason it was unable to collect the funds. Freddie Mac will review the reasons for noncollection when it audits the Servicer's files.

If the Borrower is offering to fully reinstate the Mortgage and can pay all arrearages and costs, except for the cost of the BPO, the Servicer may reinstate the Mortgage without collecting the BPO cost. The Servicer is not required to remit the BPO funds to Freddie Mac, but must document the reason for nonremittance in the Mortgage file.

The Servicer may collect accrued late charges from the Borrower once all other arrearages and costs, including the BPO costs, are paid.

(b) BPOs ordered for Borrower-paid mortgage insurance cancelation

For BPOs ordered for cancelation of Borrower-paid mortgage insurance, the Servicer will be billed for the cost of the BPO on its Performing Loans monthly Servicer Billing Statement. This cost must be paid in accordance with the requirements for remitting payment of fees billed on the Servicer's billing statement. Refer to Section 8303.6 for information on remitting fees billed on the Performing Loans monthly Servicer Billing Statement.

Chapter 9203: Reinstatements and Relief Options

9203.1: Reinstatements and relief options (01/01/21)

The most desirable resolution to a Delinquency is reinstatement. Reinstatement is the act of restoring a delinquent Mortgage to current status. When the Servicer's collection efforts do not result in reinstatement of a delinquent Mortgage, the Servicer should consider offering the Borrower a relief option.

A relief option is an alternative to foreclosure that provides a Borrower with temporary relief or an opportunity to cure a Delinquency over a defined period of time or bring the Delinquency immediately current. Servicers must evaluate Borrowers for relief options in the following sequence:

- Reinstatement (Sections 9203.3 through 9203.7)
- Forbearance (Sections 9203.12 through 9203.17)
- Repayment plan (Sections 9203.8 through 9203.11)
- Payment Deferral (Sections 9203.18 through 9203.27)

If the Servicer has a Borrower whose situation does not meet Freddie Mac's relief option eligibility requirements, but the Servicer feels a relief option is still the best possible solution to cure the Delinquency, the Servicer must submit a request to Freddie Mac **(see Directory 5)** for Freddie Mac's review. The Servicer must use Form 105, Multipurpose Loan Servicing Transmittal, and explain why a relief option is the best solution to the Delinquency.

In lieu of having the Servicer or Borrower prepare, sign and send, return or submit paper documents necessary to process a reinstatement or relief option, the Servicer and Borrower may provide loss mitigation information and documents electronically. See Section 1401.17 for eligible documents and related requirements.

9203.2: General requirements for reinstatements and relief options (03/02/16)

For all reinstatements and relief options, the Servicer must:

1. Comply with the requirements of the FHA, VA, RHS or MI and obtain approval from the FHA, VA, RHS or MI, if applicable

2. Retain any written agreements in the Mortgage file

3. Within two Business Days of the date on which the Servicer receives a written request for payoff or reinstatement figures, the Servicer must provide complete, written figures as of the request date to the attorney, trustee, workout specialist or outsourcing vendor requesting the information.

For all reinstatements and relief options, the Servicer must not:

1. Demand payment of expenses from the Borrower in excess of the costs the Servicer actually incurred at the time the Borrower reinstates the Mortgage. These costs may not exceed Freddie Mac's approved expense amounts (see Exhibit 57A, Approved Attorney Fees and Title Expenses), unless the Servicer has obtained Freddie Mac's approval to exceed these amounts, which approval may be requested by submitting Form 105, Multipurpose Loan Servicing Transmittal, to Freddie Mac **(see Directory 5)** prior to incurring the expense.

2. Refuse to reinstate a Mortgage if the Borrower is unwilling or unable to pay a reinstatement or relief fee that is allowed by applicable law or the Purchase Documents. Among available options, the Servicer may defer collection of the fee until payoff of the Mortgage.

3. Charge the Borrower any of the costs itemized in Section 9701.15

9203.3: Types of reinstatement (10/09/19)

There are two types of reinstatement: full and partial.

(a) Full reinstatement

A full reinstatement occurs when the Borrower restores a delinquent Mortgage to current status by paying the total delinquent amount, including advances, delinquent principal and interest, legal costs and other expenses incurred and that are past due under the Note and the Security Instrument.

The Servicer must not charge or collect from the Borrower an amount that exceeds the expense limits specified in Exhibit 57A, Approved Attorney Fees and Title Expenses, except in cases where a higher expense amount is legally allowable and recoverable. In addition, the payment must not include reimbursement for costs the Servicer incurred if applicable law prohibits collection of those costs from the Borrower.

(b) Partial reinstatement

A partial reinstatement occurs when the Borrower makes at least one full contractual monthly payment on a delinquent Mortgage, but does not bring the Mortgage current. Servicers must report the loan level transaction in accordance with Section 8303.23.

(c) Partial reinstatement and repayment plan

A partial reinstatement should be coupled with a repayment plan to restore a delinquent Mortgage to current status, but doing so is not mandatory. When processing a repayment plan:

1. The Borrower must pay an amount that (i) equals or exceeds at least one full contractual monthly payment on a delinquent Mortgage, and (ii) is less than the total delinquent amount due, including delinquent principal and interest, advances, legal costs and other expenses incurred and that are past due under the Note and the Security Instrument;

2. The Borrower must agree to a repayment plan that provides for payment of the remaining arrearage, and a stipulation that suspends the foreclosure proceedings during the repayment plan and that allows the Servicer to recommence foreclosure at the point the foreclosure was suspended if the Borrower defaults on the repayment plan, unless otherwise prohibited by applicable law. (Note: Exhibit 93, Evaluation Model Clauses, includes a model repayment plan template and a model reinstatement template that the Servicer may combine and amend as necessary to comply with the requirements of this section and applicable law); and

3. The Servicer must not charge or collect from the Borrower an amount that exceeds the expense limits specified in Exhibit 57, 1- to 4-Unit Property Approved Expense Amounts, and Exhibit 57A unless those amounts were approved by Freddie Mac. In addition, the payment must not include reimbursement for costs the Servicer incurred if applicable law prohibits collection of those costs from the Borrower.

Servicers that choose not to pair a partial reinstatement with a repayment plan must continue to attempt to resolve the Delinquency and remain responsible for adhering to foreclosure timeline requirements.

9203.4: When to accept full reinstatement (03/02/16)

The Servicer must accept full reinstatement of a Mortgage if the payment, in cash or certified funds, includes the total amount delinquent, accrued interest, unpaid principal, actual legal costs including any advances, other expenses incurred including the cost of a BPO, if applicable, inspection fees and accrued late charges. With the exception of inspection fees, regardless of expenses incurred, the Servicer must not charge the Borrower an amount that exceeds the expense limits specified in Exhibit 57A, Approved Attorney Fees and Title Expenses. In addition, the payment must not include reimbursement for costs the Servicer incurred if State law prohibits collection of those costs from the Borrower.

The Servicer must not refuse to accept a full reinstatement if the Borrower offers to pay all amounts due except for the cost of the BPO, inspection fees and accrued late charges. The Servicer may make arrangements with the Borrower to pay the late charges after the Mortgage is reinstated. If the Borrower can pay all arrearages, inspection fees and costs, except for the cost of the BPO, the Servicer is not required to collect the BPO cost from the Borrower or remit the cost of the BPO to Freddie Mac. The Servicer must document the reason for nonremittance of the BPO cost in the file.

The Servicer must collect the cost of the BPO before it can collect any accrued late charges.

9203.5: When to accept partial reinstatement of a Mortgage in foreclosure (01/01/19)

The Servicer must accept partial reinstatement of a Mortgage referred to foreclosure if the following conditions are met.

1. The Borrower submits payment in cash or certified funds of:

   (a) All outstanding legal fees and related expenses, in amounts not to exceed the expense limits specified in Exhibit 57A, Approved Attorney Fees and Title Expenses, and

   (b) An amount equal to, at a minimum, the first payment due under the repayment plan

2. If there is an Escrow account on the Mortgage, the Borrower must enter into a repayment plan with the Servicer that includes an agreement to repay the remaining delinquent interest, principal and Escrow (if applicable) and the scheduled monthly payments, in no more than 12 months from the date the Servicer receives the partial reinstatement funds. The repayment plan must be in writing if the plan exceeds three months. If the Mortgage was referred to foreclosure prior to extending the repayment plan, the Borrower must make the first payment under the agreement in order to accept the terms of the plan. If there is no Escrow account on the Mortgage, the Servicer must establish one if the repayment period exceeds three months (unless prohibited by applicable law) and then may extend the repayment period to no more than 18 months without Freddie Mac's approval.

   The plan must state:

   (a) The amount of the partial reinstatement payment

   (b) The total amount to be repaid

   (c) Beginning and end dates of the repayment period

   (d) The exact amount of the repayment plan payment that will be added to the Borrower's regular monthly payment

(e) That the Borrower must pay all scheduled monthly payments during the period of the repayment plan

(f) That the Borrower must continue monthly payments according to the terms of the Note at the end of the plan

(g) The Borrower agrees that the foreclosure proceedings are suspended during the repayment plan and that the Servicer is entitled to recommence foreclosure at the point the foreclosure was suspended if the Borrower defaults on the repayment plan

Exhibit 93, Evaluation Notices, includes a model repayment plan template and model reinstatement template that the Servicer may combine and amend as necessary to comply with the requirements of this section and applicable law.

3. The Borrower must submit information demonstrating his or her financial ability to make the:

   (a) Partial reinstatement payment

   (b) Repayment plan payments (including the scheduled monthly payment) on a monthly basis

   (c) Monthly payments at the end of the repayment plan

At the end of the repayment plan, the Servicer may make arrangements with the Borrower to collect accrued late charges, inspection fees and the cost of the BPO. However, the payment must not include reimbursement for costs the Servicer incurred if State law prohibits collection of those costs from the Borrower.

If the Servicer or the Borrower propose a partial reinstatement plan that does not meet Freddie Mac's criteria, but the Servicer believes it will result in the Borrower's reinstatement of the Mortgage, the Servicer must submit the plan on Form 105, Multipurpose Loan Servicing Transmittal, to Freddie Mac **(see Directory 5)** for consideration.

9203.6: Reporting and processing the reinstatement (06/12/19)

(a) Processing partial reinstatements and repayment plans

The Servicer must also notify Freddie Mac via an EDR transmission within three Business Days of the month following the month in which it accepted the initial payment on a repayment plan or a partial reinstatement of a Mortgage that was reported in foreclosure in

the previous month and needs to be moved to delinquent status from foreclosure status. The Servicer must include the following activity in the EDR transmission:

1. Default action code 12 (Repayment Plan) to indicate a repayment plan once the initial repayment plan payment is received. The Servicer must continue reporting this code for each month of the repayment period, except for the last month of the repayment period in which the Mortgage will be fully reinstated.

2. Default action code 20 (Reinstatement (Partial)) is only required if, as a result of the partial reinstatement without a repayment plan, the Servicer needs to change the Mortgage status from foreclosure to delinquent

3. Servicers should not report default action code 12 in the last month of the repayment period

The Servicer must continue to report the default action code 12 (Repayment Plan) for the Mortgage in its future monthly EDR transmissions, provided the Borrower is in compliance with the terms of the repayment plan, until the Mortgage has been fully reinstated (see above steps one through three), paid off or a workout completed.

If the Borrower fails to make a payment due under the repayment plan, the Servicer must discontinue reporting default action code 12 on its EDR transmission.

For additional information about EDR, refer to Section 9102.7.

If the Mortgage has been inactivated by Freddie Mac, the Servicer must report partial reinstatement in the Loan-Level Transaction as required in Section 8303.23.

(b) Processing requirements

If the Servicer accepts a full or partial reinstatement on a Mortgage that is or was in foreclosure, then it must process the transaction as follows:

1. Take all necessary actions to prevent additional foreclosure expenses from being incurred, if applicable

2. Pay any foreclosure expenses that were actually incurred

3. Apply any remaining funds to the Mortgage

4. Return the Note, if appropriate, with a paper copy of the original or electronic or system-generated version of Form 1036, Request for Physical or Constructive Possession of Documents, to the Document Custodian by certified mail. If one of Freddie Mac's Designated Custodians is holding the Note, submit the Note and any additional documentation, if required, as directed by the Designated Custodian. Seller/Servicers that use The Bank of New York Mellon Trust Company, N.A., as Designated Custodian, and

use its web-based process will include a copy of the electronically generated 1036 Release Receipt Report when returning such items to the Designated Custodian. See Section 8107.1.

9203.7: Reimbursement of expenses related to reinstatements (06/05/17)

If applicable federal, State or local law prohibits collection of incurred expenses (e.g., legal fees and/or legal costs) from the Borrower upon reinstatement of the Mortgage, Freddie Mac will reimburse certain expenses the Servicer incurs. (See Section 9701.5(f) regarding unrecoverable expenses.)

9203.8: What is a repayment plan? (03/02/16)

A repayment plan is an agreement between the Servicer and a Borrower that gives the Borrower a defined period of time to reinstate the Mortgage by paying normal regular payments plus an additional agreed upon amount in repayment of the Delinquency.

9203.9: Repayment plan requirements (10/01/23)

(a) Repayment plan requirements

For a Borrower to enter into a repayment plan, the Borrower must have the financial capacity to bring the Mortgage current.

Any repayment plan must:

1. Lead to full reinstatement or payoff at the conclusion of the plan

2. Be in writing and must specify:

   (a) The total amount to be repaid

   (b) The beginning and end dates of the repayment period

   (c) The exact amount of the repayment plan payment that will be added to the Borrower’s regular monthly payment

   (d) That the Borrower must pay all scheduled monthly payments during the period of the repayment plan

(e) That the Borrower must continue monthly payments according to the terms of the Note at the end of the plan
(f) That the Borrower agrees that the foreclosure proceedings are suspended during the repayment plan and that the Servicer is entitled to recommence foreclosure at the point the foreclosure was suspended if applicable, if the Borrower defaults on the repayment plan

Exhibit 93, Evaluation Notices, includes a model repayment plan that a Servicer may use and amend as necessary to comply with the requirements of this section and applicable law.

3. Be sent to the Borrower. The document does not have to be signed by the Borrower or returned to the Servicer as a condition of the repayment plan. However, the Borrower must make the first payment due if the Mortgage is in foreclosure at the time the repayment plan offer is extended in order to accept the terms of the plan. The repayment agreement must then contain a stipulation that the Servicer is entitled to recommence foreclosure at the point the foreclosure was suspended if the Borrower defaults on the repayment plan, unless otherwise prohibited by applicable law.

   The Servicer must keep as part of the Mortgage file:

   (a) The repayment plan (do not send Freddie Mac a copy)

   (b) The specifics of the repayment plan and the date the Servicer negotiated it with the Borrower

   (c) When the Servicer sent it to the Borrower, if the plan exceeds three months

   (d) The reason the Servicer agreed to the repayment plan

4. Have a term greater than one month and less than or equal to 12 months, unless a greater term is approved by Freddie Mac in writing or otherwise permitted for repayment of delinquent taxes, as outlined in Section 9203.10.

The repayment plan may include any accrued late charges due from the Borrower at the time the Servicer entered into the repayment plan with the Borrower. However, if the Borrower is paying as stipulated in the agreement, the Servicer must not accrue or collect late charges from the Borrower during the repayment plan. If the Borrower defaults on the terms of the repayment plan, late charge accrual may recommence from the date the Borrower defaulted on the plan.

(b) Failed repayment plan – solicitations

In order to promote a more seamless transition between loss mitigation options when a Borrower is unable to resolve their Delinquency with a repayment plan, the table below

provides requirements for Servicers to conduct reviews for proactive Payment Deferral and Flex Modification offers following an unsuccessful repayment plan.

<table>
<tr><th colspan="2">Failed Repayment Plan – Payment Deferral</th></tr>
<tr><th>If….</th><th>Then…</th></tr>
<tr><td>The Borrower accepts an offer for a repayment plan but does not make the total monthly repayment plan payment by the end of the month in which it is due (“fails a repayment plan”), and the Servicer is unable to establish quality right party contact.</td><td>The Servicer must evaluate the Borrower for a proactive offer for a Payment Deferral, in accordance with the eligibility criteria described below. If eligible, the Servicer must send the Borrower a proactive offer for a Payment Deferral by the 15th day of the following month (i.e., the 15th day of the month following the month Borrower fails a repayment plan).</td></tr>
<tr><td colspan="2">Eligibility
The Borrower must be eligible for a Payment Deferral in accordance with the requirements of this chapter. However:
■ The Servicer is not required to have established quality right party contact, as described in Section 9203.20, and
■ The Servicer is not required to confirm that the Borrower meets the Borrower eligibility requirements described in Section 9203.20(a)</td></tr>
<tr><td colspan="2">Solicitation Requirements
The Servicer must solicit the Borrower using Exhibit 1105, Payment Deferral Post-Repayment Plan Solicitation Cover Letter, with Exhibit 1100, Payment Deferral Agreement, or its equivalent, making any appropriate changes to comply with applicable law. While use of Exhibits 1105 and 1100 is optional, it reflects the minimum level of information that the Servicer must communicate and illustrates a level of specificity that complies with the requirements of the Guide.
The Servicer must include instruction on how to accept the offer in the Payment Deferral agreement. The Servicer is authorized to consider the following as acceptance by the Borrower, subject to applicable law:
■ The Borrower contacting the Servicer directly in accordance with any acceptable outreach and communication method,
■ The Borrower returning an executed Payment Deferral agreement, or
■ Any other method evidencing the Borrower’s acceptance as determined by the Servicer
The Borrower must make their full monthly contractual payment during the month of solicitation if, as of the date of evaluation:</td></tr>
</table>

- The Mortgage is 6 months delinquent, or
- The Payment Deferral would cause the Mortgage to exceed 12 months of cumulative deferred past-due principal and interest payments resulting from non-disaster Payment Deferrals

In these circumstances, the Servicer must complete the Payment Deferral within the month of the solicitation after receipt of the Borrower's full monthly contractual payment due during that month.

Note: If the Servicer uses a processing month to complete the Payment Deferral, the Borrower must also make his or her full monthly contractual payment during the processing month. The Servicer must complete the Payment Deferral within the processing month after receipt of the Borrower's full monthly contractual payment during that month.

Failed Repayment Plan – Flex Modification	
If…	**Then…**
■ The Borrower fails a repayment plan, and ■ The Servicer has not established quality right party contact, and ■ The Borrower is ineligible for a proactive offer for a Payment Deferral	The Servicer must evaluate the Borrower for a proactive offer for a Flex Modification, in accordance with the eligibility criteria described below. If eligible, the Servicer must send the Borrower a proactive offer for a Flex Modification by the 15th day of the following month (i.e., the 15th day of the month following the month the Borrower fails a repayment plan).
■ The Borrower fails a repayment plan, and ■ The Servicer has not established quality right party contact, and ■ The Borrower was eligible for a proactive offer for a Payment Deferral, but did not accept the offer by the acceptance date provided in the Payment Deferral agreement	The Servicer must evaluate the Borrower for a proactive offer for a Flex Modification, in accordance with the eligibility criteria described below. If eligible, the Servicer must send the Borrower a proactive offer for a Flex Modification by the 15th day following the expiration of the Payment Deferral offer.

Eligibility

The Servicer must evaluate the Borrower for eligibility for a proactive offer for a Flex Modification in accordance with the requirements of Section 9206.5(c).

Solicitation

The Servicer must send the Borrower Exhibit 1191, Freddie Mac Flex Modification® Solicitation Cover Letter, and the Exhibit 93 template for the Flex Modification Trial Period Plan Solicitation Offer – not based on an evaluation of a Borrower Response Package evaluation notice, or its equivalent. Exhibits 1191 and 93 may be altered at the Servicer's discretion as it deems necessary to meet the requirements of this section and Chapter 9206, and to comply with disclosure and other requirements under applicable law.

9203.10: Servicer approval authority for repayment plans (10/19/17)

The Servicer must obtain Freddie Mac's approval for a repayment plan that exceeds 12 months in duration unless the repayment plan includes the repayment of delinquent taxes. To obtain Freddie Mac's approval, the Servicer must submit the following to Freddie Mac **(see Directory 5)**:

1. Form 105, Multipurpose Loan Servicing Transmittal

2. The complete Borrower Response Package (see Section 9102.5 for a description of the Borrower Response Package)

The Servicer may approve a repayment plan that has a term greater than one month and less than or equal to 12 months without obtaining Freddie Mac's approval, as outlined in the table below:

For all repayment plans…	In addition, if…	Then…
■ The monthly repayment plan payment amount must not exceed 150% of the contractual mortgage payment (including taxes and insurance if the Servicer is collecting Escrow for such expenses) ■ The Borrower may make a payment that is applied prior to the Servicer's repayment plan evaluation (i.e.,	■ The Mortgage is **less than or equal** to 90 days delinquent; **and** ■ The repayment plan term **does not exceed six months** in length	■ A Borrower Response Package is not required; however, ■ Quality right party contact is required to verify that the Borrower has the financial capacity to bring the Mortgage current and cure the Delinquency as a result of the repayment plan
	■ The Mortgage is **greater than** 90 days delinquent; **or**	■ A Borrower Response Package is required ■ Repayment plan terms that exceed 12 months in

For all repayment plans…	In addition, if…	Then…
a Borrower may make a payment that may have a favorable impact to the repayment plan terms) ■ The repayment plan must be in writing (refer to Section 9203.9 for complete requirements for the written notice)	■ The repayment plan term **exceeds six months** in length	length must be submitted to Freddie Mac for review and approval ■ The Servicer must evaluate the Borrower for a streamlined offer for a Freddie Mac Flex Modification® if the Mortgage is greater than 90 days delinquent. However, if the Servicer has established quality right party contact and verified that the Borrower has the financial capacity to bring the Mortgage current and cure the Delinquency as a result of a repayment plan, then the Servicer must offer the Borrower a repayment plan.

In addition, if there is no Escrow account on the Mortgage for taxes, and taxes are not current or the Borrower has not entered into a repayment plan with the taxing jurisdiction, then the Servicer may approve a repayment plan of up to 18 months under the following conditions:

1. The Servicer must pay the delinquent taxes, and

2. The Servicer must set up an Escrow account for future taxes if the repayment period exceeds three months. In this case only, the Servicer may extend the repayment period to no more than 18 months.

The Servicer must document its reasons for approving a repayment plan in the Mortgage file.

9203.11: Reporting repayment plans (06/12/19)

In accordance with Section 9102.7, the Servicer must notify Freddie Mac via an EDR transmission with specific repayment plan activity after the Servicer has entered into a repayment plan with a Borrower. To validate the repayment plan, the Servicer must receive a

repayment plan payment. Upon receipt of payment, the Servicer must report default action code 12 (Repayment Plan) once the initial repayment plan payment is received. The Servicer must continue reporting this code for each month of the repayment period, except for the last month of the repayment period in which the Mortgage will be fully reinstated.

The Servicer must continue to report that the Borrower is in a repayment plan until the Borrower has fully reinstated the Mortgage or the Borrower defaults on the repayment plan.

If the Borrower fails to make a payment due under the repayment plan, the Servicer must discontinue reporting default action code 12.

For additional information about EDR, refer to Section 9102.7.

9203.12: What is forbearance? (01/01/19)

A forbearance plan is a written agreement between the Servicer and the Borrower (or deceased Borrower's estate) that reflects the terms of the forbearance, including whether the Borrower may make either reduced or no monthly payments for a specific period of time. If the Servicer achieves quality right party contact and the Borrower meets the eligibility criteria for a forbearance plan in accordance with Section 9203.13, the Servicer must offer:

1. An initial forbearance term for a period of one to six months, and, if necessary

2. One or more forbearance term extensions of one to six months

The forbearance plan may not be extended beyond a date that would cause the Delinquency to exceed a cumulative total of 12 months of the Borrower's contractual monthly Mortgage payment, including taxes and insurance, if the Servicer is collecting Escrow for those expenses, without prior approval from Freddie Mac.

Prior to the expiration of the initial and any extension to the forbearance plan, the Servicer must evaluate the Borrower's eligibility for an extension of the initial forbearance plan based on quality right party contact. Each forbearance plan evaluation, including an evaluation for a forbearance plan extension, must be completed in accordance with all eligibility requirements described in this section and Sections 9203.13 through 9203.17. Additionally, there is no limit on the number of forbearance plans that an eligible Borrower can receive over the life of the Mortgage.

Exhibit 93, Evaluation Notices, includes forbearance agreements that a Servicer may use, but must amend, as necessary to comply with the requirements of this section, Sections 9203.13 through 9203.17 and applicable law.

At the end of the forbearance period, the Borrower must cure the Delinquency through one of the following options:

- Full reinstatement of the Mortgage
- Partial reinstatement followed by a repayment plan
- Payment of the Mortgage in full
- A repayment plan
- A loan modification
- Pay off the Mortgage through a short sale or deed-in-lieu of foreclosure

A loan modification is a type of workout option that enables the Borrower to retain homeownership (see Section 9201.6). If the Borrower can no longer afford to retain the property, the Servicer must pursue a workout option to liquidate the Borrower's interest in the property (see Section 9201.6), such as a short sale, deed-in-lieu of foreclosure, a workout Mortgage assumption, or a simultaneous modification and assumption.

Refer to Chapters 9205 through 9210 for requirements on workout options.

Refer to Chapter 8404 for additional requirements for Borrowers and Mortgages secured by properties affected by a disaster.

9203.13: Requirements for a forbearance plan (06/14/23)

(a) Borrower eligibility requirements for a forbearance plan

To be eligible for a forbearance plan, the Borrower:

- Must have an eligible hardship as described in Section 9202.2 and Form 710, Mortgage Assistance Application. The Borrower's hardship may be verbally stated. The Servicer must report the hardship reason via EDR in accordance with Section 9102.7.
- May be either current or delinquent, but the forbearance plan must not result in an overall Mortgage Delinquency that exceeds 360 days (i.e., to be in an active forbearance plan, the Borrower must not have missed more than 12 contractual monthly Mortgage payments)

Note: No Borrower documentation or written application (e.g., Form 710 or a Servicer's customized equivalent of Form 710) is required from the Borrower; however, the Servicer must achieve quality right party contact in accordance with the requirements in Section 9102.3(b).

(b) Mortgage eligibility and exclusions for a forbearance plan

Mortgages secured by the Borrower's Primary Residence, even if vacant, are eligible for forbearance.

The following Mortgages are ineligible for forbearance:

- Mortgages secured by abandoned or condemned properties
- Mortgages secured by second homes or Investment Properties

(c) Forbearance plan agreement with the Borrower

The Servicer must determine the terms of the forbearance agreement based on discussions with the Borrower. The forbearance agreement:

1. Must be provided to the Borrower in writing and signed by the Servicer. The document does not have to be signed by the Borrower or returned to the Servicer as a condition of the forbearance plan.
2. Must indicate the duration of the forbearance plan, including the effective date, the expiration date of the forbearance plan, and, if applicable, the due date of the first payment and the amount of such payment

   Note: See Section 9203.13(d) for additional information about reduced payments (if applicable) under a forbearance plan.

3. Must state that, at the end of the forbearance period, the Borrower must either:

   - Cure the Delinquency through a full reinstatement, partial reinstatement plus repayment plan or a repayment plan, or payoff of the Mortgage, or
   - Submit a complete Borrower Response package to be evaluated for a workout option prior to the conclusion of the plan

   Refer to Sections 9203.1 through 9203.11 for requirements on reinstatements and repayment plans, and to Chapters 9206 through 9210 for requirements on workout options.

4. Must state that foreclosure proceedings are suspended during the forbearance period so long as the Borrower complies with the forbearance agreement and that, unless prohibited by applicable law, the Servicer may recommence foreclosure at the point it was suspended if the Borrower defaults on the forbearance plan

5. May include a requirement to pay any accrued late charges due from the Borrower at the time the Servicer entered into the forbearance agreement with the Borrower. The Servicer must not accrue or collect late charges from the Borrower during the

forbearance period, or any subsequent repayment plan period, if the Borrower is complying with the terms of such agreements. If the Borrower defaults on the terms of the forbearance agreement, late charge accrual may recommence from the date the Borrower defaulted on the agreement.

(d) Reduced payments under a forbearance plan

If a monthly payment is required under the terms of a forbearance plan:

- Such payment must be less than the Borrower's monthly contractual Mortgage payment, including, as applicable, principal, interest and Escrow payments

- The Servicer must receive such payment from the Borrower on or before the last day of the month in which it is due. If the Borrower fails to make timely forbearance payments, the forbearance plan must be canceled unless the Servicer determines that there are mitigating circumstances that caused the payment to be late.

If there are mitigating circumstances that prevents the Borrower from making the required reduced payment, the Servicer may determine whether to amend the forbearance plan to further reduce the required payment or allow the Borrower to make no payments under a new forbearance plan agreement.

If the Borrower fails to make timely payments and there are no mitigating circumstances, the Servicer must evaluate the Borrower for other alternatives to foreclosure (e.g., solicit the Borrower for a complete Borrower Response Package, conduct an evaluation for a streamlined offering of the Freddie Mac Flex Modification®) and otherwise, pursue foreclosure in accordance with Chapter 9301. The Servicer must use good business judgment to determine whether forbearance payments were received timely or if mitigating circumstances (such as a further reduction in income) caused the payment to be late. Exceptions to the timely payment requirement must be documented and retained in the Mortgage file.

9203.14: Contact requirements when transitioning from a forbearance plan (07/29/24)

(a) Contact requirements

The Servicer has discretion to determine the appropriate frequency to contact the Borrower. However, the Servicer must initiate contact no later than 30 days prior to any forbearance plan end date. Borrower contact must continue until quality right party contact is achieved or until the forbearance plan has expired.

If quality right party contact is achieved, the Servicer must determine whether:

- The Borrower's hardship has been resolved;
- The Borrower intends to remain in the Mortgaged Premises;
- The Borrower must submit a complete Borrower Response Package to be evaluated for other workout or liquidation options; and
- The Borrower is eligible for a streamlined modification offer for a Freddie Mac Flex Modification® under Chapter 9206

The Servicer may use alternative outreach methods to contact the Borrower as permitted by applicable law including, but not limited to, e-mail, text messaging, voice response unit technology or a Servicer's web portal. In addition, the Servicer is authorized to mail, fax or electronically transmit the Borrower Solicitation Package or its equivalent to the Borrower.

(b) Post-forbearance plan – solicitations

In order to promote a more seamless transition between loss mitigation options when a Borrower who was on a forbearance completes the forbearance plan without a solution to the Delinquency, the table below provides requirements for Servicers to conduct reviews for proactive Payment Deferral and Flex Modification offers.

<table>
<tr><th colspan="2">Post Forbearance Plan – Payment Deferral</th></tr>
<tr><th>If….</th><th>Then…</th></tr>
<tr><td>The Borrower's forbearance plan ends and the Servicer is unable to establish quality right party contact to evaluate for a post-forbearance solution to the Delinquency.</td><td>The Servicer must evaluate the Borrower for a proactive offer for a Payment Deferral, in accordance with the eligibility criteria described below. If eligible, the Servicer must send the Borrower a proactive offer for a Payment Deferral by the 15th day following expiration of the forbearance plan.</td></tr>
<tr><td colspan="2">Eligibility
The Borrower must be eligible for a Payment Deferral in accordance with the requirements of this chapter. However:
■ The Servicer is not required to have established quality right party contact, as described in Section 9203.20, and
■ The Servicer is not required to confirm that the Borrower meets the Borrower eligibility requirements described in Section 9203.20(a)</td></tr>
<tr><td colspan="2">Solicitation Requirements
The Servicer must solicit the Borrower using Exhibit 1102, Payment Deferral Post-Forbearance Solicitation Cover Letter, with Exhibit 1100, Payment Deferral Agreement, or</td></tr>
</table>

its equivalent, making any appropriate changes to comply with applicable law. While use of Exhibits 1102 or 1100 is optional, it reflects the minimum level of information that the Servicer must communicate and illustrates a level of specificity that complies with the requirements of the Guide.

The Servicer must include instruction on how to accept the offer in the Payment Deferral agreement. The Servicer is authorized to consider the following as acceptance by the Borrower, subject to applicable law:

- The Borrower contacting the Servicer directly in accordance with any acceptable outreach and communication method,
- The Borrower returning an executed Payment Deferral agreement, or
- Any other method evidencing the Borrower's acceptance as determined by the Servicer

The Borrower must make their full monthly contractual payment during the month of solicitation and/ or during the processing month if, as of the date of evaluation:

- The Mortgage is 6 months delinquent, or
- The Payment Deferral would cause the Mortgage to exceed 12 months of cumulative deferred past-due principal and interest payments resulting from Payment Deferrals

In these circumstances, the Servicer must complete the Payment Deferral within the month of the solicitation or processing month after receipt of the Borrower's full monthly contractual payment due during that month. While the current month's payment remains due because of delinquency and/or cumulative deferred payment requirements, the Servicer must send the proactive offer with the condition that a payment or payments are required to be eligible to complete the Payment Deferral. Once the payment or payments have been received and the Mortgage becomes eligible, the Servicer can proceed to settlement.

Post Forbearance Plan – Flex Modification	
If…	**Then…**
■ The Borrowers forbearance plan ends, and ■ The Servicer has not established quality right party contact to evaluate for a post-forbearance solution to the delinquency, and ■ The Borrower is ineligible for a proactive offer for a Payment Deferral	The Servicer must evaluate the Borrower for a proactive offer for a Flex Modification, in accordance with the eligibility criteria described below. If eligible, the Servicer must send the Borrower a proactive offer for a Flex Modification by the 15th day of the month following the expiration of the forbearance plan.

■ The Borrowers forbearance plan ends, and ■ The Servicer has not established quality right party contact to evaluate for a post-forbearance solution to the delinquency, and ■ The Borrower was eligible for a proactive offer for a Payment Deferral but did not accept the offer by the acceptance date provided in the Payment Deferral agreement	The Servicer must evaluate the Borrower for a proactive offer for a Flex Modification, in accordance with the eligibility criteria described below. If eligible, the Servicer must send the Borrower a proactive offer for a Flex Modification by the 15th day following the expiration of the Payment Deferral offer.
Eligibility The Servicer must evaluate the Borrower for eligibility for a proactive offer for a Flex Modification in accordance with the requirements of Section 9206.5(c).	
Solicitation The Servicer must send the Borrower Exhibit 1191 and the Exhibit 93 template for the Flex Modification Trial Period Plan Solicitation Offer – not based on an evaluation of a Borrower Response Package evaluation notice, or its equivalent. Exhibits 1191 and 93 may be altered at the Servicer's discretion as it deems necessary to meet the requirements of this section and Chapter 9206, and to comply with disclosure and other requirements under applicable law.	

9203.15: Borrowers in a Trial Period Plan (12/01/18)

If a Borrower was in a Trial Period Plan prior to entering into a forbearance plan, the Borrower may be re-evaluated for a new Trial Period Plan within 30 days prior to or upon completion of the forbearance plan. The Servicer must not resume or restart the terms of the previous Trial Period Plan prior to the start of the forbearance plan. Instead, the Servicer must evaluate the Borrower based on the status of the Mortgage at the time of the new evaluation. If the Borrower meets all eligibility requirements upon completion of the forbearance plan and accepts a new Trial Period Plan offer, the Borrower will be required to start a new Trial Period Plan.

For any subsequent modification submissions, the Trial Period Plan prior to the start of the forbearance plan will not be considered a failed Trial Period Plan for a Flex Modification evaluation.

9203.16: Forbearance plan termination (12/01/18)

The forbearance plan must be terminated if:

- The Servicer determines that the Borrower has failed to meet the terms specified in the forbearance plan agreement
- Any of the eligibility criteria for the forbearance plan is no longer satisfied
- The Servicer becomes aware that the Borrower's hardship is resolved; or
- The Borrower requests termination of the forbearance plan

9203.17: Other forbearance plan conditions and requirements (02/09/22)

This section describes other requirements for processing a forbearance plan:

- EDR
- Mortgages subject to recourse
- Credit reporting
- Servicer procedures

(a) Notifying Freddie Mac of forbearance plans via EDR

At the end of the forbearance plan, the Servicer must work with the Borrower to cure the Delinquency via a reinstatement or repayment plan, or by completing a workout option. The Servicer must evaluate the Borrower in accordance with the loss mitigation hierarchy described in Section 9201.2 and must also comply with the appropriate EDR reporting requirement to inform Freddie Mac about the solution entered into. For example, if the Servicer enters into a repayment plan with the Borrower, the Servicer must report the repayment plan via EDR according to Section 9203.11.

If the Borrower enters into a workout option that brings the account current, such as a settled modification or payment deferral, the Servicer must no longer report the EDR code for forbearance.

For additional information about EDR, refer to Section 9102.7, or to the relevant Guide Section that describes EDR reporting for a specific loss mitigation option.

(b) Forbearance plans for Mortgages subject to recourse

For Mortgages subject to recourse including, but not limited to indemnification, Servicers are strongly encouraged, but not required, to consider eligible Borrowers for a forbearance plan. Entering into a forbearance agreement (whether approved by Freddie Mac or the Servicer) does not waive, delete, alter or supersede any recourse or indemnification requirements set forth in the Servicer's Purchase Documents and any other documents containing recourse or indemnification obligations, and such recourse or indemnification obligations will remain in full force and effect.

(c) Credit reporting for Mortgages in a forbearance plan

Servicers must continue to report a "full-file" status to the four major credit repositories for each Mortgage in a forbearance plan in accordance with the Fair Credit Reporting Act and credit bureau standards as provided by the Consumer Data Industry Association. See Exhibit 51, Credit Repositories and Information to Report.

(d) Servicer policy and procedures for forbearance plans

The Servicer must have written forbearance plan policies and procedures describing how to:

- Determine the Borrower's hardship
- Determine whether to require a reduced payment and any payment amount; and
- Document the Servicer's decision-making process, including, but not limited to, its application of discretion or business judgement

The Servicer must consistently apply these policies and procedures.

9203.18: What is a Payment Deferral (10/01/23)

A Payment Deferral is a relief option to assist a Borrower who is at least 60 days but less than or equal to 180 days delinquent to cure the Delinquency by deferring the delinquent principal and interest ("P&I") amounts of the contractual monthly Mortgage payment(s) and eligible advances into a newly created or an existing non-interest bearing UPB. Those amounts will become due and payable at the earlier of the Mortgage maturity date, payoff date or upon transfer or sale of the Mortgaged Premises. All other terms of the existing Mortgage must remain unchanged.

9203.19: Servicer approval authority for Payment Deferral (01/01/21)

The Servicer must evaluate the Borrower for a Payment Deferral under Sections 9203.18 through 9203.25 in accordance with the evaluation hierarchy in Sections 9201.2 and 9203.1.

Unless otherwise notified by Freddie Mac, all Freddie Mac Servicers are delegated to approve and offer a Freddie Mac Payment Deferral to eligible Borrowers in accordance with the requirements of the Guide and other applicable Purchase Documents.

9203.20: Eligibility requirements for a Payment Deferral (10/11/23)

The Servicer must establish achieve quality right party contact with the Borrower in accordance with the requirements described in Section 9102.3(b).

(a) Borrower eligibility

In addition to the information required to achieve quality right party contact, the Servicer must confirm that the Borrower:

- Has a resolved hardship
- Has the financial capacity to continue making the existing contractual monthly Mortgage payment, including amounts due as a result of an Escrow shortage, if applicable
- Is unable to afford a repayment plan or full reinstatement of the Mortgage

(b) Mortgage and property eligibility

The Mortgage:

- Must be at least 60 days delinquent but less than or equal to 180 days delinquent as of the evaluation date for the Payment Deferral. (Refer to Section 9203.24(a)(ii) for processing instructions when additional payments may be required during the month of evaluation and/or processing month.)
- Must have been originated at least 12 months prior to the evaluation date for the Payment Deferral
- Must be a conventional First Lien Mortgage currently owned or guaranteed by Freddie Mac; and
- May be a fixed-rate Mortgage, an ARM or a Step-Rate Mortgage

The property may be a Primary Residence, second home or Investment Property, and may be vacant or condemned.

(c) Borrower documentation

The Servicer is not required to collect a complete Borrower Response Package to evaluate the Borrower for a Payment Deferral.

If the Borrower submits a complete Borrower Response Package, the Servicer:

- Must evaluate the Borrower in accordance with the requirements for reviewing and evaluating a complete Borrower Response Package as specified in the Guide.

- Is authorized to use an Evaluation Notice (refer to Exhibit 93, Evaluation Notices) in response to a complete Borrower Response Package and must make the appropriate changes to reflect the terms of the Payment Deferral. For those Payment Deferrals offered without a complete Borrower Response Package, the Servicer is not required to use an Evaluation Notice in addition to the Payment Deferral agreement but may do so at their discretion

(d) Mortgages subject to indemnification agreement

If the Mortgage is subject to an indemnification agreement and is otherwise eligible under the Payment Deferral requirements in Sections 9203.18 through 9203.25, the Servicer has the discretion to approve the Payment Deferral provided the following conditions are met:

- The Mortgage receiving the Payment Deferral retains its credit enhancement

- If the Servicer is not the credit enhancement provider, the Servicer must first obtain in writing any required approval under the terms of the credit enhancement from the entity providing the enhancement to enter into a Payment Deferral that complies with the requirements of Sections 9203.18 through 9203.25

- The Servicer remits to Freddie Mac an annual payment for the amount of all Payment Deferral-related costs (e.g., interest rate shortfall). The loss amount calculations for the Payment Deferral will be determined by Freddie Mac in the same manner as the calculations for modification loss amounts. The Payment Deferral loss amounts due will be calculated on a monthly basis and billed on an annual basis for the life of the Mortgage that is subject to a Payment Deferral. If the Mortgage is subject to a partial indemnification, each year the Servicer will be billed the appropriate percentage of the Payment Deferral loss amount that corresponds with the partial indemnification agreement. The Payment Deferral loss amounts will be determined by Freddie Mac in accordance with a process described in Bulletins 2021-14 and 2021-31.

Note: The Servicer is not eligible for an incentive for completing a Payment Deferral on a Mortgage that is subject to an indemnification agreement.

(e) Mortgage insurance

If the Mortgage is subject to mortgage insurance and approval of the Payment Deferral is not covered by a delegation agreement, the Servicer must obtain delegation of authority from the MI or seek approval from the MI to complete the Payment Deferral.

(f) Texas Equity Section 50(a)(6) Mortgages

If the Borrower is eligible and qualifies for a Payment Deferral, the Servicer must offer the Payment Deferral to the Borrower. If the Servicer receives Borrower notification classifying the Payment Deferral as a loan modification and claiming that the terms of the modification agreement do not comply with the provisions of Article XVI Section 50(a)(6) of the Texas Constitution, the Servicer must notify Freddie Mac within seven Business Days of receipt of such objection or complaint via Freddie Mac Servicing Data Corrections and include the following:

- Freddie Mac loan number
- Servicer loan number
- Transaction type (e.g., Texas Home Equity modification)
- Accounting Cycle in which Freddie Mac settled the workout
- Servicer's analysis (e.g., Borrower complaint related to Section 50(a)(6) of the Texas Constitution)

Upon receipt of Freddie Mac's instructions, the Servicer must comply with any required response time frames to claims of defects and any other complaint in accordance with Section 8104.1 and the Texas Constitution.

9203.21: Eligibility exclusions for a Payment Deferral (10/01/23)

The following Mortgages and Borrowers are ineligible for a Payment Deferral:

- FHA, VA and Guaranteed Rural Housing Mortgages
- Mortgages subject to recourse
- Mortgages that have received a prior non-disaster related Payment Deferral with an effective date within 12 months of the evaluation date

- Borrowers who, within the 12 months prior to the evaluation date for a Payment Deferral, failed a non-disaster related modification Trial Period Plan (e.g., Flex Modification Trial Period Plan and the terms of that Trial Period Plan were determined in accordance with Section 9206.10(a))

  Note: Converting from a modification Trial Period Plan to a forbearance plan, regardless of whether subject to an Eligible Disaster or not, is not considered to be a failed Trial Period Plan modification.

- Mortgages previously modified under the Flex Modification, or other non-disaster related modification, where the Modification Effective Date is within the previous 12 months of the evaluation date for a Payment Deferral

- Mortgages that are subject to an approved short sale or deed-in-lieu of foreclosure transaction

- Mortgages that are currently subject to an unexpired offer to the Borrower for another mortgage modification or repayment plan

- Borrowers who are currently performing under another modification Trial Period Plan or repayment plan

- Mortgages for which the Payment Deferral, if completed, would result in a cumulative total of more than 12 months of deferred principal and interest payments, including amounts deferred as a result of previous non-disaster related Payment Deferrals

- Mortgages with a maturity date that is within 36 months of the evaluation date

- Mortgages with a projected payoff date based on payments due under the existing amortization schedule that is within 36 months of the evaluation date

  Note: If the Mortgage is within 36 months of its maturity date or projected payoff date but the Servicer determines based on the Borrower's individual circumstances that the Borrower should be considered for a Payment Deferral, the Servicer may transmit an exception request to Freddie Mac.

9203.22: Determining the terms of a Payment Deferral (10/01/23)

(a) Servicer requirements for determining the terms of a Payment Deferral

The Servicer must follow the steps below when determining the terms of the Payment Deferral. If the existing Mortgage includes a non-interest bearing UPB as a result of a prior modification, the terms impacting that non-interest bearing UPB will remain unchanged.

The Servicer must apply the Payment Deferral forbearance in accordance with the following steps:

Step 1: Deferring delinquent amounts. Defer at least 2 months and up to 6 months of past-due principal and interest ("P&I") payment(s) and any other expenses or amounts that are permitted to be capitalized under the Flex Modification capitalization rules in Section 9206.15(b) into an existing or newly created non-interest bearing UPB (i.e., deferred UPB). The deferred UPB will become due on the earlier of:

- The Mortgage maturity date
- The Mortgage payoff date (e.g., refinance or payoff of the interest-bearing UPB); or
- Upon transfer or sale of the Mortgaged Premises

Step 2: Reporting the Payment Deferral. The Servicer must advance the DDLPI in order to bring the Mortgage to current status.

Step 3: **Remaining payment schedule**. Ensure the remaining payment schedule associated with the interest-bearing UPB remains unchanged from the Mortgage's payment schedule before applying the Payment Deferral.

Step 4: Late charges. The Servicer must waive all accrued and unpaid late charges upon completion of the Payment Deferral.

Step 5: Remaining Mortgage terms. When offering the Payment Deferral, the Servicer must ensure all other remaining terms of the existing Mortgage remain unchanged including, but not limited to the:

- Remaining amortization schedule
- Monthly P&I portion of the existing contractual monthly Mortgage payment
- Interest rate (this includes maintaining the existing rate adjustment schedule for an ARM or a Step-Rate Mortgage)
- Maturity date; and
- Due dates of the remaining payment due under the Mortgage

The maximum number of cumulative P&I payments that may be deferred for a Mortgage subject to non-disaster Payment Deferrals over the life of the Mortgage is 12.

(b) Escrow

Prior to or during the Servicer's determination of the Borrower's eligibility for a Payment Deferral, the Servicer must analyze the Borrower's Escrow to estimate if there is an Escrow shortage. If the Servicer completed an estimated analysis during evaluation, then upon completion of the Payment Deferral, the Servicer must perform a new Escrow analysis in accordance with the Real Estate Settlement Procedures Act (RESPA) and any applicable federal, State or local laws.

If, as a result of the analysis, the Servicer determines that there is an Escrow shortage, the Servicer must disclose the amount of the shortage to the Borrower before the Borrower accepts the Payment Deferral. If the Borrower is unable to pay the Escrow shortage as a lump sum, then the Borrower must pay the shortage as part of the monthly principal, interest, taxes and insurance (PITI) payment. If the Borrower must make monthly Escrow shortage payments, then the Servicer must:

- Spread the repayment of the Escrow shortage amount in equal monthly payments over a period of 60 months, unless the Borrower chooses to pay off the shortage over a shorter period of time, not to be less than 12 months

- Take into account any remaining unpaid amount of the Escrow shortage in any subsequent Escrow analysis to ensure that the Borrower is able to continue to pay all Escrow shortage amounts over the remaining portion of either the current remaining Escrow shortage repayment period or a period up to 60 months. The Servicer may not accelerate or compress the remaining Escrow shortage amount into a new Escrow payment or shorter repayment period as a result of a future Escrow analysis.

If the Borrower is unable to afford a Payment Deferral based on the increased monthly payment resulting from an Escrow shortage repayment, the Servicer must evaluate the Borrower for a Flex Modification.

To complete a Payment Deferral, the Servicer must perform an actual Escrow analysis (as opposed to an estimate) in accordance with RESPA and any applicable federal, State or local law upon completion of the Payment Deferral and, if applicable, establish a repayment plan in accordance with the above requirements. Any Escrow shortage that is identified at the time of the Payment Deferral must not be deferred to the non-interest-bearing UPB, and the Servicer is not required to fund any existing Escrow shortage.

The Servicer is not required to revoke a previous waiver of Escrow, if applicable.

9203.23: Completing Payment Deferral (07/29/24)

The Servicer must complete the Payment Deferral in the same month it determines the Borrower is eligible. If the Servicer is unable to complete the Payment Deferral within the same month of its determination, the Servicer may, at its option, and in accordance with the "processing month" requirements below, use an additional month to allow for sufficient processing time ("processing month") to complete the Payment Deferral.

(a) Processing month requirements

If the Servicer is unable to complete (i.e., submit the case via Freddie Mac's servicing system) the Payment Deferral before the 15th day of the evaluation month, then the Servicer is authorized to use an additional month to allow for sufficient processing time (a "processing month") to complete a Payment Deferral. The Servicer must treat all Borrowers equally in applying the processing month, as evidenced by a written policy (i.e., the criteria for requiring a processing month must be the same for all Borrowers).

Additionally, the Servicer is not permitted to defer more than 6 months of principal and interest (P&I) payments as part of a Payment Deferral or to exceed 12 months of cumulative deferred P&I payments from all Payment Deferrals completed on the Mortgage. As a result, the Borrower must make their full monthly contractual payment during the processing month if, as of the evaluation date:

- The Mortgage is already 180 days delinquent, or
- The Payment Deferral would cause the Mortgage to exceed 12 months of cumulative deferred past-due P&I payments

While the current month's payment remains due because of delinquency and/or cumulative deferred payment requirements, the Servicer must send the proactive offer with the condition that a payment or payments are required for the Borrower to become eligible to complete the Payment Deferral. Once the payment or payments have been received and the Mortgage becomes eligible, the Servicer can proceed to settlement. Otherwise, the Borrower is not required to submit a payment during the processing month for a Payment Deferral.

(b) Payment Deferral agreement

The Servicer must send Exhibit 1100, Payment Deferral Agreement, or equivalent to the Borrower no later than five days after the completion (i.e., a closed/settled workout option) of the Payment Deferral. If the Servicer elects to require the Borrower to sign and return the Payment Deferral agreement, it must receive the fully executed Payment Deferral agreement prior to the settlement date.

Use of Exhibit 1100 is optional. It reflects the minimum level of information that the Servicer must communicate to the Borrower, and it illustrates a level of specificity that is deemed to be in compliance with the requirements of the Guide. The Servicer must ensure the Payment Deferral agreement complies with applicable federal, State or local laws.

When processing a Payment Deferral agreement, the Servicer must also comply with the following requirements:

(c) Maintaining lien status

The Servicer's application of a Payment Deferral to the Mortgage must not impair Freddie Mac's First Lien position or enforceability against the Borrower(s) in accordance with its terms.

(d) Title endorsement

Not required.

(e) Document Custodian

After the Servicer has sent the executed Payment Deferral agreement to the Borrower in accordance with the requirements in this section, the Servicer must comply with the following requirements:

- If the Payment Deferral agreement is not required to be signed by the Borrower, the Servicer must send a copy of the Servicer executed Payment Deferral agreement to the Document Custodian within 25 days of the effective date of the Payment Deferral completion.

- If the Payment Deferral agreement is to be recorded, the Servicer must:

  - Send a certified copy of the fully executed Payment Deferral agreement to the Document Custodian within 25 days of the effective date of the Payment Deferral; and

  - Send the original Payment Deferral agreement that is returned from the recorder's office to the Document Custodian within five Business Days of receipt

- If the Payment Deferral agreement must be signed by the Borrower but not recorded, the Servicer must send the fully executed original Payment Deferral agreement to the Document Custodian within 25 days of the effective date of the Payment Deferral.

9203.24: Submission of Payment Deferral terms and settlement (07/29/24)

Payment Deferrals can be processed and settled daily at Freddie Mac, except on the first Business Day of the month. Servicers can monitor the settlement status of all Payment Deferrals daily via the Modification Overview Report.

(a) Resolve®

Servicers must use Resolve for all Mortgages for which the Borrowers are being evaluated for a Payment Deferral under this chapter. Resolve requires the submission of specific data elements in order to return a suggested workout solution. The Servicer represents and warrants that all data input into Resolve is true, complete and accurate and that all data is entered correctly. Based on the information input by the Servicer, Resolve will determine the terms of the Payment Deferral. The Servicer must use Resolve "in accordance with the requirements in this section and the Payment Deferral instructions provided in **Resolve Online Help**.

(i) Instant settlement

To process the Payment Deferral for immediate settlement, the requirements in Sections 9203.18 and 9203.25 must be met.

To complete the settlement of the Payment Deferral, the Servicer must submit the settlement request in Resolve.

By transmitting the data to Freddie Mac via Resolve, the Servicer represents and warrants that it has complied with all applicable requirements in Sections 9203.18 through 9203.25 and applicable Purchase Documents governing (a) the Servicer's delegated authority to process a Mortgage subject to the terms of the Payment Deferral, and (b) the Servicer's use of Resolve, to complete the settlement.

(ii) Payment Deferrals not eligible for instant settlement

If the settlement request is submitted but the workout is not eligible for instant settlement, the Servicer is expected to follow the response provided by Resolve and correct any issues that were highlighted in Resolve's response and submit for settlement accordingly.

As an example, a Borrower is not immediately eligible if, as of the evaluation date, either:

- The Mortgage is 180 days delinquent or greater, or
- The Payment Deferral would cause the Mortgage to exceed 12 months of cumulative deferred past-due principal and interest payments resulting from Payment Deferrals

In these circumstances, the Borrower may become eligible upon subsequent receipt of a payment or payments that are due. In such instances, the Servicer can proceed to settling the Payment Deferral once the Borrower becomes eligible upon payment receipt. This may occur as a result of proactive solicitations required by Section 9203.14(b) or in other instances where a Borrower who is ineligible as a result of the Mortgage

Delinquency and/or the cumulative number of payments deferred subsequently makes a payment or payments.

By transmitting the data to Freddie Mac via Resolve for settlement, the Servicer represents and warrants that it has complied with all applicable requirements in the Guide and applicable Purchase Documents governing (a) the Servicer's delegated authority to process a Mortgage subject to the terms of the Payment Deferral, and (b) the Servicer's use of Resolve, to complete the settlement.

9203.25: Other Payment Deferral conditions and requirements (10/01/23)

This section describes other conditions and requirements for processing the Payment Deferral:

(a) Delinquency status reporting

The Payment Deferral does not have an associated unique EDR status code. For each Mortgage subject to the Payment Deferral, the Servicer must continue reporting the appropriate delinquency status information to Freddie Mac through the EDR Tool in accordance with requirements in Section 9102.7 and Exhibit 88, Servicing Tools. After the Payment Deferral has been completed and the Mortgage is brought current the EDR status code must reflect the Mortgage as current.

If a Borrower redefaults and enters a new forbearance plan, the Servicer must report the new plan through the EDR Tool in accordance with the requirements described above.

(b) Request for reimbursement of expenses

Servicers may use PAID (Payments Automated Intelligent and Dynamic) (see Exhibit 88) to request reimbursement for the following fees associated with the Payment Deferral:

Expense Description	Expense Code	Expense Limit and Notes
Recordation fees	300003	Actual cost
Title costs, if applicable	300004	Reimbursable amounts are in accordance with the limits specified in Exhibit 57A
Notary fees	42001	$150

If the Servicer submits a reimbursement request for Payment Deferral expenses and the Payment Deferral settlement date does not exist in Freddie Mac's systems, the expense reimbursement request will not be eligible for payment, All Payment Deferrals must have

been submitted to Freddie Mac for settlement in its systems to be eligible for expense reimbursement.

(c) Credit reporting

For each Mortgage that is subject to the Payment Deferral, the Servicer must provide a "full file" status report describing the status of the Mortgage to each of the four major credit repositories in accordance with the credit bureau standards as provided by the Consumer Data Industry Association.

(d) Incentive payment

The Servicer is eligible to receive a $500 incentive payment for each completed Payment Deferral.

(e) Servicing fee

The Servicer will continue to receive the Servicing fee it was receiving prior to completing the Payment Deferral.

(f) Future Flex Modification evaluations

If the Servicer is evaluating a Borrower for a future Flex Modification, the Payment Deferral will not count as a previous loan modification for purposes of calculating the number of times the Mortgage has previously been modified.

(g) Failed Payment Deferral – Flex Modification solicitations

Failed Payment Deferrals – Flex Modification solicitations	
If:	**Then:**
The Borrower has accepted a Payment Deferral and: ■ Subsequently becomes 60 days delinquent within 6 months of the Payment Deferral effective date, and ■ The Servicer is unable to establish quality right party contact	The Servicer must evaluate the Borrower for a proactive offer for a Flex Modification, in accordance with the eligibility criteria described below. If eligible, the Servicer must send the Borrower a proactive offer for a Flex Modification by the 75th day of Delinquency.
Eligibility	

The Servicer must evaluate the Borrower for eligibility for a proactive offer for a Flex Modification in accordance with the requirements of Section 9206.5(c) except when the Mortgage is not required to be 90 days or more delinquent.
Solicitation The Servicer must send the Borrower Exhibit 1191, Freddie Mac Flex Modification Solicitation Cover Letter, and the Exhibit 93 template for the Flex Modification Trial Period Plan Solicitation Offer – Not Based on an Evaluation of a Borrower Response Package evaluation notice or its equivalent. Exhibits 1191 and 93 may be altered at the Servicer's discretion as it deems necessary to meet the requirements of this section and Chapter 9206, and to comply with disclosure and other requirements under applicable law.

9203.26: Disaster Payment Deferral (07/29/24)

A Disaster Payment Deferral is a relief option to assist Borrowers who were impacted and became delinquent due to an Eligible Disaster as defined in Section 8404.1. The Disaster Payment Deferral is designed to cure the Delinquency by deferring the delinquent principal and interest ("P&I") amounts of the contractual monthly Mortgage payment(s) into a newly created or an existing non-interest bearing UPB. Those amounts will become due and payable at the earlier of the Mortgage maturity date, payoff date or upon transfer or sale of the Mortgaged Premises. All other terms of the existing Mortgage must remain unchanged.

Unless otherwise notified by Freddie Mac, all Freddie Mac Servicers are delegated to approve and offer a Freddie Mac Disaster Payment Deferral to eligible Borrowers in accordance with the requirements of the Guide and other applicable Purchase Documents.

(a) Eligibility requirements and exclusions

The Servicer must achieve quality right party contact (QRPC) with the Borrower in accordance with the requirements described in Section 9102.3(b).

(i) Borrower eligibility

In addition to the information required to achieve QRPC, the Servicer must confirm that the Borrower:

- Has a resolved hardship
- Is capable of continuing to make the existing contractual monthly Mortgage payment
- Is unable to afford a repayment plan or full reinstatement of the Mortgage

(ii) Delinquency and payment requirements

The Mortgage must:

- Have been current or less than 60 days delinquent (i.e., less than two months delinquent) as of the date of the Eligible Disaster, and

- Be at least 30 days delinquent (i.e., one month) but less than or equal to 360 days delinquent (i.e., twelve months) as of the date of evaluation. (Refer to Section 9203.24(a)(ii) for processing instructions when additional payments may be required during the month of evaluation and/or processing month.)

Note: If a Borrower's hardship is the result of an Eligible Disaster but the Mortgage was 60 or more days delinquent as of the date of the disaster and the Servicer determines the borrower can maintain the existing monthly contractual Mortgage payment, the Servicer must submit an exception request via Resolve® to Freddie Mac.

(iii) Mortgage and property eligibility

The Mortgage:

- Must be a conventional First Lien Mortgage currently owned or guaranteed by Freddie Mac, and

- May be a fixed-rate Mortgage, an ARM or a Step-Rate Mortgage

The property may be a Primary Residence, second home or Investment Property, and may be vacant or condemned.

(iv) Borrower documentation

The Servicer must not require a complete Borrower Response Package to evaluate the Borrower for a Disaster Payment Deferral if the Borrower has been evaluated in accordance with all requirements in the Guide and the eligibility requirements are satisfied.

(v) Eligibility exclusions

The following Mortgages and Borrowers are ineligible for the Disaster Payment Deferral:

- FHA, VA and Guaranteed Rural Housing Mortgages

- Mortgages subject to recourse

- A Mortgage subject to a previous Disaster Payment Deferral related to the same Eligible Disaster event

- Mortgages subject to an approved short sale or deed-in-lieu of foreclosure transaction
- A Mortgage currently subject to an unexpired offer to the Borrower for a mortgage modification or repayment plan
- Borrowers currently performing under a modification Trial Period Plan or repayment plan
- A Mortgage with a maturity date that is within 36 months of the evaluation date
- A Mortgage with a projected payoff date based on payments due under the existing amortization schedule that is within 36 months of the evaluation date

Note: If the Mortgage is within 36 months of its maturity date or projected payoff date but the Servicer determines based on the Borrower's individual circumstances that the Borrower should be considered for a Disaster Payment Deferral, the Servicer may transmit an exception request to Freddie Mac.

(vi) Mortgages subject to indemnification agreements

If the Mortgage is subject to an indemnification agreement and is otherwise eligible under the Disaster Payment Deferral requirements in this section, the Servicer has the discretion to approve the Disaster Payment Deferral provided the following conditions are met:

- The Mortgage receiving the Disaster Payment Deferral retains its credit enhancement
- If the Servicer is not the credit enhancement provider, the Servicer first obtains in writing any required approval under the terms of the credit enhancement from the entity providing the enhancement
- The Servicer remits to Freddie Mac an annual payment for the amount of all Disaster Payment Deferral-related costs (e.g., interest rate shortfall). The loss amount calculations for the Disaster Payment Deferral will be determined by Freddie Mac in the same manner as the calculations for modification loss amounts. The Disaster Payment Deferral loss amounts due will be calculated on a monthly basis and billed on an annual basis for the life of the Mortgage that is subject to a Disaster Payment Deferral. If the Mortgage is subject to a partial indemnification, each year, the Servicer will be billed the appropriate percentage of the Disaster Payment Deferral loss amount that corresponds with the partial indemnification agreement. The Disaster Payment Deferral loss amounts will be determined by Freddie Mac in accordance with the process described in Bulletins 2016-5 and 2017-1.

Note: The Servicer is not eligible for an incentive for completing a Disaster Payment Deferral on a Mortgage that is subject to an indemnification agreement.

(vii) Mortgage insurance

If the Mortgage is subject to mortgage insurance, and the MI is not included in our list of delegated mortgage insurance companies found in Exhibit 10, the Servicer must obtain delegation of authority from the MI or seek approval from the MI to complete the Disaster Payment Deferral.

(viii) Texas Equity Section 50(a)(6) Mortgages

If the Borrower is eligible and qualifies for a Disaster Payment Deferral, the Servicer must offer the Disaster Payment Deferral to the Borrower. If the Servicer receives Borrower notification classifying the Disaster Payment Deferral as a loan modification and claiming that the terms of the modification agreement do not comply with the provisions of Article XVI Section 50(a)(6) of the Texas Constitution, the Servicer must notify Freddie Mac within seven Business Days of receipt of such objection or complaint via Freddie Mac Servicing Data Corrections and include the following:

- Freddie Mac loan number
- Servicer loan number
- Transaction type (e.g., Texas Home Equity modification)
- Accounting Cycle in which Freddie Mac settled the workout
- Servicer's analysis (e.g., Borrower complaint related to Section 50(a)(6) of the Texas Constitution)

Upon receipt of Freddie Mac's instructions, the Servicer must comply with any required response time frames to claims of defects and any other complaint in accordance with Section 8104.1 and the Texas Constitution.

(b) Determining Disaster Payment Deferral terms

Based on the information provided by the Servicer, Resolve will determine the terms of the Disaster Payment Deferral as described in this Section 9203.26(b).

If the existing Mortgage includes a non-interest bearing UPB as a result of a prior modification, the terms impacting that non-interest bearing UPB will remain unchanged.

The Servicer must:

- Apply the Payment Deferral forbearance as follows:
  - Defer the delinquent principal and interest ("P&I") and any other expenses or amounts that are permitted to be capitalized under the Flex Modification

capitalization rules in Section 9206.15(b) into an existing or newly created non-interest bearing UPB (i.e., deferred UPB). The deferred UPB will become due on the earlier of:

- The Mortgage maturity date
- The Mortgage payoff date (e.g., refinance or payoff of the interest-bearing UPB), or
- The transfer or sale of the Mortgaged Premises

- Advance the DDLPI to bring the Mortgage to current status
- Ensure the remaining payment schedule associated with the interest-bearing UPB remains unchanged from the Mortgage's pre-Disaster Payment Deferral payment schedule
- Waive all accrued and unpaid late charges upon completion of the Payment Deferral

When offering the Payment Deferral, the Servicer must ensure all other remaining terms of the existing Mortgage remain unchanged including, but not limited to the:

- Remaining amortization schedule
- Monthly P&I portion of the existing contractual monthly Mortgage payment
- Interest rate. This includes maintaining the existing rate adjustment schedule for an ARM or a Step-Rate Mortgage.
- Maturity date
- Due dates of the remaining payment due under the Mortgage

Note: The maximum number of monthly payments that may be deferred as part of a Disaster Payment Deferral is twelve.

Prior to or during the Servicer's determination of the Borrower's eligibility for a Disaster Payment Deferral the Servicer must analyze the Borrower's Escrow to estimate if there is an Escrow shortage. If the Servicer completed an estimated analysis during evaluation, then upon completion of the Disaster Payment Deferral, the Servicer must perform a new Escrow analysis in accordance with the Real Estate Settlement Procedures Act (RESPA) and any applicable federal, State or local law.

If, as a result of the analysis, the Servicer determines that there is an Escrow shortage, the Servicer must disclose the amount of the shortage to the Borrower before the Borrower accepts the Disaster Payment Deferral. If the Borrower is unable to pay the Escrow shortage as a lump sum, then the Borrower must pay the shortage as part of the monthly principal,

interest, taxes and insurance (PITI) payment. If the Borrower must make monthly Escrow shortage payments, then the Servicer must:

- Spread the repayment of the Escrow shortage amount in equal monthly payments over a period of 60 months, unless the Borrower chooses to pay off the shortage over a shorter period of time, not to be less than 12 months

- Take into account any remaining unpaid amount of the Escrow shortage in any subsequent Escrow analysis to ensure that the Borrower is able to continue to pay all Escrow shortage amounts over the remaining portion of either the current remaining Escrow shortage repayment period or a period up to 60 months. The Servicer may not accelerate or compress the remaining Escrow shortage amount into a new Escrow payment or shorter repayment period as a result of a future Escrow analysis.

If the Borrower is unable to afford a Disaster Payment deferral based on the increased monthly payment resulting from an Escrow shortage repayment, the Servicer must evaluate the Borrower for a Flex Modification.

Any Escrow account shortage that is identified at the time of the Payment Deferral must not be capitalized and the Servicer is not required to fund any existing Escrow account shortage.

Any Escrow advances must be included in the deferred balance, as described in the "Delinquent Disaster Payment Deferral" section above.

In addition, the Servicer is not required to revoke any Escrow account waiver.

(c) Completing a Disaster Payment Deferral

The Servicer must send a Payment Deferral agreement (Exhibit 1100 or the Servicer's customized equivalent of the Payment Deferral agreement) to the Borrower no later than five days after completion (e.g., a closed/settled workout option) of the Payment Deferral. If the Servicer elects to require the Borrower to sign and return the Payment Deferral agreement, it must receive the fully executed Payment Deferral agreement prior to the settlement date.

Use of the Payment Deferral agreement is optional. It reflects the minimum level of information that the Servicer must communicate to the Borrower, and it illustrates a level of specificity that is deemed to be in compliance with the requirements of the Guide. The Servicer must ensure the Payment Deferral agreement complies with applicable federal, State or local law.

When processing a Payment Deferral agreement, the Servicer must also comply with the following requirements:

(i) Maintaining lien status

The Servicer's application of a Disaster Payment Deferral to the Mortgage must not impair Freddie Mac's First Lien position or enforceability against the Borrower(s)in accordance with its terms.

(ii) Title endorsement

Not required.

(iii)Document Custodian

After the Servicer has sent the executed Payment Deferral agreement to the Borrower as required in this section:

- If the Payment Deferral agreement is not required to be signed by the Borrower, the Servicer must send a copy of the Servicer executed Payment Deferral agreement to the Document Custodian within 25 days of the effective date of the Payment Deferral completion.

- If the Payment Deferral agreement is to be recorded, the Servicer must:

  - Send a certified copy of the fully executed Payment Deferral agreement to the Document Custodian within 25 days of the effective date of the Payment Deferral, and

  - Send the original Payment Deferral agreement that is returned from the recorder's office to the Document Custodian within five Business Days of receipt

- If the Payment Deferral agreement must be signed by the Borrower but not recorded, the Servicer must send the fully executed original Payment Deferral agreement to the Document Custodian within 25 days of the effective date of the Disaster Payment Deferral.

(d) Processing month

The Servicer must complete the Disaster Payment Deferral in the same month it determines the Borrower is eligible. If the Servicer is unable to complete the Disaster Payment Deferral before the 15th day of the evaluation month, then the Servicer is authorized to use an additional month to allow for sufficient processing time (a "processing month") to complete the Disaster Payment Deferral. The Servicer must treat all Borrowers equally in applying the processing month, as evidenced by a written policy (i.e., the criteria for requiring a processing month must be the same for all Borrowers).

The Borrower must make a complete monthly contractual payment during the processing month if, as of the date of evaluation, the Mortgage is 360 days delinquent or more. In this

circumstance, the Servicer must complete the Disaster Payment Deferral within the processing month after the receipt of the Borrower's full monthly contractual payment due during that month. While the current month's payment remains due because of delinquency and/or cumulative deferred payment requirements, the Servicer must send the proactive offer with the condition that a payment or payments are required to become eligible to complete the Payment Deferral. Once the payment or payments have been received and the Mortgage becomes eligible, the Servicer can proceed to settlement.

(e) Disaster Payment Deferral agreement

The Servicer must process a Disaster Payment Deferral agreement in compliance with the requirements for processing a regular Payment Deferral agreement, as described in Section 9203.23.

(f) Evaluation hierarchy

To be eligible for a Disaster Payment Deferral, a Borrower must have been current or less than 60 days delinquent (i.e., less than two months delinquent) as of the date of the Eligible Disaster. Otherwise, the Servicer must conduct all loss mitigation evaluations in accordance with Freddie Mac's standard loss mitigation evaluation hierarchy, as described in Section 9201.2, or must submit an exception request for Freddie Mac approval.

If QRPC is established with a Borrower who was current or less than 60 days delinquent (i.e., less than two months delinquent) as of the date of the Eligible Disaster, and the Borrower is unable to resolve the Delinquency through a reinstatement or repayment plan, the Servicer must evaluate the Borrower for the loss mitigation options in the following Disaster evaluation hierarchy:

1. Disaster Payment Deferral
2. Flex Modification
3. Standard Short Sale
4. Standard Deed-in-Lieu of Foreclosure

Note: In most cases, Borrowers impacted by an Eligible Disaster who qualify to be evaluated for a Disaster Payment Deferral will be transitioning from a forbearance plan, but forbearance is not a prerequisite.

(g) Post-forbearance plan – solicitation for a Disaster Payment Deferral

In order to promote a more seamless transition between loss mitigation options when a Borrower who was on a disaster-related forbearance completes the forbearance plan without a solution to the delinquency, the table below provides requirements for Servicers to conduct reviews for proactive Disaster Payment Deferral and Flex Modification offers:

Post Forbearance Plan – Disaster Payment Deferral	
If….	**Then…**
The Borrower's forbearance plan ends and the Servicer is unable to establish quality right party contact to evaluate for a post-forbearance solution to the delinquency.	The Servicer must evaluate the Borrower for a proactive offer for a Disaster Payment Deferral, in accordance with the eligibility criteria described below. If eligible, the Servicer must send the Borrower a proactive offer for a Disaster Payment Deferral by the 15th day following expiration of the forbearance plan.

Eligibility

The Borrower must be eligible for a Disaster Payment Deferral in accordance with the requirements of this chapter, except:

- The Servicer is not required to have established quality right party contact, as described in Section 9203.26(a), and
- The Servicer is not required to confirm that the Borrower meets the Borrower eligibility requirements described in Section 9203.26(a)(i)

Solicitation Requirements

The Servicer must solicit the Borrower using Exhibit 1102, Payment Deferral Post-Forbearance Solicitation Cover Letter, with Exhibit 1100, Payment Deferral Agreement, or its equivalent, making any appropriate changes to comply with applicable law. While use of Exhibits 1102 or 1100 is optional, it reflects the minimum level of information that the Servicer must communicate and illustrates a level of specificity that complies with the requirements of the Guide.

The Servicer must include instruction on how to accept the offer in the Payment Deferral agreement. The Servicer is authorized to consider the following as acceptance by the Borrower, subject to applicable law:

- The Borrower contacting the Servicer directly in accordance with any acceptable outreach and communication method,
- The Borrower returning an executed Payment Deferral agreement, or
- Any other method evidencing the Borrower's acceptance as determined by the Servicer

The Borrower must make their full monthly contractual payment during the month of solicitation and/or processing month if, as of the date of evaluation, the Mortgage is 12 months delinquent. In this circumstance, the Servicer must complete the Disaster Payment Deferral within the month of solicitation after receipt of the Borrower's full contractual payment due during that month.

Note: If the Servicer uses a processing month to complete the Payment Deferral, the Borrower must also make his or her full monthly contractual payment(s) during the processing month if the Mortgage is 360 days delinquent or more. The Servicer must complete the Payment Deferral within the processing month after receipt of the Borrower's full monthly contractual payment during that month. When processing these evaluations using Resolve, the Borrower is ineligible for a Payment Deferral until their payment is received. While the current month's payment remains due because of delinquency and/or cumulative deferred payment requirements, the Servicer must send the proactive offer with the condition that a payment or payments are required to complete the Payment Deferral. Once the payment or payments have been received and the Mortgage becomes eligible, the Servicer can proceed to settlement.

Post Forbearance Plan – Flex Modification	
If…	**Then…**
■ The Borrowers forbearance plan ends, and ■ The Servicer has not established quality right party contact to evaluate for a post-forbearance solution to the delinquency, and ■ The Borrower is ineligible for a proactive offer for a Disaster Payment Deferral	The Servicer must evaluate the Borrower for a proactive offer for a Flex Modification, in accordance with the eligibility criteria described below. If eligible, the Servicer must send the Borrower a proactive offer for a Flex Modification by the 15th day of the month following the expiration of the forbearance plan.
■ The Borrowers forbearance plan ends, and ■ The Servicer has not established quality right party contact to evaluate for a post-forbearance solution to the delinquency, and ■ The Borrower was eligible for a proactive offer for a Disaster Payment Deferral but did not accept the offer by the acceptance date provided in the Payment Deferral agreement	The Servicer must evaluate the Borrower for a proactive offer for a Flex Modification, in accordance with the eligibility criteria described below. If eligible, the Servicer must send the Borrower a proactive offer for a Flex Modification by the 15th day following the expiration of the Payment Deferral offer.

Eligibility

The Servicer must evaluate the Borrower for eligibility for a proactive offer for a Flex Modification in accordance with the requirements of Section 9206.5(e).

Solicitation

The Servicer must send the Borrower Exhibit 1191A, Freddie Mac Post-Disaster Forbearance Flex Modification Solicitation Cover Letter, and the Exhibit 93 template for the Flex Modification Trial Period Plan Solicitation Offer – not based on an evaluation of a Borrower Response Package evaluation notice, or its equivalent. Exhibits 1191A and 93 may be altered at the Servicer's discretion as it deems necessary to meet the requirements of this section and Chapter 9206, and to comply with disclosure and other requirements under applicable law.

(h) Failed repayment plan - solicitation for a Disaster Payment Deferral

In order to promote a more seamless transition between loss mitigation options when a Borrower is unable to resolve their Delinquency with a repayment plan, the table below provides requirements for Servicers to conduct reviews for proactive Payment Deferral and Flex Modification offers following an unsuccessful repayment plan.

Failed Repayment Plan – Payment Deferral	
If….	**Then…**
The Borrower accepts an offer for a repayment plan but does not make the total monthly repayment plan payment by the end of the month in which it is due ("fails a repayment plan"), and the Servicer is unable to establish quality right party contact.	The Servicer must evaluate the Borrower for a proactive offer for a Disaster Payment Deferral, in accordance with the eligibility criteria described below. If eligible, the Servicer must send the Borrower a proactive offer for a Payment Deferral by the 15th day of the following month (i.e., the 15th day of the month following the month Borrower fails a repayment plan).
Eligibility The Borrower must be eligible for a Payment Deferral in accordance with the requirements of this chapter. However: ■ The Servicer is not required to have established quality right party contact, as described in Section 9203.26(a), and ■ The Servicer is not required to confirm that the Borrower meets the Borrower eligibility requirements described in Section 9203.26(a)(i)	
Solicitation Requirements The Servicer must solicit the Borrower using Exhibit 1105, Payment Deferral Post-Repayment Plan Solicitation Cover Letter, with Exhibit 1100, Payment Deferral Agreement, or its equivalent, making any appropriate changes to comply with applicable law. While use of Exhibits 1105 and 1100 is optional, it reflects the minimum level of information that the Servicer must communicate and illustrates a level of specificity that complies with the requirements of the Guide.	

The Servicer must include instruction on how to accept the offer in the Payment Deferral agreement. The Servicer is authorized to consider the following as acceptance by the Borrower, subject to applicable law:

- The Borrower contacting the Servicer directly in accordance with any acceptable outreach and communication method,
- The Borrower returning an executed Payment Deferral agreement, or
- Any other method evidencing the Borrower's acceptance as determined by the Servicer

The Borrower must make their full monthly contractual payment during the month of solicitation if, as of the date of evaluation, the Mortgage is 12 months delinquent. In this circumstance, the Servicer must complete the Disaster Payment Deferral within the month of solicitation after receipt of the Borrower's full contractual payment due during that month.

Note**:** If the Servicer uses a processing month to complete the Disaster Payment Deferral, the Borrower must also make his or her full monthly contractual payment(s) during the processing month if the Mortgage is 360 days delinquent or more. The Servicer must complete the Payment Deferral within the processing month after receipt of the Borrower's full monthly contractual payment during that month. In these instances, when processing these evaluations using Resolve, the Borrower is ineligible for a Payment Deferral until their payment is received. While the current month's payment remains due because of delinquency and/or cumulative deferred payment requirements, the Servicer must send the proactive offer with the condition that a payment or payments are required to complete the Payment Deferral. Once the payment or payments have been received and the Mortgage becomes eligible, the Servicer can proceed to settlement.

Failed Repayment Plan – Flex Modification	
If…	**Then…**
■ The Borrower fails a repayment plan, and ■ The Servicer has not established quality right party contact, and ■ The Borrower is ineligible for a proactive offer for a Disaster Payment Deferral	The Servicer must evaluate the Borrower for a proactive offer for a Flex Modification, in accordance with the eligibility criteria described below. If eligible, the Servicer must send the Borrower a proactive offer for a Flex Modification by the 15th day of the following month (i.e., the 15th day of the month following the month Borrower fails a repayment plan).
■ The Borrower fails a repayment plan, and ■ The Servicer has not established quality right party contact, and	The Servicer must evaluate the Borrower for a proactive offer for a Flex Modification, in accordance with the eligibility criteria described below. If eligible, the Servicer must send the Borrower a proactive offer for a Flex

■ The Borrower was eligible for a proactive offer for a Disaster Payment Deferral but did not accept the offer by the acceptance date provided in the Payment Deferral agreement	Modification by the 15th day following the expiration of the Payment Deferral offer.
Eligibility The Servicer must evaluate the Borrower for eligibility for a proactive offer for a Flex Modification in accordance with the requirements of Section 9206.5(e).	
Solicitation The Servicer must send the Borrower Exhibit 1191, Freddie Mac Flex Modification Solicitation Cover Letter, and the Exhibit 93 template for the Flex Modification Trial Period Plan Solicitation Offer – not based on an evaluation of a Borrower Response Package evaluation notice, or its equivalent. Exhibits 1191 and 93 may be altered at the Servicer's discretion as it deems necessary to meet the requirements of this section and Chapter 9206, and to comply with disclosure and other requirements under applicable law.	

(i) Failed Disaster Payment Deferral – solicitations

In order to promote a more seamless transition between loss mitigation options when a Borrower who accepted a Disaster Payment Deferral and is unable to remain current, the table below provides requirements for Servicers to conduct reviews for proactive Flex Modification offers following an unsuccessful Disaster Payment Deferral.

Failed Payment Deferral – Flex Modification	
If…	**Then…**
The Borrower has accepted a Disaster Payment Deferral and: ■ Subsequently becomes 60 days delinquent within 6 months of the Payment Deferral effective date, and ■ The Servicer is unable to establish quality right party contact	The Servicer must evaluate the Borrower for a proactive offer for a Flex Modification, in accordance with the eligibility criteria described below. If eligible, the Servicer must send the Borrower a proactive offer for a Flex Modification by the 75th day of delinquency.
Eligibility The Servicer must evaluate the Borrower for eligibility for a proactive offer for a Flex Modification in accordance with the requirements of Section 9206.5(e).	
Solicitation	

The Servicer must send the Borrower Exhibit 1191, the Freddie Mac Flex Modification Solicitation Cover Letter, and the Exhibit 93 template for the Flex Modification Trial Period Plan Solicitation Offer – not based on an evaluation of a Borrower Response Package evaluation notice, or its equivalent. Exhibits 1191 or 93 may be altered at the Servicer's discretion as it deems necessary to meet the requirements of this section and Chapter 9206, and to comply with disclosure and other requirements under applicable law.

(j) Reduced Flex Modification requirements

In lieu of the Guide requirements for Flex Modification eligibility in Sections 9206.5 and 9206.6, Mortgages will be excluded from eligibility only under the following circumstances:

- The Mortgage is an FHA, VA or Guaranteed Rural Housing Mortgage
- The Mortgage is subject to recourse
- The Borrower is currently performing under another forbearance plan, Trial Period Plan or repayment plan
- The Mortgage is subject to an approved short sale or deed-in-lieu of foreclosure
- The Mortgage is currently subject to an unexpired offer to the Borrower for another modification or other foreclosure prevention alternative, such as a forbearance plan or repayment plan

If the Servicer was not collecting Escrows on the existing Mortgage, the Borrower is not required to establish an Escrow account as a condition of the modification unless otherwise required by applicable law or the Servicer confirms that the taxes and insurance premiums have not been paid and are past due.

(k) Resolve

To model the terms of the Disaster Payment Deferral and complete the settlement process, Servicers must use the "Payment Deferral" path in Resolve. Servicers must comply with the requirements in Section 9203.24 and the instructions provided in **Resolve Online Help** to complete the submission and settlement process for a Disaster Payment Deferral.

(l) Reporting requirements

In most cases, the Disaster Payment Deferral does not have an associated unique EDR status code. For each Mortgage subject to the Disaster Payment Deferral, the Servicer must continue reporting the appropriate delinquency status through the Loan Level Reporting tool in accordance with requirements in Section 8303.15 and default information to Freddie Mac through EDR in accordance with requirements in Section 9102.7. Once the Disaster Payment Deferral has been completed and the Mortgage is brought current, the Servicer must report the Mortgage as current through the Loan Level Reporting tool.

However, the Servicer must report Status Code H6, Payment Deferral Offer, to notify Freddie Mac that the Mortgage is subject to an active Disaster Payment Deferral offer in the following instances:

- The forbearance period ends prior to settlement of an accepted Disaster Payment Deferral (e.g., the Servicer elected to use a processing month and the forbearance plan expires), or

- The Servicer has made a proactive offer following the expiration of a forbearance plan in accordance with the "Solicitation for a Disaster Payment Deferral" section above

In these instances, the Servicer must continue to report Status Code H6 until the offer has expired or the Payment Deferral has been completed.

(m) Other requirements for the Disaster Payment Deferral

(i) Delinquency status reporting

The Disaster Payment Deferral does not have an associated unique EDR status code. For each Mortgage subject to the Disaster Payment Deferral, the Servicer must continue reporting the appropriate delinquency status information to Freddie Mac through the EDR Tool in accordance with requirements in Section 9102.7 and Exhibit 88, Servicing Tools. After the Disaster Payment Deferral has been completed and the Mortgage is brought current, the EDR status code must reflect the Mortgage as current.

If a Borrower redefaults and enters a new forbearance plan, the Servicer must report the new plan through the EDR Tool in accordance with the requirements described above.

(ii) Request for reimbursement of expenses

Servicers may use PAID (Payments Automated Intelligent and Dynamic) (see Exhibit 88, Servicing Tools) to request reimbursement for the following fees associated with the Disaster Payment Deferral:

Expense Description	Expense Code	Expense Limit and Notes
Recordation fees	300003	Actual cost
Title costs, if applicable	300004	Reimbursable amounts are in accordance with the limits specified in Exhibit 57A
Notary fees	42001	$150

If the Servicer submits a reimbursement request for Disaster Payment Deferral expenses and the Disaster Payment Deferral settlement date does not exist in Freddie Mac's

systems, the expense reimbursement request will not be eligible for payment. All Disaster Payment Deferrals must have been submitted to Freddie Mac for settlement in its systems to be eligible for expense reimbursement.

(iii) Credit reporting

For each Mortgage that is subject to the Disaster Payment Deferral, the Servicer must provide a "full file" status report describing the status of the Mortgage to each of the four major credit repositories in accordance with the credit bureau standards as provided by the Consumer Data Industry Association.

(iv) Incentive payment

The Servicer is eligible to receive a $500 incentive payment for each completed Disaster Payment Deferral.

(v) Servicing fee

The Servicer will continue to receive the Servicing fee it was receiving prior to completing the Disaster Payment Deferral.

(vi) Future Flex Modification evaluations

If the Servicer is evaluating a Borrower for a future Flex Modification, the Disaster Payment Deferral will not count as a previous loan modification for purposes of calculating the number of times the Mortgage has previously been modified.

(n) Future Payment Deferral evaluations

If the Servicer is evaluating a Borrower for a future non-Disaster Payment Deferral in accordance the requirements of with Sections 9203.19 through 9203.25, the Disaster Payment Deferral will not cause the Borrower to be ineligible.

9203.27: Electronic Payment Deferral Agreements (04/14/21)

(a) Definitions

For the purposes of this section:

- **Electronic** has the meaning set forth in Section 1401.2
- **Electronic Record** has the meaning set forth in Section 1401.2

- **Electronic Payment Deferral Agreement** has the meaning set forth in Section 1401.2

- **Loss Mitigation Documents** has the meaning set forth in Section 1401.17

Refer to Section 1402.2 for the definitions of "eNote," "eVault" and "MERS eDelivery."

(b) Electronic Payment Deferral documents

In lieu of paper documents, a Servicer may prepare, sign and send Payment Deferral documents to the Borrower for the Borrower's Electronic signature and Electronic return to the Servicer, provided these transactions comply with the Guide, including the requirements in Section 1401.17 and Section 9206.19.

All Electronic loss mitigation documents, including Payment Deferral documents and any other Electronic Mortgage file documents, are considered Electronic Records and must be able to be retrieved and printed in a manner that accurately reflects the information they originally contained. Additionally, all Electronic Records must be accessible, either electronically or on paper, and made available to Freddie Mac upon request.

Freddie Mac will not reimburse any costs resulting from a Servicer's decision to use an Electronic Payment Deferral Agreement and the Borrower may not be charged for any associated costs.

(c) General requirements for all Electronic Payment Deferral Agreements

Servicers must:

- Process, modify and store Electronic Payment Deferral Agreements for Freddie Mac Mortgages under requirements that are no less stringent than applicable industry standards when electronically processing, modifying and storing its own Electronic Payment Deferral Agreements for Mortgages that it owns or services for others

- Consult with their legal counsel to ensure that the use, processing and storage of an Electronic Payment Deferral Agreement complies with all applicable federal, State and local laws

- Provide for Electronic notarization when applicable and required, subject to applicable law and the requirements set forth in Section 1401.16

- Comply with all requirements in the Servicing Contract to service the Mortgage, as modified by an Electronic Payment Deferral Agreement including, but not limited to, Servicing obligations related to a payoff or short sale (e.g., cancelation of the Mortgage, Note and Electronic Payment Deferral Agreement), grant of a deed-in-lieu of foreclosure, foreclosure, repurchase of an electronically modified Mortgage and litigation

- Ensure that the signing platform has a robust audit trail of all key events starting from the creation of the Electronic Payment Deferral Agreement through and including Servicer and Borrower execution (as applicable) so that the Servicer can reproduce upon request.

If the Servicer must have the payment deferral agreement recorded or in recordable format to comply with Section 9203.23(a), the Servicer may use an Electronic Payment Deferral Agreement, provided the Servicer is able to comply with the recording jurisdiction's recordation, Electronic format requirements and the requirements set forth in Section 1401.15.

(d) Document custodial requirements for paper Notes

Requirement	If the note is not Electronic
Borrower signature is not required	Within 25 days of the effective date of the Payment Deferral, the Servicer must send an Electronic copy of the Servicer executed Electronic Payment Deferral Agreement to the Document Custodian to be maintained or logically associated with the Note.
Borrower signature is required, and recordation is not required	Within 25 days of the effective date of the Payment Deferral, the Servicer must send an Electronic copy of the fully executed Electronic Payment Deferral Agreement to the Document Custodian to be maintained or logically associated with the Note.
Recordation is required, and will not be recorded electronically	1. Within 25 days of the effective date of the Payment Deferral, the Servicer must deliver an Electronic copy of the fully executed Electronic Payment Deferral Agreement to the Document Custodian to be maintained or logically associated with the Note, and 2. The Servicer must also deliver the recorded Electronic Payment Deferral Agreement with recording information therein or another form of recorder's office confirmation with recording information therein (Recording Confirmation) to the Document Custodian within five Business Days of receipt from the recorder's office.

Requirement	If the note is not Electronic
Recordation is required, and will be recorded electronically	1. Within 25 days of the effective date of the Payment Deferral, the Servicer must deliver an Electronic copy of the fully executed Electronic Payment Deferral Agreement to the Document Custodian to be maintained or logically associated with the Note, and 2. The Servicer must also deliver the electronically recorded Electronic Payment Deferral Agreement with recording information therein or Recording Confirmation to the Document Custodian within five Business Days of receipt from the recorder's office.

Note: If the Document Custodian is not able to accept Electronic documents, the Servicer must deliver a paper copy of the Electronic Payment Deferral Agreement to the Document Custodian.

Refer to Section 1402.11 for delivery requirements of Electronic Payment Deferral Agreements related to eMortgages.

(e) Storage and safekeeping of Electronic Payment Deferral Agreement

Servicers must store Electronic Payment Deferral Agreements in an eVault or similar eStorage System (as defined in Section 1402.2) and must store copies of Electronic Payment Deferral Agreements (including printed paper copies of facsimiles thereof) in the Mortgage file in accordance with the Guide requirements for storing Mortgage file documents. Electronic Payment Deferral Agreement must be logically associated with the paper Mortgage file so that all Servicing records (both paper and Electronic) that constitute the Mortgage file are identified and associated with the Mortgage transaction.

(f) Transfers of Servicing

Upon a Transfer of Servicing involving Mortgages with an Electronic Payment Deferral Agreement, the Transferor Servicer must comply with Section 7101.2(b)(ii) and inform the Transferee Servicer of the name of the eVault or eStorage System holding the Electronic Payment Deferral Agreement. The Transferor Servicer must ensure that its eVault or eStorage System provider transfers the Electronic Payment Deferral Agreement and all related data to the Transferee Servicer's eVault or eStorage System provider in a manner that ensures the ongoing validity and enforceability of the Electronic Payment Deferral Agreement and its associated Electronic Signature (as defined in Section 1401.2). A Transferor Servicer may not satisfy its obligations under

this section by relying on Section 7101.8(a) by generating paper copies of the payment deferral agreement for the Transferee Servicer.

(g) Disaster Recovery/Business Continuity Plan

Refer to Section 1302.3 for Seller/Servicer business continuity planning requirements.

Chapter 9204: Freddie Mac Workout Options

9204.1: Freddie Mac workout options (03/02/16)

Servicers must evaluate Borrowers in accordance with the Freddie Mac loss mitigation evaluation hierarchy set forth in Section 9201.2. The evaluation hierarchy states the order in which a Servicer is to evaluate a Borrower for Freddie Mac's available workout options which include mortgage modifications, workout mortgage assumptions, short sales, deeds-in-lieu of foreclosure and charge-offs.

If a Borrower's situation does not meet all the requirements for a particular workout option, but the Servicer believes that the workout option is still the best solution to the Delinquency, then the Servicer may submit a recommendation and rationale for the recommendation to Freddie Mac for review, in accordance with the submission procedures in this chapter.

9204.2: Servicer approval authority for workouts (10/20/21)

Freddie Mac Servicers are delegated to approve the following:

- A Freddie Mac Flex Modification®, which is a modification that meets the requirements of Section 9206.2 and Sections 9206.5 through 9206.18, in accordance with the requirements of the Guide or other Purchase Documents. Refer to Sections 1301.2(h) and 9206.5 for additional information about delegated authority and adverse action notice requirements.

- A Freddie Mac Standard Short Sale ("short sale"), including the Streamlined Short Sale, that meets the requirements of Sections 9208.1 through 9208.8. All other short sales must be submitted to Freddie Mac for review and approval.

- A Freddie Mac Standard Deed-in-Lieu of Foreclosure ("deed-in-lieu of foreclosure"), including the Streamlined Deed-in-Lieu of Foreclosure, that meets the requirements of Sections 9209.2 through 9209.8. All other deeds-in-lieu of foreclosure must be submitted to Freddie Mac for review and approval.

For all other workouts in the Guide, the Servicer must submit its recommendation for a workout to Freddie Mac **(see Directory 5)** for review. Additionally, if the Mortgage is an FHA, VA or RHS Mortgage, the Servicer must obtain approval from the FHA, RHS, or VA, if applicable. The Servicer must also obtain any necessary approvals from the MI for any workout on a Mortgage with mortgage insurance.

9204.3: Freddie Mac's rights related to workout options (08/17/16)

Freddie Mac's approval or settlement of a workout does not limit its right to review the Mortgage file and invoke its remedies under the Guide. If Freddie Mac's review of the Mortgage file discloses any failure to comply with the Guide or any other Purchase Documents, Freddie Mac has the right to require the Servicer to:

1. Compensate Freddie Mac and hold it harmless for any loss, damage or expense (including court costs, attorney fees and incentive payments) that Freddie Mac sustains

2. Repurchase Freddie Mac's interest in the Mortgage at any time under any of the circumstances outlined in Sections 3602.2 and 3602.3

9204.4: Steps for processing a workout recommendation (10/09/24)

This section contains requirements related to:

- Steps for completing a workout
- Accuracy of data
- Delegation of authority to the Servicer
- Use of Servicer proprietary system

Refer to Bulletins 2022-21 and 2022-26, which announced updates that permit Servicers to process Freddie Mac Flex Modifications® in Resolve®. Servicers may implement the new requirements on or after December 5, 2022 if they are operationally ready to do so. The new requirements must be implemented on or before August 31, 2023.

Refer to Bulletin 2022-9, which announced updates that require Servicers to process short sale transactions in Resolve.

(a) Steps for completing a workout

The following are the required steps for completing a workout:

- The Servicer must collect and analyze the required documentation and information in accordance with this chapter and Chapter 9202

- If the Servicer does not have delegated authority to approve the workout, the Servicer must submit the required documentation and its recommendation to Freddie Mac for review. Freddie Mac will review the documentation and the Servicer's recommendation and advise the Servicer of its decision. The Servicer must ensure that all approval conditions are met.

- If the Servicer does have delegated authority to approve the workout, the Servicer must evaluate the Borrower and process the workout in accordance with the Guide and other Purchase Documents

- The Servicer must perform all activities required for closing a workout within Freddie Mac's required time frames

Closing a workout is the process to complete a workout transaction. Closing includes a settlement transaction (if applicable), recording any required documents with the appropriate government jurisdiction, timely and accurately reporting the transaction to Freddie Mac, remitting all funds collected as part of the workout to Freddie Mac, and ensuring that Freddie Mac receives the Servicer's request for reimbursement of any allowable expenses within 30 days of the settlement date.

In addition to the steps described above, the Servicer must comply with the following requirements when submitting a workout solution via Workout Prospector® for approval and closing in Freddie Mac's systems, regardless of whether the workout was approved under the Servicer's delegated authority or approved by Freddie Mac through the exception process.

(b) Accuracy of data

Workout Prospector requires the submission of specific data elements in order to return a suggested workout solution. The Servicer represents and warrants that all data input into Workout Prospector is true, complete and accurately entered into the system.

(c) Delegation of authority to the Servicer

The Servicer may not deem Freddie Mac to have reviewed the terms of any approved workout solution for compliance with the Servicer's obligations under the Guide or other Purchase Documents or to have approved any workout or their terms based on the Servicer's use of Workout Prospector including, without limitation:

- Workout Prospector's generation of terms for any retention or liquidation solution,

- Freddie Mac's settlement in its systems of any retention or liquidation solution entered into by the Servicer under its delegated authority or expanded delegated authority in accordance with a Freddie Mac approval of an exception, or

- Freddie Mac's notification that the modification or liquidation transaction has been processed in Freddie Mac's systems via the Loan Modifications processed report or the Charge Off processed report, respectively

(d) Use of Servicer proprietary system

The Servicer may use a proprietary system or a third-party system to generate the terms of a Freddie Mac retention or liquidation option; however, Freddie Mac data also must be entered in its entirety into Workout Prospector. When relying on a proprietary or a third-party system, Servicers must ensure that the results comply with the underwriting requirements of this chapter, and are the same as the results reflected in Workout Prospector prior to sending the appropriate Borrower Evaluation Notice or modification agreement, if applicable, to the Borrower. If the results reflected in Workout Prospector are different than the Servicer's results, the Servicer must update the data in Workout Prospector to ensure that it matches the terms of the retention or liquidation solution, which, in turn must accurately reflect the underwriting requirements of this chapter, prior to sending the appropriate Borrower Evaluation Notice or modification agreement, if applicable, to the Borrower.

9204.4: Steps for processing a workout recommendation (Future effective date 12/09/24)

This section contains requirements related to:

- Steps for completing a workout
- Accuracy of data
- Delegation of authority to the Servicer

(a) Steps for completing a workout

The following are the required steps for completing a workout:

- The Servicer must collect and analyze the required documentation and information in accordance with this chapter and Chapter 9202
- If the Servicer does not have delegated authority to approve the workout, the Servicer must submit the required documentation and its recommendation to Freddie Mac for review through Resolve®. Freddie Mac will review the documentation and the Servicer's recommendation and advise the Servicer of its decision. The Servicer must ensure that all approval conditions are met.

- If the Servicer does have delegated authority to approve the workout, the Servicer must evaluate the Borrower and process the workout in accordance with the Guide and other Purchase Documents

- The Servicer must perform all activities required for closing a workout within Freddie Mac's required time frames

Closing a workout is the process to complete a workout transaction. Closing includes a settlement transaction (if applicable), recording any required documents with the appropriate government jurisdiction, timely and accurately reporting the transaction to Freddie Mac, remitting all funds collected as part of the workout to Freddie Mac, and ensuring that Freddie Mac receives the Servicer's request for reimbursement of any allowable expenses within 30 days of the settlement date.

In addition to the steps described above, the Servicer must comply with the following requirements when submitting a workout solution via Resolve for approval and closing in Freddie Mac's systems, regardless of whether the workout was approved under the Servicer's delegated authority or approved by Freddie Mac through the exception process.

(b) Accuracy of data

Resolve requires the submission of specific data elements in order to return a suggested workout solution. The Servicer represents and warrants that all data input into Resolve is true, complete and accurately entered into the system.

(c) Delegation of authority to the Servicer

The Servicer may not deem Freddie Mac to have reviewed the terms of any approved workout solution for compliance with the Servicer's obligations under the Guide or other Purchase Documents or to have approved any workout or their terms based on the Servicer's use of Resolve including, without limitation:

- Resolve's generation of terms for any retention or liquidation solution,

- Freddie Mac's settlement in its systems of any retention or liquidation solution entered into by the Servicer under its delegated authority or expanded delegated authority in accordance with a Freddie Mac approval of an exception, or

- Freddie Mac's notification that the modification or liquidation transaction has been processed in Freddie Mac's systems via the Loan Modifications processed report or the Charge Off processed report, respectively

9204.5: Borrower documentation for workout options (03/02/16)

Generally, all Borrowers must submit a complete Borrower Response Package in order to be considered for a workout option under this chapter, unless otherwise specified. Section 9102.5 describes the contents of a Borrower Response Package.

9204.6: Servicer compensation for alternatives to foreclosure (08/31/23)

Servicers are eligible to receive compensation for completing certain alternatives to foreclosure. These amounts are incentives and are not considered to be base Servicing compensation. Freddie Mac may change these incentive payments at any time.

(a) Compensation for settled workouts and successful repayment plans

For eligible settled workouts and successful repayment plans, the Servicer will be compensated as follows:

Workout/ Relief Type	Incentive Amount	Comments
Repayment Plan	**$500**	To qualify for the repayment plan incentive, the following conditions must be met: ■ The Mortgage was 60 or more days delinquent at the time the Borrower entered into the repayment plan ■ The Borrower completely reinstated or paid off the Mortgage The Servicer reported the repayment plan to Freddie Mac via EDR as specified in Section 9203.11.
Payment Deferral (all types)	**$500**	

Freddie Mac Flex Modification®	**$1,000**	
Servicer incentives are capped at a total of $1000 per Mortgage for all repayment plans, Payment Deferrals and Freddie Mac Flex Modifications. Workout and relief options completed or begun prior to July 1, 2020 are not subject to the incentive cap.		
Freddie Mac Standard Short Sale and Make-Whole Preforeclosure Sales	**$2,200**	
Freddie Mac Standard Deed-in-Lieu of Foreclosure ("DIL")	**$1,500**	

Servicers should direct questions regarding the status of workout incentives to **NPL_Invoices@FreddieMac.com**.

The Servicer is not eligible to receive compensation if:

- The Mortgage was sold to Freddie Mac with recourse
- The Mortgage is insured by the FHA
- The Mortgage is guaranteed by the VA or RHS
- The Mortgage is subject to indemnification

(b) Paying compensation

Servicers must elect to receive these funds via the Automated Clearing House (ACH) by following the steps outlined in Form 1132, Authorization for Automatic Transfer of Funds Through the Automated Clearing House (ACH) For Sellers/Servicers. (See Section 2405.1 for delivery instructions for Form 1132.)

Freddie Mac will track all workouts a Servicer settles on a daily basis. Freddie Mac will also send the loan detail for all of the eligible workouts the Servicer settled and successful repayment plans that occurred during the period for which the Servicer is being compensated. Freddie Mac considers a workout settled when Freddie Mac has received and successfully

processed the documentation and received the remittance and transmission(s) specified below.

Documentation/Transmission	Mortgage Modification	Payment Deferral	Short Sale Payoff	Deed-in-Lieu of Foreclosure
Completion and transmission of loan modification settlement data or Payment Deferral settlement data in Resolve®	Required	Required		
Mortgage paid in full-prepaid (Note: Servicers should remit only the net proceeds due to Freddie Mac for a short sale payoff)			Required	
Completion and transmission of short sale settlement data in Resolve			Required	
The original negotiated promissory note(s), if applicable			Required	Required
Borrower cash contribution, if applicable			Required	Required
Foreclosure sale/DIL to report the acquisition of the property and loan-level transaction to report Mortgage as a transfer to REO				Required

Freddie Mac will determine if a Servicer is entitled to compensation for a successful repayment plan of a Mortgage that was 60 or more days delinquent based on the information the Servicer transmits to Freddie Mac via EDR and the Servicer's monthly loan-level reporting as follows. The Servicer must have:

1. Informed Freddie Mac that the Borrower has entered into a repayment plan (default action code 12)

2. Notified Freddie Mac that the Mortgage is current or is paid in full

9204.7: Prohibition of certain Borrower fees; non-refusal of workout options due to late charges (03/02/16)

The Servicer may not charge any additional fees to the Borrower other than those provided for in Freddie Mac's relief and workout options. The Servicer may not refuse to consider a workout option or require payment of accrued late charges as a condition of doing a workout.

9204.8: Mortgage insurance claims (03/02/16)

Freddie Mac will file a claim for loss with the MI if the Mortgage is covered by mortgage insurance and Freddie Mac will manage the claims payment process with the MI. The Servicer must provide all information and documentation pertaining to the claim to the MI no later than 60 days after the foreclosure sale, short sale or acceptance of a deed-in-lieu of foreclosure, or within any shorter time frame as specified by the mortgage insurance master policy or by Freddie Mac.

If the MI reduces, suspends or denies the claim due to the Servicer's actions or inactions including, but not limited to, failure to comply with the Guide or applicable mortgage insurance requirements, then Freddie Mac may exercise its remedies provided by the Guide and the other Purchase Documents for the amount that is reduced, suspended or denied. Refer to Chapter 3602 regarding repurchases, repurchase alternatives and other remedies.

Chapter 9205: Home Affordable Modification Program

9205.1: Home Affordable Modification Program overview (06/14/23)

This chapter provides Servicing requirements with respect to those Borrowers who received a modification under the Home Affordable Modification Program℠ (HAMP®). Servicers may no longer evaluate Borrowers for a HAMP Trial Period Plan or enter into a HAMP modification agreement with a Borrower.

The following topics are covered in this chapter (some topics may have been deleted due to HAMP retirement):

Topic	Section
HAMP documentation (deleted)	9205.2
Delegation of authority and HAMP waivers, Supplemental Directives, Frequently Asked Questions and issues logs (deleted)	9205.3
Eligibility (deleted)	9205.4
Step-Rate Mortgages (deleted)	9205.5
Verification of eligibility (deleted)	9205.6
Determining imminent default (deleted)	9205.7
Underwriting the Borrower (deleted)	9205.8
Modification process (deleted)	9205.9
Foreclosure actions and Borrowers in bankruptcy (deleted)	9205.10
Transfers of Servicing and document retention requirements	9205.11
HAMP incentives (deleted)	9205.12

Topic	Section
Special investor reporting and remitting requirements	9205.13
HAMP activity reporting requirements (deleted)	9205.14
Disclosures and communications with Borrowers (deleted)	9205.15
Fair treatment and legal compliance	9205.16
Responsiveness to Borrower inquiries (deleted)	9205.17
Compliance (deleted)	9205.18
Special requirements for Mortgages with a second mortgage lien (deleted)	9205.19
Electronic Transactions	9205.20

9205.2: HAMP documentation (04/11/18)

Effective April 11, 2018, this section is deleted.

9205.3: Delegation of authority and HAMP waivers, Supplemental Directives, Frequently Asked Questions and issues logs (06/14/23)

Effective June 14, 2023, this section is deleted.

9205.4: Eligibility for HAMP (04/11/18)

Effective April 11, 2018, this section is deleted.

9205.5: Step-Rate Mortgages modified under HAMP (06/14/23)

Effective June 14, 2023, this section is deleted.

9205.6: Verification of eligibility for HAMP (04/11/18)

Effective April 11, 2018, this section is deleted.

9205.7: Determining imminent default (04/11/18)

Effective April 11, 2018, this section is deleted.

9205.8: Underwriting the Borrower for HAMP (04/11/18)

Effective April 11, 2018, this section is deleted.

9205.9: Modification process for HAMP (04/11/18)

Effective April 11, 2018, this section is deleted.

9205.10: Foreclosure actions and Borrowers in bankruptcy (04/11/18)

Effective April 11, 2018, this section is deleted.

9205.11: Transfers of Servicing and document retention requirements (06/14/23)

(a) Transfers of Servicing

When a Transfer of Servicing includes Mortgages modified under HAMP, the Transferor Servicer must provide special notification to the Transferee Servicer. Specifically, the

Transferor Servicer must advise the Transferee Servicer that Mortgages modified under HAMP are part of the portfolio being transferred and must confirm that the Transferee Servicer is aware of and agrees to assume the additional responsibilities associated with the Servicing of these Mortgages.

If the portfolio being transferred includes Mortgages modified under HAMP, the Transferor Servicer must so indicate in the Servicing Transfer Manager tool (see Exhibit 88, Servicing Tools) as part of its request for Freddie Mac's approval for the Subsequent Transfer of Servicing. In addition, the Servicer must indicate whether the transfer includes modified Mortgages that have a step-rate provision (i.e., the interest rate is subject to incremental increases beginning in year 6 of the modification) or a partial principal forbearance.

If the portfolio being transferred includes Mortgages that have been modified electronically, the Transferor Servicer must so indicate that the eModification Agreement is Electronic (as defined in Section 1402.1), provide a list of such Mortgages and indicate the name of the repository holding the eModification Agreement.

Servicers must comply with all other requirements with respect to Transfers of Servicing provided under Chapter 7101.

(b) Document retention requirements

Servicers must retain all documents and information received during the process of determining Borrower eligibility for a modification under HAMP, including the Borrower Response Package, total monthly Mortgage payment and total monthly gross debt payment calculations, NPV calculations and results (Treasury NPV Model and version used, assumptions, inputs and outputs), evidence of the Servicer's application of each step of the waterfall, Escrow analysis, Escrow advances, and Escrow set up. Servicers must retain all documents and information related to the monthly payments during and after the Trial Period, as well as incentive payment calculations and such other required documents.

All documents, records, data and information required to be maintained by the Servicer under this Chapter 9205 are, will be, and will remain at all times, the property of Freddie Mac. The Servicer must retain such documents, records, data and information in a custodial capacity and otherwise comply with the Mortgage file retention requirements set forth in Chapter 3302. All documents required to be maintained under this Chapter 9205 must be maintained in the Mortgage file.

As it relates to imminent default, a Servicer must have documented in its servicing system the basis for its determination that a Borrower is in imminent default and retain all documentation and data used to reach its conclusion. The Servicer's documentation must also include any Imminent Default Indicator® input and output files and data.

Servicers must retain detailed records of Borrower solicitations or Borrower-initiated inquiries regarding HAMP, the outcome of the evaluation for modification under HAMP and

specific justification with supporting details if the Borrower was determined to be ineligible for a modification under HAMP.

Servicers must maintain appropriate documentary evidence of their HAMP-related activities, including, but not limited to, the following:

- The Servicer's process for pre-screening non-performing Mortgages against the basic HAMP requirements
- All HAMP-related communications, whether verbal or written, with or to the Borrower or person identified in a written authorization by the Borrower and provided to the Servicer in accordance with Section 9102.5(c) (Authorized Person) (including, but not limited to, the dates of communications, names of contact person(s), and a summary of the conversation), including any e-mail correspondence to or from the Borrower or Authorized Person
- Phone contact with Borrowers or Authorized Persons relating to HAMP
- Policies and procedures that include HAMP-related activities
- Training materials relating to HAMP
- Pre-screening of Mortgages for HAMP prior to referring any Mortgage to foreclosure or conducting scheduled foreclosure sales
- Postponement of scheduled foreclosure sales in applicable scenarios
- Substitution of income documents for Borrowers in active Chapter 7 or Chapter 13 bankruptcy
- Certification prior to foreclosure sale
- Evidence of receipt of the Borrower Response Package from a Borrower
- Any reports, memoranda, or other documentation relating to HAMP
- The decision-making process when applying good business judgment in accordance with HAMP and, where applicable, referencing the Servicer's associated policies and procedures

With respect to phone contact with Borrowers or Authorized Persons related to HAMP, well-documented Servicer system notes (including, but not limited to date, names of contact persons, and a summary of the conversation) constitute appropriate documentation. Written correspondence should be retained in the Mortgage file and made available upon request by Freddie Mac.

Records must also be retained to document the reason(s) for a Borrower's failure to successfully complete the Trial Period. If a HAMP modification is not pursued because the NPV test result is negative, the Servicer must document its consideration of other alternatives to foreclosure. If a Borrower under a HAMP modification loses good standing by becoming 90 days or more past due (e.g., three monthly payments are due and unpaid on the last day of the third month), the Servicer must retain documentation of its consideration of the Borrower for other loss mitigation alternatives.

With respect to requirements related to the request for Borrower and co-Borrower information for government monitoring purposes, the Servicer must retain the appropriate documentation in the Mortgage file.

Servicers must retain required documents for the period set forth in Section 3302.3.

If the Mortgage is subject to an indemnification agreement, the Servicer must remit to Freddie Mac an annual payment for the amount of all modification-related costs (e.g., interest rate shortfall) as calculated by Freddie Mac pursuant to Freddie Mac's "Modification Loss Amount" methodology. The Modification Loss Amounts due will be calculated on a monthly basis and billed on an annual basis for the life of the modified Mortgage. If the Mortgage is subject to a partial indemnification, each year the Servicer will be billed the appropriate percentage of the Modification Loss Amount that corresponds with the partial indemnification agreement. Modification Loss Amounts will be determined by Freddie Mac in accordance with a process described in Bulletins 2016-5 and 2017-1.

NOTE: Pursuant to Section 9204.6, the Servicer is not eligible to receive an incentive for completing a modification on a Mortgage that is subject to an indemnification agreement.

9205.12: HAMP incentives (06/14/23)

Effective June 14, 2023, this section is deleted.

9205.13: Special investor reporting requirements for Mortgages modified under HAMP (06/14/23)

(a) Monthly reporting

In addition to the loan-level reporting requirements for all Mortgages pursuant to Chapter 8303 and Exhibit 60, Loan-Level Reporting Data Description, Servicers must comply with the following monthly loan-level reporting requirements for all Mortgages modified under HAMP, including Mortgages with a partial principal forbearance:

Data Field	Description
Current UPB	**For all Mortgages**, this is the UPB of the Mortgage as of the end of the Accounting Cycle. **For Mortgages with partial principal forbearance**, the reported UPB must equal the sum of the interest-bearing UPB (the amortizing principal balance of the Mortgage) (the "interest-bearing UPB") and the principal forbearance balance ("deferred UPB"), as of the end of the Accounting Cycle.
Interest-bearing UPB	**For Mortgages with partial principal forbearance,** report the amount of the interest-bearing UPB (the amortizing principal balance of the Mortgage) as of the end of the Accounting Cycle. (Note: Monthly "Interest Due Freddie Mac" must be calculated and reported based on the interest-bearing UPB only.
Deferred UPB	**For Mortgages with partial principal forbearance,** report the amount of deferred UPB as of the end of the Accounting Cycle. (Note: The deferred UPB is non-interest-bearing and non-amortizing, and will be due in the form of a balloon payment upon the earlier of the transfer of all or a portion of the property, the payoff of the interest-bearing UPB, or the new maturity date of the modified Mortgage.)
Borrower incentive curtailment (BIC)	**For all Mortgages modified under HAMP,** report the amount of any Borrower "Pay for Performance" incentive payments paid by Freddie Mac and applied to the UPB during the Accounting Cycle. This is reported to Freddie Mac only once a year for each eligible Mortgage. (Note: The Borrower Pay for Performance incentive is paid once a year and must be applied upon receipt to the interest-bearing UPB of the Mortgage and then to any principal forbearance amount (i.e., Deferred UPB), if applicable. (See Sections 9205.12(b) and 9205.13(c) for additional information.)

Data Field	Description
Principal Due Freddie Mac	**For all Mortgages**, Freddie Mac's share of principal payments, including prepayments of principal (i.e., curtailments) applied to the interest-bearing UPB of the Mortgage during the Accounting Cycle. (Note: This field does not include curtailments resulting from the Borrower's Pay for Performance incentive payment.)
Deferred Principal Curtailment Amount	**For Mortgages with partial principal forbearance,** report the amount of any principal curtailment applied to the deferred UPB during the Accounting Cycle. This amount must be included in the "Deferred UPB" field. (See Section 9205.13(c) below for additional information on the application of partial prepayments of principal.)

Reporting corrections

Servicers must comply with the requirements of Section 8303.24 in the event of an understatement or overstatement of principal reduction to either the interest-bearing UPB or the deferred UPB.

In the event of an overpayment of disbursed funds to the Servicer, a correction of such overpayment will result in a draft back of any funds owed to Freddie Mac. If a previously applied BIC payment must be reduced or reversed, the UPB of the Mortgage will be increased in the same manner in which the BIC payment was previously applied. That is, if the BIC payment was applied as a reduction to the interest-bearing UPB, then the Servicer must report an increase in the interest-bearing UPB for the amount of the correction, using the principal balance correction exception code. (Refer to Exhibit 60 for information on reporting a principal balance correction exception code.)

(b) Interim reporting and drafting requirements for a payoff of a Mortgage with partial principal forbearance

Servicers must comply with the applicable interim reporting requirements set forth in Chapter 8303 except that, when reporting the payoff of a Mortgage with a partial principal forbearance, Servicers must also comply with the following:

- The Current UPB, Interest-bearing UPB and Deferred UPB fields must be reported as zero
- The amount of deferred UPB as reported at the end of the previous Accounting Cycle must be reported in the "Deferred Principal Curtailment Amount" field

- Ensure funds equivalent to the amount of the current UPB (i.e., combined interest-bearing UPB and deferred UPB) as reported in the previous Accounting Cycle, plus or minus the exception interest, are available for Freddie Mac to draft on the Payoff Draft Date. Exception interest, as defined in Section 8303.1, must be based on the interest-bearing UPB only.

  Servicers must calculate payoff proceeds in accordance with the following:

	Interest-Bearing UPB
+	Deferred UPB
+ /-	Borrower Incentive Curtailment Amount (if applicable)
+/-	Exception interest (calculated based on the interest-bearing UPB)
=	Proceeds due Freddie Mac

(c) Application of partial prepayments of principal and HAMP Pay for Performance or HAMP Year Six Pay for Performance incentives

The Servicer must apply a HAMP Pay for Performance incentive or a HAMP Year Six Pay for Performance incentive as a principal curtailment in accordance with the following requirements:

If the principal curtailment…	Then the Servicer must apply the funds…
Is less than the interest-bearing UPB	To the interest-bearing UPB
Is greater than or equal to the interest-bearing UPB	In the following order to the: 1. Deferred UPB, if any, and then 2. Interest-bearing UPB Note: After applying a HAMP Pay for Performance incentive or a HAMP Year Six Pay for Performance incentive in the above order, the Servicer must remit any remaining incentive payment directly to the Borrower.

Servicers must report the amount of any curtailment applied to the deferred UPB during the Accounting Cycle in the "Deferred Principal Curtailment Amount" data field.

(d) Monthly statements

Freddie Mac recommends the Servicer include the amount of the deferred UPB and the combined interest-bearing and deferred UPBs on the Borrower's monthly statement.

(e) Credit bureau reporting for all Mortgages with a partial principal forbearance

Servicers can access additional information on credit reporting unique to HAMP including the reporting of Mortgages with a partial principal forbearance from the Consumer Data Industry Association, which gives general credit reporting guidelines for Mortgage and home equity loans in response to current financial conditions, at **http://www.cdiaonline.org.**

9205.14: HAMP activity reporting requirements (06/14/23)

Effective June 14, 2023, this section is deleted.

9205.15: Disclosures and communications with Borrowers (04/11/18)

Effective April 11, 2018, this section is deleted.

9205.16: Compliance with applicable law on Mortgages modified under HAMP (04/11/18)

The Servicer's implementation of HAMP and all actions taken under this chapter must comply with all applicable federal, State and local laws and regulations including, but not limited to, those laws set forth in Section 1301.2.

9205.17: Responsiveness to Borrower inquiries (06/14/23)

Effective June 14, 2023, this section is deleted.

9205.18: Servicer compliance with HAMP requirements (06/14/23)

Effective June 14, 2023, this section is deleted.

9205.19: Special HAMP requirements for Mortgages with a second mortgage lien (04/11/18)

Effective April 11, 2018, this section is deleted.

9205.20: HAMP electronic modification (04/11/18)

Servicers should refer to Chapter 1401 for the definition of the following terms used in this section:

- Electronic
- Electronic Record
- Electronic Signature
- Electronic Transaction

(a) Electronic HAMP documents

In lieu of having the Servicer or Borrower, as applicable, prepare, sign and return paper documents, certain documents may be prepared, signed and sent electronically by a Servicer to the Borrower or by a Borrower to the Servicer, provided such Electronic Transactions comply with the requirements of Chapter 1401 and this section. With the exception of IRS Form 4506T-EZ, Short Form Request for Individual Tax Return Transcript, or IRS Form 4506-T, Request for Transcript of Tax Return, all documentation required to be prepared, signed or sent by either the Servicer or the Borrower under HAMP are considered "loss mitigation documents" for purposes of Section 1401.17. Refer to Section 9205.20(b) for additional requirements related to the Home Affordable Modification Agreement (the HAMP eModification Agreement).

All Electronic loss mitigation documents, and any other Electronic Mortgage file documents are Electronic Records, and must be capable of being retrieved and printed in a manner that accurately reflects the information originally contained in the Electronic Records. All Electronic Records must be accessible (either electronically or on paper) and promptly made available to Freddie Mac upon request.

(b) HAMP eModification agreements

(i) Special representations and warranties

A Servicer that allowed Borrowers to receive, transmit or electronically sign a HAMP eModification Agreement represents and warrants to Freddie Mac that it has complied with the requirements of the Guide and that the HAMP eModification Agreement is authentic, its terms are valid and enforceable against the Borrower, and the Mortgage maintains a First Lien position.

(ii) General requirements applicable to all Freddie Mac HAMP eModification Agreements

Servicers must:

- Store HAMP eModification Agreements of Freddie Mac-owned Mortgages electronically under no less stringent requirements than the Servicer follows when electronically storing its own mortgages in its portfolio

- Consult with their legal counsel to ensure that the Servicer's use and storage of a HAMP eModification Agreement complies with all applicable federal, State and local laws, including, without limitation, the federal Electronic Signatures in Global and National Commerce ("E-SIGN") Act and/or the Uniform Electronic Transactions Act (UETA), as enacted in the local jurisdiction, the Gramm-Leach-Bliley Act, and its implementing regulations, and other applicable privacy, disclosure, and data security laws and regulations

- Provide for Electronic notarization when required, subject to applicable law

- Be able to comply with all Guide requirements to service the Mortgage, as modified by a HAMP eModification Agreement, including, but not limited to, Servicing obligations related to payoff (e.g., cancelation of the Mortgage, Note and HAMP eModification Agreement), grant of a deed-in-lieu of foreclosure, foreclosure, repurchase of an electronically modified Mortgage, and litigation

- Notify Freddie Mac when initiating legal action, including foreclosure, on a Mortgage that has been electronically modified, and further, must use counsel that has the experience or demonstrated ability to enforce claims under electronically created Mortgages, Notes or other financial instruments

(iii) Additional requirements when the HAMP Modification Agreement must be recorded or in recordable format

If, at the time a Servicer entered into a HAMP Modification Agreement, Freddie Mac required the HAMP Modification Agreement to be recorded or in recordable format, a Servicer must record any HAMP eModification Agreement in compliance with the recording jurisdiction's recordation and electronic format requirements in order to ensure compliance with the Servicer's obligations under Section 9206.12.

(iv) Document custodial requirements

If recordation of a HAMP eModification Agreement that is in recordable format is required, the Servicer must provide a copy of the recorded HAMP eModification Agreement or a copy of any evidence of recordation together with a copy of the executed HAMP eModification Agreement to its Document Custodian in accordance with the requirements in Section 1401.15 applicable to recordation of an Electronic Record.

(v) Storage and safekeeping of HAMP eModification Agreements

HAMP eModification Agreements (including printed paper copies of facsimiles of HAMP eModification Agreements) must be stored in accordance with the Guide requirements for storing Mortgage file documents. HAMP eModification Agreements must be associated with all paper Mortgage file documents so that all Servicing records (both paper and electronic) are identified with, and associated to, the particular Mortgage transaction.

(vi) Transfers of Servicing

For requirements related to the Transfers of Servicing of an eModification, refer to Section 9205.11(a).

(vii) Data security requirements and data privacy protection

Servicers must follow the data security requirements in Sections 1302.2 and 1401.5 and the data privacy protection standards in Section 8101.8. Servicers are required to maintain their Servicing records storage system and conduct periodic information security reviews of the data stored and maintained in their Servicing records storage system based on, but not limited to, applicable federal, State and local laws and regulations and the Guide.

Freddie Mac reserves the right to require a Servicer to implement additional security measures regarding its Servicing records storage system.

(viii) Disaster Recovery/Business Continuity Plan

Servicers must create and maintain a Disaster Recovery/Business Continuity Plan (DR/BCP) that includes a backup storage site that is not susceptible to the same types of major disasters as the primary storage site. The DR/BCP must provide for recovery of functionality, availability, and data services back to the point of failure within a commercially reasonable period of time (usually within 48 hours of a disaster).

9205.21: Authorized services under the Amended Servicer Participation Agreement (06/14/23)

Effective June 14, 2023, this section is deleted.

Chapter 9206: Modifications

9206.1: What is a loan modification? (03/02/16)

A modification is a written agreement that the Servicer enters into with the Borrower that permanently changes one or more of the original terms of the Note, such as:

1. An increase in the amount of the UPB caused by capitalization of interest or non-interest arrearages, Escrow amounts and/or other advances

2. A change in the Note Rate

3. A change in the monthly payment

4. A change in the maturity date

5. A forbearance of a portion of the principal balance (no write-off or permanent reduction of the UPB, delinquent interest or other non-interest arrearages of the Mortgage is allowed)

6. Change in the product type (e.g., an ARM to a fixed-rate Mortgage)

9206.2: When to consider a Freddie Mac Flex Modification® (11/01/24)

See Bulletins 2024-E and 2024-8 for updates related to Freddie Mac Flex Modifications®. Servicers are encouraged to begin implementation of Freddie Mac Flex Modifications before the mandatory December 1, 2024 effective date.

The Servicer must evaluate the Borrower for a Freddie Mac Flex Modification under this chapter in accordance with the evaluation hierarchy in Section 9201.2.

Unless otherwise notified by Freddie Mac, all Freddie Mac Servicers are delegated to approve, and must offer, a Freddie Mac Flex Modification to eligible Borrowers in accordance with the requirements of the Guide and other applicable Purchase Documents. Refer to Section 1301.2(i) for additional information about delegated authority and adverse action notice requirements.

9206.2: When to consider a Freddie Mac Flex Modification® (Future effective date 12/01/24)

The Servicer must evaluate the Borrower for a Freddie Mac Flex Modification® under Chapter 9206 in accordance with the evaluation hierarchy in Section 9201.2.

Unless otherwise notified by Freddie Mac, all Freddie Mac Servicers are delegated to approve, and must offer, a Freddie Mac Flex Modification to eligible Borrowers in accordance with the requirements of the Guide and other applicable Purchase Documents. Refer to Section 1301.2(i) for additional information about delegated authority and adverse action notice requirements.

9206.3: Freddie Mac Streamlined Modification (10/01/17)

Effective October 1, 2017, the content of this section has moved to Section 9206.5(c), with updates made to reflect the Freddie Mac Flex Modification®.

9206.4: Capitalization and Extension Modification for Disaster Relief (10/01/20)

Effective October 1, 2020, the Capitalization and Extension Modification for Disaster Relief is no longer available due to the implementation of the Payment Deferral for Disaster Relief. See Section 9203.26 for requirements.

9206.5: Eligibility requirements for a Freddie Mac Flex Modification® (11/01/24)

See Bulletins 2024-E and 2024-8 for updates related to Freddie Mac Flex Modifications®. Servicers are encouraged to begin implementation of Freddie Mac Flex Modifications before the mandatory December 1, 2024 effective date.

To be eligible for a Freddie Mac Flex Modification, the Servicer must ensure that the following Borrower and Mortgage eligibility requirements are met and that the Mortgage is not otherwise excluded from eligibility as set forth in Section 9206.6.

If any of the eligibility requirements are not met, but the Servicer believes, based on an evaluation of a complete Borrower Response Package, that the Borrower should be considered for a Freddie Mac Flex Modification, the Servicer must transmit the exception request via Resolve® to Freddie Mac. Refer to Section 9206.10 for additional information on Resolve.

In addition, if there is a Risk of Property Ownership (see Section 9202.5) and the Mortgage is not otherwise eligible for a Freddie Mac Flex Modification, the Servicer may submit a recommendation to Freddie Mac to consider a Freddie Mac Flex Modification.

In the event Freddie Mac participated in evaluating a Borrower for a Freddie Mac Flex Modification and Freddie Mac denied the request, the Servicer must refer to Section 1301.2(i) for more information on adverse action notices that must be provided to the Borrower on behalf of Freddie Mac under certain limited circumstances.

(a) Borrower eligibility

The Borrower must:

- Submit a complete Borrower Response Package and:
  - Have an eligible hardship as described in Section 9202.2. The hardship must currently be causing or be expected to cause a long-term or permanent decrease in the Borrower's income or increase in the Borrower's expenses. **Note: Unemployment is considered a temporary hardship. Servicers must consider unemployed Borrowers for a forbearance plan under Sections 9203.12 through 9203.17.**
  - Have verified income
- Be 60 days or more delinquent. However, a Borrower who is current or less than 60 days delinquent **and** at least one Borrower occupies the property as a Primary Residence is also eligible provided the Borrower is first determined to be in imminent default in accordance with Section 9206.7.

(b) Mortgage eligibility

- The Mortgage must have been originated at least 12 months prior to the evaluation date for the Freddie Mac Flex Modification
- The Mortgage must be a conventional First Lien Mortgage currently owned or guaranteed in whole or in part by Freddie Mac
- The Freddie Mac Flex Modification must result in a principal and interest (P&I) payment that is less than or equal to the pre-modification P&I payment. (Refer to Section 9206.10 for additional payment reduction requirements that may apply.)

  When determining whether the modification results in a P&I payment that is less than or equal to the pre-modification P&I payment, the Servicer must consider the following:

  - If the Borrower has been granted interest rate relief under the Servicemembers Civil Relief Act (SCRA), the Servicer must consider the P&I payment in effect prior to the

date the SCRA relief was granted rather than the temporarily reduced monthly payment based on the SCRA interest rate cap

- ❑ If the Mortgage being modified is an ARM or an interest-only Mortgage, the Servicer must consider the P&I payment, or interest only payment, as applicable, in effect at the time the Servicer determines eligibility for a Freddie Mac Flex Modification Trial Period Plan

- ■ If the Mortgage is subject to an indemnification agreement and is otherwise eligible under the requirements of this chapter, the Servicer has discretion to approve the mortgage modification provided the following conditions are met:

  - ❑ The modified Mortgage retains its credit enhancement

  - ❑ If the Servicer is not the credit enhancement provider, the Servicer must first obtain in writing any required approval under the terms of the credit enhancement from the entity providing the enhancement to enter into a modification agreement that complies with the requirements of this chapter; and

  - ❑ The Servicer remits to Freddie Mac an annual payment for the amount of all modification-related costs (e.g., interest rate shortfall) as calculated by Freddie Mac pursuant to Freddie Mac's "Modification Loss Amount" methodology. The Modification Loss Amounts due will be calculated on a monthly basis, and billed on an annual basis for the life of the modified Mortgage. If the Mortgage is subject to a partial indemnification, each year the Servicer will be billed the appropriate percentage of the Modification Loss Amount that corresponds with the partial indemnification agreement. Modification Loss Amounts will be determined by Freddie Mac in accordance with a process described in Bulletins 2016-5 and 2021-14.

  Note: Pursuant to Section 9204.6, the Servicer is not eligible to receive an incentive for completing a modification on a Mortgage that is subject to an indemnification agreement.

- ■ If the Mortgage is secured by a leasehold estate, the term of the lease (or any exercised option to renew the lease, or any renewal options that are enforceable by the leasehold mortgagee, whichever is applicable) must not terminate earlier than five years after the maturity date of the proposed modified Mortgage. In the event that the current term of the lease (or applicable renewal options) terminates earlier than five years after the maturity date of the proposed modified Mortgage, the term of the lease must be renegotiated in order to satisfy this requirement prior to offering the Borrower a Trial Period Plan.

Servicers must refer to the special requirements in Section 9206.5(e) for Borrowers who experience a hardship as a result of an Eligible Disaster and who were current or less than 31 days delinquent as of the date of the disaster.

(c) Streamlined eligibility for certain Borrowers

Certain eligibility exceptions apply for a Borrower who:

- Is 90 days delinquent or greater; or
- Has a Step-Rate Mortgage and:
  - Becomes 60 days delinquent within the 12 months following the first payment due date resulting from an interest rate adjustment
  - Has not submitted a complete Borrower Response Package

For these Borrowers, the eligibility requirements in Section 9206.5(a) are not applicable. In these instances, a Borrower Response Package is not required, and the Servicer is not required to confirm a Borrower's hardship or income. The Servicer must continue to comply with the requirements in Section 9206.5(b) and Section 9206.6 to determine eligibility.

The Servicer must offer an eligible Borrower who (i) becomes 90 days delinquent, or (ii) has a Step-Rate Mortgage and becomes 60 days delinquent within the 12 months following the first payment due date resulting from an interest rate adjustment, an offer for a Freddie Mac Flex Modification Trial Period Plan in accordance with the solicitation requirements in Section 9102.5. Before offering such Borrower a Freddie Mac Flex Modification Trial Period Plan, Servicers must either obtain the applicable MI's approval of the terms of each modification on a case-by-case basis, or ensure that the applicable MI has provided a delegation of authority that applies to the requested modification.

Note: Borrowers who reach the applicable Delinquency threshold for a streamlined offer for a Freddie Mac Flex Modification remain eligible for the Freddie Mac Flex Modification even if one or more payments is subsequently received, resulting in the Borrower becoming less delinquent than the eligible Delinquency threshold. In these instances, the Servicer must provide the eligible Borrower a streamlined offer for a Freddie Mac Flex Modification within the required time frame, provided the Borrower's payments has not resulted in the full reinstatement of the Mortgage.

Refer to Section 9102.5 for additional information on solicitation of delinquent Borrowers.

(d) Complete Borrower Response Package received

If the Borrower submits a complete Borrower Response Package prior to the Borrower becoming 90 days delinquent, the Servicer must acknowledge receipt of the package and review it in accordance with the evaluation hierarchy found in Section 9201.2.

The Servicer must send an eligible Borrower an offer for a Freddie Mac Flex Modification in accordance with the requirements of Section 9206.5(c) once the Borrower reaches the applicable Delinquency threshold if:

- The Servicer has not received a complete Borrower Response Package, or

- The Servicer previously conducted an evaluation of a complete Borrower Response Package and determined that the Borrower was not eligible for any alternative to foreclosure, or

- The Borrower has rejected all other alternatives to foreclosure offered by the Servicer

In addition, if a Borrower with a Step-Rate Mortgage submits a complete Borrower Response Package prior to becoming 90 days delinquent, and the Borrower has not yet accepted the offer for a Freddie Mac Flex Modification, the Servicer must complete its review of the package for all alternatives to foreclosure in accordance with the Guide. However, if the Borrower has accepted the existing Trial Period Plan offer, the Servicer must determine if the Borrower is eligible for additional payment relief as a result of the post modification housing expense to income ratio (PMHTI) component of the Freddie Mac Flex Modification terms described in Section 9206.10. If the Borrower is eligible for additional payment relief, then the Servicer must permit the Borrower to continue making the existing Trial Period Plan payments, but must update the modification agreement to reflect the lower payment amount. The post modification P&I must reflect the lower payment amount in these instances.

(e) Special requirements for Borrowers impacted by an Eligible Disaster

The requirements of this Section 9206.5(e) apply to Borrowers who were current or less than 60 days delinquent as of the date the Eligible Disaster occurred and experienced a hardship as a result of the Eligible Disaster.

The following special requirements apply when the Freddie Mac Flex Modification is offered as a result of the Borrower experiencing a hardship as the result of an Eligible Disaster:

- The Servicer is not required to have previously solicited the Borrower for a foreclosure prevention alternative

- The following Mortgages are ineligible for a Freddie Mac Flex Modification. These exclusions are in lieu of the exclusions described in Section 9206.5(b) above.

  - The Mortgage is an FHA, VA or Guaranteed Rural Housing Mortgage

  - The Mortgage is subject to recourse

  - With the exception of a disaster-related forbearance plan, the Mortgage is currently performing under another forbearance plan, Trial Period Plan or repayment plan

  - The Mortgage is subject to an approved short sale or deed-in-lieu of foreclosure

- ❑ The Mortgage is currently subject to an unexpired offer to the Borrower for another modification or other foreclosure prevention alternative, such as a non-disaster-related forbearance or repayment plan

If the Servicer was not collecting Escrows on the existing Mortgage, the Borrower is not required to establish an Escrow account as a condition of the modification unless otherwise required by applicable law, or the Servicer confirms that the taxes and insurance premiums have not been paid and are past due.

For special requirements related to solicitations for streamlined offers for Freddie Mac Flex Modifications for certain Borrowers, the Servicer must refer to Section 9203.26. If the Borrower is ineligible for streamlined offers under the requirements of Section 9203.26 and this section but is at least 90 days delinquent, the Servicer must evaluate the Borrower in accordance with the requirements of 9206.5(c).

9206.5: Eligibility requirements for a Freddie Mac Flex Modification® (Future effective date 12/01/24)

To be eligible for a Freddie Mac Flex Modification®, the Servicer must ensure that the following Borrower and Mortgage eligibility requirements are met and that the Mortgage is not otherwise excluded from eligibility as set forth in Section 9206.6.

If any of the eligibility requirements are not met, but the Servicer believes, based on an evaluation of a complete Borrower Response Package, that the Borrower should be considered for a Freddie Mac Flex Modification, the Servicer must transmit the exception request via Resolve® to Freddie Mac. Refer to Section 9206.10 for additional information on Resolve.

In addition, if there is a Risk of Property Ownership (see Section 9202.5) and the Mortgage is not otherwise eligible for a Freddie Mac Flex Modification, the Servicer may submit a recommendation to Freddie Mac to consider a Freddie Mac Flex Modification.

In the event Freddie Mac participated in evaluating a Borrower for a Freddie Mac Flex Modification and Freddie Mac denied the request, the Servicer must refer to Section 1301.2(i) for more information on adverse action notices that must be provided to the Borrower on behalf of Freddie Mac under certain limited circumstances.

(a) Borrower eligibility

The Borrower must:

- ■ Submit a complete Borrower Response Package and:
  - ❑ Have an eligible hardship as described in Section 9202.2. The hardship must currently be causing or be expected to cause a long-term or permanent decrease in the

Borrower's income or increase in the Borrower's expenses. **Note: Unemployment is considered a temporary hardship. Servicers must consider unemployed Borrowers for a forbearance plan under Sections 9203.12 through 9203.17.**

- ❑ Have verified income

- Be 60 days or more delinquent. However, a Borrower who is current or less than 60 days delinquent **and** at least one Borrower occupies the property as a Primary Residence is also eligible provided the Borrower is first determined to be in imminent default in accordance with Section 9206.7.

(b) Mortgage eligibility

- The Mortgage must have been originated at least 12 months prior to the evaluation date for the Freddie Mac Flex Modification

- The Mortgage must be a conventional First Lien Mortgage currently owned or guaranteed in whole or in part by Freddie Mac

- The Freddie Mac Flex Modification must result in a principal and interest (P&I) payment that is less than or equal to the pre-modification P&I payment. (Refer to Section 9206.10 for additional payment reduction requirements that may apply.)

  When determining whether the modification results in a P&I payment that is less than or equal to the pre-modification P&I payment, the Servicer must consider the following:

  - ❑ If the Borrower has been granted interest rate relief under the Servicemembers Civil Relief Act (SCRA), the Servicer must consider the P&I payment in effect prior to the date the SCRA relief was granted rather than the temporarily reduced monthly payment based on the SCRA interest rate cap

  - ❑ If the Mortgage being modified is an ARM or an interest-only Mortgage, the Servicer must consider the P&I payment, or interest only payment, as applicable, in effect at the time the Servicer determines eligibility for a Freddie Mac Flex Modification Trial Period Plan

- If the Mortgage is subject to an indemnification agreement and is otherwise eligible under the requirements of this chapter, the Servicer has discretion to approve the mortgage modification provided the following conditions are met:

  - ❑ The modified Mortgage retains its credit enhancement

  - ❑ If the Servicer is not the credit enhancement provider, the Servicer must first obtain in writing any required approval under the terms of the credit enhancement from the entity providing the enhancement to enter into a modification agreement that complies with the requirements of this chapter; and

- ❑ The Servicer remits to Freddie Mac an annual payment for the amount of all modification-related costs (e.g., interest rate shortfall) as calculated by Freddie Mac pursuant to Freddie Mac's "Modification Loss Amount" methodology. The Modification Loss Amounts due will be calculated on a monthly basis, and billed on an annual basis for the life of the modified Mortgage. If the Mortgage is subject to a partial indemnification, each year the Servicer will be billed the appropriate percentage of the Modification Loss Amount that corresponds with the partial indemnification agreement. Modification Loss Amounts will be determined by Freddie Mac in accordance with a process described in Bulletins 2016-5 and 2021-14.

Note: Pursuant to Section 9204.6, the Servicer is not eligible to receive an incentive for completing a modification on a Mortgage that is subject to an indemnification agreement.

- ■ If the Mortgage is secured by a leasehold estate, the term of the lease (or any exercised option to renew the lease, or any renewal options that are enforceable by the leasehold mortgagee, whichever is applicable) must not terminate earlier than five years after the maturity date of the proposed modified Mortgage. In the event that the current term of the lease (or applicable renewal options) terminates earlier than five years after the maturity date of the proposed modified Mortgage, the term of the lease must be renegotiated in order to satisfy this requirement prior to offering the Borrower a Trial Period Plan.

Servicers must refer to the special requirements in Section 9206.5(e) for Borrowers who experience a hardship as a result of an Eligible Disaster and who were current or less than 31 days delinquent as of the date of the disaster.

(c) Streamlined eligibility for certain Borrowers

Certain eligibility exceptions apply for a Borrower who:

- ■ Is 90 days delinquent or greater; or
- ■ Has a Step-Rate Mortgage and:
  - ❑ Becomes 60 days delinquent within the 12 months following the first payment due date resulting from an interest rate adjustment
  - ❑ Has not submitted a complete Borrower Response Package

For these Borrowers, the eligibility requirements in Section 9206.5(a) are not applicable. In these instances, a Borrower Response Package is not required, and the Servicer is not required to confirm a Borrower's hardship or income. The Servicer must continue to comply with the requirements in Section 9206.5(b) and Section 9206.6 to determine eligibility.

The Servicer must offer an eligible Borrower who (i) becomes 90 days delinquent, or (ii) has a Step-Rate Mortgage and becomes 60 days delinquent within the 12 months following the

first payment due date resulting from an interest rate adjustment, an offer for a Freddie Mac Flex Modification Trial Period Plan in accordance with the solicitation requirements in Section 9102.5. Before offering such Borrower a Freddie Mac Flex Modification Trial Period Plan, Servicers must either obtain the applicable MI's approval of the terms of each modification on a case-by-case basis, or ensure that the applicable MI has provided a delegation of authority that applies to the requested modification.

Note: Borrowers who reach the applicable Delinquency threshold for a streamlined offer for a Freddie Mac Flex Modification remain eligible for the Freddie Mac Flex Modification even if one or more payments is subsequently received, resulting in the Borrower becoming less delinquent than the eligible Delinquency threshold. In these instances, the Servicer must provide the eligible Borrower a streamlined offer for a Freddie Mac Flex Modification within the required time frame, provided the Borrower's payments has not resulted in the full reinstatement of the Mortgage.

Refer to Section 9102.5 for additional information on solicitation of delinquent Borrowers.

(d) Complete Borrower Response Package received

If the Borrower submits a complete Borrower Response Package prior to the Borrower becoming 90 days delinquent, the Servicer must acknowledge receipt of the package and review it in accordance with the evaluation hierarchy found in Section 9201.2.

The Servicer must send an eligible Borrower an offer for a Freddie Mac Flex Modification in accordance with the requirements of Section 9206.5(c) once the Borrower reaches the applicable Delinquency threshold if:

- The Servicer has not received a complete Borrower Response Package, or
- The Servicer previously conducted an evaluation of a complete Borrower Response Package and determined that the Borrower was not eligible for any alternative to foreclosure, or
- The Borrower has rejected all other alternatives to foreclosure offered by the Servicer

In addition, if a Borrower with a Step-Rate Mortgage submits a complete Borrower Response Package prior to becoming 90 days delinquent, and the Borrower has not yet accepted the offer for a Freddie Mac Flex Modification, the Servicer must complete its review of the package for all alternatives to foreclosure in accordance with the Guide. If the Borrower is eligible for additional payment relief, then the Servicer must permit the Borrower to continue making the existing Trial Period Plan payments, but must update the modification agreement to reflect the lower payment amount. The post modification P&I must reflect the lower payment amount in these instances.

(e) Special requirements for Borrowers impacted by an Eligible Disaster

The requirements of this Section 9206.5(e) apply to Borrowers who were current or less than 60 days delinquent as of the date the Eligible Disaster occurred and experienced a hardship as a result of the Eligible Disaster.

The following special requirements apply when the Freddie Mac Flex Modification is offered as a result of the Borrower experiencing a hardship as the result of an Eligible Disaster:

- The Servicer is not required to have previously solicited the Borrower for a foreclosure prevention alternative
- The following Mortgages are ineligible for a Freddie Mac Flex Modification. These exclusions are in lieu of the exclusions described in Section 9206.5(b) above.
  - The Mortgage is an FHA, VA or Guaranteed Rural Housing Mortgage
  - The Mortgage is subject to recourse
  - With the exception of a disaster-related forbearance plan, the Mortgage is currently performing under another forbearance plan, Trial Period Plan or repayment plan
  - The Mortgage is subject to an approved short sale or deed-in-lieu of foreclosure
  - The Mortgage is currently subject to an unexpired offer to the Borrower for another modification or other foreclosure prevention alternative, such as a non-disaster-related forbearance or repayment plan

  If the Servicer was not collecting Escrows on the existing Mortgage, the Borrower is not required to establish an Escrow account as a condition of the modification unless otherwise required by applicable law, or the Servicer confirms that the taxes and insurance premiums have not been paid and are past due.

  For special requirements related to solicitations for streamlined offers for Freddie Mac Flex Modifications for certain Borrowers, the Servicer must refer to Section 9203.26. If the Borrower is ineligible for streamlined offers under the requirements of Section 9203.26 and this section but is at least 90 days delinquent, the Servicer must evaluate the Borrower in accordance with the requirements of 9206.5(c).

9206.6: Ineligibility for Freddie Mac Flex Modification® (01/01/21)

The following Mortgages and Borrowers are ineligible for a Freddie Mac Flex Modification®:

- FHA/VA and Guaranteed Rural Housing Mortgages
- Mortgages subject to recourse
- Mortgages secured by second homes or non-owner occupied properties (i.e., Investment Properties) where the Borrower is current or less than 60 days delinquent

The following Mortgages and Borrowers are also ineligible for a Freddie Mac Flex Modification. However, if the Servicer believes, based on the Borrower's individual circumstances, that the Borrower should be considered for a Freddie Mac Flex Modification, the Servicer should submit the request to Freddie Mac. (Refer to Section 9206.5 for information on submitting an exception request to Freddie Mac.)

- Mortgages that have been previously modified three or more times
- Mortgages previously modified with the Freddie Mac Flex Modification terms determined in accordance with Section 9206.10(a) where:
  - The Mortgage became 60 or more days delinquent within 12 months of the Modification Effective Date, and
  - The Borrower has not brought the Mortgage current following the Delinquency
- Borrowers who, within 12 months of the evaluation date, failed a Freddie Mac Flex Modification Trial Period Plan and the terms of that Trial Period Plan were determined in accordance with Section 9206.10(a)
- The Mortgage is subject to an approved short sale or deed-in-lieu of foreclosure transaction
- The Borrower is currently performing under another Trial Period Plan, forbearance plan or repayment plan
- The Mortgage is currently subject to an unexpired offer to the Borrower for another modification or other alternative to foreclosure, such as a forbearance, repayment plan, or a Payment Deferral

Any Borrower who is ineligible for a Freddie Mac Flex Modification must provide a complete Borrower Response Package in order to be evaluated for the most appropriate workout solution in accordance with the evaluation hierarchy in Section 9201.2.

9206.7: Determining imminent default for a Freddie Mac Flex Modification® (10/09/24)

This section contains requirements related to:

- Overview
- Imminent default evaluation business rules
- Income and asset documentation and verification
- Cash Reserves test
- Imminent default Credit Score
- Calculating pre-modification housing expense-to-income ratio
- Imminent default evaluation results
- General requirements and information

(a) Overview

In order to be eligible for a Freddie Mac Flex Modification®, Borrowers who are current or less than 60 days delinquent must be determined to be in imminent default and must be occupying the property as a Primary Residence. The Servicer must verify that at least one Borrower is occupying the property as a Primary Residence based on a review of a credit report. If the credit report does not indicate that the property securing the Mortgage is the Primary Residence for a Borrower, then the Servicer must use good business judgment in reconciling the inconsistency. This additional due diligence on the part of the Servicer must be documented in the Mortgage file/servicing system.

An imminent default evaluation is necessary when the status of the Mortgage is current or less than 60 days delinquent as of the date the Servicer commences the initial evaluation of the Borrower's financial condition using the imminent default evaluation business rules as described in Section 9206.7(b).

The Servicer must rely on the same Mortgage status used to initiate the imminent default evaluation to complete the imminent default determination process, regardless of whether the Borrower becomes 60 days or more delinquent during the imminent default evaluation.

(b) Imminent default evaluation business rules

Resolve® will evaluate the information the Servicer provides against the imminent default business rules. Any Borrower who is current or less than 60 days delinquent at the time the Servicer commences the initial evaluation is in imminent default if the Borrower meets the requirements of the following business rules:

Imminent Default Evaluation Business Rules	
To be considered in imminent default, the Borrower must meet all requirements under Business Rule 1, and must meet the requirements for either: ■ **Business Rule 2, or** ■ **Business Rule 3**	
Business Rule 1	Each Borrower must: ■ Submit a complete Borrower Response Package ■ Be current or less than 60 days delinquent as of the evaluation date ■ Occupy the property as a Primary Residence; or at least one Borrower on the Mortgage must occupy the property as his or her Primary Residence ■ Have Cash Reserves less than $25,000 ■ Have an eligible hardship as described in Section 9202.2
Business Rule 2	The Borrower is considered in imminent default if: ■ The Borrower meets the requirements of Business Rule 1, and ■ The Borrower's FICO® score is less than or equal to 620 determined in accordance with Section 9206.7(e); **AND EITHER** ❑ The Mortgage has had two or more 30-day Delinquencies in the most recent 6-month period; **OR** ❑ The Borrower's pre-modification housing expense-to-income ratio is greater than 40% If the Borrower has one of the Imminent Default Hardships described below in Business Rule 3, the Borrower may be determined to be in imminent default even if these Business Rule 2 requirements are not met.
Business Rule 3	The Borrower is considered in imminent default if the Borrower meets the requirements of Business Rule 1, and the Borrower provided the documentation required in Section 9202.2 supporting one of the Imminent Default Hardships listed below: ■ Death of a Borrower or death of either the primary or secondary wage earner in the household ■ Long-term or permanent disability; or serious illness of a Borrower/co-Borrower or dependent family member

Imminent Default Evaluation Business Rules	
To be considered in imminent default, the Borrower must meet all requirements under Business Rule 1, and must meet the requirements for either: ■ **Business Rule 2, or** ■ **Business Rule 3**	
	■ Divorce or legal separation; separation of Borrower unrelated by marriage, civil union or similar domestic partnership under applicable law; or ■ Principal and interest (P&I) payment increase as a result of an interest adjustment applied to a Step-Rate Mortgage no more than 12 months prior to the evaluation date The Imminent Default Hardship must currently cause and be expected to continue to cause a long-term or permanent decrease in income or increase in expenses.

The Servicer must enter all information in Resolve for Business Rule 1 and Business Rule 2 in all instances, even if the Borrower does not meet the requirements under Business Rule 2 and instead is approved based on the Imminent Default Hardship under Business Rule 3.

(c) Income and asset documentation and verification

(i) Documentation and verification

To be evaluated for imminent default, a Borrower must, at a minimum, provide a complete Borrower Response Package as defined in Section 9102.5(c). In addition to the income documentation required under Section 9202.3, the Servicer must obtain the Borrower's FICO score in accordance with Section 9206.7(e).

(ii) Verification of income and assets; resolution of material inconsistencies

Servicers must review all documentation submitted by the Borrower to identify any material inconsistencies, including material inconsistencies with a tax return or tax transcript if one was obtained under Section 9202.3. If, based on the Servicer's good business judgment, there are material inconsistencies with respect to the income or asset information disclosed by the Borrower or with other documentation relevant to the imminent default decision, the Servicer must obtain other documentation to reasonably reconcile such material inconsistencies. Servicers must also document such material differences in their servicing system. If the Servicer cannot reconcile such material differences, the Borrower cannot be considered in imminent default.

(d) Cash Reserves test

The Servicer must complete an evaluation of the Borrower's Cash Reserves. The Borrower **must** have Cash Reserves of less than $25,000 to be further evaluated for imminent default. If the Borrower either discloses or provides documentation indicating the Borrower has Cash Reserves equal to or greater than $25,000, then the Borrower is not in imminent default.

(i) Definition of Cash Reserves

For purposes of determining imminent default, Cash Reserves are defined as follows:

Cash Reserves: Any non-retirement liquid asset the Borrower has available for withdrawal from any financial institution or brokerage, including funds on deposit in the Borrower's checking, savings, money market or certificate of deposit account or other depository account, stocks, bonds, mutual funds, U.S. Government Securities and other securities that are traded on an exchange or marketplace generally available to the public (e.g., New York Stock Exchange, National Association of Securities Dealers Automated Quotations, Midwest SE, Chicago Board of Trade or Over the Counter) for which the price can be readily verified through financial publications.

Assets are only considered retirement assets if they are held in a qualified retirement account such as a 401k 403b, 457, Individual Retirement Account (IRA) or pension fund. If the assets are not held in a retirement account, the assets must be considered Cash Reserves.

(ii) Calculating Cash Reserves

The Servicer must calculate the Borrower's Cash Reserves in accordance with the following requirements:

1. The Servicer must determine that, for every Borrower on the Mortgage, all of the Borrower's Cash Reserves have been accounted for on Form 710, Mortgage Assistance Application

2. In making the determination that all Cash Reserves have been accounted for, the Servicer must review all information provided by the Borrower to determine if the asset information stated on Form 710 is reasonably consistent with information available from all other information provided by the Borrower, including verbal information shared by the Borrower. If there are inconsistencies between the Borrower's disclosure of assets and the information provided by the Borrower, then the Servicer must obtain the Borrower's tax return or tax transcript in order to reconcile the inconsistencies.

   If, upon reviewing the Borrower's tax return or tax transcript, if applicable, the Servicer observes interest, dividend income or gains/losses that, in total, that could not be reasonably produced by the Borrower's disclosed Cash Reserves, and such income indicates deposits, securities holdings or other assets that could be in excess of the amounts disclosed by the Borrower on Form 710, the Servicer must reconcile

the inconsistency with the Borrower. The Servicer must require the Borrower to produce a signed federal tax return and all relevant schedules, in the event the Servicer used a tax transcript in lieu of a tax return, along with any other relevant documentation that verifies the disposition and/or current status of those assets, which produced the income or gains/losses to resolve the inconsistency.

The Servicer must ensure that the Borrower's disclosure of assets is reasonably accurate despite the inconsistency between the disclosed assets and the income or gain/loss from assets reported on the tax return or tax transcript. In determining what documentation is needed to reconcile an inconsistency, the Servicer must review the detailed tax return schedules and forms, and request from the Borrower copies of recent and past statements from those asset holdings or transactions indicated on the schedules and forms that produced the income or gain/loss (e.g., checking, savings, brokerage account statements, asset sale statements or records, etc.).

3. If there are inconsistencies between the Borrower's disclosure of assets and the tax return information that cannot be reconciled, the Borrower cannot be considered in imminent default

If the Servicer determines that the Borrower has Cash Reserves of less than $25,000 and meets all other requirements of Section 9206.7(b) then the Borrower is considered to be in imminent default.

(e) Imminent default Credit Score

Servicers must choose one FICO score that is adequately indicative of the credit reputation of all Borrowers currently on the Mortgage. Servicers must use a Credit Score based on the FICO credit-scoring model. This score must be obtained and determined in accordance with the requirements below.

(i) Obtaining FICO scores for each Borrower

The Servicer must request a FICO score for each Borrower on the Mortgage from any one of the following three credit repositories:

- Equifax Credit Information Services
- Experian Information Systems and Services
- TransUnion Credit Information Company

The Borrower's FICO score must be less than 90 days old on the date the Servicer performs the imminent default evaluation.

Borrowers with no available FICO score

It is unusual for any Borrower who has obtained a Mortgage not to have a FICO score. If no single FICO score can be identified for a Borrower, the Servicer must recheck the information provided when ordering the FICO scores and resubmit a request. If the Servicer is still unable to obtain a FICO score for that Borrower, it may rely on the FICO scores of all other Borrowers as determined in accordance with this section.

Absent a FICO score for any Borrower on the Mortgage, the Borrower may not be determined to be in imminent default under the requirements of Business Rule 2, and the Servicer must proceed to evaluate the Borrower under the requirements of Business Rule 3 in Section 9206.7(b). In such instances when a FICO score is not available for any Borrower on the Mortgage, the Servicer must:

1. Maintain documentation in the Mortgage file that demonstrates the Servicer's attempts to obtain FICO scores from all three credit repositories on all Borrowers

2. Enter the result that a FICO score is not available for any Borrower on the Mortgage into Resolve

3. Proceed to the Imminent Default Hardship test in Business Rule 3 to determine if an Imminent Default Hardship exists

(ii) Determining the Imminent Default Credit Score

The Servicer must identify the Imminent Default Credit Score in accordance with the following:

- The Servicer must first select a single FICO score for each Borrower on the Mortgage. If the Servicer obtains multiple FICO scores for a single Borrower, the Servicer must use the middle/lower method to select the single FICO score for that Borrower. This method is the most predictive when determining a single Borrower's overall credit reputation. If three FICO scores are obtained for a Borrower, the single score for that Borrower is the one with the middle value. For example, if the FICO scores were 660, 656 and 640, the single FICO score selected by the Servicer should be 656. When there is a duplicate score, the Seller must select that score to be the single score. If the FICO scores for a Borrower were 660, 660 and 640, the Servicer should select 660. If two FICO scores were obtained for a Borrower, the Servicer must select the lower of the two FICO scores to be the single FICO score for that Borrower.

- If there is only one Borrower on the Mortgage, the single FICO score, determined in accordance with the above requirements, is considered the Imminent Default Credit Score

- If there are multiple Borrowers on the Mortgage, the Servicer must determine the single FICO score for each Borrower using the method described above. The Servicer must then select either the lowest FICO score across all Borrowers on the Mortgage

or the average FICO score from all Borrowers' single scores. (Note: Whichever method is used, the Servicer should choose the single FICO score using the same method and procedure for all Borrowers and for all Mortgages consistent with fair lending laws.)

(f) Calculating pre-modification housing expense-to-income ratio

The Servicer must use verified income to determine that the Borrower's pre-modification housing expense-to-income ratio is greater than 40%. For purposes of this determination, the Servicer must divide the Borrower's current monthly housing expense by the Borrower's monthly gross income (or the Borrowers' combined monthly gross income in the case of co-Borrowers) plus any allowable non-obligor household income.

The Borrower's current monthly housing expense consists of the following, as applicable:

- Monthly P&I payment
- Monthly pro rata amount for real estate taxes
- Monthly pro rata amount for property or flood insurance
- Monthly pro rata amount for homeowners association (HOA) dues, Condominium Unit or Cooperative Unit Maintenance Fees and ground rent
- Any escrow shortage currently included as part of the monthly contractual payment

If the Borrower has been granted interest rate relief under the Servicemembers Civil Relief Act (SCRA), the Servicer must use the P&I payment and the contractual rate of interest in effect on the Note prior to the granting of the SCRA relief rather than the temporarily SCRA reduced interest rate and related SCRA monthly payment when calculating the Borrower's current monthly housing expense-to-income ratio.

If a Borrower has indicated that there are condominium/HOA or Cooperative Corporation assessments (see Chapter 8801 for special Servicing requirements for Cooperative Share Loans), Condominium Unit maintenance fees or Cooperative Unit Maintenance Fees, or ground rents, but has not been able to provide written documentation to verify these amounts, the Servicer must rely on the information provided by the Borrower if the Servicer has made reasonable efforts to obtain the amounts in writing.

The current monthly housing expense does not include mortgage insurance premium payments, payments due to holders of subordinate liens, or projected escrow shortages.

For each imminent default evaluation under Business Rule 2, the Servicer must report the housing expense-to-income ratio and the FICO score as described below, to Freddie Mac via Resolve.

(g) Imminent default evaluation results

If Resolve determines the Borrower meets the requirements of Business Rule 1 and meets the requirements of either: (i) Business Rule 2, or (ii) Business Rule 3, the Borrower is in imminent default. The Servicer must evaluate the Borrower for a Freddie Mac Flex Modification Trial Period Plan and no further analysis is required by the Servicer to determine imminent default.

(h) General requirements and information

If Resolve determines that a Borrower is in imminent default, the Servicer must continue evaluating the Borrower using the applicable underwriting requirements outlined in Chapter 9206 to determine if the Borrower qualifies for a Freddie Mac Flex Modification.

9206.7: Determining imminent default for a Freddie Mac Flex Modification® (Future effective date 12/09/24)

This section contains requirements related to:

- Overview
- Imminent default evaluation business rules
- Income and asset documentation and verification
- Cash Reserves test
- Imminent default Credit Score
- Calculating pre-modification housing expense-to-income ratio
- Imminent default evaluation results
- General requirements and information

(a) Overview

In order to be eligible for a Freddie Mac Flex Modification®, Borrowers who are current or less than 60 days delinquent must be determined to be in imminent default and must be occupying the property as a Primary Residence. The Servicer must verify that at least one Borrower is occupying the property as a Primary Residence based on a review of a credit report. If the credit report does not indicate that the property securing the Mortgage is the Primary Residence for a Borrower, then the Servicer must use good business judgment in

reconciling the inconsistency. This additional due diligence on the part of the Servicer must be documented in the Mortgage file/servicing system.

An imminent default evaluation is necessary when the status of the Mortgage is current or less than 60 days delinquent as of the date the Servicer commences the initial evaluation of the Borrower's financial condition using the imminent default evaluation business rules as described in Section 9206.7(b).

The Servicer must rely on the same Mortgage status used to initiate the imminent default evaluation to complete the imminent default determination process, regardless of whether the Borrower becomes 60 days or more delinquent during the imminent default evaluation.

(b) Imminent default evaluation business rules

Resolve® will evaluate the information the Servicer provides against the imminent default business rules. Any Borrower who is current or less than 60 days delinquent at the time the Servicer commences the initial evaluation is in imminent default if the Borrower meets the requirements of the following business rules:

Imminent Default Evaluation Business Rules	
To be considered in imminent default, the Borrower must meet all requirements under Business Rule 1, and must meet the requirements for either: ■ **Business Rule 2, or** ■ **Business Rule 3**	
Business Rule 1	Each Borrower must: ■ Submit a complete Borrower Response Package ■ Be current or less than 60 days delinquent as of the evaluation date ■ Occupy the property as a Primary Residence; or at least one Borrower on the Mortgage must occupy the property as his or her Primary Residence ■ Have Cash Reserves less than $25,000 ■ Have an eligible hardship as described in Section 9202.2
Business Rule 2	The Borrower is considered in imminent default if: ■ The Borrower meets the requirements of Business Rule 1, and ■ The Borrower's FICO® score is less than or equal to 620 determined in accordance with Section 9206.7(e); **AND EITHER**

Imminent Default Evaluation Business Rules	
To be considered in imminent default, the Borrower must meet all requirements under Business Rule 1, and must meet the requirements for either: ■ **Business Rule 2, or** ■ **Business Rule 3**	
	❑ The Mortgage has had two or more 30-day Delinquencies in the most recent 6-month period; **OR** ❑ The Borrower's pre-modification housing expense-to-income ratio is greater than 40% If the Borrower has one of the Imminent Default Hardships described below in Business Rule 3, the Borrower may be determined to be in imminent default even if these Business Rule 2 requirements are not met.
Business Rule 3	The Borrower is considered in imminent default if the Borrower meets the requirements of Business Rule 1, and the Borrower provided the documentation required in Section 9202.2 supporting one of the Imminent Default Hardships listed below: ■ Death of a Borrower or death of either the primary or secondary wage earner in the household ■ Long-term or permanent disability; or serious illness of a Borrower/co-Borrower or dependent family member ■ Divorce or legal separation; separation of Borrower unrelated by marriage, civil union or similar domestic partnership under applicable law; or ■ Principal and interest (P&I) payment increase as a result of an interest adjustment applied to a Step-Rate Mortgage no more than 12 months prior to the evaluation date The Imminent Default Hardship must currently cause and be expected to continue to cause a long-term or permanent decrease in income or increase in expenses.

The Servicer must enter all information in Resolve for Business Rule 1 and Business Rule 2 in all instances, even if the Borrower does not meet the requirements under Business Rule 2 and instead is approved based on the Imminent Default Hardship under Business Rule 3.

(c) Income and asset documentation and verification

(i) Documentation and verification

To be evaluated for imminent default, a Borrower must, at a minimum, provide a complete Borrower Response Package as defined in Section 9102.5(c). In addition to the income documentation required under Section 9202.3, the Servicer must obtain the Borrower's FICO score in accordance with Section 9206.7(e).

(ii) Verification of income and assets; resolution of material inconsistencies

Servicers must review all documentation submitted by the Borrower to identify any material inconsistencies, including material inconsistencies with a tax return or tax transcript if one was obtained under Section 9202.3. If, based on the Servicer's good business judgment, there are material inconsistencies with respect to the income or asset information disclosed by the Borrower or with other documentation relevant to the imminent default decision, the Servicer must obtain other documentation to reasonably reconcile such material inconsistencies. Servicers must also document such material differences in their servicing system. If the Servicer cannot reconcile such material differences, the Borrower cannot be considered in imminent default.

(d) Cash Reserves test

The Servicer must complete an evaluation of the Borrower's Cash Reserves. The Borrower **must** have Cash Reserves of less than $25,000 to be further evaluated for imminent default. If the Borrower either discloses or provides documentation indicating the Borrower has Cash Reserves equal to or greater than $25,000, then the Borrower is not in imminent default.

(i) Definition of Cash Reserves

For purposes of determining imminent default, Cash Reserves are defined as follows:

Cash Reserves: Any non-retirement liquid asset the Borrower has available for withdrawal from any financial institution or brokerage, including funds on deposit in the Borrower's checking, savings, money market or certificate of deposit account or other depository account, stocks, bonds, mutual funds, U.S. Government Securities and other securities that are traded on an exchange or marketplace generally available to the public (e.g., New York Stock Exchange, National Association of Securities Dealers Automated Quotations, Midwest SE, Chicago Board of Trade or Over the Counter) for which the price can be readily verified through financial publications.

Assets are only considered retirement assets if they are held in a qualified retirement account such as a 401k 403b, 457, Individual Retirement Account (IRA) or pension fund. If the assets are not held in a retirement account, the assets must be considered Cash Reserves.

(ii) Calculating Cash Reserves

The Servicer must calculate the Borrower's Cash Reserves in accordance with the following requirements:

1. The Servicer must determine that, for every Borrower on the Mortgage, all of the Borrower's Cash Reserves have been accounted for on Form 710, Mortgage Assistance Application

2. In making the determination that all Cash Reserves have been accounted for, the Servicer must review all information provided by the Borrower to determine if the asset information stated on Form 710 is reasonably consistent with information available from all other information provided by the Borrower, including verbal information shared by the Borrower. If there are inconsistencies between the Borrower's disclosure of assets and the information provided by the Borrower, then the Servicer must obtain the Borrower's tax return or tax transcript in order to reconcile the inconsistencies.

   If, upon reviewing the Borrower's tax return or tax transcript, if applicable, the Servicer observes interest, dividend income or gains/losses that, in total, that could not be reasonably produced by the Borrower's disclosed Cash Reserves, and such income indicates deposits, securities holdings or other assets that could be in excess of the amounts disclosed by the Borrower on Form 710, the Servicer must reconcile the inconsistency with the Borrower. The Servicer must require the Borrower to produce a signed federal tax return and all relevant schedules, in the event the Servicer used a tax transcript in lieu of a tax return, along with any other relevant documentation that verifies the disposition and/or current status of those assets, which produced the income or gains/losses to resolve the inconsistency.

   The Servicer must ensure that the Borrower's disclosure of assets is reasonably accurate despite the inconsistency between the disclosed assets and the income or gain/loss from assets reported on the tax return or tax transcript. In determining what documentation is needed to reconcile an inconsistency, the Servicer must review the detailed tax return schedules and forms, and request from the Borrower copies of recent and past statements from those asset holdings or transactions indicated on the schedules and forms that produced the income or gain/loss (e.g., checking, savings, brokerage account statements, asset sale statements or records, etc.).

3. If there are inconsistencies between the Borrower's disclosure of assets and the tax return information that cannot be reconciled, the Borrower cannot be considered in imminent default

If the Servicer determines that the Borrower has Cash Reserves of less than $25,000 and meets all other requirements of Section 9206.7(b) then the Borrower is considered to be in imminent default.

(e) Imminent default Credit Score

Servicers must choose one FICO score that is adequately indicative of the credit reputation of all Borrowers currently on the Mortgage. Servicers must use a Credit Score based on the FICO credit-scoring model. This score must be obtained and determined in accordance with the requirements below.

(i) Obtaining FICO scores for each Borrower

The Servicer must request a FICO score for each Borrower on the Mortgage from any one of the following three credit repositories:

- Equifax Credit Information Services
- Experian Information Systems and Services
- TransUnion Credit Information Company

The Borrower's FICO score must be less than 90 days old on the date the Servicer performs the imminent default evaluation.

Borrowers with no available FICO score

It is unusual for any Borrower who has obtained a Mortgage not to have a FICO score. If no single FICO score can be identified for a Borrower, the Servicer must recheck the information provided when ordering the FICO scores and resubmit a request. If the Servicer is still unable to obtain a FICO score for that Borrower, it may rely on the FICO scores of all other Borrowers as determined in accordance with this section.

Absent a FICO score for any Borrower on the Mortgage, the Borrower may not be determined to be in imminent default under the requirements of Business Rule 2, and the Servicer must proceed to evaluate the Borrower under the requirements of Business Rule 3 in Section 9206.7(b). In such instances when a FICO score is not available for any Borrower on the Mortgage, the Servicer must:

1. Maintain documentation in the Mortgage file that demonstrates the Servicer's attempts to obtain FICO scores from all three credit repositories on all Borrowers
2. Enter the result that a FICO score is not available for any Borrower on the Mortgage into Resolve
3. Proceed to the Imminent Default Hardship test in Business Rule 3 to determine if an Imminent Default Hardship exists

(ii) Determining the Imminent Default Credit Score

The Servicer must identify the Imminent Default Credit Score in accordance with the following:

- The Servicer must first select a single FICO score for each Borrower on the Mortgage. If the Servicer obtains multiple FICO scores for a single Borrower, the Servicer must use the middle/lower method to select the single FICO score for that Borrower. This method is the most predictive when determining a single Borrower's overall credit reputation. If three FICO scores are obtained for a Borrower, the single score for that Borrower is the one with the middle value. For example, if the FICO scores were 660, 656 and 640, the single FICO score selected by the Servicer should be 656. When there is a duplicate score, the Seller must select that score to be the single score. If the FICO scores for a Borrower were 660, 660 and 640, the Servicer should select 660. If two FICO scores were obtained for a Borrower, the Servicer must select the lower of the two FICO scores to be the single FICO score for that Borrower.

- If there is only one Borrower on the Mortgage, the single FICO score, determined in accordance with the above requirements, is considered the Imminent Default Credit Score

- If there are multiple Borrowers on the Mortgage, the Servicer must determine the single FICO score for each Borrower using the method described above. The Servicer must then select either the lowest FICO score across all Borrowers on the Mortgage or the average FICO score from all Borrowers' single scores. (Note: Whichever method is used, the Servicer should choose the single FICO score using the same method and procedure for all Borrowers and for all Mortgages consistent with fair lending laws.)

(f) Calculating pre-modification housing expense-to-income ratio

The Servicer must input verified income data into Resolve. Based on the Servicer's input, Resolve will determine if the Borrower's pre-modification housing expense-to-income ratio is greater than 40%. For purposes of this determination, the Borrower's current monthly housing expense is divided by the Borrower's monthly gross income (or the Borrowers' combined monthly gross income in the case of co-Borrowers) plus any allowable non-obligor household income.

The Borrower's current monthly housing expense consists of the following, as applicable:

- Monthly P&I payment

- Monthly pro rata amount for real estate taxes

- Monthly pro rata amount for property or flood insurance

- Monthly pro rata amount for homeowners association (HOA) dues, Condominium Unit or Cooperative Unit Maintenance Fees and ground rent

- Any escrow shortage currently included as part of the monthly contractual payment

If the Borrower has been granted interest rate relief under the Servicemembers Civil Relief Act (SCRA), the Servicer must use the P&I payment and the contractual rate of interest in effect on the Note prior to the granting of the SCRA relief rather than the temporarily SCRA reduced interest rate and related SCRA monthly payment when calculating the Borrower's current monthly housing expense-to-income ratio.

If a Borrower has indicated that there are condominium/HOA or Cooperative Corporation assessments (see Chapter 8801 for special Servicing requirements for Cooperative Share Loans), Condominium Unit maintenance fees or Cooperative Unit Maintenance Fees, or ground rents, but has not been able to provide written documentation to verify these amounts, the Servicer must rely on the information provided by the Borrower if the Servicer has made reasonable efforts to obtain the amounts in writing.

The current monthly housing expense does not include mortgage insurance premium payments, payments due to holders of subordinate liens, or projected escrow shortages.

Based on the information provided by the Servicer, Resolve will calculate the Borrower's housing-to-expense income ratio and determine if it meets the imminent default requirements under Business Rule 2.

(g) Imminent default evaluation results

If Resolve determines the Borrower meets the requirements of Business Rule 1 and meets the requirements of either: (i) Business Rule 2, or (ii) Business Rule 3, the Borrower is in imminent default. The Servicer must evaluate the Borrower for a Freddie Mac Flex Modification Trial Period Plan and no further analysis is required by the Servicer to determine imminent default.

(h) General requirements and information

If Resolve determines that a Borrower is in imminent default, the Servicer must continue evaluating the Borrower using the applicable underwriting requirements outlined in Chapter 9206 to determine if the Borrower qualifies for a Freddie Mac Flex Modification.

9206.8: Property valuation requirements for a Freddie Mac Flex Modification® (08/31/23)

Based on the information provided by the Servicer, Resolve® will determine the property value of each Mortgage under consideration for a Freddie Mac Flex Modification®.

9206.9: Borrower Documentation for a Freddie Mac Flex Modification® (10/01/17)

Effective October 1, 2017, the content of this section has moved to Section 9206.5(a), with updates made to reflect the Freddie Mac Flex Modification®. Refer to Section 9206.5(c) for reduced Borrower documentation requirements for the Freddie Mac Flex Modification for certain delinquent Borrowers eligible for a streamlined offer.

9206.10: Determining the terms of a Freddie Mac Flex Modification® (11/01/24)

See Bulletins 2024-E and 2024-8 for updates related to Freddie Mac Flex Modifications®. Servicers are encouraged to begin implementation of Freddie Mac Flex Modifications before the mandatory December 1, 2024 effective date.

(a) Determining the terms of the modification

Based on the information provided by the Servicer, Resolve® will determine the terms of the Freddie Mac Flex Modification according to the following:

(i) Mortgages with a post-modified MTMLTV ratio equal to or greater than 80%

Step 1: Arrearages capitalized in accordance with the requirements of Section 9206.15.

Step 2: The interest rate used to calculate the Trial Period payment and the terms of the modification agreement will be determined in accordance with the interest rate requirements in Section 9206.10(a)(iii).

Step 3: The amortization term will be extended to 480 months from the Modification Effective Date.

Step 4: For a Mortgage with a post-modification MTMLTV ratio (which includes capitalized amounts) greater than 100%, principal will be forborne until the earlier point at which (i) a post-modification interest-bearing MTMLTV ratio of 100% or (ii) 30% of the post-capitalized UPB ("the Forbearance Cap") is achieved. The post-modification MTMLTV ratio is determined by dividing the sum of the interest-bearing UPB plus any applicable non-interest bearing UPB and/or capitalized arrearages, by the property value obtained in accordance with Section 9206.8. Interest will not accrue on the forborne (or deferred) principal. Deferred principal is payable upon maturity of the loan modification, sale or transfer of the property or refinance of the Mortgage or payoff of the interest-bearing UPB.

Step 5 (Note – this step applies to all Mortgages with an MTMLTV ratio greater than or equal to 80%):

(A) Mortgages that are less than 90 days delinquent

If the Steps 1 through 4 above do not achieve at least a 20% principal and interest (P&I) payment reduction **and** a post-modification housing expense-to-income (PMHTI) ratio (calculated in accordance with Section 9206.10(a)(iv)) that is equal to or less than 40%, principal will be forborne in $100 increments until whichever of the following occurs first:

- A 20% P&I payment reduction and PMHTI ratio equal to or just below 40% are both achieved
- An MTMLTV ratio as close as possible to, but not below, 80% is achieved; or
- The aggregate forbearance amount equals or is no less than $100 below the Forbearance Cap

  For example, if the Forbearance Cap equals $30,000, principle is forborne in $100 increments to an aggregate forbearance amount of $29,901 to $30,000, but may not exceed $30,000 in total forbearance.

If the Forbearance Cap or 80% MTMLTV ratio is reached first, the Borrower will be offered the modification with the maximum permitted forbearance amount provided that the modification still results in a P&I payment that is less than or equal to the Borrower's pre-modification P&I payment. In this circumstance, neither the 20% payment reduction nor 40% PMHTI ratio must be obtained.

(B) Mortgages that are 90 or more days delinquent

The modification terms will be determined in accordance with Section 9206.10(a)(i)(A), excluding the PMHTI ratio component.

(ii) Mortgages with a post-modified MTMLTV ratio less than 80%

Step 1: Arrearages capitalized in accordance with Section 9206.15.

Step 2: The interest rate used to calculate the Trial Period payment and the terms of the modification agreement will be determined in accordance with the interest rate calculations in Section 9206.10(a)(iii).

Step 3: The amortization term will be extended to 480 months from the Modification Effective Date.

(iii) Determining the Freddie Mac Flex Modification® interest rate

Resolve will determine the interest rate that will be used to calculate the Trial Period payment and the terms of the modification agreement using the chart below.

Mortgages with MTMLTV ratios less than 80%	
If the existing Mortgage is:	**…then**
A fixed-rate Mortgage (including ARMs and Step-Rate Mortgages with no additional interest rate adjustments or steps scheduled)	The existing interest rate on the Mortgage will be used to calculate the Trial Period Plan payment and that same rate will be used to establish the terms of the modification agreement
An ARM or a Step-Rate Mortgage with additional interest rate adjustments or steps scheduled	The lesser of: ■ Freddie Mac's modification interest rate in effect and posted on **https://sf.freddiemac.com/general/freddie-mac-modification-interest-rate** as of the date the Servicer evaluates and determines the Borrower is eligible for a Trial Period Plan; or ■ The maximum step-rate/lifetime cap note rate to calculate the Trial Period Plan payment The same rate will be used to establish the terms of the modification agreement.

Mortgages with MTMLTV ratios greater than or equal to 80%	
If the existing Mortgage is:	**…then**
Fixed-rate Mortgage (including ARMs and Step Rate Mortgages with no additional interest rate adjustments or steps scheduled)	The lesser of: ■ Freddie Mac's modification interest rate in effect and posted on **https://sf.freddiemac.com/general/freddie-mac-modification-interest-rate** as of the date the Servicer evaluates and determines the Borrower is eligible for a Trial Period Plan; or ■ The existing interest rate on the Mortgage to calculate the Trial Period Plan payment The same rate will be used to establish the terms of the modification agreement.
ARM or Step-Rate Mortgage with additional interest rate adjustments or steps scheduled	The lesser of: ■ Freddie Mac's modification interest rate in effect and posted on **https://sf.freddiemac.com/general/freddie-mac-modification-interest-rate** as of the date the Servicer evaluates and determines the Borrower is eligible for a Trial Period Plan; or ■ The maximum step-rate/lifetime cap note rate to calculate the Trial Period payment The same rate will be used to establish the terms of the modification agreement.

(iv) Calculating the PMHTI ratio

- **Primary Residence**

  If the subject property is a Primary Residence, the PMHTI ratio is the post-modification monthly PITIAS Payment (excluding mortgage insurance), divided by the Borrower's monthly gross income (as defined in Section 9202.3(c))

- **Second homes**

  If the subject property is a second home, the post-modification monthly housing expense on the second home (PITIAS Payment excluding mortgage insurance) will be added to the monthly housing expense on the Borrower's Primary Residence, and the combined amount will be divided by the Borrower's gross monthly income

- **Investment Properties**

  If the subject property is an Investment Property:

  - **Net rental income** on the subject property will be included in the Borrower's gross monthly income for purposes of calculating the monthly housing expense-to-income ratio. When there is net rental income on the subject property, the monthly housing expense component of the ratio would only include the expense on the Borrower's Primary Residence. The income component of the ratio is the Borrower's gross monthly income, which includes the net rental income on the subject property.

  - **Net rental loss** on the subject property will be added to the monthly housing expense on the Borrower's Primary Residence, and the combined amount will be divided by the Borrower's gross monthly income

  - If the Borrower is currently not receiving rental income on the subject property, then the post-modification monthly housing expense on the subject property will be added to the monthly housing expense on the Borrower's Primary Residence, and the combined amount will be divided by the Borrower's gross monthly income

  - Net rental income (or loss) is determined by subtracting the post-modification monthly debt service (i.e., principal, interest, taxes, insurance, including mortgage insurance and association fees, if applicable) on the property from the amount that is 75% of the monthly gross rental income

(b) Determination of eligibility based on Trial Period payment

For a Freddie Mac Flex Modification, the estimated monthly modified P&I payment calculated when the terms of the Trial Period Plan are determined must comply with the applicable P&I payment reduction and PMHTI ratio requirements set forth in Sections 9206.5 and 9206.10.

If the Borrower makes all Trial Period payments timely, the Servicer must modify the Mortgage, even if, due to variances between estimated capitalization amounts and final capitalization amounts, the Freddie Mac Flex Modification does not meet the applicable requirements above. When determining eligibility for a Trial Period Plan offer, the Servicer

is responsible for ensuring that its estimate of the amounts to be capitalized includes all known amounts.

(c) Resolve

Servicers must use Resolve for all Mortgages for which Borrowers are being evaluated for a Trial Period Plan and modification under this chapter. Servicers represent and warrant that they will only use Resolve for the purpose of modifying Freddie Mac Mortgages and not mortgages owned by other investors. Both the input and output of Resolve is Freddie Mac confidential information that the Servicer must not disclose to third parties, except as authorized by Freddie Mac. Servicers and any Users that use or access Resolve are bound by all of the provisions of the Master System License (see Section 2401.1) and the Servicing Gateway System-Specific License (see Section 2404.2).

Once the Servicer has sufficient information to underwrite the Borrower, the Servicer must access the Resolve application and submit all required data for Borrowers under consideration for a Freddie Mac Flex Modification:

- For Borrowers who are current or less than 60 days delinquent, the Servicer must enter the information required for Resolve to make an imminent default determination in accordance with Section 9206.7 and enter the Imminent Default Hardship reason, if applicable, into Resolve

- Upon successful completion of the Trial Period, the Servicer must update the principal balance as of the Modification Effective Date and any applicable fields to reflect the final amounts that must be capitalized

Servicers must confirm that the terms reflected in Resolve for the Trial Period Plan or modification agreement for the Borrower accurately reflect the Servicer's underwriting of the Borrower in accordance with the requirements of this chapter. If a Servicer is unable to complete a submission of a Trial Period Plan or modification agreement via Resolve, the Servicer should contact 800-FREDDIE.

(i) Accuracy of data

Resolve requires the submission of specific data elements in order to return a suggested workout solution. The Servicer represents and warrants that all data input into Resolve is true, complete and accurate and that all data is entered correctly.

(ii) Delegation of authority to the Servicer

The Servicer may not deem Freddie Mac to have reviewed the terms of a Trial Period Plan or modification agreement for compliance with the Servicer's obligations under the Guide or other Purchase Documents or to have approved a Trial Period Plan or

modification or their terms based on the Servicer's use of Resolve including, without limitation:

- Resolve's generation of terms for a Trial Period Plan or modification agreement
- Freddie Mac's settlement on its systems of a modification entered into by the Servicer under its delegated authority or expanded delegated authority in accordance with a Freddie Mac approval of an exception, or
- Freddie Mac's notification that the modification has been processed in Freddie Mac's systems via the Loan Modifications Processed report

9206.10: Determining the terms of a Freddie Mac Flex Modification® (Future effective date 12/01/24)

Based on the information provided by the Servicer, Resolve® will determine the terms of the Freddie Mac Flex Modification Trial Period Plan and, following the Trial Period Plan, will determine the terms of the final modification agreement according to the modification steps described in the table below.

<table>
<tr><th colspan="2">Determining the terms of a Freddie Mac Flex Modification®</th></tr>
<tr><td colspan="2">Payment reduction target
■ The payment reduction target is considered satisfied once an incremental application of the steps to determine the terms of a Freddie Mac Flex Modification (i.e., interest rate application, term extension, principal forbearance) achieves a post-modified Principal and Interest Payment reduction amount that just surpasses but is as close to 20% as possible (e.g., 20.01%)
■ The payment reduction target is not considered satisfied if the payment reduction amount is less than or precisely equal to 20%</td></tr>
<tr><td colspan="2">The Servicer must apply the steps to determine the terms for the Freddie Mac Flex Modification incrementally until the payment reduction target is achieved or until the steps are exhausted. The Servicer must offer the Freddie Mac Flex Modification if the modification will result in a post-modified Principal and Interest Payment amount that is less than or equal to the pre-modified payment amount. Based on the information provided by the Servicer, Resolve® will determine the terms of the Freddie Mac Flex Modification according to the following steps:</td></tr>
<tr><td>Step 1</td><td>Capitalize arrearages
Capitalize arrearages in accordance with the requirements of Section 9206.15.</td></tr>
</table>

<table>
<tr><td>Step 2</td><td colspan="2">Establish the preliminary modification interest rate
Set the preliminary modification interest rate to a fixed rate based on the following requirements using the interest rate in effect for the periodic payment due in the month of the evaluation date.
Note: This step is solely to set the preliminary modification interest rate. Refer to step 3 for instructions on how to apply interest rate relief pursuant to Freddie Mac’s revised Freddie Mac Flex Modification waterfall requirements.</td></tr>
<tr><td rowspan="3"></td><td>If the existing Mortgage is:</td><td>…then</td></tr>
<tr><td>A fixed-rate Mortgage (including ARMs and Step-Rate Mortgages with no additional interest rate adjustments or steps scheduled)</td><td>The Servicer must use the existing interest rate.</td></tr>
<tr><td>An ARM or Step-Rate Mortgage that has not reached its final interest rate</td><td>The Servicer must set the preliminary modification interest rate to the greater of:
■ The Freddie Mac modification interest rate in effect and posted as of the date the Servicer evaluates and determines the Borrower is eligible for a Trial Period Plan, or
■ The current interest rate
Note: If the Freddie Mac modification interest rate is greater than the maximum step-rate/lifetime cap Note Rate, then the Servicer must set the modification rate to the maximum step-rate/lifetime cap Note Rate.</td></tr>
<tr><td rowspan="4">Step 3</td><td colspan="2">Determining the Freddie Mac Flex Modification interest rate</td></tr>
<tr><td colspan="2">If the post-modification mark-to-market loan-to-value (MTMLTV) is greater than or equal to 50% and</td></tr>
<tr><td>The preliminary modification interest rate is:</td><td>…then</td></tr>
<tr><td>Greater than Freddie Mac’s modification interest rate in effect</td><td>The Servicer must incrementally reduce the interest rate in 0.125% increments until the earlier of achieving:
■ The payment reduction target, or</td></tr>
</table>

		■ The Freddie Mac modification interest rate Note: If the incremental reduction rate of 0.125% would cause the modification interest rate to fall below the posted modification interest rate, the Servicer must stop at the Freddie Mac modification interest rate.
	Less than or equal to **Freddie Mac's modification interest rate** in effect	The Mortgage will retain the preliminary modification interest rate as the post-modification contractual interest rate.
	If the post-modification MTMLTV is less than 50%, then the Borrower will retain the preliminary modification interest rate as the post-modification contractual interest rate. The interest rate used to calculate the Trial Period Plan payment must be the same rate that will be used to establish the terms of the modification agreement and the Freddie Mac Flex Modification must result in a fixed-rate Mortgage.	
Step 4	**Term extension** If the payment reduction target has not been met after step 3, extend the term in monthly increments until the earlier of: ■ A term in which the payment reduction target is reached, or ■ A term of 480 months from the modification effective date	
Step 5	**Forbear principal** If the payment reduction target has not been met after step 4 and the post-modification MTMLTV ratio (which includes capitalized amounts) is greater than 50%, forbear principal until the earlier of achieving: ■ The payment reduction target, ■ A result of 30% of the post-capitalized UPB ("the Forbearance Cap"), or ■ An amount that would create a post-modification MTMLTV ratio of 50% using the interest-bearing UPB Note: Interest must not accrue on any principal forbearance. Principal forbearance is payable upon the earliest of the maturity of the Mortgage loan modification, sale or transfer of the property, refinance of the Mortgage loan or payoff of the interest-bearing UPB.	

(a) Determination of eligibility based on Trial Period payment

For a Freddie Mac Flex Modification, the estimated monthly modified P&I payment calculated when the terms of the Trial Period Plan are determined must comply with the applicable P&I payment reduction requirements set forth in Section 9206.5.

If the Borrower makes all Trial Period payments timely, the Servicer must modify the Mortgage, even if, due to variances between estimated capitalization amounts and final capitalization amounts, the Freddie Mac Flex Modification does not meet the applicable requirements above. When determining eligibility for a Trial Period Plan offer, the Servicer is responsible for ensuring that its estimate of the amounts to be capitalized includes all known amounts.

(b) Resolve

Servicers must use Resolve for all Mortgages for which Borrowers are being evaluated for a Trial Period Plan and modification under this chapter. Servicers represent and warrant that they will only use Resolve for the purpose of modifying Freddie Mac Mortgages and not mortgages owned by other investors. Both the input and output of Resolve is Freddie Mac confidential information that the Servicer must not disclose to third parties, except as authorized by Freddie Mac. Servicers and any Users that use or access Resolve are bound by all of the provisions of the Master System License (see Section 2401.1) and the Servicing Gateway System-Specific License (see Section 2404.2).

Once the Servicer has sufficient information to underwrite the Borrower, the Servicer must access the Resolve application and submit all required data for Borrowers under consideration for a Freddie Mac Flex Modification:

- For Borrowers who are current or less than 60 days delinquent, the Servicer must enter the information required for Resolve to make an imminent default determination in accordance with Section 9206.7 and enter the Imminent Default Hardship reason, if applicable, into Resolve

- Upon successful completion of the Trial Period, the Servicer must update the principal balance as of the Modification Effective Date and any applicable fields to reflect the final amounts that must be capitalized

Servicers must confirm that the terms reflected in Resolve for the Trial Period Plan or modification agreement for the Borrower accurately reflect the Servicer’s underwriting of the Borrower in accordance with the requirements of this chapter. If a Servicer is unable to complete a submission of a Trial Period Plan or modification agreement via Resolve, the Servicer should contact 800-FREDDIE.

(i) Accuracy of data

Resolve requires the submission of specific data elements in order to return a suggested workout solution. The Servicer represents and warrants that all data input into Resolve is true, complete and accurate and that all data is entered correctly.

(ii) Delegation of authority to the Servicer

The Servicer may not deem Freddie Mac to have reviewed the terms of a Trial Period Plan or modification agreement for compliance with the Servicer's obligations under the Guide or other Purchase Documents or to have approved a Trial Period Plan or modification or their terms based on the Servicer's use of Resolve including, without limitation:

- Resolve's generation of terms for a Trial Period Plan or modification agreement
- Freddie Mac's settlement on its systems of a modification entered into by the Servicer under its delegated authority or expanded delegated authority in accordance with a Freddie Mac approval of an exception, or
- Freddie Mac's notification that the modification has been processed in Freddie Mac's systems via the Loan Modifications Processed report

9206.11: Trial Period Plan requirements (11/01/24)

See Bulletins 2024-E and 2024-8 for updates related to Freddie Mac Flex Modifications®. Servicers are encouraged to begin implementation of Freddie Mac Flex Modifications before the mandatory December 1, 2024 effective date.

A Borrower who is evaluated and determined eligible for a Freddie Mac Flex Modification must enter into a Trial Period Plan under which the Borrower will be required to remit three monthly payments at an estimated modified payment amount. (See also Section 9206.11(b) for Trial Period extension requirements for Borrowers in bankruptcy.)

The Servicer may utilize an interim month following the end of the Trial Period to facilitate processing of the modification agreement in accordance with Section 9206.16(b). A payment is not required during the interim month.

(a) Processing the Trial Period Plan offer

If the Borrower qualifies for a modification, the Servicer must offer the Borrower a Trial Period Plan.

(i) The Freddie Mac Flex Modification Trial Period Plan Notice

Within five days of an evaluation decision, but no later than 30 days following receipt of the complete Borrower Response Package, the Servicer must send the Borrower a Borrower Evaluation Notice indicating the outcome of its decision. If the Borrower is approved for a Freddie Mac Flex Modification, the Servicer must send the Borrower a Freddie Mac Flex Modification Trial Period Plan Notice – Based on an Evaluation of a Complete BRP.

The Freddie Mac Flex Modification Trial Period Plan Notice communicates the qualification decision to the Borrower and is included in Exhibit 93, Evaluation Notices.

See Section 9206.11(a)(iii) below for additional requirements for Mortgages with post-modification mark-to-market loan-to-value (MTMLTV) ratios less than 80%.

(ii) The Freddie Mac Flex Modification Trial Period Plan Solicitation for offers under Section 9206.5(c)

If the Borrower who is eligible under Section 9206.5(c) is approved for an offer for a Freddie Mac Flex Modification, the Servicer must send the Borrower a Freddie Mac Flex Modification Trial Period Plan Solicitation Offer – Not Based on an Evaluation of a BRP with Exhibit 1191, Freddie Mac Flex Modification® Solicitation Cover Letter, or Exhibit 1191B, Freddie Mac Flex Modification® Solicitation Cover Letter for Day 60 Rate Reset, as applicable, in accordance with the requirements described in Section 9102.5(a). If the Borrower is approved for a streamlined offer for a Freddie Mac Flex Modification due to an Eligible Disaster in accordance with the requirements of Section 9206.5(e), the Servicer must send the Borrower the Freddie Mac Flex Modification Trial Period Plan Solicitation Offer – Not Based on an Evaluation of a BRP, amended as set forth in Exhibit 93 for Eligible Disasters, and Exhibit 1191A, Freddie Mac Flex Modification® Post-Disaster Forbearance Solicitation Cover Letter.

The Freddie Mac Flex Modification Trial Period Plan Notice communicates the qualification decision to the Borrower and is included in Exhibit 93.

(iii) Special requirements for Mortgages with post-modification MTMLTV ratios less than 80%

In addition to the requirements above, the Servicer must ensure the Trial Period Plan Notice for a Borrower whose Mortgage has a post-modified MTMLTV ratio less than 80% includes a statement reminding the Borrower that once the Mortgage has been modified, the Borrower can always pay more than the contractual payment without penalty if he or she desires to pay down the debt faster.

(iv) The Disaster Relief Modification Trial Period Plan Notice

If the Borrower is approved for a Disaster Relief Modification in accordance with the requirements in Section 9206.4, the Servicer must send the Borrower a Disaster Relief Modification Trial Period Plan Notice.

The Disaster Relief Modification Trial Period Plan Notice communicates the qualification decision to the Borrower and is included in Exhibit 93.

(v) Authorized changes to Trial Period Plan Notices

The Servicer may amend a Trial Period Plan Notice as necessary to request any Borrower cash contribution the Borrower promises to pay for expenses and delinquent amounts not capitalized, if applicable. Servicers may also amend a Trial Period Plan to condition the approval of the mortgage modification on obtaining any necessary court and/or trustee approvals for Borrowers in bankruptcy and to address situations where a Borrower files for bankruptcy during the Trial Period. In addition, Servicers must amend the Trial Period Plan Notice as necessary to ensure compliance with applicable laws, rules and regulations.

If the Borrower previously received a Chapter 7 bankruptcy discharge, but did not reaffirm the mortgage debt under applicable law, the Servicer must add the following language to the Trial Period Plan Notice under the section "Additional Trial Period Plan Information and Legal Notices:"

> ***If you previously received a Chapter 7 bankruptcy discharge, but did not reaffirm the mortgage debt under applicable law:***
>
> ■ *You agree that you were discharged in a Chapter 7 bankruptcy proceeding subsequent to the execution of the Loan Documents. Based on this representation, Lender agrees that you will not have personal liability on the debt pursuant to this Trial Period Plan.*

If under applicable law, a Servicer may not establish an Escrow account, the Servicer must delete the following language from the Trial Period Plan Notice:

> Page 3:
> Your new monthly payment will include an escrow for property taxes, hazard insurance and other escrowed expenses. If the cost of your homeowners insurance, property tax assessment or other escrowed expenses increases, your monthly payment will increase as well.
>
> Page 3:
> **If your monthly payment did not include escrows for taxes and insurance, you are now required to do so:**

- You agree that any prior waiver that allowed you to pay directly for taxes and insurance is revoked. You agree to establish an escrow account and to pay required escrows into that account.

(vi) Effective Date of the Trial Period Plan

When preparing the Trial Period Plan Notice, the Servicer must determine the Trial Period Plan Effective Date and the due date of the first Trial Period payment in accordance with the following instructions:

If the Servicer sends the Trial Period Plan Notice to the Borrower:	… then the Trial Period Plan Effective Date and the due date of the first Trial Period payment is:
On or before the 15th of the month	The first day of the next month
After the 15th of the month	The first day of the month after the next month

For example, if the Servicer sends the Trial Period Plan to the Borrower on June 10, the Trial Period Plan Effective Date and first Trial Period payment due dates are both July 1. If the Servicer sends the Trial Period Plan to the Borrower on June 17, the Trial Period Plan Effective Date and first Trial Period payment due date are both August 1.

Notwithstanding the requirement above, after the Trial Period Plan Notice was sent to the Borrower, the Servicer may commence the Trial Period on the first day of the next month if the Borrower consents to commence the Trial Period earlier than the effective date requirements set forth above.
If the Borrower fails to submit the first Trial Period payment on or before the last day of the first Trial Period month (e.g., on or before July 31st in the example above) the Servicer ***must*** consider the Trial Period Plan offer to be rejected by the Borrower.

(vii) Borrower acceptance of offer

A Borrower's notification to the Servicer indicating an intent to accept a Trial Period Plan offer within 14 days of the date of the offer constitutes sufficient notice solely for purposes of suspending foreclosure referral or sale in accordance with Sections 9301.6, 9301.7 and 9301.28.

For purposes of legal acceptance, Borrowers are not required to sign or return the Trial Period Plan Notice. Timely receipt of the first payment due under the Trial Period Plan Notice is evidence of the Borrower's acceptance of the Trial Period Plan terms and conditions. The Servicer must receive the Borrower's first Trial Period payment on or before the last day of the month in which the Trial Period Plan Effective Date occurs (Trial Period Plan Offer Deadline). Otherwise, the Servicer must consider the Trial Period Plan offer to have expired.

(b) Requirements during the Trial Period

The first Trial Period payment is due by the Trial Period Plan Offer Deadline. The Servicer must require the Borrower to remit timely payments. Each Trial Period payment must be received no later than the last day of the month in which the Trial Period payment is due. Borrowers who fail to make timely Trial Period payments are considered to have failed the Trial Period. Servicers must use good business judgment in determining whether Trial Period payments were received timely or if mitigating circumstances caused the payment to be late. Exceptions must be documented in the Servicer's records.

Although the Borrower may make scheduled Trial Period payments earlier than expected, the payments may not result in acceleration of the Modification Effective Date.

During the Trial Period, the Servicer must:

- Continue to report to Freddie Mac in accordance with the investor reporting requirements set forth in the Guide, which include the advancing of forecasted scheduled interest (and principal, if applicable) under the existing Mortgage terms to Freddie Mac, provided that the Servicer has not inactivated the Mortgage

- Credit to an unapplied or suspense funds account, payments made by the Borrower during the Trial Period. Once enough funds have accumulated in the unapplied or suspense funds account to satisfy the oldest payment due under the existing Mortgage terms (including applying the portion of the Trial Period payment allocable to escrowed items to the existing or newly established Escrow account provided those amounts were due at the time of the oldest delinquent payment due date), the Servicer must apply the payment in accordance with the current Note and Security Instrument, or prior modification agreement, if applicable.

(i) Recommencement and/or initiation of collection efforts and foreclosure actions

A Borrower is considered to have failed a Trial Period Plan if the Borrower fails to:

- Make a Trial Period payment by the last day of the month in which the payment is due

- Comply with the terms of the Trial Period Plan

If the Borrower fails the Trial Period Plan per the above requirements or the plan is canceled because the Borrower failed to execute and return the modification agreement within the applicable 14-day time frame set forth in Section 9206.16, the Servicer must begin or recommence collection efforts in accordance with Section 9102.4 or, if applicable, recommence any suspended foreclosure action or proceeding.

After determining a Borrower has failed or the Trial Period was canceled according to the requirements under this Section 9206.11(b), the Servicer must report any initiated or resumed collection or foreclosure activity through EDR. See Section 9102.7 for information on EDR.

Late charges may accrue during the Trial Period subject to the requirements of Section 9102.2. However, all accrued and unpaid late charges must be waived in the event the Mortgage is modified.

(ii) Changes to tax and insurance premium payments

If there are changes in a Borrower's tax and insurance premium payments after the Borrower has been qualified for a Trial Period Plan, the Servicer is not required to re-qualify the Borrower based on the subsequent changes in taxes and insurance. However, the Servicer should provide written notice to the Borrower that explains the impact of the new Escrow payment on the modification.

(iii) Borrowers in Trial Period Plans

If a Borrower was in a Trial Period Plan prior to entering into a forbearance plan, the Borrower may be re-evaluated for a new Trial Period Plan within 30 days prior to or upon completion of the forbearance plan. Servicers must not resume or restart the terms of the previous Trial Period Plan prior to the start of the forbearance plan. Instead, the Servicer must evaluate the Borrower based on the status of the Mortgage at the time of the new evaluation and, if the Borrower meets all eligibility requirements, the Servicer must send a new Trial Period Plan offer to commence on or after the completion of the forbearance plan.

For any subsequent modification submissions, the Trial Period Plan that the Borrower was in prior to the start of the forbearance plan will not be considered a failed Trial Period Plan for a Freddie Mac Flex Modification evaluation.

(iv) Borrowers filing for bankruptcy during the Trial Period

Borrowers who are in a Trial Period Plan and subsequently file for bankruptcy may not be denied a modification on the basis of the bankruptcy filing. The Servicer and its counsel must work with the Borrower or Borrower's counsel to obtain any court and/or trustee approvals required in accordance with local court rules and procedures. Servicers should extend the Trial Period Plan as necessary to accommodate delays in obtaining court approvals or receiving a full remittance of the Borrower's Trial Period payments when they are made to a trustee, but they must not extend the Trial Period beyond nine months, resulting in a total 12-month Trial Period. In the event of a Trial Period extension, the Borrower must make a Trial Period payment for each month of the Trial Period, including any extension month, in order to remain eligible for a modification. See Section 9206.13(a) for information on reporting an extended Trial Period Plan via EDR.

(v) Chapter 13 bankruptcy

When a Borrower in an active Chapter 13 bankruptcy is in a Trial Period Plan and the Borrower has made post-petition payments on the Mortgage in the amount required by the Trial Period Plan, a Servicer must not object to confirmation of a Borrower's Chapter 13 plan, move for relief from the automatic bankruptcy stay, or move for dismissal of the Chapter 13 case on the basis that the Borrower paid only the amounts due under the Trial Period Plan, as opposed to the non-modified Mortgage payments.

(vi) Chapter 7 bankruptcy

Borrowers who have received a Chapter 7 bankruptcy discharge in a case involving the Mortgage and who did not reaffirm the Mortgage debt under applicable law, are eligible for a modification.

9206.11: Trial Period Plan requirements (Future effective date 12/01/24)

A Borrower who is evaluated and determined eligible for a Freddie Mac Flex Modification® must enter into a Trial Period Plan under which the Borrower will be required to remit three monthly payments at the estimated post-modified payment amount. (See also Section 9206.11(b) for Trial Period extension requirements for Borrowers in bankruptcy.)

The Servicer may utilize a processing month following the end of the Trial Period to facilitate processing of the modification agreement in accordance with Section 9206.16(b). A payment is not required during the interim month.

(a) Processing the Trial Period Plan offer

If the Borrower qualifies for a modification, the Servicer must offer the Borrower a Trial Period Plan.

(i) The Freddie Mac Flex Modification Trial Period Plan Notice

Within five days of an evaluation decision, but no later than 30 days following receipt of the complete Borrower Response Package, the Servicer must send the Borrower a Borrower Evaluation Notice indicating the outcome of its decision. If the Borrower is approved for a Freddie Mac Flex Modification, the Servicer must send the Borrower a Freddie Mac Flex Modification Trial Period Plan Notice – Based on an Evaluation of a Complete BRP.

The Freddie Mac Flex Modification Trial Period Plan Notice communicates the qualification decision to the Borrower and is included in Exhibit 93, Evaluation Notices.

(ii) The Freddie Mac Flex Modification Trial Period Plan Solicitation for offers under Section 9206.5(c)

If the Borrower who is eligible under Section 9206.5(c) is approved for an offer for a Freddie Mac Flex Modification, the Servicer must send the Borrower a Freddie Mac Flex Modification Trial Period Plan Solicitation Offer – Not Based on an Evaluation of a BRP with Exhibit 1191, Freddie Mac Flex Modification® Solicitation Cover Letter, or Exhibit 1191B, Freddie Mac Flex Modification® Solicitation Cover Letter for Day 60 Rate Reset, as applicable, in accordance with the requirements described in Section 9102.5(a). If the Borrower is approved for a streamlined offer for a Freddie Mac Flex Modification due to an Eligible Disaster in accordance with the requirements of Section 9206.5(e), the Servicer must send the Borrower the Freddie Mac Flex Modification Trial Period Plan Solicitation Offer – Not Based on an Evaluation of a BRP, amended as set forth in Exhibit 93 for Eligible Disasters, and Exhibit 1191A, Freddie Mac Flex Modification® Post-Disaster Forbearance Solicitation Cover Letter.

The Freddie Mac Flex Modification Trial Period Plan Notice communicates the qualification decision to the Borrower and is included in Exhibit 93.

(iii) Special requirements for Mortgages with post-modification MTMLTV ratios less than 80%

In addition to the requirements above, the Servicer must ensure the Trial Period Plan Notice for a Borrower whose Mortgage has a post-modified MTMLTV ratio less than 80% includes a statement reminding the Borrower that once the Mortgage has been modified, the Borrower can always pay more than the contractual payment without penalty if he or she desires to pay down the debt faster.

(iv) The Disaster Relief Modification Trial Period Plan Notice

If the Borrower is approved for a Disaster Relief Modification in accordance with the requirements in Section 9206.4, the Servicer must send the Borrower a Disaster Relief Modification Trial Period Plan Notice.

The Disaster Relief Modification Trial Period Plan Notice communicates the qualification decision to the Borrower and is included in Exhibit 93.

(v) Authorized changes to Trial Period Plan Notices

The Servicer may amend a Trial Period Plan Notice as necessary to request any Borrower cash contribution the Borrower promises to pay for expenses and delinquent amounts not capitalized, if applicable. Servicers may also amend a Trial Period Plan to condition the approval of the mortgage modification on obtaining any necessary court and/or trustee approvals for Borrowers in bankruptcy and to address situations where a Borrower files for bankruptcy during the Trial Period. In addition, Servicers must amend the Trial

Period Plan Notice as necessary to ensure compliance with applicable laws, rules and regulations.

If the Borrower previously received a Chapter 7 bankruptcy discharge, but did not reaffirm the mortgage debt under applicable law, the Servicer must add the following language to the Trial Period Plan Notice under the section "Additional Trial Period Plan Information and Legal Notices:"

If you previously received a Chapter 7 bankruptcy discharge, but did not reaffirm the mortgage debt under applicable law:

- *You agree that you were discharged in a Chapter 7 bankruptcy proceeding subsequent to the execution of the Loan Documents. Based on this representation, Lender agrees that you will not have personal liability on the debt pursuant to this Trial Period Plan.*

If under applicable law, a Servicer may not establish an Escrow account, the Servicer must delete the following language from the Trial Period Plan Notice:

Page 3:
Your new monthly payment will include an escrow for property taxes, hazard insurance and other escrowed expenses. If the cost of your homeowners insurance, property tax assessment or other escrowed expenses increases, your monthly payment will increase as well.

Page 3:
If your monthly payment did not include escrows for taxes and insurance, you are now required to do so:

- You agree that any prior waiver that allowed you to pay directly for taxes and insurance is revoked. You agree to establish an escrow account and to pay required escrows into that account.

(vi) Effective Date of the Trial Period Plan

When preparing the Trial Period Plan Notice, the Servicer must determine the Trial Period Plan Effective Date and the due date of the first Trial Period payment in accordance with the following instructions:

If the Servicer sends the Trial Period Plan Notice to the Borrower:	… then the Trial Period Plan Effective Date and the due date of the first Trial Period payment is:
On or before the 15th of the month	The first day of the next month

If the Servicer sends the Trial Period Plan Notice to the Borrower:	… then the Trial Period Plan Effective Date and the due date of the first Trial Period payment is:
After the 15th of the month	The first day of the month after the next month

For example, if the Servicer sends the Trial Period Plan to the Borrower on June 10, the Trial Period Plan Effective Date and first Trial Period payment due dates are both July 1. If the Servicer sends the Trial Period Plan to the Borrower on June 17, the Trial Period Plan Effective Date and first Trial Period payment due date are both August 1.

Notwithstanding the requirement above, after the Trial Period Plan Notice was sent to the Borrower, the Servicer may commence the Trial Period on the first day of the next month if the Borrower consents to commence the Trial Period earlier than the effective date requirements set forth above.
If the Borrower fails to submit the first Trial Period payment on or before the last day of the first Trial Period month (e.g., on or before July 31st in the example above) the Servicer ***must*** consider the Trial Period Plan offer to be rejected by the Borrower.

(vii) Borrower acceptance of offer

A Borrower's notification to the Servicer indicating an intent to accept a Trial Period Plan offer within 14 days of the date of the offer constitutes sufficient notice solely for purposes of suspending foreclosure referral or sale in accordance with Sections 9301.6, 9301.7 and 9301.28.

For purposes of legal acceptance, Borrowers are not required to sign or return the Trial Period Plan Notice. Timely receipt of the first payment due under the Trial Period Plan Notice is evidence of the Borrower's acceptance of the Trial Period Plan terms and conditions. The Servicer must receive the Borrower's first Trial Period payment on or before the last day of the month in which the Trial Period Plan Effective Date occurs (Trial Period Plan Offer Deadline). Otherwise, the Servicer must consider the Trial Period Plan offer to have expired.

(b) Requirements during the Trial Period

The first Trial Period payment is due by the Trial Period Plan Offer Deadline. The Servicer must require the Borrower to remit timely payments. Each Trial Period payment must be received no later than the last day of the month in which the Trial Period payment is due. Borrowers who fail to make timely Trial Period payments are considered to have failed the Trial Period. Servicers must use good business judgment in determining whether Trial Period payments were received timely or if mitigating circumstances caused the payment to be late. Exceptions must be documented in the Servicer's records.

Although the Borrower may make scheduled Trial Period payments earlier than expected, the payments may not result in acceleration of the Modification Effective Date.

During the Trial Period, the Servicer must:

- Continue to report to Freddie Mac in accordance with the investor reporting requirements set forth in the Guide, which include the advancing of forecasted scheduled interest (and principal, if applicable) under the existing Mortgage terms to Freddie Mac, provided that the Servicer has not inactivated the Mortgage

- Credit to an unapplied or suspense funds account, payments made by the Borrower during the Trial Period. Once enough funds have accumulated in the unapplied or suspense funds account to satisfy the oldest payment due under the existing Mortgage terms (including applying the portion of the Trial Period payment allocable to escrowed items to the existing or newly established Escrow account provided those amounts were due at the time of the oldest delinquent payment due date), the Servicer must apply the payment in accordance with the current Note and Security Instrument, or prior modification agreement, if applicable.

(i) Recommencement and/or initiation of collection efforts and foreclosure actions

A Borrower is considered to have failed a Trial Period Plan if the Borrower fails to:

- Make a Trial Period payment by the last day of the month in which the payment is due

- Comply with the terms of the Trial Period Plan

If the Borrower fails the Trial Period Plan per the above requirements or the plan is canceled because the Borrower failed to execute and return the modification agreement within the applicable 14-day time frame set forth in Section 9206.16, the Servicer must begin or recommence collection efforts in accordance with Section 9102.4 or, if applicable, recommence any suspended foreclosure action or proceeding.

After determining a Borrower has failed or the Trial Period was canceled according to the requirements under this Section 9206.11(b), the Servicer must report any initiated or resumed collection or foreclosure activity through EDR. See Section 9102.7 for information on EDR.

Late charges may accrue during the Trial Period subject to the requirements of Section 9102.2. However, all accrued and unpaid late charges must be waived in the event the Mortgage is modified.

(ii) Changes to tax and insurance premium payments

If there are changes in a Borrower's tax and insurance premium payments after the Borrower has been qualified for a Trial Period Plan, the Servicer is not required to re-qualify the Borrower based on the subsequent changes in taxes and insurance. However, the Servicer should provide written notice to the Borrower that explains the impact of the new Escrow payment on the modification.

(iii) Borrowers in Trial Period Plans

If a Borrower was in a Trial Period Plan prior to entering into a forbearance plan, the Borrower may be re-evaluated for a new Trial Period Plan within 30 days prior to or upon completion of the forbearance plan. Servicers must not resume or restart the terms of the previous Trial Period Plan prior to the start of the forbearance plan. Instead, the Servicer must evaluate the Borrower based on the status of the Mortgage at the time of the new evaluation and, if the Borrower meets all eligibility requirements, the Servicer must send a new Trial Period Plan offer to commence on or after the completion of the forbearance plan.

For any subsequent modification submissions, the Trial Period Plan that the Borrower was in prior to the start of the forbearance plan will not be considered a failed Trial Period Plan for a Freddie Mac Flex Modification evaluation.

(iv) Borrowers filing for bankruptcy during the Trial Period

Borrowers who are in a Trial Period Plan and subsequently file for bankruptcy may not be denied a modification on the basis of the bankruptcy filing. The Servicer and its counsel must work with the Borrower or Borrower's counsel to obtain any court and/or trustee approvals required in accordance with local court rules and procedures. Servicers should extend the Trial Period Plan as necessary to accommodate delays in obtaining court approvals or receiving a full remittance of the Borrower's Trial Period payments when they are made to a trustee, but they must not extend the Trial Period beyond nine months, resulting in a total 12-month Trial Period. In the event of a Trial Period extension, the Borrower must make a Trial Period payment for each month of the Trial Period, including any extension month, in order to remain eligible for a modification. See Section 9206.13(a) for information on reporting an extended Trial Period Plan via EDR.

(v) Chapter 13 bankruptcy

When a Borrower in an active Chapter 13 bankruptcy is in a Trial Period Plan and the Borrower has made post-petition payments on the Mortgage in the amount required by the Trial Period Plan, a Servicer must not object to confirmation of a Borrower's Chapter 13 plan, move for relief from the automatic bankruptcy stay, or move for dismissal of the Chapter 13 case on the basis that the Borrower paid only the amounts due under the Trial Period Plan, as opposed to the non-modified Mortgage payments.

(vi) Chapter 7 bankruptcy

Borrowers who have received a Chapter 7 bankruptcy discharge in a case involving the Mortgage and who did not reaffirm the Mortgage debt under applicable law, are eligible for a modification.

9206.12: Modified Mortgage conditions (10/20/21)

The Servicer must ensure that the modified Mortgage:

1. Retains its First Lien position and continues to be fully enforceable in accordance with its terms at the time of modification, throughout its modified term, and during any bankruptcy or foreclosure proceeding involving the Mortgage. The Servicer must record the modification agreement only when doing so is necessary to ensure its compliance with this First Lien retention and modification enforcement requirement. If recordation is not immediately necessary but may be required in the future to comply with this First Lien retention and modification enforcement requirement, the Servicer must have the modification agreement in recordable form. The modification agreement must be executed by the Borrower(s). Notwithstanding the foregoing, the Servicer must:

   (a) Ensure the following are current, as applicable: property taxes ground rents and assessments or other charges that, if delinquent, are or may become First Liens on the property or that if not paid would result in the subordination of Freddie Mac's interests. (See Section 9301.27 regarding expenses that may become First Liens on the property.)

   (b) Obtain a title endorsement or similar title insurance product issued by a title insurance company prior to or at the time of the modification whenever it is necessary to record the modification agreement to retain the modified Mortgage's First Lien position. For Cooperative Share Loans recognized as personal property, refer to Section 8801.1(f)(i) regarding certain Servicer warranties required in the event of a loan modification.

   (c) Obtain subordination agreements from any junior lienholders, if required by the title insurance company

   (d) Record the executed loan modification agreement, even if the jurisdiction where the property is located does not require the Servicer to do so, whenever recordation is necessary to retain the modified Mortgage's First Lien position, if, in the future, recordation is necessary to enforce the terms of the modified Mortgage (e.g., pre-foreclosure), or if it contains provisions related to the assignment of leases and rents

2. Retains all living signers on the existing Note as obligors. Except as otherwise provided in Section 9206.13(e), all Borrowers and any other signatory to the Security Instrument must sign the modification agreement and all other required documents.

3. Contains a due-on-transfer provision if the existing Mortgage documents do not contain such a provision (see Exhibit 78, Modification Due on Transfer Rider, for an example of a due-on-transfer rider)

4. Does not have any secondary financing included in the UPB

5. Does not provide any cash-out to the Borrower

6. Except as set forth in Section 9206.5(e), has an Escrow account (see Chapter 8201) even if the existing Mortgage does not have an Escrow account

7. Retains mortgage insurance coverage if the existing Mortgage has such coverage, and the loss coverage percentage must remain the same

8. Contains an assignment of rents rider if the property is a 1-unit Investment Property or a 2- to 4-unit property (see Exhibit 77 for an example of an assignment of rents rider)

9. Retains any existing credit enhancement, such as an indemnification agreement. (Note: Mortgages subject to recourse are not eligible for a Freddie Mac Flex Modification®.) If the Servicer is not the provider of the credit enhancement, it must obtain written approval from the institution providing the enhancement.

10. Contains a Modification Bankruptcy Disclosure Rider for a Borrower who has been discharged from the Freddie Mac debt (see Exhibit 78A, Modification Bankruptcy Disclosure Rider, for an example of the rider)

11. Is a fully amortizing fixed-rate Mortgage. The Mortgage after modification must not be an interest-only Mortgage, a bi-weekly Mortgage or a daily simple interest Mortgage.

12. Has flood insurance coverage if the property is located in an area that has been identified by the Director of the Federal Emergency Management Agency (FEMA) as a Special Flood Hazard Area (SFHA). The Servicer must determine if the area where the property is located has been identified as a SFHA. This step must be taken even if the property was not located in a SFHA when the Mortgage was originated. If the property is located in a SFHA, then the Servicer must require that the Borrower purchase flood insurance as required in Section 8202.3.

9206.13: Other modification conditions and requirements (11/01/24)

See Bulletins 2024-E and 2024-8 for updates related to Freddie Mac Flex Modifications®. Servicers are encouraged to begin implementation of Freddie Mac Flex Modifications before the mandatory December 1, 2024 effective date.

This section describes the following requirements for processing a Freddie Mac Flex Modification®:

- EDR
- MI approval
- Servicing Spread
- Escrows
- Execution of documents
- Texas Equity Section 50(a)(6) Mortgages

(a) EDR

Servicers may report specific Freddie Mac Flex Modification activity to Freddie Mac as follows:

- **BF – "Standard Modification Trial Period."** Report default action code BF to notify Freddie Mac that the Borrower has entered into a Trial Period for the Freddie Mac Flex Modification. Servicers may report this code along with the Trial Period Plan Effective Date each month during the Trial Period. In addition, Servicers may report this code if they elect to use the interim month option under the Trial Period Plan or extend the Trial Period Plan to accommodate a Borrower's bankruptcy filing. See Section 9206.16(b) for information on the interim month option and Section 9206.11(b) for information on extending a Borrower's Trial Period Plan when the Borrower is in bankruptcy; or

- **HD – "Modification in Review."** Report default action code HD to notify Freddie Mac that the Borrower is being evaluated for a modification. Servicers may report this code along with the date they began reviewing the Borrower for the modification. Report this code one time in the month following the month in which the evaluation took place.

- **HE – "Ineligible/Cancel Modification."** Report default action code HE to notify Freddie Mac that the Borrower is ineligible for a modification or the Trial Period has been canceled. Servicers may report this code along with the date they made the decision. Report this code one time in the month following the month in which the decision took place.

(b) MI approval

Servicers must obtain MI approval of a modification before offering the Borrower a Trial Period Plan. Additionally, if the Borrower cannot pay all amounts due plus the modification

expenses, the Servicer must inquire if the MI will make an advance claim payment to pay all or part of the amounts due.

(c) Servicing Spread

Upon modification, the Servicing Spread for Servicing a modified mortgage is equal to the lesser of (i) the current Servicing Spread on the modified Mortgage, or (ii) 25 basis points per annum multiplied by the interest-bearing UPB. For Mortgages with a partial principal forbearance, the Servicing Spread is based on the interest-bearing UPB.

(d) Escrows

Servicers must establish an Escrow account on the Mortgage if an Escrow account is not currently maintained on the Mortgage, provided its establishment is not prohibited under applicable federal, State or local law.
Prior to or during the Servicer's determination of the Borrower's eligibility for a modification, the Servicer must perform an Escrow analysis in accordance with the Real Estate Settlement Procedures Act (RESPA) and any applicable federal, State, or local law. The Servicer must then establish the Escrow account at the time the Trial Period Plan becomes effective and provide any disclosures required by applicable federal, State, or local law within the time periods prescribed by such laws. In addition:

1. Any advances previously made by the Servicer or any advances that will be made during the Trial Period to pay property taxes or insurance premiums must be capitalized in the modified UPB as long as they were or will be paid to third parties prior to the Modification Effective Date.

2. For taxes and insurance premiums that are not yet due before the Modification Effective Date, the Servicer must determine the amount needed to establish the escrow account (Escrow shortage) that, together with the monthly Escrow payment included in the modified monthly Mortgage payment, will be sufficient to pay all future taxes and insurance premiums when they fall due. If the Borrower is unable to pay the Escrow shortage as a lump sum payment, then the Borrower must pay the shortage as part of the monthly payment on the modified Mortgage ("Project Monthly Escrow Shortage Payments") as set forth in Section 9206.15(b). This amount may not be capitalized in the UPB of the Mortgage.

3. Once the Escrow account is established, the Borrower must continue to make monthly Escrow payments, even if the Borrower fails to comply with the Trial Period Plan and the Mortgage subsequently reinstates.

(e) Execution of documents

The Servicer must require all Borrowers and any other signatory to the Security Instrument to sign the modification agreement and all other required documents to qualify for a modification except the following:

- A Borrower, co-Borrower or any signatory to the Security Instrument who is deceased, as evidenced by a death certificate, or an obituary or newspaper article reporting the death

- A Borrower, co-Borrower or any signatory to the Security Instrument who is divorced or legally separated from another party, as evidenced by a divorce decree signed by the court or court filed separation agreement, except for the Borrower or co-Borrower retaining possession and title to the property

- A Borrower, co-Borrower or any signatory to the Security Instrument who is unrelated by marriage, civil union or similar domestic partnership under applicable law and who purchased or owned the property and has since vacated and no longer occupies the property, provided the remaining Borrower submits a copy of a recorded quit claim deed evidencing that the departed party has relinquished all rights to the property; or

- Any signatory to a Security Instrument who is not a Borrower obligated on the Note provided the Security Instrument contains a provision that authorizes any Borrower to modify the terms of the Security Instrument or the Note without such signatory's consent

Servicers may evaluate requests on a case-by-case basis when the Borrower is unable to sign due to circumstances such as mental incapacity, military deployment, etc.

For Mortgages secured by a property owned by an eligible Living Trust all Freddie Mac Flex Modification-related documents must be executed by the Borrower as follows:

- In his or her individual capacity; and

- By the trustee on behalf of the Living Trust

(f) Texas Equity Section 50(a)(6) Mortgages

When the Mortgaged Premises is secured by a Texas Equity Section 50(a)(6) Mortgage:

- If the Borrower is eligible and qualifies for a Trial Period Plan and/or modification, the Servicer must offer the Borrower a Trial Period Plan and/or modification in accordance with Freddie Mac's requirements in Chapters 9205 and 9206

- If the Servicer receives Borrower notification stating that the terms of the modification agreement do not comply with the provisions of Article XVI Section, 50(a)(6) of the Texas Constitution, the Servicer must notify Freddie Mac within seven Business Days of receipt of such objection or complaint via Freddie Mac Servicing Data Corrections and include the following:

  - Freddie Mac Loan Number

  - Servicer Loan Number

- ❑ Transaction type (i.e., Texas Home Equity modification)
- ❑ Accounting Cycle in which Freddie Mac settled the workout
- ❑ Servicer's analysis (i.e., Borrower complaint related to Section 50(a)(6) of the Texas Constitution)

■ Upon receipt of Freddie Mac's instructions, the Servicer must comply with any required response time frames to claims of defects and any other complaint in accordance with Section 8104.1 and the Texas Constitution

9206.13: Other modification conditions and requirements (Future effective date 12/01/24)

This section describes the following requirements for processing a Freddie Mac Flex Modification®:

■ EDR

■ MI approval

■ Servicing Spread

■ Escrows

■ Execution of documents

■ Texas Equity Section 50(a)(6) Mortgages

(a) EDR

Servicers may report specific Freddie Mac Flex Modification activity to Freddie Mac as follows:

■ **BF – "Standard Modification Trial Period."** Report default action code BF to notify Freddie Mac that the Borrower has entered into a Trial Period for the Freddie Mac Flex Modification. Servicers may report this code along with the Trial Period Plan Effective Date each month during the Trial Period. In addition, Servicers may report this code if they elect to use the interim month option under the Trial Period Plan or extend the Trial Period Plan to accommodate a Borrower's bankruptcy filing. See Section 9206.16(b) for information on the interim month option and Section 9206.11(b) for information on extending a Borrower's Trial Period Plan when the Borrower is in bankruptcy; or

- **HD – "Modification in Review."** Report default action code HD to notify Freddie Mac that the Borrower is being evaluated for a modification. Servicers may report this code along with the date they began reviewing the Borrower for the modification. Report this code one time in the month following the month in which the evaluation took place.

- **HE – "Ineligible/Cancel Modification."** Report default action code HE to notify Freddie Mac that the Borrower is ineligible for a modification or the Trial Period has been canceled. Servicers may report this code along with the date they made the decision. Report this code one time in the month following the month in which the decision took place.

(b) MI approval

If the Mortgage is subject to mortgage insurance and approval and the Freddie Mac Flex Modification is not covered by delegation agreement, then the Servicer must obtain MI approval of a modification before offering the Borrower a Trial Period Plan. Additionally, if the Borrower cannot pay all amounts due plus the modification expenses, the Servicer must inquire if the MI will make an advance claim payment to pay all or part of the amounts due.

(c) Servicing Spread

Upon modification, the Servicing Spread for Servicing a modified mortgage is equal to the lesser of (i) the current Servicing Spread on the modified Mortgage, or (ii) 25 basis points per annum multiplied by the interest-bearing UPB. For Mortgages with a partial principal forbearance, the Servicing Spread is based on the interest-bearing UPB.

(d) Escrows

Servicers must establish an Escrow account on the Mortgage if an Escrow account is not currently maintained on the Mortgage, provided its establishment is not prohibited under applicable federal, State or local law.
Prior to or during the Servicer's determination of the Borrower's eligibility for a modification, the Servicer must perform an Escrow analysis in accordance with the Real Estate Settlement Procedures Act (RESPA) and any applicable federal, State, or local law. The Servicer must then establish the Escrow account at the time the Trial Period Plan becomes effective and provide any disclosures required by applicable federal, State, or local law within the time periods prescribed by such laws. In addition:

1. Any advances previously made by the Servicer or any advances that will be made during the Trial Period to pay property taxes or insurance premiums must be capitalized in the modified UPB as long as they were or will be paid to third parties prior to the Modification Effective Date.

2. For taxes and insurance premiums that are not yet due before the Modification Effective Date, the Servicer must determine the amount needed to establish the escrow account (Escrow shortage) that, together with the monthly Escrow payment included in the

modified monthly Mortgage payment, will be sufficient to pay all future taxes and insurance premiums when they fall due. If the Borrower is unable to pay the Escrow shortage as a lump sum payment, then the Borrower must pay the shortage as part of the monthly payment on the modified Mortgage ("Project Monthly Escrow Shortage Payments") as set forth in Section 9206.15(b). This amount may not be capitalized in the UPB of the Mortgage.

3. Once the Escrow account is established, the Borrower must continue to make monthly Escrow payments, even if the Borrower fails to comply with the Trial Period Plan and the Mortgage subsequently reinstates.

(e) Execution of documents

The Servicer must require all Borrowers and any other signatory to the Security Instrument to sign the modification agreement and all other required documents to qualify for a modification except the following:

- A Borrower, co-Borrower or any signatory to the Security Instrument who is deceased, as evidenced by a death certificate, or an obituary or newspaper article reporting the death

- A Borrower, co-Borrower or any signatory to the Security Instrument who is divorced or legally separated from another party, as evidenced by a divorce decree signed by the court or court filed separation agreement, except for the Borrower or co-Borrower retaining possession and title to the property

- A Borrower, co-Borrower or any signatory to the Security Instrument who is unrelated by marriage, civil union or similar domestic partnership under applicable law and who purchased or owned the property and has since vacated and no longer occupies the property, provided the remaining Borrower submits a copy of a recorded quit claim deed evidencing that the departed party has relinquished all rights to the property; or

- Any signatory to a Security Instrument who is not a Borrower obligated on the Note provided the Security Instrument contains a provision that authorizes any Borrower to modify the terms of the Security Instrument or the Note without such signatory's consent

Servicers may evaluate requests on a case-by-case basis when the Borrower is unable to sign due to circumstances such as mental incapacity, military deployment, etc.

For Mortgages secured by a property owned by an eligible Living Trust all Freddie Mac Flex Modification-related documents must be executed by the Borrower as follows:

- In his or her individual capacity; and

- By the trustee on behalf of the Living Trust

(f) Texas Equity Section 50(a)(6) Mortgages

When the Mortgaged Premises is secured by a Texas Equity Section 50(a)(6) Mortgage:

- If the Borrower is eligible and qualifies for a Trial Period Plan and/or modification, the Servicer must offer the Borrower a Trial Period Plan and/or modification in accordance with Freddie Mac's requirements in Chapters 9205 and 9206

- If the Servicer receives Borrower notification stating that the terms of the modification agreement do not comply with the provisions of Article XVI Section, 50(a)(6) of the Texas Constitution, the Servicer must notify Freddie Mac within seven Business Days of receipt of such objection or complaint via Freddie Mac Servicing Data Corrections and include the following:

  - Freddie Mac Loan Number

  - Servicer Loan Number

  - Transaction type (i.e., Texas Home Equity modification)

  - Accounting Cycle in which Freddie Mac settled the workout

  - Servicer's analysis (i.e., Borrower complaint related to Section 50(a)(6) of the Texas Constitution)

- Upon receipt of Freddie Mac's instructions, the Servicer must comply with any required response time frames to claims of defects and any other complaint in accordance with Section 8104.1 and the Texas Constitution

9206.14: Loan modification expenses (03/02/16)

Subject to applicable law, loan modification expenses may include, but are not limited to:

1. Notary fees

2. Recordation fees if they meet the requirements in Section 9206.12

3. Title report according to the requirements of Section 9206.12. To reduce the expenses, order any required title report from a vendor that is an agent of the current title insurer, when possible.

4. Updated title endorsement or a new title insurance policy according to the requirements of Section 9206.12

5. Legal and settlement fees

6. Property inspection

7. BPO cost, if a BPO is used as the property valuation. See Section 9202.19 for BPO cost details.

The Servicer may not charge the Borrower any processing fee or other administrative fee in connection with the processing of a loan modification.

If the Servicer does not modify the Mortgage, the Servicer must refund to the Borrower all prepaid, but unused expense funds.

9206.15: Expenses, delinquent amounts, capitalization rules and expense reimbursements for modifications (03/01/22)

(a) Expenses and delinquent amounts

Whenever possible the Borrower must pay, subject to applicable federal, State, and local law and the Mortgage, the following expenses and delinquent amounts in the form of a cash contribution as a condition of the modification:

- Delinquent accrued interest

- Expenses paid to a third party specifically related to the loan modification (e.g., title costs, not to exceed the reimbursable expense limits in Exhibit 57A, Approved Attorney Fees and Title Expenses, notary fees, recordation fees, if applicable, and credit report fees)

- Funds advanced by the Servicer, or to be advanced and paid to a third party, prior to the date the Borrower executes the loan modification agreement for the payment of any property taxes and property and mortgage insurance premiums

- Incurred foreclosure costs, including attorney fees and title costs incurred as part of the foreclosure process, not to exceed the reimbursable expense limits in Exhibit 57A

- Property preservation expenses and property inspection fees, not to exceed the reimbursable limits in Exhibit 57, 1- to 4-Unit Property Approved Expense Amounts, and further subject to limitations on the amount or frequency of inspections under applicable federal, State or local law

- Any other expenses that were advanced and paid to a third party related to the preservation of Freddie Mac's lien priority, as specified in Sections 9301.27 and 9701.10

- Escrow shortages (i.e., the amount needed to establish the Escrow account or to bring it current that, together with the monthly Escrow payment included in the monthly Mortgage payment, will be sufficient to pay the next twelve months of property taxes, property and mortgage insurance premiums, etc., when they fall due)

- Any other amounts due and owing that are secured indebtedness under the current Mortgage

The Borrower must agree to contribute funds held in a buydown account, if any, to reduce the Delinquency or amount capitalized.

The Servicer may not charge the Borrower or capitalize any processing fee or other administrative fees in connection with the processing of a loan modification.

(b) Capitalization rules

If the Borrower has inadequate cash reserves or assets that he or she cannot liquidate to pay all of the expenses and delinquent amounts in the form of a cash contribution under Section 9206.15(a), any cash contribution the Borrower is able to make must be applied to expenses and amounts that may be capitalized.

Generally, a Borrower is expected to pay all expenses and other amounts due. If the Mortgage has mortgage insurance, the Servicer must contact the MI prior to capitalizing any amounts to determine if the MI will pay all or a portion of the expenses and delinquent amounts due. The Servicer may capitalize any expense or delinquent amount set forth in the table below provided that such capitalization is not prohibited by applicable federal, State or local law, the amount to be capitalized is part of the indebtedness secured by the current Mortgage, and the expense complies with Exhibits 57 and 57A.

Expense or delinquent amount	**May be capitalized** **(if part of the secured indebtedness and subject to applicable law)**
Delinquent accrued interest	Yes
Expenses paid to a third party specifically related to the loan modification (e.g., title costs, notary fees, recordation fees, if applicable, and credit report fees)	No

Expense or delinquent amount	May be capitalized (if part of the secured indebtedness and subject to applicable law)
Funds advanced by the Servicer, or to be advanced and paid to a third party, prior to the date the Borrower executes the loan modification agreement for the payment of any property taxes and property and mortgage insurance premiums	Yes
Escrow shortages to fund an Escrow account for future post-modification advances	No
Incurred foreclosure costs, including attorney fees and title costs incurred as part of the foreclosure process	Yes (not to exceed the reimbursable expense limits in Exhibit 57A)
Property preservation expenses and property inspection fees	Yes (not to exceed the reimbursable limits in Exhibit 57)
Any other expenses that were advanced and paid to a third party related to the preservation of Freddie Mac's lien priority, as specified in Sections 9301.27 and 9701.10	Yes

With respect to Escrow shortages, if the Borrower is unable to pay the Escrow shortage as a lump sum, then the Borrower must pay the shortage as part of the monthly payment ("Projected Monthly Escrow Shortage Payments") on the modified Mortgage. If the Borrower must pay Projected Monthly Escrow Shortage Payments, then the Servicer must:

- Spread the repayment of the Escrow shortage amount in equal monthly payments over a period of 60 months, unless the Borrower chooses to pay off the shortage as a lump sum or over a shorter period of time, not to be less than 12 months

- Take into account any remaining unpaid amount of the Escrow shortage in any subsequent Escrow analysis to ensure that the Borrower is able to continue to pay all Escrow shortage amounts over the remaining portion of either the current remaining Escrow shortage repayment period or a period up to 60 months. The Servicer may not accelerate or compress the remaining Escrow shortage amount into a new Escrow payment or shorter repayment period as a result of a future Escrow analysis.

(c) Reimbursement of expenses

Servicers may use the PAID (Payments Automated Intelligent and Dynamic) (see Exhibit 88, Servicing Tools) to request reimbursement for the following mortgage modification expenses associated with all modification types that would otherwise be paid by the Borrower and that may not be capitalized:

Expense Description	Expense Code	Expense Limit and Notes
Recordation fees	**300003**	Actual cost
Title costs, if applicable (except with respect to title costs in connection with a foreclosure proceeding)	**300004**	Reimbursable amounts are in accordance with the limits specified in Exhibit 57A
Notary fees	**042001**	$150
Home Value Explorer® (HVE®)	**400003**	$150

Additionally, Freddie Mac will reimburse certain expenses (e.g., legal fees and/or legal costs) considered unrecoverable from the Borrower under applicable federal, State or local law upon completion of a mortgage modification in accordance with Section 9701.5(f).

All reimbursement requests must be received by Freddie Mac in accordance with Section 9701.5(a). If the Servicer submits a reimbursement request for mortgage modification expenses and the mortgage modification settlement date does not exist in Freddie Mac's systems, the expense request will not be eligible for payment. All modifications types, excluding modifications with Mortgages insured by the FHA, or guaranteed by the VA or RHS, must have been submitted to Freddie Mac for settlement in its systems to be eligible for expense reimbursement via PAID.

For modifications with Mortgages insured by the FHA, or guaranteed by the VA or RHS, refer to Section 9701.5 for requirements related to expense submission time frames.

9206.16: Preparing to close the loan modification (11/01/24)

See Bulletins 2024-E and 2024-8 for updates related to Freddie Mac Flex Modifications®. Servicers are encouraged to begin implementation of Freddie Mac Flex Modifications before the mandatory December 1, 2024 effective date.

The Servicer should allow sufficient processing time to prepare the modification agreement and provide it to the Borrower for execution, so that the Borrower has sufficient time to return it to the Servicer and make the first modified payment by its due date. The first modified payment due date is the first day of the month following the final Trial Period month, or, if applicable, the first day of the month following an interim month.

(a) Preparing the modification agreement and providing it to the Borrower

The Servicer must:

1. Prepare an original modification agreement for the Borrower's signature (see Exhibit 76, Loan Modification for Delinquent Mortgages, for an example of a modification agreement and Exhibit 76A, for authorized changes to Exhibit 76)

   The modification agreement:

   - Must be revised as necessary to conform with federal, State and local law and the terms of the modification

   - Must not include any language that requires the Borrower to waive rights he or she may have under applicable law, including the Consumer Credit Protection Act, as a condition of the modification

   - Must have a Modification Effective Date and a due date of the first payment due after the Trial Period (the "First Modified Payment") of the first day of the month following the end of the Trial Period, or, if applicable, the first day of the month following the end of the interim month

     - Must be in recordable form in the following circumstances: (1) if State or local law requires the modification agreement be recorded to be enforceable, (2) if the Mortgage is secured by property located in New York, (3) if the modification agreement must be recorded pursuant to Section 9206.12(1)(d), or (4) if the Servicer's practice for modifying Mortgages in its portfolio is to create modification agreements in recordable form

   The new interest rate and new principal balance on the modified Mortgage are effective retroactive to the first day of the month just prior to the First Modified Payment due date (i.e., to allow for payment of interest in arrears). (See below for information on the "interim month option.")

2. Deliver to the Borrower an unsigned copy of the modification agreement, together with any applicable riders and disclosures, and provide a date by which the Borrower must sign and return the executed modification agreements (and applicable riders and disclosures), which must be no more than 14 days from the date the Servicer sent the modification agreement

3. Once the Borrower has signed the modification agreement and made the last required monthly payment due during the Trial Period and the Servicer determines the Borrower otherwise remains in compliance with the terms of the Trial Period Plan, the Servicer must sign the modification agreement, and return a copy with all signatures to the Borrower in order for the modification to take effect. The Servicer may not sign the modification agreement until the Borrower has signed the modification agreement and complied with all requirements of the Trial Period Plan.

4. Prepare an assignment of rents rider, if applicable (see Section 9206.12)

5. Prepare a due-on-transfer rider, if applicable (see Section 9206.12)

6. Prepare a Modification Bankruptcy Disclosure Rider, if applicable (see Section 9206.12)

7. Prepare any documents necessary to modify the Mortgage, including applicable disclosure statements

8. Arrange to obtain a title endorsement or similar title insurance product, if applicable. Refer to Section 9206.12 for specific information.

(b) Interim month option

In the event the Borrower does not pay the final Trial Period payment on or before the due date set forth in the Trial Period Plan Notice, then the Servicer may, at its option, prepare the modification agreement such that the Modification Effective Date and the due date of the First Modified Payment is the first day of the second month following the final Trial Period month. However, in this case, interest will not begin to accrue at the modified interest rate on the modified principal balance until the first day of the month following the final Trial Period month to accommodate the First Modified Payment's payment of interest in arrears ("interim month option.")

For example, if the final Trial Period payment is due March 1 and the Servicer elects the option described above, the Borrower is not required to make any payment during April, and the First Modified Payment under the modification agreement is due on May 1. During the month of March, interest will accrue at the current pre-modification rate under the current loan documents, which may impact the amount of the modified principal balance. The modified interest rate and the modified principal balance will take effect on April 1. The First Modified Payment due on May 1 will include interest in arrears that accrued during April on the modified principal balance at the modified interest rate.

If the Servicer elects this option, the Borrower will not be required to make an additional Trial Period payment during the month (the "interim month") between the final Trial Period month and the month in which the First Modified Payment is due.

A Servicer must treat all Borrowers the same in applying this option by selecting, in its discretion and evidenced by a written policy, the date by which the final Trial Period payment must be submitted ("cutoff date") before the Servicer applies this option. The cutoff

date must be after the due date for the final Trial Period payment as set forth in the Trial Period Plan Notice.

In the event the Borrower does not submit funds during the interim month, the effects of the interim month and attendant capitalization of arrearages on the terms of the modification agreement may not alter the Servicer's previous determination of the Borrower's eligibility.

The Servicer, when sending the modification agreement for signature, must include a cover letter that informs the Borrower of (i) the delay of the Modification Effective Date and First Modified Payment due date by one month and (ii) the effects of the interim month, including, but not limited to, the delay in the effective date of the modified interest rate, any increase in the delinquent interest capitalized.

EDR

If the Servicer elects to use the interim month option in accordance with the requirements under this Section 9206.16(b), the Servicer may report the interim month to Freddie Mac through EDR. In doing so, the Servicer may report default action codes "BF" under the Freddie Mac Flex Modification Trial Period Plan. In addition, the Servicer must also report the Trial Period Plan Effective Date as the default action date until the default action codes would no longer apply once the Mortgage is modified.

Refer to Section 9102.7 for information on EDR and Exhibit 82, Electronic Default Reporting Transmission Code List, for descriptions of the default action codes and default reason codes.

9206.16: Preparing to close the loan modification (Future effective date 12/01/24)

The Servicer should allow sufficient processing time to prepare the modification agreement and provide it to the Borrower for execution, so that the Borrower has sufficient time to return it to the Servicer and make the first modified payment by its due date. The first modified payment due date is the first day of the month following the final Trial Period month, or, if applicable, the first day of the month following a processing month.

(a) Preparing the modification agreement and providing it to the Borrower

The Servicer must:

1. Prepare an original modification agreement for the Borrower's signature (see Exhibit 76, Loan Modification for Delinquent Mortgages, for an example of a modification agreement and Exhibit 76A, for authorized changes to Exhibit 76)

   The modification agreement:

- Must be revised as necessary to conform with federal, State and local law and the terms of the modification

- Must not include any language that requires the Borrower to waive rights he or she may have under applicable law, including the Consumer Credit Protection Act, as a condition of the modification

- Must have a Modification Effective Date and a due date of the first payment due after the Trial Period (the "First Modified Payment") of the first day of the month following the end of the Trial Period, or, if applicable, the first day of the month following the end of the processing month

  - Must be in recordable form in the following circumstances: (1) if State or local law requires the modification agreement be recorded to be enforceable, (2) if the Mortgage is secured by property located in New York, (3) if the modification agreement must be recorded pursuant to Section 9206.12(1)(d), or (4) if the Servicer's practice for modifying Mortgages in its portfolio is to create modification agreements in recordable form

The new interest rate and new principal balance on the modified Mortgage are effective retroactive to the first day of the month just prior to the First Modified Payment due date (i.e., to allow for payment of interest in arrears). (See below for information on the "processing month option.")

2. Deliver to the Borrower an unsigned copy of the modification agreement, together with any applicable riders and disclosures, and provide a date by which the Borrower must sign and return the executed modification agreements (and applicable riders and disclosures), which must be no more than 14 days from the date the Servicer sent the modification agreement

3. Once the Borrower has signed the modification agreement and made the last required monthly payment due during the Trial Period and the Servicer determines the Borrower otherwise remains in compliance with the terms of the Trial Period Plan, the Servicer must sign the modification agreement, and return a copy with all signatures to the Borrower in order for the modification to take effect. The Servicer may not sign the modification agreement until the Borrower has signed the modification agreement and complied with all requirements of the Trial Period Plan.

4. Prepare an assignment of rents rider, if applicable (see Section 9206.12)

5. Prepare a due-on-transfer rider, if applicable (see Section 9206.12)

6. Prepare a Modification Bankruptcy Disclosure Rider, if applicable (see Section 9206.12)

7. Prepare any documents necessary to modify the Mortgage, including applicable disclosure statements

8. Arrange to obtain a title endorsement or similar title insurance product, if applicable. Refer to Section 9206.12 for specific information.

(b) Processing month option

In the event the Borrower does not pay the final Trial Period payment on or before the due date set forth in the Trial Period Plan Notice, then the Servicer may, at its option, prepare the modification agreement such that the Modification Effective Date and the due date of the First Modified Payment is the first day of the second month following the final Trial Period month. However, in this case, interest will not begin to accrue at the modified interest rate on the modified principal balance until the first day of the month following the final Trial Period month to accommodate the First Modified Payment's payment of interest in arrears ("processing month option.")

For example, if the final Trial Period payment is due March 1 and the Servicer elects the option described above, the Borrower is not required to make any payment during April, and the First Modified Payment under the modification agreement is due on May 1. During the month of March, interest will accrue at the current pre-modification rate under the current loan documents, which may impact the amount of the modified principal balance. The modified interest rate and the modified principal balance will take effect on April 1. The First Modified Payment due on May 1 will include interest in arrears that accrued during April on the modified principal balance at the modified interest rate.

If the Servicer elects this option, the Borrower will not be required to make an additional Trial Period payment during the month (the "processing month") between the final Trial Period month and the month in which the First Modified Payment is due.

A Servicer must treat all Borrowers the same in applying this option by selecting, in its discretion and evidenced by a written policy, the date by which the final Trial Period payment must be submitted ("cutoff date") before the Servicer applies this option. The cutoff date must be after the due date for the final Trial Period payment as set forth in the Trial Period Plan Notice.

In the event the Borrower does not submit funds during the processing month, the effects of the processing month and attendant capitalization of arrearages on the terms of the modification agreement may not alter the Servicer's previous determination of the Borrower's eligibility.

The Servicer, when sending the modification agreement for signature, must include a cover letter that informs the Borrower of (i) the delay of the Modification Effective Date and First Modified Payment due date by one month and (ii) the effects of the processing month, including, but not limited to, the delay in the effective date of the modified interest rate, any increase in the delinquent interest capitalized.

EDR

If the Servicer elects to use the processing month option in accordance with the requirements under this Section 9206.16(b), the Servicer may report the interim month to Freddie Mac through EDR. In doing so, the Servicer may report default action codes "BF" under the Freddie Mac Flex Modification® Trial Period Plan. In addition, the Servicer must also report the Trial Period Plan Effective Date as the default action date until the default action codes would no longer apply once the Mortgage is modified.

Refer to Section 9102.7 for information on EDR and Exhibit 82, Electronic Default Reporting Transmission Code List, for descriptions of the default action codes and default reason codes.

9206.17: Loan modification documents and settlement data submissions (08/31/23)

After the Servicer has sent a copy of the fully executed modification agreement to the Borrower as required by Section 9206.16(a), the Servicer must comply with the following requirements:

- If the modification agreement must be recorded (see Sections 9206.12 and 9206.16), the Servicer must:
  - Submit the fully executed original modification agreement for recordation within five Business Days of receiving either the Borrower executed modification agreement or the final Trial Period payment, whichever is later. (See Section 1401.14 for requirements pertaining to Electronic recording of paper post-closing documents.)
  - If the original Security Instrument was registered with MERS®, execute the modification agreement on behalf of MERS
  - Within 25 days of receiving the executed modification agreement from the Borrower:
    - If the modification agreement will not be electronically recorded, send a certified copy of the fully executed modification agreement to the Document Custodian to be maintained with the Note
    - If the modification agreement will be electronically recorded, send the fully executed modification agreement to the Document Custodian to be maintained with the Note. (See Section 1401.14 for requirements pertaining to Electronic recording of paper post-closing documents and related delivery requirements to the Document Custodian or Designated Custodian, as applicable.)
  - Send the modification agreement that is returned from the recorder's office to the Document Custodian within five Business Days of receiving it. (See Section 1401.14 for

requirements pertaining to Electronic recording of paper post-closing documents and related delivery requirements to the Document Custodian or Designated Custodian, as applicable.) For eMortgages, if the modification agreement is electronically recorded, deliver an electronic copy of the recorded modification agreement to the eNote custodian's eVault, using MERS eDelivery, within five Business Days of receipt from the recording office.

- ❑ If recordation is not required, send the fully executed modification agreement to the Document Custodian within 25 days after receiving it from the Borrower

- ❑ Retain a copy of the fully executed modification agreement in the Mortgage file. (See Section 1401.14 for requirements pertaining to Electronic recording of paper post-closing documents and related modification storage requirements by the Servicer in the Mortgage file.)

- ■ Per Section 1402.11(a), the Servicer must update the MERS® eRegistry (as defined in Section 1402.2) to provide notice of the modification agreement upon a modification of an eMortgage (as defined in Section 1402.2)

- ■ Complete the "Settlement Request" screen in Resolve® and transmit the status for all Mortgages due for settlement into Resolve no later than the 4th Business Day of the month in which the first modified payment is due. When submitting the data for a modification via the "Settlement Request" screen, the Servicer must comply with the instructions for each Freddie Mac modification offer set forth in the Resolve Online Help.

  By completing the "Settlement Request" screen in Resolve and submitting the data for a modified Mortgage, the Servicer represents and warrants to Freddie Mac that it has completed the data entry in accordance with the instructions set forth in the Resolve Online Help and that all information set forth on the "Settlement Request" screen is accurate. In submitting the modification terms via the "Loan Modification Settlement" screen, the Servicer represents and warrants, among other things, that:

  - ❑ The "Current UPB (pre-modification)" and the DDLPI entered on the "Loan Modification Settlement" screen matches the UPB and DDLPI reported to Freddie Mac as of the end of the last Accounting Cycle in the month prior to the first modified payment due date

  - ❑ The data entered on the "Settlement Request" screen matches the terms of the modification agreement and those terms comply with the underwriting requirements applicable to the modification.

    In its sole discretion, Freddie Mac may choose not to accept for settlement any modification and data related to such modification undertaken by the Servicer where required settlement documentation is not provided in accordance with the time frame set forth above or that otherwise does not comply with the underwriting requirements of the Guide or other applicable Purchase Documents. If Freddie Mac does accept a

modification for settlement, such acceptance does not waive any rights Freddie Mac may have available under the Guide or other applicable Purchase Documents including, without limitation, the right to withhold workout compensation for any modifications undertaken by the Servicer where required settlement documentation or accurate settlement data is not provided in accordance with the time frame set forth above or the terms of the modification do not comply with the underwriting requirements of the Guide or other applicable Purchase Documents.

Once the data entered onto the "Settlement Request" screen has been submitted to Freddie Mac, Servicers should monitor the *Modification Pending Update* report, accessible via the "Modifications" tile of the Servicer's Servicer Performance Profile (SPP). (See Exhibit 88, Servicing Tools.) All Mortgages that are scheduled to be processed in Freddie Mac's systems will appear on this report in the SPP.

In addition, Freddie Mac will notify Servicers that the modification has been processed in Freddie Mac's systems via the *Modification Status Overview* report in the SPP. If a Servicer attempts to report a monthly loan-level transaction on a Mortgage based on the modified terms prior to the modification being processed in Freddie Mac's systems, the Servicer will not be able to successfully complete the transaction.

- Comply with the reporting requirements set forth in Section 9206.18 to complete the loan modification. Freddie Mac will enter a credit for its proportionate share of the capitalized amount, if applicable, on the Adjustment line of the Servicer's Monthly Account Statement (MAS) plus an adjustment for any miscellaneous interest, if applicable.

9206.18: Modification reporting and drafting requirements (12/09/19)

Freddie Mac will process and settle mortgage modifications daily, except on the first Business Day of the month, and notify the Servicer through the Loan Modification Status Report when a loan modification has settled. During settlement, Freddie Mac will update the DDLPI to be the Modification Effective Date.

The Servicer must comply with the following reporting requirements:

(a) Before the first modified payment is due

The Servicer must report in accordance with the Note and Security Instrument, and any modification agreement, if applicable. In doing so, the Servicer must report to Freddie Mac as follows:

If the mortgage modification was settled in the current Accounting Cycle….	Then the Servicer must….
With the first modified payment **due in the following month**	**Report the next month's forecasted scheduled interest based on the modified terms** in the current Accounting Cycle
With the first modified payment **due in the current month**	**Report the principal and forecasted scheduled interest based on the newly modified terms** in the current Accounting Cycle. Note: If the mortgage modification settles after the P&I Determination Date and the Servicer does not report the modified loan data, Freddie Mac will simulate the loan activity.
And **the Modification Effective Date is in a past Accounting Cycle**, the Mortgage will remain inactive after the mortgage modification	**Complete a full reinstatement**. Refer to Section 8303.23(a) for reporting the corresponding payment and DDLPI date change. (The DDLPI would change to the same date as the Modification Effective Date).

If a Trial Period Payment is received in the same month that Freddie Mac settles the mortgage modification and the pre-modified UPB is equal to the UPB reported in the current Accounting Cycle, the Trial Period Payment will be applied as a miscellaneous principal adjustment.

(b) After the modification has been executed

Once the modification has been executed, the Servicer must update their Mortgage records to reflect the modified terms.

In the next monthly Accounting Cycle after the effective date of the modification, the Servicer must report to Freddie Mac as follows:

1. Report the Mortgage in its Loan-Level Transaction using the modified terms and report any payments received after the modification agreement has been executed. If the modified Mortgage includes capitalized amounts, then the UPB field must reflect the modified UPB amount. Freddie Mac will enter a credit for its proportionate share of the capitalized amount, if applicable, on the Adjustment Line of the Servicer's Monthly Account Statement (MAS).

2. On the P&I Draft Date, Freddie Mac will draft all modified principal and interest payments to Freddie Mac. The Servicer must update its Mortgage records to reflect the modified terms of the Mortgage as soon as the modification agreement has been executed.

(c) Drafting

Freddie Mac will draft principal and interest payments in accordance with Section 8303.3(b). Adjustments for loan modification capitalized interest, miscellaneous principal, miscellaneous interest or reinstatement interest, if applicable, will be posted to the Draft Report in the month the loan modification settles on or before the P&I Determination Date. If the Loan Modification settles after the P&I Determination Date, these adjustments will be posted to the following month's Draft Report.

(d) Postsettlement discrepancies

The Servicer must report any postsettlement discrepancies to Freddie Mac via the Freddie Mac Servicing Data Corrections tool (see Exhibit 88, Servicing Tools) within 30 calendar days following the close of Freddie Mac's Accounting Cycle in which the settlement occurred.

When submitting a request to correct a postsettlement discrepancy, Servicers must upload the executed modification agreement or court documents to support the requested change in the Servicing Data Corrections tool and explain why the modification was not initially settled with data elements matching these documents.

Freddie Mac may assess a contract noncompliance and contract change compensatory fee (see Section 8303.43) for any postsettlement discrepancies submitted more than 60 calendar days after the close of Freddie Mac's Accounting Cycle in which the settlement occurred. Additionally, in the event the modification agreement did not comply with Freddie Mac's requirements, Freddie Mac may pursue available remedies depending on the nature of the modification violation, including, but not limited to, a repurchase demand, repurchase alternative and/or recovery of any workout incentives that were paid.

Refer to Section 8303.4 for specific reporting requirements for Mortgages with partial principal forbearance.

9206.19: Electronic solicitation and modification (04/14/21)

(a) Defined terms

For purposes of this section:

Borrower means, as applicable to eModification Agreements, in addition to the definition contained in the Glossary, a person defined as a consumer under E-SIGN, to the extent E-SIGN applies to a transaction. For the purposes of this section, "Borrower" also includes any and all persons obligated under the terms of any applicable Note as the context shall permit or require.

Electronic has the meaning set forth in Section 1401.2.

Electronic Record has the meaning set forth in Section 1401.2.

Electronic Signature has the meaning set forth in Section 1401.2.

Electronic Transaction has the meaning set forth in Section 1401.2.

eModification Agreement has the meaning set forth in Section 1401.2.

eStorage System has the meaning set forth in Section 1402.2.

eNote has the meaning set forth in Section 1402.2.

E-SIGN has the meaning set forth in Section 1402.1.

eVault has the meaning set forth in Section 1402.2.

UETA has the meaning set forth in Section 1402.1.

(b) Electronic submission of documents

Refer to Section 9102.5(d) for requirements regarding electronic submission of documents.

(c) Electronic solicitation

Servicers may solicit Borrowers for a modification electronically and may add new Borrowers and release Borrowers pursuant to Electronic assumption and release of liability agreements provided the Servicer complies with the requirements of Section 1401.17 and other applicable Guide sections.

(d) eModification Agreements

The requirements of this Section 9206.19(d) apply only to eModification Agreements of paper Notes and related Security Instruments. See Section 1402.11(a) for requirements for eModification Agreements that modify an eMortgage.

(i) Special representations and warranties

A Servicer allowing Borrowers to receive, transmit or electronically sign an eModification Agreement represents and warrants to Freddie Mac that it has complied with the requirements of the Guide and that the eModification Agreement is authentic, its terms are valid and enforceable against the Borrower, and the modified Mortgage complies with the requirements of Section 9206.12.

(ii) Restrictions on the use of an eModification Agreement

An eModification Agreement may be a Category 3 SMARTDoc (v1.02), unless this Chapter 9206 requires the eModification Agreement to be recorded or in recordable format and the recording jurisdiction does not support the Category 3 SMARTDoc format.

Servicers may **not** use an eModification Agreement if:

- The Mortgage, as modified by the eModification Agreement, would be invalid or unenforceable or would no longer be in First Lien position
- The jurisdiction in which the eModification Agreement would be recorded, when recordation is required, does not permit or provide for recordation of Electronic documents
- The Servicer is unable to comply with the recording jurisdiction's recordation and formatting requirements for an Electronic document or the jurisdiction does not permit or provide for recordation of Electronic documents, and Sections 9206.12 or 9206.16 requires the Modification Agreement to be recorded or in recordable form

Freddie Mac will not reimburse any costs that result from a Servicer's decision to use an eModification Agreement, and such costs may not be assessed to the Borrower.

(iii) General requirements applicable to all Freddie Mac eModification Agreements

Servicers must:

- Process, modify, and store eModification Agreements of Freddie Mac Mortgages under requirements that are no less stringent than applicable industry standards when electronically processing, modifying and storing its own Electronic modification agreements for mortgages that it owns or services for others

- Consult with their legal counsel to ensure that the Servicer's use, processing, and storage of an eModification Agreement complies with all applicable federal, State and local laws

- Provide for Electronic notarization when required, subject to applicable law

- Comply with all requirements in the Servicing Contract to service the Mortgage, as modified by an eModification Agreement including, but not limited to, Servicing obligations related to payoff or short sale (e.g., cancelation of the Mortgage, Note and eModification Agreement), grant of a deed-in-lieu of foreclosure, foreclosure, repurchase of an electronically modified Mortgage and litigation

- Assure that the signing platform has a robust audit trail of all key events starting from the creation of the eModification Agreement through and including the Borrower and Servicer execution that the Servicer can reproduce upon request by Freddie Mac

(iv) Additional requirements when the eModification Agreement must be recorded or in recordable format

When an eModification Agreement must be recorded or in recordable format as required in Sections 9206.12 or 9206.16, a Servicer may use an eModification Agreement, provided the Servicer is able to comply with the recording jurisdiction's recordation and Electronic format requirements.

(v) Document custodial requirements

Upon execution of an eModification Agreement, the Servicer must provide a copy of the executed eModification Agreement to its Document Custodian in a format that is acceptable to the Document Custodian, to be maintained or logically associated with the Note.

If recordation is required, the Servicer must provide a copy of the recorded eModification Agreement or a copy of evidence of recordation together with a copy of the executed eModification Agreement to its Document Custodian.

(vi) Storage and safekeeping of eModification Agreements

eModification Agreements (including printed paper copies of facsimiles of eModification Agreements) must be stored in accordance with the Guide requirements for storing Mortgage file documents and must be stored in an eVault or eStorage System. eModification Agreements must be logically associated with all paper Mortgage file documents so that all Servicing records (both paper and Electronic) are identified and associated with the affiliated Mortgage transaction.

(vii) Transfers of Servicing

Upon a Transfer of Servicing involving Mortgages with eModification Agreements, the Transferor Servicer must comply with Section 7101.2(b)(ii)#8 and inform the Transferee Servicer of the name of the eVault or eStorage System holding the eModification Agreement. The Transferor Servicer must cause its eVault or eStorage System provider to transfer the eModification Agreement and all related data to the Transferee Servicer's eVault or eStorage System provider in a manner that ensures the ongoing validity and enforceability of the eModification Agreement and its associated Electronic Signature. A Transferor Servicer may not satisfy its obligations under this section by relying on Section 7101.8(a) by generating paper copies of eModification Agreements for the Transferee Servicer.

(viii) Data security requirements and data privacy protection

Servicers must follow data security requirements in Sections 1302.2 and 1401.5 and the data privacy protection standards in Section 8101.8. Servicers are required to maintain their eStorage System and conduct periodic information security reviews of the data stored and maintained in such systems based on, but not limited to, applicable federal, State and local laws and regulations and the Guide.

Freddie Mac reserves the right to require a Servicer to implement additional security measures regarding its Servicing eStorage System.

(ix) Disaster recovery/business continuity plan

Refer to Section 1302.3 for Seller/Servicer business continuity planning requirements.

Chapter 9207: Workout Mortgage Assumption

9207.1: What is a workout Mortgage assumption? (03/02/16)

A workout Mortgage assumption permits a qualified applicant to assume title to the property and the Mortgage obligation from a Borrower who is currently delinquent or in imminent danger of default on his or her Mortgage because of an eligible hardship.

This workout option has different requirements than the requirements for Transfers of Ownership allowed under certain Mortgage documents or federal law. (For example, the workout Mortgage assumption recommendation must be submitted to Freddie Mac for its approval.) Refer to Chapter 8406 for those requirements.

9207.2: When to consider a workout Mortgage assumption (08/31/23)

If the Borrower's eligible hardship, as described in Section 9202.2, is permanent or long term and he or she cannot or does not want to retain ownership of the property, but is cooperative and has a potential buyer for the property, then the Servicer should explore the possibility of a workout Mortgage assumption in accordance with the requirements in Sections 9207.3 through 9207.8 as a solution to the Delinquency.

Simultaneous assumptions, relief options and modifications

The Servicer must also consider an assumption of the Mortgage in situations where all Borrowers are deceased or one or more Borrower on the Note has an eligible hardship as described in Section 9202.2 and the hardship is expected to cause a long-term or permanent decrease in the Borrower's income or increase in the Borrower's expenses such that all Borrowers on the Note are unable or unlikely to continue making the monthly mortgage payment obligation. In this circumstance, if a natural person with a legal or beneficial interest in the Mortgaged Premises wishes to assume the Mortgage obligation ("non-Borrower applicant") then the Servicer must first determine if the non-Borrower applicant meets the transfer of ownership requirements under Chapter 8406. If the non-Borrower applicant does not meet the transfer of ownership requirements under Chapter 8406 and the due-on-transfer clause has been triggered or the Mortgage is delinquent, the Servicer must explore all available relief options as described in Chapter 9203, including forbearance and payment deferral. For purposes of this section, a natural person with a beneficial interest in the Mortgaged Premises includes:

- An heir or legatee who will inherit the Mortgaged Premises following completion of probate or distribution of the assets of the estate of the deceased Borrower; or

- A person awarded title to the Mortgaged Premises pursuant to a court decree or court approved separation agreement where a quit claim deed has not been executed or recorded. If a Servicer is uncertain whether a person has a beneficial interest in the Mortgaged Premises, it should consult its legal counsel or submit the case to Freddie Mac via Resolve®.

If the non-Borrower applicant meets the transfer of ownership requirements under Chapter 8406 and the due-on-transfer clause has not been triggered or the Mortgage is delinquent, and the Servicer determines that a relief option is unlikely to lead to a resolution of the default or Delinquency, the non-Borrower applicant may be considered for a simultaneous assumption and modification under the Freddie Mac Flex Modification® requirements. The non-Borrower applicant must provide the Servicer with a complete Borrower Response Package and the Servicer must evaluate the non-Borrower applicant as if he or she were a Borrower.

Servicers may first consider whether the non-Borrower with a legal or beneficial interest in the property can qualify using the non-Borrower income requirements specified in Section 9202.3(b). If the applicant does not meet the non-Borrower income criteria in Section 9202.3(b) and/or wishes to assume the Mortgage obligation, then Servicers must follow the requirements below to submit a recommendation to Freddie Mac for a simultaneous assumption and modification.

Servicers must obtain Freddie Mac's approval prior to offering an otherwise eligible non-Borrower applicant a simultaneous assumption and modification.

- To submit a recommendation for a simultaneous assumption and Flex Modification, the Servicer must submit its recommendation to Freddie Mac via the Resolve User Interface. See **Resolve Online Help** for additional details. Freddie Mac's decision will be available in the Resolve Dashboard accessible via **Servicing Gateway**.

- Supporting documentation must be submitted to Freddie Mac **(see Directory 5)** upon request

If Freddie Mac does not approve the request for a simultaneous assumption and modification, the Servicer must refer to Section 1301.2(i) for information on adverse action notices that must be provided to the non-Borrower applicant on behalf of Freddie Mac.

The requirements in this Section 9207.2 also apply in cases where the only remaining Borrower is a trust and to other transfers that require acceleration of the Note.

Refer to Chapter 8406 for additional information regarding Transfers of Ownership.

9207.3: Eligibility requirements for a workout Mortgage assumption (05/04/20)

To recommend a Borrower for a workout Mortgage assumption, the Servicer must complete Form 1077, Uniform Underwriting and Transmittal Summary, and ensure that all of the following eligibility requirements are met:

1. The Borrower must have an eligible hardship

2. The Borrower must be delinquent in his or her payments, or in imminent danger of default

3. The Borrower must submit a complete Borrower Response Package (see Section 9102.5 for information on the Borrower Response Package)

4. The Borrower must be cooperative and allow access to the interior of the property for a BPO for:

   - A Mortgage secured by a 2- to 4-unit property, a Manufactured Home or a dwelling subject to a leasehold estate

   - A Cooperative Share Loan secured by a First Lien on the Cooperative Interest to a Cooperative Unit (see Chapter 8801 for special Servicing requirements for Cooperative Share Loans)

5. The indebtedness-to-value (ITV) ratio must be equal to or greater than 85%. The total ITV ratio is the total indebtedness under the terms of the Mortgage, which includes the UPB, accrued interest, Escrow advances and expenses (see Exhibit 57A, Approved Attorney Fees and Title Expenses, for the applicable expense limits) divided by the probable sales price determined by Freddie Mac.

6. The applicant assuming the Mortgage must meet Freddie Mac's underwriting guidelines in Topics 5100 through 5500 and Section 8406.5 as documented on Form 1077

7. The applicant must pay a Down Payment of at least 5% of the total indebtedness unless the Transfer of Ownership meets the criteria listed in Sections 8406.3 or 8406.4

9207.4: Submitting a workout Mortgage assumption recommendation to Freddie Mac (03/31/22)

To recommend a workout Mortgage assumption, the Servicer must:

- Obtain a property valuation through BPOdirect® (see Section 2406.4 regarding obtaining a property value via BPOdirect). For a Mortgage secured by a 1-unit property (excluding a

Manufactured Home, a dwelling subject to a leasehold estate or a Cooperative Unit), the Servicer must, unless otherwise noted below, use an available automated value. If an automated value is not available for the Mortgage secured by a 1-unit property, or, pursuant to Section 9207.3, the Borrower must be cooperative and allow access to the interior of the property for a BPO, then the Servicer must order a new property valuation in accordance with Sections 2406.4, 9202.17 and 9202.19, if necessary. The property valuation must be less than 90 days old on the date the Servicer recommends the workout Mortgage assumption to Freddie Mac. (Note: The Servicer does not need to submit the valuation to Freddie Mac because Freddie Mac will have access to the value via BPOdirect.)

Notwithstanding the requirements above, if the Servicer has previously obtained a Freddie Mac-compliant property valuation (i.e., Freddie Mac-provided BPO, Freddie Mac-provided appraisal or an appraisal obtained in compliance with Topic 5600), the Servicer must use the Freddie Mac-compliant property valuation in connection with a workout Mortgage assumption evaluation.

- Submit all of the following to Freddie Mac **(see Directory 5)**
  - The Borrower's complete Borrower Response Package. (See Section 9102.5 for a description of the Borrower Response Package.)
  - Completed Form 1077, Uniform Underwriting and Transmittal Summary, detailing the Servicer's underwriting of the applicant
  - A copy of the fully executed sales contract and addenda
  - Estimated seller Closing Costs, if applicable
  - If the Mortgage is covered by mortgage insurance, fax a copy of the approval from the MI to Freddie Mac within two Business Days of the Servicer's receipt of the MI's approval

9207.5: Freddie Mac's decision about a Servicer's recommendation for workout Mortgage assumption (03/02/16)

Freddie Mac will review the documentation the Servicer submits and make a decision to approve or deny the workout Mortgage assumption request.

(a) Approval of request

If Freddie Mac approves the assumption request, it will send the Servicer an approval letter detailing any conditions of Freddie Mac's approval.

(b) Denial of request

If Freddie Mac denies the assumption request, it will send the Servicer an explanation of why Freddie Mac denied the request and provide the Servicer with the course of action it must take to resolve the Delinquency. The Servicer must provide an adverse action notice to all applicable parties, in addition to any other notice or disclosure required under the Equal Credit Opportunity Act, Fair Credit Reporting Act, Truth-in-Lending Act and any other applicable law or regulation.

Refer to Section 1301.2(i) for more information about adverse action notice requirements.

9207.6: Approval conditions for a workout Mortgage assumption (05/04/20)

If Freddie Mac approves the Servicer's recommendation to allow an assumption of the Mortgage, the Servicer must ensure that all conditions listed on Freddie Mac's approval letter are met, and must:

1. Obtain approval from the FHA, RHS, VA or MI, if applicable; for leasehold Mortgages, obtain the consent of the fee simple landowner/lessor to the assignment of lease, if required under the lease

2. Complete an Escrow analysis or establish an Escrow account to ensure that there are sufficient funds to pay the property taxes, property and mortgage insurance premiums, etc.

3. Process the assumption so that the settlement occurs within 30 days of Freddie Mac's approval and submit the assumption agreement for recordation within one Business Day of the settlement. (Note: Per Section 1402.11(b), the Servicer must update the MERS® eRegistry (as defined in Section 1402.2) to provide notice of the assumption agreement upon a workout Mortgage assumption (with or without a release of liability) of an eMortgage (as defined in Section 1402.2).)

4. Comply with the documentation requirements in Section 8406.9

5. Ensure that the Borrower does not receive any cash-out from the transaction unless Freddie Mac receives all sums due to it

6. Ensure that all delinquent amounts are brought current at the time of settlement

7. Retain any credit enhancement, if the existing Mortgage has a credit enhancement. (If the Servicer is not the provider of the credit enhancement, it must obtain written approval from the institution providing the enhancement.)

8. For leasehold Mortgages, ensure the transferee has acquired the transferor's leasehold interest either by obtaining a new lease or assuming the existing lease and that the transfer of the leasehold interest is recorded

9. For Cooperative Share Loans, comply with the requirements in Section 8801.5(a)

9207.7: Closing requirements for workout Mortgage assumption (03/02/16)

After the workout Mortgage assumption has been closed, submit the following to Freddie Mac **(see Directory 5)** to settle the workout:

1. A copy of the settlement statement

2. A copy of the executed assumption agreement

3. A copy of the deed

4. Borrower's contribution or promissory note, if applicable

5. A copy of the written approval from the provider of the credit enhancement, if applicable

9207.8: Servicer fee for workout Mortgage assumption (03/02/16)

The Servicer may charge the applicant a fee not to exceed the greater of $400 or 1% of the UPB of the Mortgage, to a maximum fee of $900.

Chapter 9208: Freddie Mac Standard Short Sale

9208.1: What is a short sale? (03/02/16)

A Freddie Mac Standard Short Sale ("short sale") is the sale of the Mortgaged Premises for less than the total amount necessary to satisfy the Mortgage.

When the sale proceeds are less than the total amount due, but there is a mortgage insurance claim payment or a Borrower cash contribution that results in Freddie Mac's receiving all sums owed on the Mortgage, then Freddie Mac considers the transaction a "make-whole" preforeclosure sale rather than a short sale. The Servicer does not need to obtain Freddie Mac's prior approval for a make-whole preforeclosure sale. Refer to Section 9208.8 for Freddie Mac's reporting and closing requirements for a make-whole preforeclosure sale.

9208.2: Short sale eligibility requirements and Servicer approval authority (10/02/23)

If the Borrower's eligible hardship is permanent or long-term and the Borrower is unable or unwilling to sustain homeownership, then the Servicer should determine if the Borrower meets the eligibility requirements for a Freddie Mac Standard Short Sale ("short sale"). The Servicer must evaluate the Borrower for a short sale under this chapter once the Servicer has otherwise complied with the evaluation hierarchy in Section 9201.2.

If the Mortgage is subject to a recourse or indemnification agreement, the Servicer may approve a short sale provided the Servicer reports and Freddie Mac drafts a full payoff to Freddie Mac and the Servicer absorbs any losses and expenses related to the Delinquency.

If the Mortgage is an FHA, VA or Guaranteed Rural Housing Mortgage, the Servicer must comply with the requirements of the applicable agency when approving a short sale in a manner that ensures continued coverage of the Mortgage.

The Servicer must use the Borrower's Delinquency status to determine eligibility, documentation requirements and Borrower contributions. The Servicer determines the Delinquency status at the time of evaluation for eligibility and Borrower contribution in accordance with the following:

- When determining eligibility in accordance with this section, the Servicer must use the Delinquency status of the Mortgage on the date the Servicer begins the evaluation using required documentation pursuant to Section 9208.3(a)

- When the Servicer's evaluation for eligibility did not include a review of a purchase offer, the Servicer must evaluate the Borrower for a contribution, if applicable, once the purchase offer is received. The Servicer must determine the Delinquency status of the Mortgage when

beginning the review of the purchase offer. If the credit report is now greater than 90 days old from the date of initial evaluation for eligibility, the Servicer must order a new credit report.

(a) Eligibility requirements for a short sale

Every Borrower, regardless of Delinquency status, is eligible to be considered for a short sale, provided the following requirements are met:

- Borrowers who do not meet the requirements for a Streamlined Short Sale must be experiencing or have experienced one of the eligible hardships listed in Section 9202.2(a)

- The sale must be an arm's length transaction as defined in Section 9208.7

- The Borrower has listed the Mortgaged Premises for sale with a licensed real estate broker who in turn must have listed the Mortgaged Premises on the Multiple Listing Service (MLS) covering the market in which the Mortgaged Premises is located for at least five consecutive days. The listing period must include at least one weekend (i.e., Saturday and Sunday). The listing must be in an "active" status for at least the five days immediately preceding the day on which the purchase offer is accepted by the Borrower and submitted to the Servicer for approval. If the Mortgaged Premises is located in an area that is not covered by an MLS, then it must be advertised for sale by the real estate broker in a manner customary for that real estate market at least five consecutive calendar days, which must include at least one weekend. The Servicer must retain a copy of the MLS listing of the Mortgaged Premises in the Mortgage file (or documentation of the advertisement(s) if the Mortgaged Premises is located in an area not covered by an MLS). The Borrower may not act as the listing agent or attempt to sell the Mortgaged Premises without a licensed real estate professional.

- The Borrower has not acquired a new Mortgage in the six months preceding the Borrower's Delinquency or, if the Borrower is current, in the six months preceding the evaluation of the Borrower for a short sale. The Borrower is only permitted to have obtained a new Mortgage if the Borrower's eligible hardship was distant employment transfer.

- The Borrower must not have entered into a program or arrangement where a third party takes title to the Mortgaged Premises and arranges a short sale in exchange for a fee

A Borrower who is current or less than 60 days delinquent must meet the imminent default requirements as described in Section 9208.3(c).

(b) Servicer approval authority

Unless otherwise notified by Freddie Mac, all Servicers are delegated to approve a short sale that meets the eligibility requirements of Section 9208.2(a).

Servicers must refer to the requirements in Sections 8801.5(c) and 9208.3 through 9208.7 for additional circumstances for which Servicers are not delegated to approve a short sale transaction.

(c) Submitting a short sale recommendation to Freddie Mac

For situations where the Borrower does not meet the eligibility requirements for a short sale and the Servicer determines a short sale may be the best option for addressing the Delinquency or imminent Delinquency, the Servicer must use Resolve® to submit a recommendation to Freddie Mac for review with the following required documentation:

1. Complete Borrower Response Package or other documentation as permitted in Section 9208.3

2. A copy of the fully executed sales contract on the Mortgaged Premises with addenda, stating that it is being purchased in "as-is" condition. If the buyer obtains FHA, RHS or VA financing, then the contract does not need to include the "as-is" condition if FHA, RHS or VA requires the condition to be removed.

3. Preliminary Settlement/Closing Disclosure Statement

4. For Mortgages secured by properties subject to resale restrictions (in accordance with Chapters 4406, 4502 or 4504, as applicable), the applicable resale restrictions containing details on the property valuation and/or the restricted resale price, as well as any other terms and conditions that must be met

5. For Cooperative Share Loans, the additional documentation listed in Section 8801.5(c)(i)

In addition, the Servicer may submit a recommendation to Freddie Mac for consideration if the Borrower does not have an eligible hardship but one of the following conditions exists and, in the Servicer's judgment, the short sale is an appropriate resolution to the Delinquency:

- There is a Risk of Property Ownership to Freddie Mac (see Section 9202.5)

- Litigation is pending that affects the Mortgaged Premises or the Mortgage and could jeopardize a successful foreclosure sale

- Other special circumstances (e.g., the Mortgaged Premises deteriorated resulting in an unexpected decline in the value)

Note: All non-delegated short sales submitted through Resolve will be available for review in the Resolve dashboard.

9208.3: Borrower documentation for a short sale (10/09/24)

This section contains requirements related to:

- Borrower documentation
- Evaluating the Borrower
- Special requirements for Borrowers who are current or less than 60 days delinquents

(a) Borrower documentation

In addition to the requirements below, all Borrowers must provide the Servicer a copy of the fully executed sales contract with any addenda and the preliminary Settlement/Closing Disclosure Statement once those documents are available.

(i) Borrower documentation requirements for a short sale

Borrower documentation requirements for a short sale by delinquency status	
If the Mortgage delinquency status at of the time of evaluation is…	**The Servicer must…**
Current or less than 90 days delinquent	Evaluate the Borrower based on a complete Borrower Response Package (BPR) as defined in Section 9102.5. Note: If the Mortgage is current or less than 60 days delinquent, the Servicer must determine that the Borrower's monthly payment is in non-retention imminent default in accordance with Section 9208.3(c).
Between 90 days and 18 months delinquent	Evaluate the Borrower based on a complete BRP, unless one of the following conditions applies: ■ The Borrower failed a Freddie Mac Flex Modification® Trial Period Plan within the 12 months prior to evaluation for a short sale or deed-in-lieu of foreclosure ■ The Borrower previously received a Freddie Mac Flex Modification and became 60 days or more delinquent within the first 12 months of the effective date of the modification without curing the Delinquency

	■ The Borrower previously completed three or more modifications; or ■ The Borrower received a forbearance plan as a result of a hardship due to their Mortgaged Premises or places of employment being located in an Eligible Disaster Area or COVID-19 and became 90 days or more delinquent prior to the evaluation for a short sale; or ■ The Mortgage is not secured by an Investment Property, as identified at origination and the Borrower's FICO® credit score is less than or equal to 620 In these cases, the Servicer must evaluate the Borrower for a Streamlined Short Sale or Streamlined Deed-in-Lieu of Foreclosure.
Greater than 18 months delinquent	Evaluate the Borrower for a Streamlined Short Sale. A Streamlined Short Sale is a Standard Short Sale where the Servicer is not required to obtain the Borrower Response Package or to verify an eligible hardship.

If the debt secured by the Mortgaged Premises has been discharged in a bankruptcy proceeding filed pursuant to Chapter 7 of the U.S. Bankruptcy Code, the Borrower is eligible for a short sale evaluation regardless of delinquency, occupancy or property type and without requiring a BRP. The Borrower must provide the Servicer a copy of the order and accompanying documents showing that the debt was discharged. The Servicer must retain those documents in the Mortgage file.

(ii) Borrower's FICOscore requirements

The Borrower's FICO score must be no more than 90 days old as of the date the Servicer evaluates the Borrower for a short sale. If there is more than one Borrower on the Mortgage, the Servicer must choose one FICO score that is adequately indicative of the credit reputation of all Borrowers currently on the Mortgage. The Servicer must first select a single FICO score for each Borrower on the Mortgage. If the Servicer obtains multiple FICO scores for a single Borrower, the Servicer must use the middle/lower method to select the single FICO score for that Borrower. If there are multiple Borrowers on the Mortgage, the Servicer must determine the single FICO score for each Borrower using the method described above. The Servicer must then select either the lowest FICO score across all Borrowers on the Mortgage or the average FICO score from all Borrowers' single scores. Whichever method is used, the Servicer must choose the single FICO score using the same method and procedure for all Borrowers and for all Mortgages consistent with fair lending laws.

If the Borrower was previously determined to be eligible for a Streamlined Short Sale and had yet to receive a purchase offer, then when a subsequent purchase offer is received, the Servicer may use the same FICO score obtained for the Servicer's initial evaluation of the Borrower for a short sale even if the FICO score has become more than 90 days old.

However, if the Borrower has since brought the Mortgage current, then the Borrower is no longer eligible for a Streamlined Short Sale and is required to submit a complete Borrower Response Package to the Servicer to be evaluated for the short sale.

(b) Evaluating the Borrower

(i) Evaluating the credit report

The Servicer must obtain a credit report for each Borrower on the Mortgage (or a joint report for co-Borrowers). The credit report must be no more than 90 days old as of the date the Servicer evaluates the Borrower for a short sale. The Servicer must review the credit report to verify that the Borrower meets the relevant requirements for a short sale and to evaluate the Borrower's ability to make a contribution.

(A) Verifying occupancy

For Borrowers who are current or less than 60 days delinquent, the Servicer must review the credit report to verify that at least one of the Borrowers is occupying the Mortgaged Premises as a Primary Residence. If the credit report does not indicate that the Mortgaged Premises is the Primary Residence for at least one Borrower, then the Servicer must use good business judgment in reconciling the inconsistency.

(B) New Mortgages

Unless a Borrower is eligible for a Streamlined Short Sale, the Servicer must review the Borrower's credit report to determine whether the Borrower obtained a new Mortgage(s) in the six months preceding the Borrower's Delinquency or, if the Borrower is current, in the six months preceding the evaluation of the Borrower for a short sale.

If the Servicer's review of the credit report reveals a new Mortgage, the Servicer may approve the short sale only if the hardship was due to distant employment transfer, relocation due to new employment or Permanent Change of Station (PCS) orders and the Servicer verifies that:

- The Borrower intends to occupy the property securing the new Mortgage as the Borrower's Primary Residence
- The new employment location is greater than 50 miles one-way from the subject property
- The new property address is reasonably near the Borrower's new employment location

If the Borrower has any other hardship and the Servicer determines a new Mortgage has been obtained, the Servicer is not delegated to approve the short sale and must submit the request to Freddie Mac for consideration.

If the Servicer's review of the credit report indicates that a mortgage creditor has made an inquiry within the previous four-month period, the Servicer must contact the Borrower to determine the following on the Mortgage sought:

- The address of the property,
- The purpose of the inquiry (e.g., refinance or purchase Mortgage) and
- The result of the inquiry (e.g., refinance or purchase Mortgage is pending, closed or canceled)

If a purchase Mortgage was obtained, then the Servicer is not delegated to approve the short sale and the file must be sent to Freddie Mac. Refer to Section 9208.2 regarding submission of a short sale to Freddie Mac.

(c) Special requirements for Borrowers who are current or less than 60 days delinquents

If a Borrower is current or less than 60 days delinquent at the time of initial evaluation, he or she must be considered to be in non-retention imminent default following the business rules in the chart below unless the Borrower was discharged from a Chapter 7 bankruptcy in order to be eligible for a short sale.

(i) Non-retention Imminent default evaluation business rules

Any Borrower who is current or less than 60 days delinquent at the time the Servicer begins the initial evaluation is in imminent default if the Borrower meets the requirements of the following business rules:

Non-retention imminent default evaluation Business Rules	
To be considered in non-retention imminent default, the Borrower must meet all requirements under Business Rule 1, and must meet the requirements for either: ■ **Business Rule 2, or** ■ **Business Rule 3**	
Business Rule 1	Each Borrower must: ■ Submit a complete Borrower Response Package

Non-retention imminent default evaluation Business Rules	
To be considered in non-retention imminent default, the Borrower must meet all requirements under Business Rule 1, and must meet the requirements for either: ■ **Business Rule 2, or** ■ **Business Rule 3**	
	■ Be current or less than 60 days delinquent (i.e., less than three monthly payments past due) on the Mortgage as of the evaluation date ■ Occupy the property as a Primary Residence; or at least one Borrower on the Mortgage must occupy the property as his or her Primary Residence ■ Have Cash Reserves less than $25,000 ■ Have an eligible hardship as described in Section 9202.2 Note: Requirements related to occupancy and non-retirement liquid assets do not apply if the Borrower is a Servicemember with PCS orders and the property securing the mortgage is or was the Borrower's Primary Residence, where the transfer or new employment location is greater than 50 miles one-way from the property securing the Mortgage.
Business Rule 2	The Borrower is considered in non-retention imminent default if the Borrower meets the requirements of Business Rule 1, and ■ The Borrower's FICO score is less than or equal to 620 determined in accordance with Section 9206.7(e); **AND** ■ The Mortgage has had two or more 30-day Delinquencies in the most recent 6-month period; **OR** ■ The Borrower's housing expense-to-income ratio is greater than 40% as of the evaluation date If the Borrower has one of the Imminent Default Hardships described below in Business Rule 3, the Borrower may be determined to be in imminent default even if these Business Rule 2 requirements are not met.
Business Rule 3	The Borrower is considered in non-retention imminent default if the Borrower meets the requirements of Business Rule 1, and the Borrower provided the documentation

Non-retention imminent default evaluation Business Rules	
To be considered in non-retention imminent default, the Borrower must meet all requirements under Business Rule 1, and must meet the requirements for either: ■ **Business Rule 2, or** ■ **Business Rule 3**	
	required in Section 9202.2 supporting one of the Imminent Default Hardships listed below: ■ Death of a Borrower or death of either the primary or secondary wage earner in the household ■ Long-term or permanent disability; or serious illness of a Borrower/co-Borrower or dependent family member ■ Divorce or legal separation; separation of Borrower unrelated by marriage, civil union or similar domestic partnership under applicable law; or ■ Distant employment transfer or relocation due to new employment or PCS orders where the property securing the Mortgage being evaluated is the Borrower's Primary Residence. The new employment location must be more than 50 miles one-way from the property securing the Mortgage being evaluated. The Imminent Default Hardship must currently cause and be expected to continue to cause a long-term or permanent decrease in income or increase in expenses.

The Servicer must always submit all information for Business Rule 1 and Business Rule 2, even if the Borrower does not meet the requirements under Business Rule 2 and instead is approved based on the Imminent Default Hardship under Business Rule 3.

(ii) Income and asset documentation and verification

■ **Documentation Verification**

To be evaluated for non-retention imminent default, a Borrower must, at a minimum, provide a complete Borrower Response Package as defined in Section 9102.5(c). In addition to the income documentation required under Section 9202.3, the Servicer must obtain the Borrower's FICO score in accordance with Section 9208.3(C).

■ **Verification of income and assets; resolution of material inconsistencies**

Servicers must review all documentation submitted by the Borrower to identify any material inconsistencies, including material inconsistencies with a tax return or tax transcript if one was obtained under Section 9202.3. If, based on the Servicer's good business judgment, there are material inconsistencies with respect to the income or asset information disclosed by the Borrower or with other documentation relevant to the imminent default decision, the Servicer must obtain other documentation to reasonably reconcile such material inconsistencies. Servicers must also document such material differences in their servicing system. If the Servicer cannot reconcile such material differences, the Borrower cannot be considered in imminent default.

(iii) Cash Reserves test

The Servicer must complete an evaluation of the Borrower's Cash Reserves. The Borrower must have Cash Reserves of less than $25,000 to be further evaluated for imminent default. If the Borrower either discloses or provides documentation indicating the Borrower has Cash Reserves equal to or greater than $25,000, then the Borrower is not in imminent default.

■ Definition of Cash Reserves

For purposes of determining imminent default, Cash Reserves are defined as follows:

Cash Reserves: Any non-retirement liquid asset the Borrower has available for withdrawal from any financial institution or brokerage, including funds on deposit in the Borrower's checking, savings, money market or certificate of deposit account or other depository account, stocks, bonds, mutual funds, U.S. Government Securities and other securities that are traded on an exchange or marketplace generally available to the public (e.g., New York Stock Exchange, National Association of Securities Dealers Automated Quotations, Midwest SE, Chicago Board of Trade or Over the Counter) for which the price can be readily verified through financial publications.

Assets are only considered retirement assets if they are held in a qualified retirement account such as a 401k, 403b, 457, Individual Retirement Account (IRA) or pension fund. If the assets are not held in a retirement account, the assets must be considered Cash Reserves.

■ Calculating Cash Reserves

The Servicer must calculate the Borrower's Cash Reserves in accordance with the following requirements:

1. The Servicer must determine that, for every Borrower on the Mortgage, all of the Borrower's Cash Reserves have been accounted for on Form 710, Mortgage Assistance Application

2. In making the determination that all Cash Reserves have been accounted for, the Servicer must review all information provided by the Borrower to determine if the

asset information stated on Form 710 is reasonably consistent with information available from all other information provided by the Borrower, including verbal information shared by the Borrower. If there are inconsistencies between the Borrower's disclosure of assets and the information provided by the Borrower, then the Servicer must obtain the Borrower's tax return or tax transcript in order to reconcile the inconsistencies.

If, upon reviewing the Borrower's tax return or tax transcript, if applicable, the Servicer observes interest, dividend income or gains/losses that, in total, that could not be reasonably produced by the Borrower's disclosed Cash Reserves, and such income indicates deposits, securities holdings or other assets that could be in excess of the amounts disclosed by the Borrower on Form 710, the Servicer must reconcile the inconsistency with the Borrower. The Servicer must require the Borrower to produce a signed federal tax return and all relevant schedules, in the event the Servicer used a tax transcript in lieu of a tax return, along with any other relevant documentation that verifies the disposition and/or current status of those assets, which produced the income or gains/losses to resolve the inconsistency.

The Servicer must ensure that the Borrower's disclosure of assets is reasonably accurate despite the inconsistency between the disclosed assets and the income or gain/loss from assets reported on the tax return or tax transcript. In determining what documentation is needed to reconcile an inconsistency, the Servicer must review the detailed tax return schedules and forms, and request from the Borrower copies of recent and past statements from those asset holdings or transactions indicated on the schedules and forms that produced the income or gain/loss (e.g., checking, savings, brokerage account statements, asset sale statements or records, etc.).

3. If there are inconsistencies between the Borrower's disclosure of assets and the tax return information that cannot be reconciled, the Borrower cannot be considered in imminent default.

   If the Servicer determines that the Borrower has Cash Reserves of less than $25,000 and meets all other requirements of Section 9208.3(C) then the Borrower is considered to be in imminent default.

(iv) Imminent default credit score

Servicers must choose one FICO score that is adequately indicative of the credit reputation of all Borrowers currently on the Mortgage. Servicers must use a credit score based on the FICO credit-scoring model. This score must be obtained and determined in accordance with the requirements below.

- **Obtaining FICO scores for each Borrower**

The Servicer must request a FICO score for each Borrower on the Mortgage from any one of the following three credit repositories:

- Equifax Credit Information Services
- Experian Information Systems and Services
- TransUnion Credit Information Company

The Borrower's FICO score must be less than 90 days old on the date the Servicer performs the imminent default evaluation.

■ **Borrowers with no available FICO score**

It is unusual for any Borrower who has obtained a Mortgage not to have a FICO score. If no single FICO score can be identified for a Borrower, the Servicer must recheck the information provided when ordering the FICO scores and resubmit a request. If the Servicer is still unable to obtain a FICO score for that Borrower, it may rely on the FICO scores of all other Borrowers as determined in accordance with this section.

Absent a FICO score for any Borrower on the Mortgage, the Borrower may not be determined to be in imminent default under the requirements of Business Rule 2, and the Servicer must proceed to evaluate the Borrower under the requirements of Business Rule 3 in Section 9208.3(a). In such instances when a FICO score is not available for any Borrower on the Mortgage, the Servicer must:

1. Maintain documentation in the Mortgage file that demonstrates the Servicer's attempts to obtain FICO scores from all three credit repositories on all Borrowers
2. Enter the result that a FICO score is not available for any Borrower on the Mortgage into Resolve®
3. Proceed to the Imminent Default Hardship test in Business Rule 3 to determine if an Imminent Default Hardship exists

■ **Determining the Imminent Default Credit Score**

The Servicer must identify the Imminent Default Credit Score in accordance with the following:

- The Servicer must first select a single FICO score for each Borrower on the Mortgage. If the Servicer obtains multiple FICO scores for a single Borrower, the Servicer must use the middle/lower method to select the single FICO score for that Borrower. This method is the most predictive when determining a single

Borrower's overall credit reputation. If three FICO scores are obtained for a Borrower, the single score for that Borrower is the one with the middle value. For example, if the FICO scores were 660, 656 and 640, the single FICO score selected by the Servicer should be 656. When there is a duplicate score, the Seller must select that score to be the single score. If the FICO scores for a Borrower were 660, 660 and 640, the Servicer should select 660. If two FICO scores were obtained for a Borrower, the Servicer must select the lower of the two FICO scores to be the single FICO score for that Borrower.

- If there is only one Borrower on the Mortgage, the single FICO score, determined in accordance with the above requirements, is considered the Imminent Default Credit Score

- If there are multiple Borrowers on the Mortgage, the Servicer must determine the single FICO score for each Borrower using the method described above. The Servicer must then select either the lowest FICO score across all Borrowers on the Mortgage or the average FICO score from all Borrowers' single scores. (Note: Whichever method is used, the Servicer should choose the single FICO score using the same method and procedure for all Borrowers and for all Mortgages consistent with fair lending laws.)

(v) Calculating housing expense-to-income (HTI) ratio

The Servicer must use verified income to determine that the Borrower's housing expense-to-income (HTI) ratio is greater than 40%. For purposes of this determination, the Servicer must divide the Borrower's current monthly housing expense by the Borrower's monthly gross income (or the Borrowers' combined monthly gross income in the case of co-Borrowers) plus any allowable non-obligor household income.

The Borrower's current monthly housing expense consists of the following, as applicable:

- Monthly P&I payment

- Monthly pro rata amount for real estate taxes

- Monthly pro rata amount for property or flood insurance

- Monthly pro rata amount for homeowners association (HOA) dues, Condominium Unit or Cooperative Unit Maintenance Fees and ground rent

- Any escrow shortage currently included as part of the monthly contractual payment

If the Borrower has been granted interest rate relief under the Servicemembers Civil Relief Act (SCRA), the Servicer must use the principal and interest payment and the contractual rate of interest in effect on the Note prior to the granting of the SCRA relief

rather than the temporarily SCRA reduced interest rate and related SCRA monthly payment when calculating the Borrower's current monthly HTI ratio.

If a Borrower has indicated that there are condominium/HOA or Cooperative Corporation assessments (see Chapter 8801 for special Servicing requirements for Cooperative Share Loans), Condominium Unit maintenance fees or Cooperative Unit Maintenance Fees, or ground rents, but has not been able to provide written documentation to verify these amounts, the Servicer must rely on the information provided by the Borrower if the Servicer has made reasonable efforts to obtain the amounts in writing.

The current monthly housing expense does not include mortgage insurance premium payments or payments due to holders of subordinate liens.

For each imminent default evaluation under Business Rule 2, the Servicer must report the housing expense-to-income ratio, in addition to the FICO score and payment history as described below, to Freddie Mac via Workout Prospector.

(vi) Payment history

For imminent default evaluations under the requirements of Business Rule 2, the Servicer must determine whether the Mortgage has had two or more 30-day Delinquencies in the most recent six-month period. For each imminent default evaluation under Business Rule 2, the Servicer must report the payment history, in addition to the FICO score and pre-modification housing expense-to-income ratio, to Freddie Mac via Resolve.

Note: The Servicer must not consider a missed contractual payment that becomes 60 or more days delinquent as a Mortgage having two or more 30-day Delinquencies in the most recent six-month period.

(vii) Imminent default evaluation results

If the Borrower meets the requirements of Business Rule 1 and meets the requirements of either: (i) Business Rule 2, or (ii) Business Rule 3, the Borrower is in imminent default. The Servicer must evaluate the Borrower for a short sale and no further analysis is required by the Servicer to determine imminent default.

(viii) General requirements and information

If the Servicer determines that a Borrower is in imminent default, the Servicer must continue evaluating the Borrower using the applicable underwriting requirements outlined in this chapter to determine if the Borrower qualifies for a short sale.

9208.3: Borrower documentation for a short sale (Future effective date 12/09/24)

This section contains requirements related to:

- Borrower documentation
- Evaluating the Borrower
- Special requirements for Borrowers who are current or less than 60 days delinquents

(a) Borrower documentation

In addition to the requirements below, all Borrowers must provide the Servicer a copy of the fully executed sales contract with any addenda and the preliminary Settlement/Closing Disclosure Statement once those documents are available.

(i) Borrower documentation requirements for a short sale

Borrower documentation requirements for a short sale by delinquency status	
If the Mortgage delinquency status at of the time of evaluation is…	**The Servicer must…**
Current or less than 90 days delinquent	Evaluate the Borrower based on a complete Borrower Response Package (BPR) as defined in Section 9102.5. Note: If the Mortgage is current or less than 60 days delinquent, the Servicer must determine that the Borrower's monthly payment is in non-retention imminent default in accordance with Section 9208.3(c).
Between 90 days and 18 months delinquent	Evaluate the Borrower based on a complete BRP, unless one of the following conditions applies: ■ The Borrower failed a Freddie Mac Flex Modification® Trial Period Plan within the 12 months prior to evaluation for a short sale or deed-in-lieu of foreclosure ■ The Borrower previously received a Freddie Mac Flex Modification and became 60 days or more delinquent within the first 12 months of the effective date of the modification without curing the Delinquency

	■ The Borrower previously completed three or more modifications; or ■ The Borrower received a forbearance plan as a result of a hardship due to their Mortgaged Premises or places of employment being located in an Eligible Disaster Area or COVID-19 and became 90 days or more delinquent prior to the evaluation for a short sale; or ■ The Mortgage is not secured by an Investment Property, as identified at origination and the Borrower's Credit Score is less than or equal to 620 In these cases, the Servicer must evaluate the Borrower for a Streamlined Short Sale or Streamlined Deed-in-Lieu of Foreclosure.
Greater than 18 months delinquent	Evaluate the Borrower for a Streamlined Short Sale. A Streamlined Short Sale is a Standard Short Sale where the Servicer is not required to obtain the Borrower Response Package or to verify an eligible hardship.

If the debt secured by the Mortgaged Premises has been discharged in a bankruptcy proceeding filed pursuant to Chapter 7 of the U.S. Bankruptcy Code, the Borrower is eligible for a short sale evaluation regardless of delinquency, occupancy or property type and without requiring a BRP. The Borrower must provide the Servicer a copy of the order and accompanying documents showing that the debt was discharged. The Servicer must retain those documents in the Mortgage file.

(ii) Borrower's Credit Score requirements

The Borrower's Credit Score must be no more than 90 days old as of the date the Servicer evaluates the Borrower for a short sale. If there is more than one Borrower on the Mortgage, the Servicer must choose one Credit Score that is adequately indicative of the credit reputation of all Borrowers currently on the Mortgage. The Servicer must first select a single Credit Score for each Borrower on the Mortgage. If the Servicer obtains multiple Credit Scores for a single Borrower, the Servicer must use the middle/lower method to select the single Credit Score for that Borrower. If there are multiple Borrowers on the Mortgage, the Servicer must determine the single Credit Score for each Borrower using the method described above. The Servicer must then select either the lowest Credit Score across all Borrowers on the Mortgage or the average Credit Score from all Borrowers' single scores. Whichever method is used, the Servicer must choose the single Credit Score using the same method and procedure for all Borrowers and for all Mortgages consistent with fair lending laws.

If the Borrower was previously determined to be eligible for a Streamlined Short Sale and had yet to receive a purchase offer, then when a subsequent purchase offer is received, the Servicer may use the same Credit Score obtained for the Servicer's initial evaluation of the Borrower for a short sale even if the Credit Score has become more than 90 days

old. However, if the Borrower has since brought the Mortgage current, then the Borrower is no longer eligible for a Streamlined Short Sale and is required to submit a complete Borrower Response Package to the Servicer to be evaluated for the short sale.

(b) Evaluating the Borrower

(i) Evaluating the credit report

The Servicer must obtain a credit report for each Borrower on the Mortgage (or a joint report for co-Borrowers). The credit report must be no more than 90 days old as of the date the Servicer evaluates the Borrower for a short sale. The Servicer must review the credit report to verify that the Borrower meets the relevant requirements for a short sale and to evaluate the Borrower's ability to make a contribution.

(A) Verifying occupancy

For Borrowers who are current or less than 60 days delinquent, the Servicer must review the credit report to verify that at least one of the Borrowers is occupying the Mortgaged Premises as a Primary Residence. If the credit report does not indicate that the Mortgaged Premises is the Primary Residence for at least one Borrower, then the Servicer must use good business judgment in reconciling the inconsistency.

(B) New Mortgages

Unless a Borrower is eligible for a Streamlined Short Sale, the Servicer must review the Borrower's credit report to determine whether the Borrower obtained a new Mortgage(s) in the six months preceding the Borrower's Delinquency or, if the Borrower is current, in the six months preceding the evaluation of the Borrower for a short sale.

If the Servicer's review of the credit report reveals a new Mortgage, the Servicer may approve the short sale only if the hardship was due to distant employment transfer, relocation due to new employment or Permanent Change of Station (PCS) orders and the Servicer verifies that:

- The Borrower intends to occupy the property securing the new Mortgage as the Borrower's Primary Residence
- The new employment location is greater than 50 miles one-way from the subject property
- The new property address is reasonably near the Borrower's new employment location

If the Borrower has any other hardship and the Servicer determines a new Mortgage has been obtained, the Servicer is not delegated to approve the short sale and must submit the request to Freddie Mac for consideration.

If the Servicer's review of the credit report indicates that a mortgage creditor has made an inquiry within the previous four-month period, the Servicer must contact the Borrower to determine the following on the Mortgage sought:

- The address of the property,
- The purpose of the inquiry (e.g., refinance or purchase Mortgage) and
- The result of the inquiry (e.g., refinance or purchase Mortgage is pending, closed or canceled)

If a purchase Mortgage was obtained, then the Servicer is not delegated to approve the short sale and the file must be sent to Freddie Mac. Refer to Section 9208.2 regarding submission of a short sale to Freddie Mac.

(c) Special requirements for Borrowers who are current or less than 60 days delinquents

If a Borrower is current or less than 60 days delinquent at the time of initial evaluation, he or she must be considered to be in non-retention imminent default following the business rules in the chart below unless the Borrower was discharged from a Chapter 7 bankruptcy in order to be eligible for a short sale.

(i) Non-retention Imminent default evaluation business rules

Resolve® will evaluate the information the Servicer provides against the imminent default business rules. Any Borrower who is current or less than 60 days delinquent at the time the Servicer begins the initial evaluation is in imminent default if the Borrower meets the requirements of the following business rules:

Non-retention imminent default evaluation Business Rules	
To be considered in non-retention imminent default, the Borrower must meet all requirements under Business Rule 1, and must meet the requirements for either: ■ **Business Rule 2, or** ■ **Business Rule 3**	
Business Rule 1	Each Borrower must: ■ Submit a complete Borrower Response Package

Non-retention imminent default evaluation Business Rules	
To be considered in non-retention imminent default, the Borrower must meet all requirements under Business Rule 1, and must meet the requirements for either: ■ **Business Rule 2, or** ■ **Business Rule 3**	
	■ Be current or less than 60 days delinquent (i.e., less than three monthly payments past due) on the Mortgage as of the evaluation date ■ Occupy the property as a Primary Residence; or at least one Borrower on the Mortgage must occupy the property as his or her Primary Residence ■ Have Cash Reserves less than $25,000 ■ Have an eligible hardship as described in Section 9202.2 Note: Requirements related to occupancy and non-retirement liquid assets do not apply if the Borrower is a Servicemember with PCS orders and the property securing the mortgage is or was the Borrower's Primary Residence, where the transfer or new employment location is greater than 50 miles one-way from the property securing the Mortgage.
Business Rule 2	The Borrower is considered in non-retention imminent default if the Borrower meets the requirements of Business Rule 1, and ■ The Borrower's Credit Score is less than or equal to 620 determined in accordance with Section 9206.7(e); **AND** ■ The Mortgage has had two or more 30-day Delinquencies in the most recent 6-month period; **OR** ■ The Borrower's housing expense-to-income ratio is greater than 40% as of the evaluation date If the Borrower has one of the Imminent Default Hardships described below in Business Rule 3, the Borrower may be determined to be in imminent default even if these Business Rule 2 requirements are not met.
Business Rule 3	The Borrower is considered in non-retention imminent default if the Borrower meets the requirements of Business Rule 1, and the Borrower provided the documentation

Non-retention imminent default evaluation Business Rules	
To be considered in non-retention imminent default, the Borrower must meet all requirements under Business Rule 1, and must meet the requirements for either: ■ **Business Rule 2, or** ■ **Business Rule 3**	
	required in Section 9202.2 supporting one of the Imminent Default Hardships listed below: ■ Death of a Borrower or death of either the primary or secondary wage earner in the household ■ Long-term or permanent disability; or serious illness of a Borrower/co-Borrower or dependent family member ■ Divorce or legal separation; separation of Borrower unrelated by marriage, civil union or similar domestic partnership under applicable law; or ■ Distant employment transfer or relocation due to new employment or PCS orders where the property securing the Mortgage being evaluated is the Borrower's Primary Residence. The new employment location must be more than 50 miles one-way from the property securing the Mortgage being evaluated. The Imminent Default Hardship must currently cause and be expected to continue to cause a long-term or permanent decrease in income or increase in expenses.

The Servicer must always submit all information for Business Rule 1 and Business Rule 2, even if the Borrower does not meet the requirements under Business Rule 2 and instead is approved based on the Imminent Default Hardship under Business Rule 3.

(ii) Income and asset documentation and verification

■ **Documentation Verification**

To be evaluated for non-retention imminent default, a Borrower must, at a minimum, provide a complete Borrower Response Package as defined in Section 9102.5(c). In addition to the income documentation required under Section 9202.3, the Servicer must obtain the Borrower's Credit Score in accordance with Section 9208.3(C).

■ **Verification of income and assets; resolution of material inconsistencies**

Servicers must review all documentation submitted by the Borrower to identify any material inconsistencies, including material inconsistencies with a tax return or tax transcript if one was obtained under Section 9202.3. If, based on the Servicer's good business judgment, there are material inconsistencies with respect to the income or asset information disclosed by the Borrower or with other documentation relevant to the imminent default decision, the Servicer must obtain other documentation to reasonably reconcile such material inconsistencies. Servicers must also document such material differences in their servicing system. If the Servicer cannot reconcile such material differences, the Borrower cannot be considered in imminent default.

(iii) Cash Reserves test

The Servicer must complete an evaluation of the Borrower's Cash Reserves. The Borrower must have Cash Reserves of less than $25,000 to be further evaluated for imminent default. If the Borrower either discloses or provides documentation indicating the Borrower has Cash Reserves equal to or greater than $25,000, then the Borrower is not in imminent default.

■ Definition of Cash Reserves

For purposes of determining imminent default, Cash Reserves are defined as follows:

Cash Reserves: Any non-retirement liquid asset the Borrower has available for withdrawal from any financial institution or brokerage, including funds on deposit in the Borrower's checking, savings, money market or certificate of deposit account or other depository account, stocks, bonds, mutual funds, U.S. Government Securities and other securities that are traded on an exchange or marketplace generally available to the public (e.g., New York Stock Exchange, National Association of Securities Dealers Automated Quotations, Midwest SE, Chicago Board of Trade or Over the Counter) for which the price can be readily verified through financial publications.

Assets are only considered retirement assets if they are held in a qualified retirement account such as a 401k, 403b, 457, Individual Retirement Account (IRA) or pension fund. If the assets are not held in a retirement account, the assets must be considered Cash Reserves.

■ Calculating Cash Reserves

The Servicer must calculate the Borrower's Cash Reserves in accordance with the following requirements:

1. The Servicer must determine that, for every Borrower on the Mortgage, all of the Borrower's Cash Reserves have been accounted for on Form 710, Mortgage Assistance Application

2. In making the determination that all Cash Reserves have been accounted for, the Servicer must review all information provided by the Borrower to determine if the

asset information stated on Form 710 is reasonably consistent with information available from all other information provided by the Borrower, including verbal information shared by the Borrower. If there are inconsistencies between the Borrower's disclosure of assets and the information provided by the Borrower, then the Servicer must obtain the Borrower's tax return or tax transcript in order to reconcile the inconsistencies.

If, upon reviewing the Borrower's tax return or tax transcript, if applicable, the Servicer observes interest, dividend income or gains/losses that, in total, that could not be reasonably produced by the Borrower's disclosed Cash Reserves, and such income indicates deposits, securities holdings or other assets that could be in excess of the amounts disclosed by the Borrower on Form 710, the Servicer must reconcile the inconsistency with the Borrower. The Servicer must require the Borrower to produce a signed federal tax return and all relevant schedules, in the event the Servicer used a tax transcript in lieu of a tax return, along with any other relevant documentation that verifies the disposition and/or current status of those assets, which produced the income or gains/losses to resolve the inconsistency.

The Servicer must ensure that the Borrower's disclosure of assets is reasonably accurate despite the inconsistency between the disclosed assets and the income or gain/loss from assets reported on the tax return or tax transcript. In determining what documentation is needed to reconcile an inconsistency, the Servicer must review the detailed tax return schedules and forms, and request from the Borrower copies of recent and past statements from those asset holdings or transactions indicated on the schedules and forms that produced the income or gain/loss (e.g., checking, savings, brokerage account statements, asset sale statements or records, etc.).

3. If there are inconsistencies between the Borrower's disclosure of assets and the tax return information that cannot be reconciled, the Borrower cannot be considered in imminent default.

   If the Servicer determines that the Borrower has Cash Reserves of less than $25,000 and meets all other requirements of Section 9208.3(C) then the Borrower is considered to be in imminent default.

(iv) Imminent default credit score

Servicers must choose one Credit Score that is adequately indicative of the credit reputation of all Borrowers currently on the Mortgage. Servicers must use a credit score based on the credit-scoring model. This score must be obtained and determined in accordance with the requirements below.

- **Obtaining Credit Scores for each Borrower**

The Servicer must request a Credit Score for each Borrower on the Mortgage from any one of the following three credit repositories:

- Equifax Credit Information Services
- Experian Information Systems and Services
- TransUnion Credit Information Company

The Borrower's Credit Score must be less than 90 days old on the date the Servicer performs the imminent default evaluation.

■ **Borrowers with no available Credit Score**

It is unusual for any Borrower who has obtained a Mortgage not to have a Credit Score. If no single Credit Score can be identified for a Borrower, the Servicer must recheck the information provided when ordering the Credit Scores and resubmit a request. If the Servicer is still unable to obtain a Credit Score for that Borrower, it may rely on the Credit Scores of all other Borrowers as determined in accordance with this section.

Absent a Credit Score for any Borrower on the Mortgage, the Borrower may not be determined to be in imminent default under the requirements of Business Rule 2, and the Servicer must proceed to evaluate the Borrower under the requirements of Business Rule 3 in Section 9208.3(a). In such instances when a Credit Score is not available for any Borrower on the Mortgage, the Servicer must:

1. Maintain documentation in the Mortgage file that demonstrates the Servicer's attempts to obtain Credit Scores from all three credit repositories on all Borrowers
2. Enter the result that a Credit Score is not available for any Borrower on the Mortgage into Resolve®
3. Proceed to the Imminent Default Hardship test in Business Rule 3 to determine if an Imminent Default Hardship exists

■ **Determining the Imminent Default Credit Score**

The Servicer must identify the Imminent Default Credit Score in accordance with the following:

- The Servicer must first select a single Credit Score for each Borrower on the Mortgage. If the Servicer obtains multiple Credit Scores for a single Borrower, the Servicer must use the middle/lower method to select the single Credit Score for that Borrower. This method is the most predictive when determining a single

Borrower's overall credit reputation. If three Credit Scores are obtained for a Borrower, the single score for that Borrower is the one with the middle value. For example, if the Credit Scores were 660, 656 and 640, the single Credit Score selected by the Servicer should be 656. When there is a duplicate score, the Seller must select that score to be the single score. If the Credit Scores for a Borrower were 660, 660 and 640, the Servicer should select 660. If two Credit Scores were obtained for a Borrower, the Servicer must select the lower of the two Credit Scores to be the single Credit Score for that Borrower.

- If there is only one Borrower on the Mortgage, the single Credit Score, determined in accordance with the above requirements, is considered the Imminent Default Credit Score

- If there are multiple Borrowers on the Mortgage, the Servicer must determine the single Credit Score for each Borrower using the method described above. The Servicer must then select either the lowest Credit Score across all Borrowers on the Mortgage or the average Credit Score from all Borrowers' single scores. (Note: Whichever method is used, the Servicer should choose the single Credit Score using the same method and procedure for all Borrowers and for all Mortgages consistent with fair lending laws.)

(v) Calculating housing expense-to-income (HTI) ratio

The Servicer must input verified income data into Resolve. Based on the Servicer's input, Resolve will determine if the Borrower's HTI ratio is greater than 40%. For purposes of this determination, the Borrower's current monthly housing expense is divided by the Borrower's monthly gross income (or the Borrowers' combined monthly gross income in the case of co-Borrowers) plus any allowable non-obligor household income.

The Borrower's current monthly housing expense consists of the following, as applicable:

- Monthly P&I payment

- Monthly pro rata amount for real estate taxes

- Monthly pro rata amount for property or flood insurance

- Monthly pro rata amount for homeowners association (HOA) dues, Condominium Unit or Cooperative Unit Maintenance Fees and ground rent

- Any escrow shortage currently included as part of the monthly contractual payment

If the Borrower has been granted interest rate relief under the Servicemembers Civil Relief Act (SCRA), the Servicer must use the principal and interest payment and the contractual rate of interest in effect on the Note prior to the granting of the SCRA relief

rather than the temporarily SCRA reduced interest rate and related SCRA monthly payment when calculating the Borrower's current monthly HTI ratio.

If a Borrower has indicated that there are condominium/HOA or Cooperative Corporation assessments (see Chapter 8801 for special Servicing requirements for Cooperative Share Loans), Condominium Unit maintenance fees or Cooperative Unit Maintenance Fees, or ground rents, but has not been able to provide written documentation to verify these amounts, the Servicer must rely on the information provided by the Borrower if the Servicer has made reasonable efforts to obtain the amounts in writing.

The current monthly housing expense does not include mortgage insurance premium payments or payments due to holders of subordinate liens.

Based on the information provided by the Servicer, Resolve will calculate the Borrower's HTI ratio and determine if it meets the imminent default requirements under Business Rule 2.

(vi) Payment history

Based on the information provided by the Servicer, Resolve will review the Borrower's payment history and determine if it meets the imminent default requirements under Business Rule 2.

(vii) Imminent default evaluation results

If the Borrower meets the requirements of Business Rule 1 and meets the requirements of either: (i) Business Rule 2, or (ii) Business Rule 3, the Borrower is in imminent default. The Servicer must evaluate the Borrower for a short sale and no further analysis is required by the Servicer to determine imminent default.

(viii) General requirements and information

If the Servicer determines that a Borrower is in imminent default, the Servicer must continue evaluating the Borrower using the applicable underwriting requirements outlined in this chapter to determine if the Borrower qualifies for a short sale.

9208.4: Short sale Borrower contributions and relocation assistance (04/01/23)

(a) Borrower contributions towards the deficiency

If the Servicer determines that the Borrower's Cash Reserves exceed $10,000 or the Borrower's housing expense-to-income (HTI) ratio is less than or equal to 40%, the Servicer must request a cash contribution in accordance with the requirements below. The Servicer

must verbally confirm the assets reported on Form 710, Mortgage Assistance Application, and reconcile any differences with documentation following the procedure in Section 9202.3. A Servicer may negotiate contribution amounts less than the initial contribution requests, which must be determined in accordance with the cash contribution formula in this section. When a Servicer negotiates a contribution that is less than the initial request, the Servicer must document the reason for its decision(s) in the Mortgage file and note the specific financial circumstances that limit the Borrower's ability to contribute towards the deficiency.

Unless Freddie Mac has delegated authority with the MI or communicates otherwise, if the Mortgage is covered by mortgage insurance and the MI requires a contribution from the Borrower that is greater than the contribution limits required by this section in order to approve the short sale, the Servicer must require the Borrower to make the contribution required by the MI as a condition of approval.

Borrowers are not required to make a contribution in the following instances:

- Borrowers who are service members with Permanent Change of Station orders, provided the property securing the Mortgage is or was previously the Borrower's Primary Residence where the transfer or new employment location is greater than 50 miles one-way from the property securing the Mortgage being evaluated

- Borrowers who qualify for a Streamlined Short Sale (refer to Section 9208.3)

- Applicable law prohibits requesting or receiving a contribution

1. Determining a cash contribution amount

If the Borrower's Cash Reserves exceed $10,000 or his or her HTI ratio is less than or equal to 40%, the Servicer must request the greater of 20% of the Cash Reserves or four times principal, interest, taxes and insurance (PITI) as a cash contribution. The cash contribution must not exceed the total amount of the deficiency.

- Borrowers who are current or less than 60 days delinquent and meet the criteria described in the Cash Reserves Test

  If the Borrower is current or less than 60 days delinquent and meets the criteria described in in the Cash Reserves test, the Borrower must contribute a minimum of 20% of their Cash Reserves. If the Borrower is unwilling to contribute 20% of their Cash Reserves, the Servicer must submit the case to Freddie Mac for review.

- Borrowers who are 60 or more days delinquent

  If a Borrower who is 60 or more days delinquent cannot contribute 20% of his or her Cash Reserves, the Servicer may negotiate a lower level of contribution. If the Servicer negotiates and collects less than 20% of the Cash Reserves, the Servicer must document the specific financial circumstances that limit the Borrower's ability

to make the initially requested level of cash contribution (i.e., 20% of the Borrower's Cash Reserves) in the Mortgage file.

Based on the Servicer's assessment of the Borrower's written or stated ability to pay in combination with its evaluation of the Borrower's financial and hardship information, the Servicer is authorized to negotiate a lower contribution amount. Additionally, the Servicer may determine that the Borrower's individual circumstances warrant a lower starting point to cash contribution negotiations or no contribution. If a Borrower refuses to contribute an amount the Servicer deems acceptable, then the short sale is not delegated and must be submitted to Freddie Mac following the process in Section 9208.2. If the Servicer determines the Borrower is unable to contribute at least $500 toward the deficiency, then the Servicer must not collect a cash contribution.

If the Borrower's Cash Reserves are in excess of $50,000, the Servicer must submit the short sale request to Freddie Mac for review.

Refer to Section 9208.2 regarding the details for submitting a short sale recommendation to Freddie Mac.

(b) Borrower relocation assistance

If the Servicer determines that the Borrower is not required to make a financial contribution toward the deficiency, the Borrower is eligible to receive up to $7,500 in relocation assistance provided that the Borrower occupies the Mortgaged Premises as his or her Primary Residence. The Borrower is not eligible to receive relocation assistance in the following circumstances:

- The Borrower will receive relocation assistance from a source other than Freddie Mac or the Servicer, such as an employer, and the amount is equal to or greater than $7,500. If the Borrower will receive relocation assistance from a source other than Freddie Mac or the Servicer and the amount is less than $7,500, the Servicer must reduce the amount of Freddie Mac's relocation assistance by the amount received from the other source.

- The Servicer determines that the Borrower's Cash Reserves exceed $10,000 or his or her HTI ratio is less than or equal to 40%, regardless of whether the Borrower makes a contribution. If the Servicer believes such a Borrower is experiencing financial circumstances necessitating relocation assistance, the Servicer may submit the file to Freddie Mac. Refer to Section 9208.2 regarding the details for submission to Freddie Mac.

- The Borrower is subject to PCS orders and receives government assistance with the relocation.

For example, if the Borrower receives $1,000 of relocation assistance from his or her employer, Freddie Mac may provide the Borrower with an additional $6,500 of relocation assistance.

The Servicer must instruct the settlement agent to pay the Freddie Mac relocation assistance from sale proceeds and itemize it and any relocation assistance received from other entities separately on the Settlement/Closing Disclosure Statement to the extent that the Servicer is aware of other relocation or transition assistance payments being paid as part of the short sale transaction.

In addition to the relocation assistance offered by Freddie Mac, the Servicer may in its discretion offer the Borrower an additional financial incentive to complete the short sale. Any relocation assistance provided by the Servicer will be in addition to the relocation assistance amount provided by Freddie Mac and the Servicer's assistance amount does not have to be subtracted from the assistance amount Freddie Mac will pay. If the Servicer does offer its own financial assistance, it must not deduct this payment from the proceeds of the short sale and must provide the incentive from its own funds, either by payment made directly to the Borrower, or through the settlement agent closing the short sale transaction. Payments made to the Borrower by the Servicer must be reflected on the Settlement/Closing Disclosure Statement in accordance with applicable law.

The relocation assistance payment may not be applied to other debts secured by the Mortgaged Premises.

9208.5: Property valuation and minimum net proceeds for short sales (10/02/23)

(a) When to obtain a property valuation

If the Servicer has evaluated the Borrower for all other alternatives to foreclosure in accordance with Freddie Mac's evaluation hierarchy set forth in Section 9201.2 and believes that the Borrower meets the eligibility requirements for a Freddie Mac Standard Short Sale ("short sale"), then, unless otherwise instructed by Freddie Mac, the Servicer must obtain an interior property valuation in accordance with the Guide, if the Borrower:

1. Has listed the Mortgaged Premises for sale; or

2. Has expressed interest in a short sale; or

3. Notifies the Servicer of a purchase offer on the Mortgaged Premises

The Servicer must obtain a short sale property value from Freddie Mac, as applicable, when one of the above situations occurs. An evaluation for a Borrower contribution should not delay the Servicer's request for a property valuation.

(b) How to obtain a short sale property value and minimum net proceeds

With the exception of Mortgages secured by properties subject to resale restrictions (in accordance with Chapters 4406, 4502 or 4504, as applicable), the Servicer must submit a request to Freddie Mac for the short sale property value and the minimum net proceeds via the "Obtain Valuation" tab in Freddie Mac Real Estate Valuation and Pricing tool when considering a Borrower for a short sale.

The Servicer must advise the Borrower that the person evaluating the Mortgaged Premises must be given interior access and that the Borrower must otherwise cooperate with the inspection.

An "estimated market value" of the Mortgaged Premises and the "minimum net proceeds" as determined by Freddie Mac will be returned by the Real Estate Valuation and Pricing tool with a "good through date" indicating the expiration date of the property value and minimum net proceeds amount. If the Servicer is unable to render an evaluation decision on a purchase offer prior to the good through date, a new property value and minimum net proceeds must be obtained via the Real Estate Valuation and Pricing tool to evaluate the purchase offer.

Refer to Chapter 2404 for terms and requirements for using Freddie Mac's Servicing Tools.

Note: If the Servicer enters a short sale into Resolve® without obtaining a property value or minimum net proceeds or if those values have expired, Resolve will obtain the property value and minimum net proceeds automatically.

(c) Listing price guidance

If a short sale property value and minimum net proceeds were obtained, the Servicer should provide listing price guidance to the Borrower or real estate broker based upon the property value obtained from Freddie Mac. However, the Servicer must inform the Borrower or real estate broker of the following when providing such guidance:

- The value provided is only guidance. Such guidance should not be presented as the required listing price to the Borrower or real estate broker. The Borrower and the real estate broker are responsible for determining the list price for the Mortgaged Premises.

- All transactions must meet the minimum net proceeds required by Freddie Mac regardless of the value provided. An offer at or above the value provided by the Servicer may not necessarily result in an acceptable level of net proceeds.

In addition to providing listing price guidance, Servicers must communicate a list of acceptable closing expense categories to the Borrower and the real estate broker as described in Section 9208.7(d).

(d) Mortgages secured by properties subject to resale restrictions

Servicers are not required to obtain short sale property values and minimum net proceeds on Mortgages secured by properties subject to with resale restrictions (in accordance with Chapters 4406, 4502 or 4504, as applicable). If the Servicer is considering a Borrower for a short sale on a Mortgage secured by a property subject to resale restrictions, then the Servicer is not delegated to approve the short sale and the file must be sent to Freddie Mac. Refer to Section 9208.2 regarding submission of a short sale to Freddie Mac.

For listing price guidance and acceptable closing expense categories which may be specific to Mortgages secured by properties subject to resale restrictions, Servicers must refer to the applicable resale restrictions.

9208.6: Communication timelines for short sales (03/02/16)

The following chart sets forth the required response times when a Freddie Mac Standard Short Sale ("short sale") is being considered as a solution to the Delinquency for either: (i) a Mortgage that is not secured by a Primary Residence or (ii) a Mortgage that is secured by a Primary Residence and the Servicer is not evaluating the Borrower for a short sale using the First Complete Borrower Response Package received more than 37 days prior to a scheduled foreclosure sale date.

Short sale: Submission of purchase offer and Servicer decision	
Days	**Action required**
5 Business Days	The Servicer must acknowledge receipt of the purchase offer within five Business Days. If the purchase offer is submitted with insufficient information, the Servicer must notify the Borrower of the information needed to evaluate the offer within five Business Days of receipt of the offer.

Short sale: Submission of purchase offer and Servicer decision	
Days	**Action required**
30 days	The Servicer must respond to the Borrower with a purchase decision within 30 days of receipt of the purchase offer. If the purchase offer does not meet Freddie Mac's minimum net proceeds threshold, and/or is denied by Freddie Mac, the Servicer must notify the Borrower and include an acceptable counteroffer in its response. Note: In the event that a Borrower has submitted a complete Borrower Response Package and a purchase offer simultaneously, the response period for evaluating both the complete Borrower Response Package and the purchase offer is the same as outlined in this section (i.e., provide a decision within 30 days following receipt of purchase offer and Borrower Response Package).
Short sale: Counteroffers (if purchase offer is less than the minimum net proceeds)	
Days	**Action required**
5 Business Days	Borrower must respond to the Servicer's counteroffer within five Business Days of the date the counteroffer is received
10 Business Days	Servicer must respond to the Borrower within 10 Business Days of receipt of the Borrower's response to the counteroffer

The Servicer must maintain documentation of all communications to and from the Borrower, whether verbal or written, and including status updates, either in the Mortgage file or in the Servicer's servicing system. In addition, the Servicer must provide the information to Freddie Mac for review upon request.

Refer to Section 9101.4 for foreclosure suspension requirements when the First Complete Borrower Response Package is received more than 37 days prior to a scheduled foreclosure sale. Refer to Sections 9102.5(c) and 9301.28 for foreclosure suspension requirements for a Mortgage that has been referred to foreclosure and is either: (i) not secured by a Primary Residence or (ii) secured by a Primary Residence and the Servicer is not evaluating the Borrower for a short sale using the First Complete Borrower Response Package received more than 37 days prior to a scheduled foreclosure sale date.

9208.7: Short sale transaction and processing requirements (04/01/23)

In order for the Freddie Mac Standard Short Sale ("short sale") to be approved by either the Servicer or Freddie Mac, the short sale transaction must meet the following requirements:

(a) Sales proceeds

The Servicer must review the executed sales contract and preliminary Settlement/Closing Disclosure Statement to ensure the minimum net proceeds amount provided by Freddie Mac via the Freddie Mac Real Estate Valuation and Pricing tool (see Exhibit 88, Servicing Tools), if applicable, will result from the sale unless otherwise permitted by Freddie Mac in writing.

The Borrower must not receive any proceeds from the sale of the Mortgaged Premises other than relocation assistance paid to the Borrower in accordance with the requirements of Section 9208.4 and reflected on the Settlement/Closing Disclosure Statement.

(b) Determining if the transaction meets the minimum net proceeds

If applicable, when determining whether the transaction meets or exceeds the minimum net proceeds as provided by the Real Estate Valuation and Pricing tool, the Servicer must deduct from the gross sales price the following allowable transaction costs up to the maximum amount as described below:

- Allowable Closing Costs reasonable and customary for the jurisdiction where the Mortgage Premises is located, including:
  - Property taxes and other assessments prorated to the date of closing
  - Typical and customary local and state transfer taxes and stamps
  - Title and settlement charges typically paid by the seller
  - Seller's attorney fees for settlement services typically provided by a title or escrow company
  - Wood-destroying pest inspections and treatment, when required by local law or custom
  - Past-due condominium/ homeowners association (HOA) or Cooperative Corporation assessments (see Chapter 8801 for special Servicing requirements for Cooperative Share Loans), Condominium Unit maintenance fees or Cooperative Unit Maintenance Fees, and ground rents, as applicable

- The following transaction costs are subject to more specific parameters, as indicated below:
  - Real estate broker commission, including any short sale negotiation fees, if applicable, as described in Section 9208.7(e) and 9208.7(f)
  - Borrower incentives (if applicable), as described in Section 9208.4
  - Payment to subordinate mortgage holders (if applicable), as provided in Section 9208.7(c)
  - Any other amounts authorized by Freddie Mac
- The following transaction costs are prohibited by Freddie Mac:
  - Real estate sales commissions paid to the Borrower or the purchaser
  - Buyer's discount points or mortgage loan origination costs; or
  - Fees that are not usual or customary to the local market
- Borrower contributions must not be counted toward the minimum net proceeds

For example, if the purchase offer submitted by the Borrower/real estate broker is $100,000 then the Servicer will determine whether the minimum net proceeds are met as follows:

$100,000 (Gross sales price)
-$9,000 (Allowable Closing Costs including real estate commission)
-$6,000 (Payment to subordinate mortgage holders)
-$7,500 (Borrower relocation assistance)
_____
$77,500 (Determine whether this amount meets or exceeds the minimum net proceeds provided in the Real Estate Valuation and Pricing tool)

The Servicer must not disclose the minimum net proceeds to any party, if applicable, including, but not limited to, the Borrower, the real estate broker and any prospective buyer, except as authorized by Freddie Mac.

As applicable, the Servicer must ensure that the transaction meets or exceeds the minimum net proceeds amount prior to approving a short sale transaction. If the minimum net proceeds are not met, the Servicer must provide a counteroffer for an amount that would meet the minimum net proceeds in accordance with the response time frames set forth in Section 9208.6. Under no circumstances is the Servicer delegated to approve a transaction if the amount to be remitted to Freddie Mac at closing is less than the minimum net proceeds amount, if applicable. If the transaction does not meet the minimum net proceeds established by Freddie Mac, the Servicer may submit the Mortgage to Freddie Mac for further review.

(Refer to Section 9208.2 for more information regarding the requirements for submitting a recommendation to Freddie Mac).

(c) Payments to subordinate mortgage holders

For each short sale completed in accordance with Sections 9208.1 through 9208.8, the Servicer may authorize the settlement agent closing the short sale transaction to pay subordinate mortgage holders an aggregate amount of six thousand dollars ($6,000.00) from sales proceeds at the same time that all other payments, including the payoff to Freddie Mac, are disbursed by the settlement agent. The subordinate mortgage holders may not receive any other payments, in cash, promissory note or otherwise, from the Borrower in connection with approval of the short sale.

If there are multiple subordinate mortgage holders, the Servicer has the discretion to divide the subordinate mortgage payment among them so as to maximize the chances that all subordinate mortgage holders will approve the short sale.

Payment of any amount to subordinate mortgage holders is contingent upon agreement by all mortgage holders to release their Mortgages and, if they are accepting a payment from Freddie Mac, extinguish the indebtedness secured by the Mortgaged Premises. In addition, subordinate mortgage holders accepting payment from Freddie Mac must agree in writing to waive all rights to seek a deficiency judgment against the Borrower. If a subordinate mortgage holder releases its Mortgage to allow the short sale to close, but does not extinguish the indebtedness, the mortgage holder will not receive a payment from Freddie Mac. Regardless of whether payment is made to a subordinate mortgage holder, the Servicer must obtain written commitment from the subordinate mortgage holder(s) to release the Mortgage(s).

All payments made to subordinate mortgage holders must be documented on the Settlement/Closing Disclosure Statement in accordance with applicable law. The Servicer must have established written policies governing how subordinate mortgage payments are paid and the Servicer must provide evidence to Borrowers that the subordinate mortgage holder has agreed to accept the payment, extinguish the secured indebtedness and waive all rights to seek a deficiency judgment against the Borrower.
Note: Only Mortgages, deeds of trust or security deeds recorded in the land records and constituting a valid lien against the property are eligible for a payment from Freddie Mac. Any and all other types of liens including, but not limited to, judgments, mechanic’s and materialman’s liens and common interest association liens, are not eligible for the subordinate mortgage payment.

(d) Closing Costs

The Servicer is permitted to deduct reasonable Closing Costs customarily paid by a seller in the jurisdiction where the Mortgaged Premises are located.

(e) Real estate broker commissions

Unless a real estate broker's sales commission exceeds 6% of the Mortgaged Premises sales price, the Servicer must not, as a condition of the Servicer's acceptance of an offer, renegotiate the real estate broker's sales commission to an amount that is lower than the amount that was originally agreed upon between the broker and the Borrower. In the event the sales commission exceeds 6%, the Servicer must renegotiate the commission to limit it to 6% of the Mortgaged Premises' sales price.

Neither the Borrower nor the purchaser may receive a commission from the sale of the Mortgaged Premises.

(f) Short sale negotiation fees

Fees paid to any party to evaluate, negotiate or process a short sale with the Servicer, which are commonly referred to as "short sale negotiation fees," "short sale processing fees," "marketing fees," or "administrative fees," may be included as part of the real estate broker's commission at the discretion of the real estate broker. Negotiation fees must not be deducted from sales proceeds or charged to the Borrower. Additionally, neither the Servicer nor its agents may charge Freddie Mac or the Borrower, either directly or indirectly, any fee whatsoever in connection with processing a short sale on any Mortgage. Standard and customary real estate commissions and settlement service fees agreed to by the Borrower and paid to the real estate brokerage and settlement agent are not prohibited.

(g) Waiver of Escrow funds or prepaid items

The Borrower must waive reimbursement of any Escrow, buydown funds or prepaid items and assign any insurance proceeds to Freddie Mac, if applicable.

(h) Short sale affidavit

The Servicer must obtain a short sale affidavit in which the parties to the transaction attest that the sale is an "arm's length" transaction. An "arm's length transaction" is a transaction between parties who are unrelated and unaffiliated by family, marriage or commercial enterprise, other than the purchase and sale of the Mortgaged Premises between the Borrower(s) and the purchaser(s) that is the specific subject of the proposed short sale as disclosed to the Servicer. This affidavit must be executed before or at the time of closing of the sale of the Mortgaged Premises by all Borrower(s), purchaser(s), real estate brokers representing any of the parties, the escrow/closing agent and the transaction facilitator (if any). Each signatory must certify under penalty of perjury that to the best of his or her knowledge and belief:

- The sale of the Mortgaged Premises is an arm's length transaction, between parties who are unrelated and unaffiliated by family, marriage, or commercial enterprise;

- There are no agreements, understandings or contracts between the parties that the Borrower will remain in the Mortgaged Premises as a tenant or later obtain title or ownership of the Mortgaged Premises, except if the Borrower is permitted to remain as a tenant on the Mortgaged Premises for a short term, but no longer than ninety (90) days, in order to facilitate relocation;

- Neither the Borrower(s) nor the purchaser(s) will receive any funds or commissions from the sale of the Mortgaged Premises. The Borrower may receive a relocation assistance payment if it is offered by the Servicer and reflected on the Settlement/Closing Disclosure Statement;

- The seller(s)/listing agent has presented all offers for the purchase of the Mortgaged Premises to the Borrower and no offers have been held, concealed or delayed due to action or inaction by a real estate agent;

- There are no agreements, understandings or contracts relating to the current sale or subsequent sale of the Mortgaged Premises that have not been disclosed to the Servicer;

- All amounts to be paid to any party, including holders of other liens on the Mortgaged Premises, in connection with the short sale transaction have been disclosed to and approved by the Servicer and will be reflected on the Settlement/Closing Disclosure Statement;

- Each signatory understands, agrees and intends that the Servicer and Freddie Mac are relying upon the statements made in the affidavit as consideration for the reduction of the payoff amount of the Mortgage and agreement to the sale of the Mortgaged Premises;

- A signatory who makes a negligent or intentional misrepresentation agrees to indemnify the Servicer and Freddie Mac for any and all loss resulting from the misrepresentation including, but not limited to, repayment of the amount of the reduced payoff of the Mortgage;

- The certification will survive the closing of the transaction; and

- Each signatory understands that a misrepresentation may subject the party making the misrepresentation to civil and/or criminal liability

The affidavit must contain the name of the Servicer, the Servicer loan number for the subject Mortgage, the property address of the Mortgaged Premises and the date the sales contract that is the subject of the short sale was ratified by the parties.

The affidavit must contain the printed name and signature of each signatory and all signatures to the affidavit must be dated. The signature of a real estate agent or settlement agent signing as a representative for the brokerage or settlement service provider is acceptable so long as the representative capacity is clearly identified. The Servicer may modify and integrate its own requirements into the affidavit so long as it contains the

minimum requirements contained in this section. The short sale affidavit must be a separately identifiable document, distinct from other closing or pre-closing documents, such as the sales contract. (See Exhibit 97, Short Sale Affidavit, for an example of a short sale affidavit.)

If the closing agent is prohibited from signing the affidavit by applicable local, State, or federal law, the Servicer may waive the closing agent's signature requirement upon request. The Servicer must condition the waiver upon the closing agent's agreement that it will not also act as the closing agent on a subsequent transaction involving the Mortgaged Premises within one year of closing the short sale transaction. In all other circumstances, signatures from all parties identified above are required as a condition to Freddie Mac's agreement to accept a short sale of the Mortgage.

If a party reveals an agreement, understanding or contract relating to the current sale or subsequent sale of the Mortgaged Premises that indicates the transaction is not an arm's length transaction, or otherwise indicates bad faith, collusion or fraud on the part of the parties, the Servicer must withdraw agreement to the short sale and immediately notify Freddie Mac at **Mortgage_Fraud_Reporting@FreddieMac.com**.

(i) Re-sale deed restriction

The Servicer must instruct the settlement agent to ensure that the deed conveying the Mortgaged Premises from the Borrower to the purchaser contains a provision to restrict any re-sale of the Mortgaged Premises for 30 days following the short sale closing, and to restrict re-sales of greater than 120% of the short sale's sales price for the period beginning 31 days after the short sale closing and ending 90 days from the short sale closing.

The deed must contain the following provision:
Grantee herein is prohibited from conveying captioned property for any sales price for a period of 30 days from [DATE – short sale closing]. After this 30-day period, Grantee is further prohibited from conveying the property for a sales price greater than $ (120% of short sale price) until 90 days from [DATE – short sale closing]. These restrictions shall run with the land and are not personal to the Grantee.

The provided language may be amended as necessary to comply with applicable law.

Note: If the Servicer believes a re-sale restriction is not appropriate for a particular short sale transaction (such as a short sale transaction under the Homeowners Assistance Program provided by the United States Department of Defense), then the Servicer must submit the Mortgage to Freddie Mac for review prior to instructing the settlement agent to insert the above referenced deed provision. The Servicer's submission must include a thorough explanation of the reason(s) why it is requesting additional review.

(j) Resolve®

Services must use Resolve to submit short sale transactions on Freddie Mac-owned Mortgages. The Servicer represents and warrants that its use of Resolve to process short sales

is in compliance with this Chapter 9208, other applicable Purchase Documents, and the Resolve Users' Guide.

If a Servicer is unable to complete a submission via Resolve, the Servicer should contact Customer Support at 800-FREDDIE.

(k) Mortgage insurance

The Servicer must approve and process a short sale in compliance with all requirements of applicable mortgage insurance policies so as to preserve and not to impair existing mortgage insurance coverage, if any. When approving and processing a short sale, unless Freddie Mac has delegations of authority with the MI, the Servicer must either obtain the applicable MI's approval of the terms of each short sale on a case-by-case basis, or ensure that the applicable MI has provided a delegation of authority to the Servicer that applies to the requested short sale.

If the Servicer is notified that the MI will curtail or deny a claim for any reason including, but not limited to, failure of the Servicer to comply with mortgage insurance conditions such as payment of a Borrower contribution, the Servicer may not approve the short sale; however, the Servicer must submit the proposed short sale to Freddie Mac.

9208.8: Closing, reporting, drafting and remittance requirements for short sales and make-whole preforeclosure sales (10/09/24)

This section contains requirements related to:

- Servicer review of the Freddie Mac Standard Short Sale ("short sale") closing documentation
- Reporting the transaction, remitting the proceeds and submitting the settlement data
- Make-whole preforeclosure sale
- Charging off the deficiency
- Remitting additional proceeds
- Release of deficiency if participants have acted in good faith and in compliance with all applicable law
- Requesting reimbursement

(a) Servicer review of the Freddie Mac Standard Short Sale ("short sale") closing documentation

The Servicer must:

1. Prior to and outside of the transaction, pay any delinquent property taxes, ground rents, and assessments or other charges that are or may become First Liens on the property or that if not paid would result in the subordination of Freddie Mac's interests. (See Section 9301.27 regarding expenses that may become First Liens on the property.) Freddie Mac will reimburse the Servicer for these expenses in accordance with Chapter 9701.

2. Ensure that the Borrower pays all cash contributions in the form of cash or certified funds at settlement

3. Ensure that the title is conveyed directly from the Borrower to the buyer

4. Complete the short sale closing within 60 days of approving the purchase offer

5. Waive its rights to any accrued late fees or property inspection costs

6. Maintain the original short sale affidavit in the Mortgage file in accordance with the requirements of Section 3302.3 and provide Freddie Mac with a copy of the short sale affidavit upon request

7. Review the Settlement/Closing Disclosure Statement prior to closing to ensure proper transfer of title directly from the Borrower to the buyer

8. Review the Settlement/Closing Disclosure Statement and deed within five Business Days after closing to validate compliance with this chapter and the Servicer's approval instructions, including:

   - The name of the buyer on the Settlement/Closing Disclosure Statement is the same as shown on the sales contract

   - The Settlement/Closing Disclosure Statement is consistent with the closing instructions, especially regarding ineligible transfer of title to related parties; and

   - The deed will be recorded in the name of the buyer and contains resale restriction language as required in Section 9208.7(i)

9. For Cooperative Share Loans, comply with the requirements in Section 8801.5(c)(ii)

(b) Reporting the transaction, remitting the proceeds and submitting the settlement data

To close a short sale, or a make-whole preforeclosure sale in Freddie Mac's systems, complete the following accounting, reporting and remittance steps:

1. Report the Mortgage as a "Short Sale/Charge-off/Make-whole" via the Freddie Mac Loan

Level Reporting tool (see Exhibit 88, Servicing Tools) by the second Business Day after the Servicer receives the settlement proceeds. When reporting, ensure that the:

- Ending UPB is zero
- Principal collected is the ending balance of the Mortgage (Not the proceeds collected from the sale of the property)
- Payoff date is the date the Servicer received the Settlement Proceeds
- DDLPI reflects the due date of the last fully paid installment

Freddie Mac will draft the full UPB plus exception interest. Refer to Section 8303.11 for details on payoff requirements and charge-off adjustments. See Sections 8303.11 and 8303.12 for additional requirements related to short sale reporting and drafting.

2. Complete the "Short Sales Settlement" screen in Resolve® and transmit the data to Freddie Mac. In circumstances where a short sale settlement requires a manual settlement review by Freddie Mac, Freddie Mac may request copies of documentation including, but not limited to, the following:

   - A copy of the Settlement/Closing Disclosure Statement
   - Copies of the sales contract and any addenda to the sales contract

(c) Make-whole preforeclosure sale

To notify Freddie Mac that the Servicer has approved a make-whole preforeclosure sale, the Servicer must submit the following to Freddie Mac **(see Directory 5)**:

- Completed and signed Form 710, Mortgage Assistance Application (or other documentation as permitted in Section 9208.3)
- Copy of the executed sales contract
- Copy of the MI's approval letter (if applicable and if not previously delegated by the MI)
- A breakdown of the transaction to show how the sale of the Mortgaged Premises plus any other proceeds will result in a total satisfaction of the debt

Upon receipt of the required documentation as described above, Freddie Mac will review the file and provide the appropriate decision in Resolve. In all cases, the Servicer will need to monitor Resolve for the decision and process the file accordingly. Report and close the transaction in accordance with the requirements in this Section 9208.8.

Freddie Mac will draft the full UPB plus exception interest. Refer to Section 8303.12 for details on payoff requirements and charge-off adjustments.

(d) Charging off the deficiency

The amount that Freddie Mac has determined to be charged off will be reflected on the Draft Report. The Servicer must review the Draft Report and report any discrepancies between its records and the amount on the Draft Report to Freddie Mac via the Freddie Mac Servicing Data Corrections tool (see Exhibit 88, Servicing Tools) within the same Accounting Cycle in which Freddie Mac posts the amount to the Draft Report. Servicers may access the Draft Report through the Cash Manager tool (see Exhibit 88, Servicing Tools).

When reporting a discrepancy, Servicers must input the calculation used to determine the variance and upload a copy of the Settlement/Closing Disclosure Statement and of the sales contract and any addenda to the sales contract in the Servicing Data Corrections tool to support the request and explain why the short sale and any related deficiency was not initially settled with data elements matching these documents.

Discrepancies submitted after the Accounting Cycle in which the initial adjustment is posted to the Draft Report closes will be processed at Freddie Mac's discretion and may be subject to a contract noncompliance and contract change compensatory fee (see Section 8303.43). If the postsettlement correction request is denied, the Servicer may be liable for any additional losses. Additionally, Freddie Mac may recover any workout incentives that were paid.

(e) Remitting additional proceeds

If there are any proceeds that were not included in the proceeds check (for example, property insurance premium rebate, refunded Escrow advance prepayments), remit the full amount of such proceeds to Freddie Mac by wire transfer or check and send it to Freddie Mac **(see Directory 5)** within five Business Days of receipt of the proceeds.

(f) Release of deficiency if participants have acted in good faith and in compliance with all applicable law

If the Borrower has acted in good faith and in compliance with the Guide and all applicable local, State and federal law, then Freddie Mac will not pursue the Borrower for the entire amount owed under the current Mortgage. Freddie Mac will accept the proceeds of sale and the cash contribution by the Borrower and the Servicer must instruct the closing agent to release the lien on the Mortgaged Premises and mark the previous Note as canceled. For a short sale completed with respect to an eMortgage (as defined in Section 1402.2), the Servicer must also comply with the requirements in Section 1402.11(c).
However, if the Borrower had knowledge of and/or consented to a transaction that was not in compliance with the Guide and all applicable local, State and federal law, Freddie Mac reserves its rights to pursue any and all participants including, but not limited to, the Borrower, for the full amount owed under the Mortgage, the amount of any other loss or damage Freddie Mac may have suffered and other costs and expenses, including, but not

limited to, attorney fees. Failure to fully execute and provide the short sale affidavit required by Section 9208.7 is considered bad faith and noncompliance with the Guide.

(g) Requesting reimbursement

Request reimbursement for any applicable expenses, in accordance with the requirements in Chapter 9701. For claim submissions on Mortgages insured by the FHA or guaranteed by the VA or RHS not subject to recourse or indemnification, expense reimbursement will occur after Freddie Mac receives the claim payment from the applicable entity and determines that all other requirements for reimbursement have been satisfied. (Refer to Section 9603.2 on FHA/VA/RHS claim filing and Section 9603.5 on receipt of claim payment.)

9208.8: Closing, reporting, drafting and remittance requirements for short sales and make-whole preforeclosure sales (Future effective date 12/09/24)

This section contains requirements related to:

- Servicer review of the Freddie Mac Standard Short Sale ("short sale") closing documentation
- Reporting the transaction, remitting the proceeds and submitting the settlement data
- Make-whole preforeclosure sale
- Charging off the deficiency
- Remitting additional proceeds
- Release of deficiency if participants have acted in good faith and in compliance with all applicable law
- Requesting reimbursement

(a) Servicer review of the Freddie Mac Standard Short Sale ("short sale") closing documentation

The Servicer must:

1. Prior to and outside of the transaction, pay any delinquent property taxes, ground rents, and assessments or other charges that are or may become First Liens on the property or that if not paid would result in the subordination of Freddie Mac's interests. (See Section 9301.27 regarding expenses that may become First Liens on the property.) Freddie Mac will reimburse the Servicer for these expenses in accordance with Chapter 9701.

2. Ensure that the Borrower pays all cash contributions in the form of cash or certified funds at settlement

3. Ensure that the title is conveyed directly from the Borrower to the buyer

4. Complete the short sale closing within 60 days of approving the purchase offer

5. Waive its rights to any accrued late fees or property inspection costs

6. Maintain the original short sale affidavit in the Mortgage file in accordance with the requirements of Section 3302.3 and provide Freddie Mac with a copy of the short sale affidavit upon request

7. Review the Settlement/Closing Disclosure Statement prior to closing to ensure proper transfer of title directly from the Borrower to the buyer

8. Review the Settlement/Closing Disclosure Statement and deed within five Business Days after closing to validate compliance with this chapter and the Servicer's approval instructions, including:

   - The name of the buyer on the Settlement/Closing Disclosure Statement is the same as shown on the sales contract

   - The Settlement/Closing Disclosure Statement is consistent with the closing instructions, especially regarding ineligible transfer of title to related parties; and

   - The deed will be recorded in the name of the buyer and contains resale restriction language as required in Section 9208.7(i)

9. For Cooperative Share Loans, comply with the requirements in Section 8801.5(c)(ii)

(b) Reporting the transaction, remitting the proceeds and submitting the settlement data

To close a short sale, or a make-whole preforeclosure sale in Freddie Mac's systems, complete the following accounting, reporting and remittance steps:

1. Report the Mortgage as a "Short Sale/Charge-off/Make-whole" via the Freddie Mac Loan Level Reporting tool (see Exhibit 88, Servicing Tools) by the second Business Day after the Servicer receives the settlement proceeds. When reporting, ensure that the:

   - Ending UPB is zero

   - Principal collected is the ending balance of the Mortgage (Not the proceeds collected from the sale of the property)

   - Payoff date is the date the Servicer received the Settlement Proceeds

- DDLPI reflects the due date of the last fully paid installment

Freddie Mac will draft the full UPB plus exception interest. Refer to Section 8303.11 for details on payoff requirements and charge-off adjustments. See Sections 8303.11 and 8303.12 for additional requirements related to short sale reporting and drafting.

3. Complete the "Short Sales Settlement" screen in Resolve® and transmit the data to Freddie Mac. In circumstances where a short sale settlement requires a manual settlement review by Freddie Mac, Freddie Mac may request copies of documentation including, but not limited to, the following:

   - A copy of the Settlement/Closing Disclosure Statement

   - Copies of the sales contract and any addenda to the sales contract

(c) Make-whole preforeclosure sale

To notify Freddie Mac that the Servicer has approved a make-whole preforeclosure sale, the Servicer must submit the following to Freddie Mac **(see Directory 5)**:

- Completed and signed Form 710, Mortgage Assistance Application (or other documentation as permitted in Section 9208.3)

- Copy of the executed sales contract

- Copy of the MI's approval letter (if applicable and if not previously delegated by the MI)

- A breakdown of the transaction to show how the sale of the Mortgaged Premises plus any other proceeds will result in a total satisfaction of the debt

Upon receipt of the required documentation as described above, Freddie Mac will review the file and contact the Servicer with a decision. Once the Servicer receives the decision, it must process the file accordingly and report and close the transaction in accordance with the requirements in this Section 9208.8.

Freddie Mac will draft the full UPB plus exception interest. Refer to Section 8303.12 for details on payoff requirements and charge-off adjustments.

(d) Charging off the deficiency

The amount that Freddie Mac has determined to be charged off will be reflected on the Draft Report. The Servicer must review the Draft Report and report any discrepancies between its records and the amount on the Draft Report to Freddie Mac via the Freddie Mac Servicing Data Corrections tool (see Exhibit 88, Servicing Tools) within the same Accounting Cycle in

which Freddie Mac posts the amount to the Draft Report. Servicers may access the Draft Report through the Cash Manager tool (see Exhibit 88, Servicing Tools).

When reporting a discrepancy, Servicers must input the calculation used to determine the variance and upload a copy of the Settlement/Closing Disclosure Statement and of the sales contract and any addenda to the sales contract in the Servicing Data Corrections tool to support the request and explain why the short sale and any related deficiency was not initially settled with data elements matching these documents.

Discrepancies submitted after the Accounting Cycle in which the initial adjustment is posted to the Draft Report closes will be processed at Freddie Mac's discretion and may be subject to a contract noncompliance and contract change compensatory fee (see Section 8303.43). If the postsettlement correction request is denied, the Servicer may be liable for any additional losses. Additionally, Freddie Mac may recover any workout incentives that were paid.

(e) Remitting additional proceeds

If there are any proceeds that were not included in the proceeds check (for example, property insurance premium rebate, refunded Escrow advance prepayments), remit the full amount of such proceeds to Freddie Mac by wire transfer or check and send it to Freddie Mac **(see Directory 5)** within five Business Days of receipt of the proceeds.

(f) Release of deficiency if participants have acted in good faith and in compliance with all applicable law

If the Borrower has acted in good faith and in compliance with the Guide and all applicable local, State and federal law, then Freddie Mac will not pursue the Borrower for the entire amount owed under the current Mortgage. Freddie Mac will accept the proceeds of sale and the cash contribution by the Borrower and the Servicer must instruct the closing agent to release the lien on the Mortgaged Premises and mark the previous Note as canceled. For a short sale completed with respect to an eMortgage (as defined in Section 1402.2), the Servicer must also comply with the requirements in Section 1402.11(c).
However, if the Borrower had knowledge of and/or consented to a transaction that was not in compliance with the Guide and all applicable local, State and federal law, Freddie Mac reserves its rights to pursue any and all participants including, but not limited to, the Borrower, for the full amount owed under the Mortgage, the amount of any other loss or damage Freddie Mac may have suffered and other costs and expenses, including, but not limited to, attorney fees. Failure to fully execute and provide the short sale affidavit required by Section 9208.7 is considered bad faith and noncompliance with the Guide.

(g) Requesting reimbursement

Request reimbursement for any applicable expenses, in accordance with the requirements in Chapter 9701. For claim submissions on Mortgages insured by the FHA or guaranteed by the VA or RHS not subject to recourse or indemnification, expense reimbursement will occur after Freddie Mac receives the claim payment from the applicable entity and determines that

all other requirements for reimbursement have been satisfied. (Refer to Section 9603.2 on FHA/VA/RHS claim filing and Section 9603.5 on receipt of claim payment.)

9208.9: Fraudulent transactions related to short sales (03/02/16)

Any party to the transaction who engages in fraudulent activity with respect to a short sale transaction may be added to the Freddie Mac Exclusionary List, barring future involvement in Freddie Mac business, and reported to applicable regulatory authorities.

See Chapter 3201 for more information on Freddie Mac requirements for fraud prevention, detection and reporting.

Chapter 9209: Freddie Mac Standard Deed-in-Lieu of Foreclosure

9209.1: What is a deed-in-lieu of foreclosure? (03/02/16)

A Freddie Mac Standard Deed-in-Lieu of Foreclosure ("deed-in-lieu of foreclosure") is a Borrower's voluntary conveyance of clear and marketable title to the property to Freddie Mac in exchange for a discharge of debt.

9209.2: Deed-in-lieu of foreclosure eligibility requirements and Servicer approval authority (10/09/24)

This section contains requirements related to:

- Eligibility requirements for a deed-in-lieu of foreclosure
- Servicer approval authority
- Property requirements
- Submitting a deed-in-lieu of foreclosure recommendation to Freddie Mac

Servicers may use the Resolve® user interface (UI) to submit a Freddie Mac Standard Deed-in-Lieu of Foreclosure ("deed-in-lieu of foreclosure") recommendation to Freddie Mac. Servicers that elect to submit deed-in-lieu of foreclosure recommendations via the Resolve UI should refer to **Resolve Online Help** for details on the process.

If the Borrower's eligible hardship is permanent or long-term and neither a home retention alternative to foreclosure nor a Freddie Mac Standard Short Sale ("short sale") is a viable solution to the Delinquency or imminent Delinquency, then the Servicer must determine if the Borrower meets the eligibility requirements for a deed-in-lieu of foreclosure. The Servicer must evaluate the Borrower for a deed-in-lieu of foreclosure under this chapter once the Servicer has otherwise complied with the evaluation hierarchy in Section 9201.2.

If the Mortgage is subject to a recourse agreement, the Mortgage is ineligible for a deed-in-lieu of foreclosure.

Additionally, Mortgages for which the Borrower is engaged in litigation related to the Mortgage or Mortgaged Premises, with the exception of a foreclosure action, are ineligible for a deed-in-lieu of foreclosure.

If the Mortgage is an FHA, VA or Guaranteed Rural Housing Mortgage, the Servicer must comply with the requirements of the applicable agency when approving a deed-in-lieu of foreclosure in a manner that ensures continued coverage of the Mortgage.

The Servicer must determine the Borrower's Delinquency status for purposes of establishing eligibility, documentation requirements and Borrower contribution requirements in accordance with Sections 9209.2 through 9209.4. The Servicer must use the Delinquency status of the Mortgage on the date the Servicer begins the evaluation of the Borrower for a deed-in-lieu of foreclosure using the documentation required in Section 9209.3.

(a) Eligibility requirements for a deed-in-lieu of foreclosure

Every Borrower, regardless of Delinquency status, is eligible to be considered for a deed-in-lieu of foreclosure, provided the following requirements are met:

- Borrowers who do not meet the requirements for a Streamlined Deed-in-Lieu of Foreclosure must be experiencing or have experienced one of the eligible hardships listed in Section 9202.2(a)

- The Borrower must be able to convey clear and marketable title to the Mortgaged Premises to Freddie Mac

- The Borrower has not acquired a new Mortgage in the six months preceding the Borrower's Delinquency or, if the Borrower is current, in the six months preceding the evaluation of the Borrower for a deed-in-lieu of foreclosure. The Borrower is only permitted to have obtained a new Mortgage if the Borrower's eligible hardship was distant employment transfer.

If the debt secured by the Mortgaged Premises has been discharged in a bankruptcy proceeding filed pursuant to Chapter 7 of the U.S. Bankruptcy Code, the Borrower is eligible for a deed-in-lieu of foreclosure regardless of Delinquency, occupancy or property type. The Borrower must provide the Servicer a copy of the order and accompanying documents showing that the debt was discharged. The Servicer must retain those documents in the Mortgage file.

A Borrower who is current or less than 60 days delinquent must meet the imminent default requirements as described in Section 9209.3(c).

(b) Servicer approval authority

Unless otherwise notified by Freddie Mac, all Servicers are delegated to approve a deed-in-lieu of foreclosure that meets the eligibility requirements of Section 9209.2(a).

When evaluating a Borrower who is a service member with Permanent Change of Station orders and is current or less than 90 days delinquent, the Servicer is encouraged to submit a recommendation to Freddie Mac for review if the Servicer believes a deed-in-lieu of foreclosure is the most appropriate option given the Borrower's circumstances.

If a property inspection reveals that the property has been poorly maintained, needs major repairs, or has structural or foundation problems, then the Servicer is not delegated to approve a deed-in-lieu of foreclosure. However, if the Servicer believes a deed-in-lieu of foreclosure is still the most appropriate remedy, then the Servicer must submit a recommendation to Freddie Mac for approval.

Servicers must refer to the requirements in Sections 8801.5(d) and 9209.1 through 9209.8 for additional circumstances where Servicers are not delegated to approve a deed-in-lieu of foreclosure.

(c) Property requirements

If the BPO obtained according to the valuation requirements in Section 9209.5 or any previous or subsequent Servicer inspection indicates that the Mortgaged Premises has been poorly maintained, needs major repairs, or has structural or foundation problems, the Servicer is not delegated to approve a deed-in-lieu of foreclosure. However, if the Servicer believes a deed-in-lieu of foreclosure is still the most appropriate remedy, then the Servicer must submit a recommendation to Freddie Mac for approval in accordance with Section 9209.2(b).

In addition, if the Servicer has any indication that the Mortgaged Premises contains environmental contamination or hazardous substances, the Servicer is not delegated to approve a deed-in-lieu of foreclosure. Examples of environmental contamination and hazardous substances include:

- High sulfur building content, such as drywall
- Interior mold
- Exposed asbestos
- Exposed or chipping lead-based paint
- Evidence of illegal activity having taken place on the premises, such as growing or manufacturing illegal substances
- Mortgaged Premises is or is part of a superfund site
- Mortgaged Premises exhibits other conditions that could negatively impact the health of occupants

(d) Submitting a deed-in-lieu of foreclosure recommendation to Freddie Mac

For situations where a Borrower does not meet the eligibility requirements for a deed-in-lieu of foreclosure and the Servicer feels a deed-in-lieu of foreclosure may be the best option for addressing the Delinquency or imminent Delinquency, the Servicer may submit a recommendation and rationale for the recommendation to Freddie Mac for review with a complete Borrower Response Package or other documentation as permitted in Section 9209.3 **(see Directory 5)**. For Cooperative Share Loans, the additional documentation listed in Section 8801.5(d)(i) must be with the Servicer's recommendation.

9209.2: Deed-in-lieu of foreclosure eligibility requirements and Servicer approval authority (Future effective date 12/09/24)

This section contains requirements related to:

- Eligibility requirements for a deed-in-lieu of foreclosure
- Servicer approval authority
- Property requirements
- Submitting a deed-in-lieu of foreclosure recommendation to Freddie Mac

Servicers must use the Resolve® user interface (UI) to submit a Freddie Mac Standard Deed-in-Lieu of Foreclosure ("deed-in-lieu of foreclosure") recommendation to Freddie Mac. Servicers that elect to submit deed-in-lieu of foreclosure recommendations via the Resolve UI should refer to **Resolve Online Help** for details on the process.

If the Borrower's eligible hardship is permanent or long-term and neither a home retention alternative to foreclosure nor a Freddie Mac Standard Short Sale ("short sale") is a viable solution to the Delinquency or imminent Delinquency, then the Servicer must determine if the Borrower meets the eligibility requirements for a deed-in-lieu of foreclosure. The Servicer must evaluate the Borrower for a deed-in-lieu of foreclosure under this chapter once the Servicer has otherwise complied with the evaluation hierarchy in Section 9201.2.

If the Mortgage is subject to a recourse agreement, the Mortgage is ineligible for a deed-in-lieu of foreclosure.

Additionally, Mortgages for which the Borrower is engaged in litigation related to the Mortgage or Mortgaged Premises, with the exception of a foreclosure action, are ineligible for a deed-in-lieu of foreclosure.

If the Mortgage is an FHA, VA or Guaranteed Rural Housing Mortgage, the Servicer must comply with the requirements of the applicable agency when approving a deed-in-lieu of foreclosure in a manner that ensures continued coverage of the Mortgage.

The Servicer must determine the Borrower's Delinquency status for purposes of establishing eligibility, documentation requirements and Borrower contribution requirements in accordance with Sections 9209.2 through 9209.4. The Servicer must use the Delinquency status of the Mortgage on the date the Servicer begins the evaluation of the Borrower for a deed-in-lieu of foreclosure using the documentation required in Section 9209.3.

(a) Eligibility requirements for a deed-in-lieu of foreclosure

Every Borrower, regardless of Delinquency status, is eligible to be considered for a deed-in-lieu of foreclosure, provided the following requirements are met:

- Borrowers who do not meet the requirements for a Streamlined Deed-in-Lieu of Foreclosure must be experiencing or have experienced one of the eligible hardships listed in Section 9202.2(a)

- The Borrower must be able to convey clear and marketable title to the Mortgaged Premises to Freddie Mac

- The Borrower has not acquired a new Mortgage in the six months preceding the Borrower's Delinquency or, if the Borrower is current, in the six months preceding the evaluation of the Borrower for a deed-in-lieu of foreclosure. The Borrower is only permitted to have obtained a new Mortgage if the Borrower's eligible hardship was distant employment transfer.

If the debt secured by the Mortgaged Premises has been discharged in a bankruptcy proceeding filed pursuant to Chapter 7 of the U.S. Bankruptcy Code, the Borrower is eligible for a deed-in-lieu of foreclosure regardless of Delinquency, occupancy or property type. The Borrower must provide the Servicer a copy of the order and accompanying documents showing that the debt was discharged. The Servicer must retain those documents in the Mortgage file.

A Borrower who is current or less than 60 days delinquent must meet the imminent default requirements as described in Section 9209.3(c).

(b) Servicer approval authority

Unless otherwise notified by Freddie Mac, all Servicers are delegated to approve a deed-in-lieu of foreclosure that meets the eligibility requirements of Section 9209.2(a).

When evaluating a Borrower who is a service member with Permanent Change of Station orders and is current or less than 90 days delinquent, the Servicer is encouraged to submit a

recommendation to Freddie Mac for review if the Servicer believes a deed-in-lieu of foreclosure is the most appropriate option given the Borrower's circumstances.

If a property inspection reveals that the property has been poorly maintained, needs major repairs, or has structural or foundation problems, then the Servicer is not delegated to approve a deed-in-lieu of foreclosure. However, if the Servicer believes a deed-in-lieu of foreclosure is still the most appropriate remedy, then the Servicer must submit a recommendation to Freddie Mac for approval.

Servicers must refer to the requirements in Sections 8801.5(d) and 9209.1 through 9209.8 for additional circumstances where Servicers are not delegated to approve a deed-in-lieu of foreclosure.

(c) Property requirements

If the BPO obtained according to the valuation requirements in Section 9209.5 or any previous or subsequent Servicer inspection indicates that the Mortgaged Premises has been poorly maintained, needs major repairs, or has structural or foundation problems, the Servicer is not delegated to approve a deed-in-lieu of foreclosure. However, if the Servicer believes a deed-in-lieu of foreclosure is still the most appropriate remedy, then the Servicer must submit a recommendation to Freddie Mac for approval in accordance with Section 9209.2(b).

In addition, if the Servicer has any indication that the Mortgaged Premises contains environmental contamination or hazardous substances, the Servicer is not delegated to approve a deed-in-lieu of foreclosure. Examples of environmental contamination and hazardous substances include:

- High sulfur building content, such as drywall
- Interior mold
- Exposed asbestos
- Exposed or chipping lead-based paint
- Evidence of illegal activity having taken place on the premises, such as growing or manufacturing illegal substances
- Mortgaged Premises is or is part of a superfund site
- Mortgaged Premises exhibits other conditions that could negatively impact the health of occupants

(d) Submitting a deed-in-lieu of foreclosure recommendation to Freddie Mac

For situations where a Borrower does not meet the eligibility requirements for a deed-in-lieu of foreclosure and the Servicer feels a deed-in-lieu of foreclosure may be the best option for addressing the Delinquency or imminent Delinquency, the Servicer may submit an exception review request through Resolve. For Cooperative Share Loans, the additional documentation listed in Section 8801.5(d)(i) must be with the Servicer's recommendation.

9209.3: Borrower documentation for deeds-in-lieu of foreclosure (10/09/24)

This section contains requirements related to:

- Borrower documentation
- Evaluating the Borrower

(a) Borrower documentation

(i) Borrower documentation requirements for a deed-in-lieu of foreclosure

Borrower documentation requirements for a deed-in-lieu of foreclosure by delinquency status	
If the Mortgage delinquency status at of the time of evaluation is…	**The Servicer must…**
Current or less than 90 days delinquent	Evaluate the Borrower based on a complete Borrower Response Package (BPR) as defined in Section 9102.5. Note: If the Mortgage is current or less than 60 days delinquent, the Servicer must determine that the Borrower's monthly payment is in non-retention imminent default in accordance with Section 9209.3(b)(i)(C).

Between 90 days and 18 months delinquent	Evaluate the Borrower based on a complete BRP, unless one of the following conditions applies: ■ The Borrower failed a Freddie Mac Flex Modification® Trial Period Plan within the 12 months prior to evaluation for a short sale or deed-in-lieu of foreclosure ■ The Borrower previously received a Freddie Mac Flex Modification and become 60 days or more delinquent within the first 12 months of the effective date of the modification without curing the Delinquency ■ The Borrower previously completed three or more modifications; or ■ The Borrower received a forbearance plan as a result of a hardship due to their Mortgaged Premises or places of employment being located in an Eligible Disaster Area or COVID-19 and became 90 days or more delinquent prior to the evaluation for a deed-in-lieu of foreclosure; or ■ The Mortgage is not secured by an Investment Property, as identified at origination, and the Borrower's FICO® credit score is less than or equal to 620 In these cases, the Servicer must evaluate the Borrower for a Streamlined Deed-in-Lieu of Foreclosure ("Streamlined DIL").
Greater than 18 months delinquent	Evaluate the Borrower for a Streamlined DIL. A Streamlined DIL is a Standard Deed-in-Lieu of Foreclosure where the Servicer is not required to obtain the Borrower Response Package or to verify an eligible hardship

(ii) FICO score requirements

The Borrower's FICO score must be no more than 90 days old as of the date the Servicer evaluates the Borrower for a deed-in-lieu of foreclosure. If there is more than one Borrower on the Mortgage, the Servicer must choose one FICO score that is adequately indicative of the credit reputation of all Borrowers currently on the Mortgage. The Servicer must first select a single FICO score for each Borrower on the Mortgage. If the Servicer obtains multiple FICO scores for a single Borrower, the Servicer must use the middle/lower method to select the single FICO score for that Borrower. If there are multiple Borrowers on the Mortgage, the Servicer must determine the single FICO score for each Borrower using the method described above. The Servicer must then select either the lowest FICO score across all Borrowers on the Mortgage or the average FICO score from all Borrowers' single scores. Whichever method is used, the Servicer must choose the single FICO score using the same method and procedure for all Borrowers and for all Mortgages consistent with fair lending laws.

If during the current period of Delinquency, the Borrower was determined eligible for a Streamlined Short Sale (refer to Section 9208.3), then the Borrower is also eligible for a Streamlined DIL outlined above, even if the FICO score that was used previously to determine eligibility for the Streamlined Short Sale is now more than 90 days old at the time of the deed-in-lieu of foreclosure evaluation. However, if the Borrower has since brought the Mortgage current, then the Borrower is no longer eligible for a Streamlined Short Sale or Streamlined DIL and is required to submit a complete Borrower Response Package to the Servicer to be evaluated for a deed-in-lieu of foreclosure.

(b) Evaluating the Borrower

(i) Evaluating the credit report

The Servicer must obtain a credit report for each Borrower on the Mortgage (or a joint report for co-Borrowers). The credit report must be no more than 90 days old as of the date the Servicer evaluates the Borrower for a deed-in-lieu of foreclosure. The Servicer must review the credit report to verify that the Borrower meets the relevant requirements for a deed-in-lieu of foreclosure and to evaluate the Borrower's ability to make a contribution.

(A) Verifying occupancy

For Borrowers who are current or less than 60 days delinquent, the Servicer must review the credit report to verify that at least one of the Borrowers is occupying the Mortgaged Premises as a Primary Residence. If the credit report does not indicate that the Mortgaged Premises is the Primary Residence for at least one Borrower, then the Servicer must use good business judgment to reconcile the inconsistency.

(B) New Mortgages

Unless the Borrower is eligible for a Streamlined DIL, the Servicer must review the Borrower's credit report to determine whether the Borrower obtained a new Mortgage(s) in the six months preceding the Borrower's Delinquency or, if the Borrower is current, in the six months preceding the evaluation of the Borrower for a deed-in-lieu of foreclosure.

If the Servicer's review of the credit report reveals a new Mortgage, the Servicer may approve the deed-in-lieu of foreclosure only if the eligible hardship for a Borrower who was 90 or more days delinquent was due to distant employment transfer, relocation due to new employment or Permanent Change of Station (PCS) orders and the Servicer verifies that:

- The Borrower intends to occupy the property securing the new Mortgage as the Borrower's Primary Residence

- The new employment location is greater than 50 miles one way from the Mortgaged Premises

- The new property address is reasonably near the Borrower's new employment location

If the Borrower has any other hardship, or if the above referenced hardship was for a Borrower who was less than 90 days delinquent, and the Servicer determines a new Mortgage has been obtained, the Servicer is not delegated to approve the deed-in-lieu of foreclosure and must submit the request to Freddie Mac for consideration.

If the Servicer's review of the credit report indicates that a mortgage creditor has made an inquiry within the previous four-month period, the Servicer must contact the Borrower to determine the following on the Mortgage sought:

- The address of the property

- The purpose of the inquiry (e.g., refinance or purchase Mortgage) and

- The result of the inquiry (e.g., refinance or purchase Mortgage is pending, closed or canceled)

If a purchase Mortgage was obtained, then the Servicer is not delegated to approve the deed-in-lieu of foreclosure and the file must be sent Freddie Mac. Refer to Section 9209.2 regarding the submission of a deed-in-lieu of foreclosure to Freddie Mac.

(C) Special requirements for Borrowers who are current or less than 60 days delinquent

If a Borrower is current or less than 60 days delinquent, he or she must be considered to be in non-retention imminent default following the business rules in the chart below unless the Borrower was discharged from a Chapter 7 bankruptcy.

(I) Non-retention imminent default evaluation business rules

Any Borrower who is current or less than 60 days delinquent at the time the Servicer commences the initial evaluation is in non-retention imminent default if the Borrower meets the requirements of the following business rules:

Non-retention imminent default evaluation Business Rules	
To be considered in non-retention imminent default, the Borrower must meet all requirements under Business Rule 1 and must meet the requirements for either: ■ **Business Rule 2, or** ■ **Business Rule 3**	
Business Rule 1	Each Borrower must: ■ Submit a complete Borrower Response Package ■ Be current or less than 60 days delinquent (i.e., less than three monthly payments past due) on the Mortgage as of the evaluation date ■ Occupy the property as a Primary Residence; or at least one Borrower on the Mortgage must occupy the property as his or her Primary Residence ■ Have Cash Reserves less than $25,000 ■ Have an eligible hardship as described in Section 9202.2 Note: Requirements related to occupancy and non-retirement liquid assets do not apply if the Borrower is a Servicemember with PCS orders and the property securing the Mortgage is or was the Borrower's Primary Residence, where the transfer or new employment location is greater than 50 miles one way from the property securing the Mortgage.
Business Rule 2	The Borrower is considered in non-retention imminent default if the Borrower meets the requirements of Business Rule 1, and ■ The Borrower's FICO score is less than or equal to 620 determined in accordance with Section 9206.7(e); **AND** ■ The Mortgage has had two or more 30-day Delinquencies in the most recent 6-month period; **OR** ■ The Borrower's housing expense-to-income ratio is greater than 40% as of the evaluation date If the Borrower has one of the Imminent Default Hardships described below in Business Rule 3, the Borrower may be determined to be in non-retention imminent default even if these Business Rule 2 requirements are not met.
Business Rule 3	The Borrower is considered in non-retention imminent default if the Borrower meets the requirements of Business Rule 1, and the Borrower provided the documentation

Non-retention imminent default evaluation Business Rules	
To be considered in non-retention imminent default, the Borrower must meet all requirements under Business Rule 1 and must meet the requirements for either: ■ **Business Rule 2, or** ■ **Business Rule 3**	
	required in Section 9202.2 supporting one of the Imminent Default Hardships listed below: ■ Death of a Borrower or death of either the primary or secondary wage earner in the household ■ Long-term or permanent disability; or serious illness of a Borrower/co-Borrower or dependent family member ■ Divorce or legal separation; separation of Borrower unrelated by marriage, civil union or similar domestic partnership under applicable law; or ■ Distant employment transfer or relocation due to new employment or PCS orders where the property securing the Mortgage being evaluated is the Borrower's Primary Residence. The new employment location must be more than 50 miles one way from the property securing the Mortgage being evaluated. The Imminent Default Hardship must currently cause and be expected to continue to cause a long-term or permanent decrease in income or increase in expenses.

The Servicer must submit all information for Business Rule 1 and Business Rule 2 in all instances, even if the Borrower does not meet the requirements under Business Rule 2 and instead is approved based on the Imminent Default Hardship under Business Rule 3.

(II) Income and asset documentation and verification

(a) Documentation and verification

To be evaluated for imminent default, a Borrower must, at a minimum, provide a complete Borrower Response Package as defined in Section 9102.5(c). In addition to the income documentation required under Section 9202.3, the Servicer must obtain the Borrower's FICO score in accordance with Section 9206.7(e).

(b) Verification of income and assets; resolution of material inconsistencies

Servicers must review all documentation submitted by the Borrower to identify any material inconsistencies, including material inconsistencies with a tax return or tax transcript if one was obtained under Section 9202.3. If, based on the Servicer's good business judgment, there are material inconsistencies with respect to the income or asset information disclosed by the Borrower or with other documentation relevant to the imminent default decision, the Servicer must obtain other documentation to reasonably reconcile such material inconsistencies. Servicers must also document such material differences in their servicing system. If the Servicer cannot reconcile such material differences, the Borrower cannot be considered in imminent default.

(III) Cash Reserves test

The Servicer must complete an evaluation of the Borrower's Cash Reserves. The Borrower must have Cash Reserves of less than $25,000 to be further evaluated for imminent default. If the Borrower either discloses or provides documentation indicating the Borrower has Cash Reserves equal to or greater than $25,000, then the Borrower is not in imminent default.

(a) Definition of Cash Reserves

For purposes of determining imminent default, Cash Reserves are defined as follows:

Cash Reserves: Any non-retirement liquid asset the Borrower has available for withdrawal from any financial institution or brokerage, including funds on deposit in the Borrower's checking, savings, money market or certificate of deposit account or other depository account, stocks, bonds, mutual funds, U.S. Government Securities and other securities that are traded on an exchange or marketplace generally available to the public (e.g., New York Stock Exchange, National Association of Securities Dealers Automated Quotations, Midwest SE, Chicago Board of Trade or Over the Counter) for which the price can be readily verified through financial publications.

Assets are only considered retirement assets if they are held in a qualified retirement account such as a 401k, 403b, 457, Individual Retirement Account (IRA) or pension fund. If the assets are not held in a retirement account, the assets must be considered Cash Reserves.

(b) Calculating Cash Reserves

The Servicer must calculate the Borrower's Cash Reserves in accordance with the following requirements:

- The Servicer must determine that, for every Borrower on the Mortgage, all the Borrower's Cash Reserves have been accounted for on Form 710, Mortgage Assistance Application

- In making the determination that all Cash Reserves have been accounted for, the Servicer must review all information provided by the Borrower to determine if the asset information stated on Form 710 is reasonably consistent with information available from all other information provided by the Borrower, including verbal information shared by the Borrower.

- If there are inconsistencies between the Borrower's disclosure of assets and the information provided by the Borrower, then the Servicer must obtain the Borrower's tax return or tax transcript to reconcile the inconsistencies.

  - If, upon reviewing the Borrower's tax return or tax transcript, if applicable, the Servicer observes interest, dividend income or gains/losses that, in total, that could not be reasonably produced by the Borrower's disclosed Cash Reserves, and such income indicates deposits, securities holdings or other assets that could be in excess of the amounts disclosed by the Borrower on Form 710, the Servicer must reconcile the inconsistency with the Borrower

  - The Servicer must require the Borrower to produce a signed federal tax return and all relevant schedules, in the event the Servicer used a tax transcript in lieu of a tax return, along with any other relevant documentation that verifies the disposition and/or current status of those assets, which produced the income or gains/losses to resolve the inconsistency

  - The Servicer must ensure that the Borrower's disclosure of assets is reasonably accurate despite the inconsistency between the disclosed assets and the income or gain/loss from assets reported on the tax return or tax transcript

  - In determining what documentation is needed to reconcile an inconsistency, the Servicer must review the detailed tax return schedules and forms, and request from the Borrower copies of recent and past statements from those asset holdings or transactions indicated on the schedules and forms that produced the income or gain/loss (e.g., checking, savings, brokerage account statements, asset sale statements or records, etc.)

- If there are inconsistencies between the Borrower's disclosure of assets and the tax return information that cannot be reconciled, the Borrower cannot be considered in imminent default.

  If the Servicer determines that the Borrower has Cash Reserves of less than $25,000 and meets all other requirements of Section 9206.7(b) then the Borrower is considered to be in imminent default.

(IV) Imminent default credit score

Servicers must choose one FICO score that is adequately indicative of the credit reputation of all Borrowers currently on the Mortgage. Servicers must use a credit score based on the FICO credit-scoring model. This score must be obtained and determined in accordance with the requirements below.

(a) Obtaining FICO scores for each Borrower

The Servicer must request a FICO score for each Borrower on the Mortgage from any one of the following three credit repositories:

- Equifax Credit Information Services
- Experian Information Systems and Services
- TransUnion Credit Information Company

The Borrower's FICO score must be less than 90 days old on the date the Servicer performs the imminent default evaluation.

(b) Borrowers with no available FICO score

It is unusual for any Borrower who has obtained a Mortgage not to have a FICO score. If no single FICO score can be identified for a Borrower, the Servicer must recheck the information provided when ordering the FICO scores and resubmit a request. If the Servicer is still unable to obtain a FICO score for that Borrower, it may rely on the FICO scores of all other Borrowers as determined in accordance with this section.

Absent a FICO score for any Borrower on the Mortgage, the Borrower may not be determined to be in imminent default under the requirements of Business Rule 2, and the Servicer must proceed to evaluate the Borrower under the requirements of Business Rule 3 in Section 9206.7(b). In such instances when a FICO score is not available for any Borrower on the Mortgage, the Servicer must:

- Maintain documentation in the Mortgage file that demonstrates the Servicer's attempts to obtain FICO scores from all three credit repositories on all Borrowers

- Enter the result that a FICO score is not available for any Borrower on the Mortgage into Workout Prospector®

- Proceed to the Imminent Default Hardship test in Business Rule 3 to determine if an Imminent Default Hardship exists

(c) Determining the Imminent Default Credit Score

The Servicer must identify the Imminent Default Credit Score in accordance with the following:

- The Servicer must first select a single FICO score for each Borrower on the Mortgage. If the Servicer obtains multiple FICO scores for a single Borrower, the Servicer must use the middle/lower method to select the single FICO score for that Borrower. This method is the most predictive when determining a single Borrower's overall credit reputation. If three FICO scores are obtained for a Borrower, the single score for that Borrower is the one with the middle value. For example, if the FICO scores were 660, 656 and 640, the single FICO score selected by the Servicer should be 656. When there is a duplicate score, the Seller must select that score to be the single score. If the FICO scores for a Borrower were 660, 660 and 640, the Servicer should select 660. If two FICO scores were obtained for a Borrower, the Servicer must select the lower of the two FICO scores to be the single FICO score for that Borrower.

- If there is only one Borrower on the Mortgage, the single FICO score, determined in accordance with the above requirements, is considered the Imminent Default Credit Score

- If there are multiple Borrowers on the Mortgage, the Servicer must determine the single FICO score for each Borrower using the method described above. The Servicer must then select either the lowest FICO score across all Borrowers on the Mortgage or the average FICO score from all Borrowers' single scores. (Note: Whichever method is used, the Servicer should choose the single FICO score using the same method and procedure for all Borrowers and for all Mortgages consistent with fair lending laws.)

(V) Calculating housing expense-to-income ratio

The Servicer must use verified income to determine that the Borrower's housing expense-to-income ratio is greater than 40%. For purposes of this determination, the Servicer must divide the Borrower's current monthly housing expense by the Borrower's monthly gross income (or the Borrowers' combined monthly gross income in the case of co-Borrowers) plus any allowable non-obligor household income.

The Borrower's current monthly housing expense consists of the following, as applicable:

- Monthly principal and interest (P&I) payment
- Monthly pro rata amount for real estate taxes
- Monthly pro rata amount for property or flood insurance
- Monthly pro rata amount for homeowners association (HOA) dues, Condominium Unit or Cooperative Unit Maintenance Fees and ground rent
- Any Escrow shortage currently included as part of the monthly contractual payment

If the Borrower has been granted interest rate relief under the Servicemembers Civil Relief Act (SCRA), the Servicer must use the P&I payment and the contractual rate of interest in effect on the Note prior to the granting of the SCRA relief rather than the temporarily SCRA reduced interest rate and related SCRA monthly payment when calculating the Borrower's current monthly housing expense-to-income ratio.

If a Borrower has indicated that there are condominium/HOA or Cooperative Corporation assessments (see Chapter 8801 for special Servicing requirements for Cooperative Share Loans), Condominium Unit maintenance fees or Cooperative Unit Maintenance Fees, or ground rents, but has not been able to provide written documentation to verify these amounts, the Servicer must rely on the information provided by the Borrower if the Servicer has made reasonable efforts to obtain the amounts in writing.

The current monthly housing expense does not include mortgage insurance premium payments or payments due to holders of subordinate liens.

For each imminent default evaluation under Business Rule 2, the Servicer must report the housing expense-to-income ratio, in addition to the FICO score and payment history as described below, to Freddie Mac via Workout Prospector.

(VI) Payment history

For imminent default evaluations under the requirements of Business Rule 2, the Servicer must determine whether the Mortgage has had two or more 30-day Delinquencies in the most recent six-month period. For each imminent default evaluation under Business Rule 2, the Servicer must report the payment history, in addition to the FICO score and pre-modification housing expense-to-income ratio, to Freddie Mac via Workout Prospector.

Note: The Servicer must not consider a missed contractual payment that becomes 60 or more days delinquent as a Mortgage having two or more 30-day Delinquencies in the most recent six-month period.

(VII) Imminent default evaluation results

If the Borrower meets the requirements of Business Rule 1 and meets the requirements of either: (i) Business Rule 2, or (ii) Business Rule 3, the Borrower is in imminent default. The Servicer must evaluate the Borrower for a deed-in-lieu of foreclosure and no further analysis is required by the Servicer to determine imminent default.

(VIII) General requirements and information

If the Servicer determines that a Borrower is in imminent default, the Servicer must continue evaluating the Borrower using the applicable underwriting requirements outlined in this chapter to determine if the Borrower qualifies for a deed-in-lieu of foreclosure.

9209.3: Borrower documentation for deeds-in-lieu of foreclosure (Future effective date 12/09/24)

This section contains requirements related to:

- Borrower documentation
- Evaluating the Borrower

(a) Borrower documentation

(i) Borrower documentation requirements for a deed-in-lieu of foreclosure

Borrower documentation requirements for a deed-in-lieu of foreclosure by delinquency status	
If the Mortgage delinquency status at of the time of evaluation is…	**The Servicer must…**
Current or less than 90 days delinquent	Evaluate the Borrower based on a complete Borrower Response Package (BPR) as defined in Section 9102.5. Note: If the Mortgage is current or less than 60 days delinquent, the Servicer must determine that the Borrower's monthly payment is in non-retention imminent default in accordance with Section 9209.3(b)(i)(C).
Between 90 days and 18 months delinquent	Evaluate the Borrower based on a complete BRP, unless one of the following conditions applies: ■ The Borrower failed a Freddie Mac Flex Modification® Trial Period Plan within the 12 months prior to evaluation for a short sale or deed-in-lieu of foreclosure ■ The Borrower previously received a Freddie Mac Flex Modification and become 60 days or more delinquent within the first 12 months of the effective date of the modification without curing the Delinquency ■ The Borrower previously completed three or more modifications; or ■ The Borrower received a forbearance plan as a result of a hardship due to their Mortgaged Premises or places of employment being located in an Eligible Disaster Area or COVID-19 and became 90 days or more delinquent prior to the evaluation for a deed-in-lieu of foreclosure; or ■ The Mortgage is not secured by an Investment Property, as identified at origination, and the Borrower's FICO® credit score is less than or equal to 620 In these cases, the Servicer must evaluate the Borrower for a Streamlined Deed-in-Lieu of Foreclosure ("Streamlined DIL").
Greater than 18 months delinquent	Evaluate the Borrower for a Streamlined DIL. A Streamlined DIL is a Standard Deed-in-Lieu of Foreclosure where the Servicer is not required to obtain the Borrower Response Package or to verify an eligible hardship

(ii) Credit Score requirements

The Borrower's Credit Score must be no more than 90 days old as of the date the Servicer evaluates the Borrower for a deed-in-lieu of foreclosure. If there is more than one Borrower on the Mortgage, the Servicer must choose one Credit Score that is adequately indicative of the credit reputation of all Borrowers currently on the Mortgage. The Servicer must first select a single Credit Score for each Borrower on the Mortgage.

If the Servicer obtains multiple Credit Scores for a single Borrower, the Servicer must use the middle/lower method to select the single Credit Score for that Borrower. If there are multiple Borrowers on the Mortgage, the Servicer must determine the single Credit Score for each Borrower using the method described above. The Servicer must then select either the lowest Credit Score across all Borrowers on the Mortgage or the average Credit Score from all Borrowers' single scores. Whichever method is used, the Servicer must choose the single Credit Score using the same method and procedure for all Borrowers and for all Mortgages consistent with fair lending laws.

If during the current period of Delinquency, the Borrower was determined eligible for a Streamlined Short Sale (refer to Section 9208.3), then the Borrower is also eligible for a Streamlined DIL outlined above, even if the Credit Score that was used previously to determine eligibility for the Streamlined Short Sale is now more than 90 days old at the time of the deed-in-lieu of foreclosure evaluation. However, if the Borrower has since brought the Mortgage current, then the Borrower is no longer eligible for a Streamlined Short Sale or Streamlined DIL and is required to submit a complete Borrower Response Package to the Servicer to be evaluated for a deed-in-lieu of foreclosure.

(b) Evaluating the Borrower

(i) Evaluating the credit report

The Servicer must obtain a credit report for each Borrower on the Mortgage (or a joint report for co-Borrowers). The credit report must be no more than 90 days old as of the date the Servicer evaluates the Borrower for a deed-in-lieu of foreclosure. The Servicer must review the credit report to verify that the Borrower meets the relevant requirements for a deed-in-lieu of foreclosure and to evaluate the Borrower's ability to make a contribution.

(A) Verifying occupancy

For Borrowers who are current or less than 60 days delinquent, the Servicer must review the credit report to verify that at least one of the Borrowers is occupying the Mortgaged Premises as a Primary Residence. If the credit report does not indicate that the Mortgaged Premises is the Primary Residence for at least one Borrower, then the Servicer must use good business judgment to reconcile the inconsistency.

(B) New Mortgages

Unless the Borrower is eligible for a Streamlined DIL, the Servicer must review the Borrower's credit report to determine whether the Borrower obtained a new Mortgage(s) in the six months preceding the Borrower's Delinquency or, if the Borrower is current, in the six months preceding the evaluation of the Borrower for a deed-in-lieu of foreclosure.

If the Servicer's review of the credit report reveals a new Mortgage, the Servicer may approve the deed-in-lieu of foreclosure only if the eligible hardship for a Borrower who was 90 or more days delinquent was due to distant employment transfer, relocation due to new employment or Permanent Change of Station (PCS) orders and the Servicer verifies that:

- The Borrower intends to occupy the property securing the new Mortgage as the Borrower's Primary Residence
- The new employment location is greater than 50 miles one way from the Mortgaged Premises
- The new property address is reasonably near the Borrower's new employment location

If the Borrower has any other hardship, or if the above referenced hardship was for a Borrower who was less than 90 days delinquent, and the Servicer determines a new Mortgage has been obtained, the Servicer is not delegated to approve the deed-in-lieu of foreclosure and must submit the request to Freddie Mac for consideration.

If the Servicer's review of the credit report indicates that a mortgage creditor has made an inquiry within the previous four-month period, the Servicer must contact the Borrower to determine the following on the Mortgage sought:

- The address of the property
- The purpose of the inquiry (e.g., refinance or purchase Mortgage) and
- The result of the inquiry (e.g., refinance or purchase Mortgage is pending, closed or canceled)

If a purchase Mortgage was obtained, then the Servicer is not delegated to approve the deed-in-lieu of foreclosure and the file must be sent Freddie Mac. Refer to Section 9209.2 regarding the submission of a deed-in-lieu of foreclosure to Freddie Mac.

(C) Special requirements for Borrowers who are current or less than 60 days delinquent

If a Borrower is current or less than 60 days delinquent, he or she must be considered to be in non-retention imminent default following the business rules in the chart below unless the Borrower was discharged from a Chapter 7 bankruptcy.

(I) Non-retention imminent default evaluation business rules

Resolve® will evaluate the information the Servicer provides against the imminent default business rules. Any Borrower who is current or less than 60 days delinquent at the time the Servicer commences the initial evaluation is in non-retention imminent default if the Borrower meets the requirements of the following business rules:

Non-retention imminent default evaluation Business Rules	
To be considered in non-retention imminent default, the Borrower must meet all requirements under Business Rule 1 and must meet the requirements for either: ■ **Business Rule 2, or** ■ **Business Rule 3**	
Business Rule 1	Each Borrower must: ■ Submit a complete Borrower Response Package ■ Be current or less than 60 days delinquent (i.e., less than three monthly payments past due) on the Mortgage as of the evaluation date ■ Occupy the property as a Primary Residence; or at least one Borrower on the Mortgage must occupy the property as his or her Primary Residence ■ Have Cash Reserves less than $25,000 ■ Have an eligible hardship as described in Section 9202.2 Note: Requirements related to occupancy and non-retirement liquid assets do not apply if the Borrower is a Servicemember with PCS orders and the property securing the Mortgage is or was the Borrower's Primary Residence, where the transfer or new employment location is greater than 50 miles one way from the property securing the Mortgage.
Business Rule 2	The Borrower is considered in non-retention imminent default if the Borrower meets the requirements of Business Rule 1, and ■ The Borrower's Credit Score is less than or equal to 620 determined in accordance with Section 9206.7(e); **AND**

Non-retention imminent default evaluation Business Rules	
To be considered in non-retention imminent default, the Borrower must meet all requirements under Business Rule 1 and must meet the requirements for either: ■ **Business Rule 2, or** ■ **Business Rule 3**	
	■ The Mortgage has had two or more 30-day Delinquencies in the most recent 6-month period; **OR** ■ The Borrower's housing expense-to-income ratio is greater than 40% as of the evaluation date If the Borrower has one of the Imminent Default Hardships described below in Business Rule 3, the Borrower may be determined to be in non-retention imminent default even if these Business Rule 2 requirements are not met.
Business Rule 3	The Borrower is considered in non-retention imminent default if the Borrower meets the requirements of Business Rule 1, and the Borrower provided the documentation required in Section 9202.2 supporting one of the Imminent Default Hardships listed below: ■ Death of a Borrower or death of either the primary or secondary wage earner in the household ■ Long-term or permanent disability; or serious illness of a Borrower/co-Borrower or dependent family member ■ Divorce or legal separation; separation of Borrower unrelated by marriage, civil union or similar domestic partnership under applicable law; or ■ Distant employment transfer or relocation due to new employment or PCS orders where the property securing the Mortgage being evaluated is the Borrower's Primary Residence. The new employment location must be more than 50 miles one way from the property securing the Mortgage being evaluated. The Imminent Default Hardship must currently cause and be expected to continue to cause a long-term or permanent decrease in income or increase in expenses.

The Servicer must submit all information for Business Rule 1 and Business Rule 2 in all instances, even if the Borrower does not meet the requirements under Business Rule 2 and instead is approved based on the Imminent Default Hardship under Business Rule 3.

(II) Income and asset documentation and verification

(a) Documentation and verification

To be evaluated for imminent default, a Borrower must, at a minimum, provide a complete Borrower Response Package as defined in Section 9102.5(c). In addition to the income documentation required under Section 9202.3, the Servicer must obtain the Borrower's Credit Score in accordance with Section 9206.7(e).

(b) Verification of income and assets; resolution of material inconsistencies

Servicers must review all documentation submitted by the Borrower to identify any material inconsistencies, including material inconsistencies with a tax return or tax transcript if one was obtained under Section 9202.3. If, based on the Servicer's good business judgment, there are material inconsistencies with respect to the income or asset information disclosed by the Borrower or with other documentation relevant to the imminent default decision, the Servicer must obtain other documentation to reasonably reconcile such material inconsistencies. Servicers must also document such material differences in their servicing system. If the Servicer cannot reconcile such material differences, the Borrower cannot be considered in imminent default.

(III) Cash Reserves test

The Servicer must complete an evaluation of the Borrower's Cash Reserves. The Borrower must have Cash Reserves of less than $25,000 to be further evaluated for imminent default. If the Borrower either discloses or provides documentation indicating the Borrower has Cash Reserves equal to or greater than $25,000, then the Borrower is not in imminent default.

(a) Definition of Cash Reserves

For purposes of determining imminent default, Cash Reserves are defined as follows:

Cash Reserves: Any non-retirement liquid asset the Borrower has available for withdrawal from any financial institution or brokerage, including funds on deposit in the Borrower's checking, savings, money market or certificate of deposit account or other depository account, stocks, bonds, mutual funds, U.S. Government Securities and other securities that are traded on an exchange or marketplace generally available to the public (e.g., New York Stock Exchange, National Association of Securities Dealers Automated Quotations, Midwest SE, Chicago Board of Trade or Over the Counter) for which the price can be readily verified through financial publications.

Assets are only considered retirement assets if they are held in a qualified retirement account such as a 401k, 403b, 457, Individual Retirement Account (IRA) or pension fund. If the assets are not held in a retirement account, the assets must be considered Cash Reserves.

(b) Calculating Cash Reserves

The Servicer must calculate the Borrower's Cash Reserves in accordance with the following requirements:

- The Servicer must determine that, for every Borrower on the Mortgage, all the Borrower's Cash Reserves have been accounted for on Form 710, Mortgage Assistance Application

- In making the determination that all Cash Reserves have been accounted for, the Servicer must review all information provided by the Borrower to determine if the asset information stated on Form 710 is reasonably consistent with information available from all other information provided by the Borrower, including verbal information shared by the Borrower.

- If there are inconsistencies between the Borrower's disclosure of assets and the information provided by the Borrower, then the Servicer must obtain the Borrower's tax return or tax transcript to reconcile the inconsistencies.

  - If, upon reviewing the Borrower's tax return or tax transcript, if applicable, the Servicer observes interest, dividend income or gains/losses that, in total, that could not be reasonably produced by the Borrower's disclosed Cash Reserves, and such income indicates deposits, securities holdings or other assets that could be in excess of the amounts disclosed by the Borrower on Form 710, the Servicer must reconcile the inconsistency with the Borrower

  - The Servicer must require the Borrower to produce a signed federal tax return and all relevant schedules, in the event the Servicer used a tax transcript in lieu of a tax return, along with any other relevant documentation that verifies the disposition and/or current status of those assets, which produced the income or gains/losses to resolve the inconsistency

  - The Servicer must ensure that the Borrower's disclosure of assets is reasonably accurate despite the inconsistency between the disclosed assets and the income or gain/loss from assets reported on the tax return or tax transcript

- In determining what documentation is needed to reconcile an inconsistency, the Servicer must review the detailed tax return schedules and forms, and request from the Borrower copies of recent and past statements from those asset holdings or transactions indicated on the schedules and forms that produced the income or gain/loss (e.g., checking, savings, brokerage account statements, asset sale statements or records, etc.)

- If there are inconsistencies between the Borrower's disclosure of assets and the tax return information that cannot be reconciled, the Borrower cannot be considered in imminent default.

  If the Servicer determines that the Borrower has Cash Reserves of less than $25,000 and meets all other requirements of Section 9206.7(b) then the Borrower is considered to be in imminent default.

(IV) Imminent default credit score

Servicers must choose one Credit Score that is adequately indicative of the credit reputation of all Borrowers currently on the Mortgage. Servicers must use a credit score based on the credit-scoring model. This score must be obtained and determined in accordance with the requirements below.

(a) Obtaining Credit Scores for each Borrower

The Servicer must request a Credit Score for each Borrower on the Mortgage from any one of the following three credit repositories:

- Equifax Credit Information Services
- Experian Information Systems and Services
- TransUnion Credit Information Company

The Borrower's Credit Score must be less than 90 days old on the date the Servicer performs the imminent default evaluation.

(b) Borrowers with no available Credit Score

It is unusual for any Borrower who has obtained a Mortgage not to have a Credit Score. If no single Credit Score can be identified for a Borrower, the Servicer must recheck the information provided when ordering the Credit Scores and resubmit a request. If the Servicer is still unable to obtain a Credit Score for that Borrower, it may rely on the Credit Scores of all other Borrowers as determined in accordance with this section.

Absent a Credit Score for any Borrower on the Mortgage, the Borrower may not be determined to be in imminent default under the requirements of Business Rule 2, and the Servicer must proceed to evaluate the Borrower under the requirements of Business Rule 3 in Section 9206.7(b). In such instances when a Credit Score is not available for any Borrower on the Mortgage, the Servicer must:

- Maintain documentation in the Mortgage file that demonstrates the Servicer's attempts to obtain Credit Scores from all three credit repositories on all Borrowers

- Enter the result that a FICO score is not available for any Borrower on the Mortgage into Resolve

- Proceed to the Imminent Default Hardship test in Business Rule 3 to determine if an Imminent Default Hardship exists

(c) Determining the Imminent Default Credit Score

The Servicer must identify the Imminent Default Credit Score in accordance with the following:

- The Servicer must first select a single Credit Score for each Borrower on the Mortgage. If the Servicer obtains multiple Credit Scores for a single Borrower, the Servicer must use the middle/lower method to select the single Credit Score for that Borrower. This method is the most predictive when determining a single Borrower's overall credit reputation. If three Credit Scores are obtained for a Borrower, the single score for that Borrower is the one with the middle value. For example, if the Credit Scores were 660, 656 and 640, the single Credit Score selected by the Servicer should be 656. When there is a duplicate score, the Seller must select that score to be the single score. If the Credit Scores for a Borrower were 660, 660 and 640, the Servicer should select 660. If two Credit Scores were obtained for a Borrower, the Servicer must select the lower of the two Credit Scores to be the single Credit Score for that Borrower.

- If there is only one Borrower on the Mortgage, the single Credit Score, determined in accordance with the above requirements, is considered the Imminent Default Credit Score

- If there are multiple Borrowers on the Mortgage, the Servicer must determine the single Credit Score for each Borrower using the method described above. The Servicer must then select either the lowest Credit Score across all Borrowers on the Mortgage or the average Credit Score from all Borrowers' single scores. (Note: Whichever method is

used, the Servicer should choose the single Credit Score using the same method and procedure for all Borrowers and for all Mortgages consistent with fair lending laws.)

(V) Calculating housing expense-to-income ratio

The Servicer must input verified income data into Resolve. Based on the Servicer's input, Resolve will determine if the Borrower's housing expense-to-income ratio is greater than 40%. For purposes of this determination, the Borrower's current monthly housing expense is divided by the Borrower's monthly gross income (or the Borrowers' combined monthly gross income in the case of co-Borrowers) plus any allowable non-obligor household income.

The Borrower's current monthly housing expense consists of the following, as applicable:

- Monthly principal and interest (P&I) payment
- Monthly pro rata amount for real estate taxes
- Monthly pro rata amount for property or flood insurance
- Monthly pro rata amount for homeowners association (HOA) dues, Condominium Unit or Cooperative Unit Maintenance Fees and ground rent
- Any Escrow shortage currently included as part of the monthly contractual payment

If the Borrower has been granted interest rate relief under the Servicemembers Civil Relief Act (SCRA), the Servicer must use the P&I payment and the contractual rate of interest in effect on the Note prior to the granting of the SCRA relief rather than the temporarily SCRA reduced interest rate and related SCRA monthly payment when calculating the Borrower's current monthly housing expense-to-income ratio.

If a Borrower has indicated that there are condominium/HOA or Cooperative Corporation assessments (see Chapter 8801 for special Servicing requirements for Cooperative Share Loans), Condominium Unit maintenance fees or Cooperative Unit Maintenance Fees, or ground rents, but has not been able to provide written documentation to verify these amounts, the Servicer must rely on the information provided by the Borrower if the Servicer has made reasonable efforts to obtain the amounts in writing.

The current monthly housing expense does not include mortgage insurance premium payments or payments due to holders of subordinate liens.

Based on the information provided by the Servicer, Resolve will calculate the Borrower's housing-to-expense income ratio and determine if it meets the imminent default requirements under Business Rule 2.

(VI) Payment history

Based on the information provided by the Servicer, Resolve will review the Borrower's payment history and determine if it meets the imminent default requirements under Business Rule 2.

(VII) Imminent default evaluation results

If the Borrower meets the requirements of Business Rule 1 and meets the requirements of either: (i) Business Rule 2, or (ii) Business Rule 3, the Borrower is in imminent default. The Servicer must evaluate the Borrower for a deed-in-lieu of foreclosure and no further analysis is required by the Servicer to determine imminent default.

(VIII) General requirements and information

If the Servicer determines that a Borrower is in imminent default, the Servicer must continue evaluating the Borrower using the applicable underwriting requirements outlined in this chapter to determine if the Borrower qualifies for a deed-in-lieu of foreclosure.

9209.4: Deeds-in-lieu of foreclosure Borrower contributions and relocation assistance (04/01/23)

(a) Borrower contributions towards the deficiency

If the Servicer determines that the Borrower's Cash Reserves exceed $10,000 or the Borrower's housing expense-to-income (HTI) ratio is less than or equal to 40%, the Servicer must request a cash contribution in accordance with the requirements below. The Servicer must verbally confirm the assets reported on Form 710, Mortgage Assistance Application and reconcile any differences with documentation following the procedure in Section 9202.3. A Servicer may negotiate contribution amounts less than the initial contribution requests, which must be determined in accordance with the contribution formula in this section. When a Servicer negotiates a cash contribution that is less than the initial request, the Servicer must document the reason for its decision in the Mortgage file and note the specific financial circumstances that limit the Borrower's ability to contribute towards the deficiency.

Unless Freddie Mac has delegated authority with the MI or communicates otherwise, if the Mortgage is covered by mortgage insurance and the MI requires a contribution from the Borrower that is greater than the contribution limits required by this section in order to approve the Freddie Mac Standard Deed-in-Lieu of Foreclosure ("deed-in-lieu of

foreclosure"), the Servicer must require the Borrower to make the contribution required by the MI as a condition of approval.

Borrowers are not required to make a contribution in the following instances:

- Borrowers who are service members with Permanent Change of Station (PCS) orders who are 90 or more days delinquent. The property securing the Mortgage is or was previously the Borrower's Primary Residence where the transfer or new employment location is greater than 50 miles one-way from the property securing the Mortgage being evaluated.

- Borrowers who qualify for a Streamlined Deed-in-Lieu of Foreclosure (refer to Section 9209.3)

- Applicable law prohibits requesting or receiving a contribution

1. Determining a cash contribution

If the Borrower's Cash Reserves exceed $10,000 or his or her HTI ratio is less than or equal to 40%, the Servicer must request the greater of 20% of the Cash Reserves or four times the Borrower's principal, interest, taxes and insurance (PITI), rounded to the nearest $100 as a cash contribution. The cash contribution cannot exceed the total amount of the deficiency.

If a Borrower is 60 or more days delinquent and cannot contribute 20% of his or her Cash Reserves, the Servicer may negotiate a lower level of contribution. If the Servicer negotiates and collects less than 20% of the Borrower's Cash Reserves, then the Servicer must document in the Mortgage file the specific financial circumstances that limit the Borrower's ability to make the initially requested level of cash contribution (i.e., 20% of the Borrower's Cash Reserves). Based on the Servicer's assessment of the Borrower's written or stated ability to pay in combination with its evaluation of the Borrower's financial and hardship information, the Servicer is authorized to negotiate a lower contribution or agree that the Borrower's individual situation and circumstances warrant a lower starting point to cash contribution negotiations or no contribution. If a Borrower is unwilling to contribute an amount the Servicer deems acceptable, then the deed-in-lieu of foreclosure is not delegated and must be submitted to Freddie Mac in the manner outlined in Section 9209.2. If the Servicer determines the Borrower is unable to contribute at least $500 toward the deficiency, then the Servicer must not collect a cash contribution.

If the Borrower's Cash Reserves are in excess of $50,000, the Servicer must submit the deed-in-lieu of foreclosure request to Freddie Mac for review in the following instances:

Refer to Section 9209.2 regarding the details for submitting a deed-in-lieu of foreclosure recommendation to Freddie Mac.

(b) Borrower relocation assistance

If the Servicer determines that the Borrower is not required to make a financial contribution toward the deficiency, the Borrower is eligible to receive up to $7,500 in relocation assistance provided that the Borrower occupies the Mortgaged Premises as his or her primary residence. The Borrower is not eligible to receive relocation assistance in the following circumstances:

- The Borrower will receive relocation assistance from a source other than Freddie Mac or the Servicer, such as an employer, and the amount is equal to or greater than $7,500. If the Borrower will receive relocation assistance from a source other than Freddie Mac or the Servicer and the amount is less than $7,500, the Servicer must reduce the amount of Freddie Mac's relocation assistance by the amount received from the other source.

- The Servicer determines that the Borrower's Cash Reserves exceed the greater of $10,000 or four times the Borrower's total monthly mortgage payment, regardless of whether the Borrower makes a contribution. If the Servicer believes such a Borrower is experiencing financial circumstances necessitating relocation assistance, the Servicer may submit the file to Freddie Mac. Refer to Section 9209.2 regarding the details for submission to Freddie Mac.

- The Borrower is subject to PCS orders and receives government assistance with the relocation

Once the final amount of relocation assistance has been determined and the deed has been executed, the Servicer must disburse to the Borrower the relocation assistance payment. Unless otherwise instructed by Freddie Mac, the Servicers must distribute the relocation assistance funds no more than 30 days after execution of the deed. Servicers may request reimbursement for the relocation assistance from Freddie Mac via PAID (Payments Automated Intelligent and Dynamic) (see Exhibit 88, Servicing Tools).

In addition to the relocation assistance offered by Freddie Mac, the Servicer may in its discretion offer the Borrower an additional financial incentive to complete the deed-in-lieu of foreclosure. Any relocation assistance provided by the Servicer will be in addition to the relocation assistance amount provided by Freddie Mac, and the Servicer's assistance amount does not have to be subtracted from the assistance amount Freddie Mac will pay. If the Servicer does offer its own relocation assistance, it must provide the assistance from its own funds, as a payment made directly to the Borrower.

The relocation assistance payment may not be applied to other debts secured by the Mortgaged Premises.

9209.5: Property valuation requirements for deeds-in-lieu of foreclosure (03/31/22)

(a) When to obtain a property valuation

If the Servicer has evaluated the Borrower for all other alternatives to foreclosure in accordance with Freddie Mac's evaluation hierarchy set forth in Section 9201.2 and believes that the Borrower meets the eligibility requirements for a Freddie Mac Standard Deed-in-Lieu of Foreclosure ("deed-in-lieu of foreclosure"), then the Servicer must obtain an interior property valuation in accordance with Section 9202.17. Servicers must ensure that the property valuation is no more than 90 days old as of the date of the deed-in-lieu of foreclosure evaluation decision.

If the Servicer has previously obtained a Freddie Mac-compliant property valuation (i.e., Freddie Mac-provided BPO, Freddie Mac-provided appraisal, or an appraisal in compliance with Topic 5600), the Servicer must use the Freddie Mac-compliant property valuation in connection with a deed-in-lieu of foreclosure evaluation provided it is less than 90 days old on the date of the deed-in-lieu of foreclosure evaluation decision. The Servicer may not obtain a new property valuation in this circumstance.

An evaluation for a Borrower contribution should not delay the Servicer's request for a property valuation.

(b) Obtaining a property valuation for a deed-in-lieu of foreclosure and verification of property condition

If the Servicer believes the Borrower is generally eligible for a deed-in-lieu of foreclosure, the Servicer must obtain a property value from BPOdirect® as set forth in Section 9202.17, if the Borrower:

- Intends to vacate or has vacated the Mortgaged Premises and expresses an interest in a deed-in-lieu of foreclosure; or
- Is ineligible for, failed or does not accept another alternative to foreclosure and a deed-in-lieu of foreclosure is the best solution to the Delinquency

The Servicer must advise the Borrower to grant interior access to the person evaluating the Mortgaged Premises and otherwise cooperate with the inspection.

Once the Servicer receives the BPO, it must review the property condition information carefully to verify that the Mortgaged Premises meets the condition requirements described in Section 9209.2(c).

9209.5: Property valuation requirements for deeds-in-lieu of foreclosure (Future effective date 12/09/24)

Based on the information provided by the Servicer, Resolve® will determine if there is an existing valid valuation in Freddie Mac systems. If one is not available, Resolve will use the information provided by the Servicer to order a BPO.

9209.6: Borrower communication and execution timelines for deeds-in-lieu of foreclosure (03/02/16)

In addition to the response requirements related to Borrower Response Packages addressed in Section 9102.5, the following chart sets forth the required response times when a Freddie Mac Standard Deed-in-Lieu of Foreclosure ("deed-in-lieu of foreclosure") is being considered as a solution to the Delinquency for either: (i) a Mortgage that is not secured by a Primary Residence or (ii) a Mortgage that is secured by Primary Residence and the Servicer is not evaluating the Borrower for a deed-in-lieu of foreclosure using the First Complete Borrower Response Package received more than 37 days prior to a scheduled foreclosure sale date.

Deed-in-lieu of foreclosure: Submission of Borrower Response Package or streamlined documentation	
Days	**Action required**
30 days	Within five days of an evaluation decision, but in no event later than 30 days following the receipt of a complete Borrower Response Package or streamlined documentation, the Servicer must send an Evaluation Notice to the Borrower. The Evaluation Notice must include approved model language for a deed-in-lieu of foreclosure, or similar language drafted by the Servicer.
14 days	The Servicer must allow the Borrower 14 days from the date the Evaluation Notice is sent to accept the offer to pursue a deed-in-lieu of foreclosure

60 days (no later than 90 days)	The Servicer must receive all necessary approvals (e.g., title, secondary lien(s), MI) and execute the deed-in-lieu of foreclosure within 60 days of the date the Borrower's communication to accept the offer was received. If the Servicer is unable to execute the deed-in-lieu of foreclosure within 60 days due to delays encountered as a result of issues with title, secondary lien(s), or MI approval, the Servicer must continue working with the Borrower to resolve these issues. In these instances, the Servicer will be allotted an additional 30 days to execute the deed-in-lieu of foreclosure, and during this time the Servicer must provide weekly status updates to the Borrower (90 days maximum from the date the Borrower's communication to accept the offer was received to the date the deed-in-lieu of foreclosure is executed.

The Servicer must maintain documentation of all communications to and from the Borrower, whether verbal or written, and including status updates, either in the Mortgage file or in the Servicer's servicing system. In addition, the Servicer must provide the information to Freddie Mac for review upon request.

Refer to Section 9101.4 for foreclosure suspension requirements for deeds-in-lieu of foreclosure when the First Complete Borrower Response Package is more than 37 days prior to a scheduled foreclosure sale and results in an offer to proceed with a deed-in-lieu of foreclosure. Refer to Sections 9102.5(c) and 9301.28 for foreclosure suspension requirements when the Mortgage has been referred to foreclosure for either: (i) a Mortgage that is not secured by a Primary Residence or (ii) a Mortgage that is secured by a Primary Residence and the Servicer is not evaluating the Borrower for a deed-in-lieu of foreclosure based on the First Complete Borrower Response Package received more than 37 days prior to a scheduled foreclosure sale date.

9209.7: Deed-in-lieu of foreclosure transaction and processing requirements (10/09/24)

This section contains requirements related to:

- Prior to approval
- Post-approval activities
- Workout Prospector®

In order for the Freddie Mac Standard Deed-in-Lieu of Foreclosure ("deed-in-lieu of foreclosure") to be completed by the Servicer, the Servicer must work with and assist the

Borrower to ensure that the deed-in-lieu of foreclosure transaction meets the following requirements:

(a) Prior to approval

The Servicer must:

- Ensure the Borrower meets all eligibility requirements and negotiates a Borrower contribution, if applicable

- Obtain mortgage releases from all applicable subordinate mortgage holders as follows:

  - The Servicer may authorize payment to subordinate mortgage holders in an aggregate amount of six thousand dollars ($6,000.00). The subordinate mortgage holders must not receive any other payments from the Borrower, in cash, promissory note or otherwise, in connection with approval of the deed-in-lieu of foreclosure.

  - If there are multiple subordinate mortgage holders, the Servicer has the discretion to divide the payment among those mortgage holders so as to maximize the chances that all subordinate mortgage holders will approve the deed-in-lieu of foreclosure. Payment of any amount to subordinate mortgage holders is contingent upon agreement by all mortgage holders to release their Mortgage and, if they are accepting a payment from Freddie Mac, extinguish the indebtedness secured by the Mortgaged Premises.

  In addition, subordinate mortgage holders accepting payment from Freddie Mac must agree in writing to waive all rights to seek a deficiency judgment against the Borrower. If a subordinate mortgage holder releases its Mortgage to allow the deed-in-lieu of foreclosure to close, but does not extinguish the indebtedness, the mortgage holder will not receive a payment from Freddie Mac. Regardless of whether payment is made to a subordinate mortgage holder, the Servicer must obtain written commitment from the subordinate mortgage holder(s) to release the Mortgage(s).

  All payments made to subordinate mortgage holders must be documented and the documentation must be provided to Freddie Mac upon request.

  The Servicer must have established written policies governing how subordinate mortgage payments are paid and evidence of their agreement is provided to the Borrower. For deeds-in-lieu of foreclosure completed in accordance with this chapter, the Servicer must advance the amount to the subordinate mortgage holder or holders and request reimbursement for such advancement from Freddie Mac via PAID (Payments Automated Intelligent and Dynamic)(see Exhibit 88, Servicing Tools).

  Note: Only Mortgages or deeds of trust recorded in the land records and constituting a valid lien against the property are eligible for a payment from Freddie Mac. Any and all

other types of liens including, but not limited to, judgments, mechanic's and materialman's liens and common interest association liens, are not eligible for the subordinate mortgage payment.

- Approve and process a deed-in-lieu of foreclosure in compliance with all requirements of applicable mortgage insurance policies and any delegated authority granted to the Servicer by the MI so as to preserve and not to impair existing mortgage insurance coverage, if any.

  If the MI indicates that it will curtail or deny a claim for any reason, including but not limited to, failure of the Servicer to comply with mortgage insurance conditions such as payment of a Borrower contribution, the Servicer may not approve the deed-in-lieu of foreclosure; however, the Servicer must submit the proposed deed-in-lieu of foreclosure to Freddie Mac.

(b) Post-approval activities

- The Servicer must obtain clear and marketable title to the property

- The Borrower must:

  - Contribute to any loss, according to the requirements in Section 9209.4(1)

  - Vacate the property and leave it in undamaged, broom-swept condition and provide the Servicer with the keys to the property at the time of conveyance, unless the property is a 2- to 4-unit property and Freddie Mac allows one tenant to remain in the property

  - For leasehold Mortgages, obtain the consent of the fee simple landowner/lessor, if required under the lease, and provide evidence of consent to the Servicer

  - Execute a personal property release for any personal property the Borrower has left at or in the Mortgaged Premises. The Servicer may use Exhibit 100, Personal Property Release, as a template and revise it as necessary to comply with applicable law or to incorporate it into the Servicer's own forms.

- The Servicer must obtain the executed deed-in-lieu of foreclosure and all other required deed-in-lieu of foreclosure documents (including the personal property release). For leasehold Mortgages, the Servicer must obtain either an assignment of the lease or a new lease of the same priority.

(c) Workout Prospector

Servicers must use Workout Prospector to submit deed-in-lieu of foreclosure transactions on Freddie Mac-owned Mortgages. Servicers represent and warrant that they will only use Workout Prospector on Freddie Mac Mortgages and not Mortgages owned by other

investors. Both the input and output of Workout Prospector is confidential information that the Servicer must not disclose to third parties, except as authorized by Freddie Mac.

Servicers using Workout Prospector are bound by the provisions of Exhibit 86, Workout Prospector User Agreement, to the same degree as if they had signed such agreement as a "User." The Servicer represents and warrants that its use of Workout Prospector to process deed-in-lieu of foreclosure transactions is in compliance with this Chapter 9209, other applicable Purchase Documents and the Workout Prospector Users' Guide.

In addition, Servicers must ensure that all data input into Workout Prospector is true, complete and accurate and that all data is entered correctly. (Refer to Section 9204.4 for additional requirements when submitting any workout solution via Workout Prospector for approval and closing in Freddie Mac's systems.)

If a Servicer is unable to complete a submission via Workout Prospector, the Servicer should call the Customer Support Contact Center at 800-FREDDIE.

9209.7: Deed-in-lieu of foreclosure transaction and processing requirements (Future effective date 12/09/24)

This section contains requirements related to:

- Prior to approval
- Post-approval activities
- Resolve®

In order for the Freddie Mac Standard Deed-in-Lieu of Foreclosure ("deed-in-lieu of foreclosure") to be completed by the Servicer, the Servicer must work with and assist the Borrower to ensure that the deed-in-lieu of foreclosure transaction meets the following requirements:

(a) Prior to approval

The Servicer must:

- Ensure the Borrower meets all eligibility requirements and negotiates a Borrower contribution, if applicable
- Obtain mortgage releases from all applicable subordinate mortgage holders as follows:

- ❑ The Servicer may authorize payment to subordinate mortgage holders in an aggregate amount of six thousand dollars ($6,000.00). The subordinate mortgage holders must not receive any other payments from the Borrower, in cash, promissory note or otherwise, in connection with approval of the deed-in-lieu of foreclosure.

- ❑ If there are multiple subordinate mortgage holders, the Servicer has the discretion to divide the payment among those mortgage holders so as to maximize the chances that all subordinate mortgage holders will approve the deed-in-lieu of foreclosure. Payment of any amount to subordinate mortgage holders is contingent upon agreement by all mortgage holders to release their Mortgage and, if they are accepting a payment from Freddie Mac, extinguish the indebtedness secured by the Mortgaged Premises.

In addition, subordinate mortgage holders accepting payment from Freddie Mac must agree in writing to waive all rights to seek a deficiency judgment against the Borrower. If a subordinate mortgage holder releases its Mortgage to allow the deed-in-lieu of foreclosure to close, but does not extinguish the indebtedness, the mortgage holder will not receive a payment from Freddie Mac. Regardless of whether payment is made to a subordinate mortgage holder, the Servicer must obtain written commitment from the subordinate mortgage holder(s) to release the Mortgage(s).

All payments made to subordinate mortgage holders must be documented and the documentation must be provided to Freddie Mac upon request.

The Servicer must have established written policies governing how subordinate mortgage payments are paid and evidence of their agreement is provided to the Borrower. For deeds-in-lieu of foreclosure completed in accordance with this chapter, the Servicer must advance the amount to the subordinate mortgage holder or holders and request reimbursement for such advancement from Freddie Mac via PAID (Payments Automated Intelligent and Dynamic)(see Exhibit 88, Servicing Tools).

Note: Only Mortgages or deeds of trust recorded in the land records and constituting a valid lien against the property are eligible for a payment from Freddie Mac. Any and all other types of liens including, but not limited to, judgments, mechanic's and materialman's liens and common interest association liens, are not eligible for the subordinate mortgage payment.

- ■ Approve and process a deed-in-lieu of foreclosure in compliance with all requirements of applicable mortgage insurance policies and any delegated authority granted to the Servicer by the MI so as to preserve and not to impair existing mortgage insurance coverage, if any.

  If the MI indicates that it will curtail or deny a claim for any reason, including but not limited to, failure of the Servicer to comply with mortgage insurance conditions such as payment of a Borrower contribution, the Servicer may not approve the deed-in-lieu of

foreclosure; however, the Servicer must submit the proposed deed-in-lieu of foreclosure to Freddie Mac.

(b) Post-approval activities

- The Servicer must obtain clear and marketable title to the property
- The Borrower must:
  - Contribute to any loss, according to the requirements in Section 9209.4(1)
  - Vacate the property and leave it in undamaged, broom-swept condition and provide the Servicer with the keys to the property at the time of conveyance, unless the property is a 2- to 4-unit property and Freddie Mac allows one tenant to remain in the property
  - For leasehold Mortgages, obtain the consent of the fee simple landowner/lessor, if required under the lease, and provide evidence of consent to the Servicer
  - Execute a personal property release for any personal property the Borrower has left at or in the Mortgaged Premises. The Servicer may use Exhibit 100, Personal Property Release, as a template and revise it as necessary to comply with applicable law or to incorporate it into the Servicer's own forms.
- The Servicer must obtain the executed deed-in-lieu of foreclosure and all other required deed-in-lieu of foreclosure documents (including the personal property release). For leasehold Mortgages, the Servicer must obtain either an assignment of the lease or a new lease of the same priority.

(c) Resolve

Servicers must use Resolve to submit deed-in-lieu of foreclosure transactions on Freddie Mac-owned Mortgages. Servicers represent and warrant that they will only use Resolve on Freddie Mac Mortgages and not Mortgages owned by other investors. Both the input and output of Resolve is confidential information that the Servicer must not disclose to third parties, except as authorized by Freddie Mac.

Servicers using Resolve are bound by the Master System License (see Section 2401.1) and the Servicing Gateway System-Specific License (see Section 2404.2). The Servicer represents and warrants that its use of Resolve to process deed-in-lieu of foreclosure transactions is in compliance with this Chapter 9209, other applicable Purchase Documents and **Resolve Online Help**.

In addition, Servicers must ensure that all data input into Resolve is true, complete and accurate and that all data is entered correctly. (Refer to Section 9204.4 for additional

requirements when submitting any workout solution via Resolve for approval and closing in Freddie Mac's systems.)

If a Servicer is unable to complete a submission via Resolve, the Servicer should call the Customer Support Contact Center at 800-FREDDIE.

9209.8: Closing, reporting and remittance requirements for deeds-in-lieu of foreclosure (10/09/24)

This section contains requirements related to:

- Reporting requirements and settlement data submissions
- Remittance requirements
- Other requirements

(a) Reporting requirements and settlement data submissions

1. Report the transaction to Freddie Mac via the Freddie Mac Foreclosure Sale Reporting tool (see Exhibit 88, Servicing Tools) as a foreclosure sale/deed-in-lieu of foreclosure, within one Business Day of receiving the executed deed or lease. The date the Servicer received the executed deed or lease is the date that must be used for the Sale Reported Date.

2. Forward to Freddie Mac within five Business Days of receiving the executed deed or lease:

   - The Borrower's contribution, if applicable **(see Directory 5)**
   - For a leasehold Mortgage, a copy of the lease via e-mail **(see Directory 6)**
   - A copy of the signed personal property release via e-mail **(see Directory 6)**

3. Report the Mortgage to Freddie Mac via the Freddie Mac Loan Level Reporting tool (see Exhibit 88, Servicing Tools) as a Transfer to REO by the end of the Accounting Cycle in which the Servicer receives the executed deed or lease and ensure that the:

   - Ending gross UPB is the ending balance of the Mortgage
   - Principal due field is zero
   - REO acquisition date is the date the deed or lease was executed

- DDLPI reflects the due date of the last fully paid installment

If any of these data elements are incorrect, the Servicer should contact its investor reporting specialist or the Customer Support Contact Center at 800-FREDDIE.

4. Following completion of the reporting and remittance requirements, complete the "Deed-in-lieu of Foreclosure Settlement" screen in Workout Prospector® and transmit the data to Freddie Mac

(b) Remittance requirements

Remit any funds, including funds contributed by the Borrower, via wire transfer or check to Freddie Mac **(see Directory 5)** following completion of the reporting requirements in Section 9209.8(a)(3), but no later than six Business Days of receipt of the executed deed or lease

(c) Other requirements

1. Ensure that:

   - Clear and marketable title, or for a leasehold Mortgage, a marketable real estate leasehold interest is conveyed to Freddie Mac; issuance or purchase of a letter of indemnity, title insurance or similar form of indemnification does not constitute, and may not be used in lieu of, provision of clear and marketable title to the Mortgaged Premises

   - The deed or lease is submitted for recordation within five Business Days of the Servicer's receipt of the executed deed or lease

   - The recorded deed or lease is e-mailed to Freddie Mac **(see Directory 6)** within one Business Day after the Servicer receives it from the recorder's office

   - The recorded deed or lease and all other required deed-in-lieu of foreclosure documents (including the personal property release) are maintained in the Mortgage file and available to Freddie Mac upon request

2. Request reimbursement for any applicable expenses, in accordance with Chapter 9701. For expenses incurred on Mortgages insured by the FHA or guaranteed by the VA or RHS not subject to recourse or indemnification, expense reimbursement will occur after Freddie Mac receives the claim payment from the applicable entity and determines that all other requirements for reimbursement have been satisfied. (Refer to Section 9603.2 on FHA/VA/RHS claim filing and Section 9603.5 on receipt of claim payment.)

3. Release the First Lien within the time frame required by the applicable State or local law after the delivery of the deed or lease of the Mortgaged Premises, or if the local or State law does not require release within a specified time frame, the Servicer must submit the

lien release for recordation within 30 Business Days of the receipt of the deed or lease and Mortgaged Premises

4. Report the acquisition of the property to the IRS in accordance with the requirements in Section 8106.3 on IRS Form 1099-A, Acquisition or Abandonment of Secured Property

5. Release of deficiency if participants have acted in good faith and in compliance with all applicable law.

   If the Borrower has acted in good faith and in compliance with the Guide and all applicable local, State and federal law, then Freddie Mac will not pursue the Borrower for the entire amount owed under the current Mortgage. Freddie Mac will accept the deed or lease and the cash contribution by the Borrower and the Servicer must release the lien on the Mortgaged Premises and mark the previous Note as canceled. For a deed-in-lieu of foreclosure completed with respect to an eMortgage (as defined in Section 1402.2), the Servicer must also comply with the requirements in Section 1402.11(c).

   However, if the Borrower had knowledge of and/or consented to a transaction that was not in compliance with the Guide and all applicable local, State and federal law, Freddie Mac reserves its rights to pursue any and all participants, including but not limited to the Borrower, for the full amount owed under the Mortgage, the amount of any other loss or damage Freddie Mac may have suffered and other costs and expenses, including, but not limited to, attorneys' fees.

6. If the Mortgage is covered by mortgage insurance and the MI has not provided a delegation of authority to the Servicer or Freddie Mac, fax a copy of the approval from the MI to Freddie Mac **(see Directory 5)** within two Business Days of the Servicer's receipt of the MI's approval

7. For Cooperative Share Loans, comply with the requirements in Section 8801.5(d)(ii)

9209.8: Closing, reporting and remittance requirements for deeds-in-lieu of foreclosure (Future effective date 12/09/24)

This section contains requirements related to:

- Reporting requirements and settlement data submissions
- Remittance requirements
- Other requirements

(a) Reporting requirements and settlement data submissions

1. Report the deed execution in Resolve® within one Business Day of receiving the executed deed or lease

2. Forward to Freddie Mac within five Business Days of receiving the executed deed or lease:

   - The Borrower's contribution, if applicable **(see Directory 5)**

   - For a leasehold Mortgage, a copy of the lease via e-mail **(see Directory 6)**

   - A copy of the signed personal property release via e-mail **(see Directory 6)**

3. Report the Mortgage to Freddie Mac via the Freddie Mac Loan Level Reporting tool (see Exhibit 88, Servicing Tools) as a Transfer to REO by the end of the Accounting Cycle in which the Servicer receives the executed deed or lease and ensure that the:

   - Ending gross UPB is the ending balance of the Mortgage

   - Principal due field is zero

   - REO acquisition date is the date the deed or lease was executed

   - DDLPI reflects the due date of the last fully paid installment

   If any of these data elements are incorrect, the Servicer should contact its investor reporting specialist or the Customer Support Contact Center at 800-FREDDIE.

4. Once the Servicer reports the Mortgage as a Transfer to REO through the Loan Level Reporting tool, Resolve® will automatically settle the deed-in-lieu transaction.

(b) Remittance requirements

Remit any funds, including funds contributed by the Borrower, via wire transfer or check to Freddie Mac **(see Directory 5)** following completion of the reporting requirements in Section 9209.8(a)(3), but no later than six Business Days of receipt of the executed deed or lease

(c) Other requirements

1. Ensure that:

   - Clear and marketable title, or for a leasehold Mortgage, a marketable real estate leasehold interest is conveyed to Freddie Mac; issuance or purchase of a letter of indemnity, title insurance or similar form of indemnification does not constitute, and

may not be used in lieu of, provision of clear and marketable title to the Mortgaged Premises

- The deed or lease is submitted for recordation within five Business Days of the Servicer's receipt of the executed deed or lease

- The recorded deed or lease is e-mailed to Freddie Mac **(see Directory 6)** within one Business Day after the Servicer receives it from the recorder's office

- The recorded deed or lease and all other required deed-in-lieu of foreclosure documents (including the personal property release) are maintained in the Mortgage file and available to Freddie Mac upon request

2. Request reimbursement for any applicable expenses, in accordance with Chapter 9701. For expenses incurred on Mortgages insured by the FHA or guaranteed by the VA or RHS not subject to recourse or indemnification, expense reimbursement will occur after Freddie Mac receives the claim payment from the applicable entity and determines that all other requirements for reimbursement have been satisfied. (Refer to Section 9603.2 on FHA/VA/RHS claim filing and Section 9603.5 on receipt of claim payment.)

3. Release the First Lien within the time frame required by the applicable State or local law after the delivery of the deed or lease of the Mortgaged Premises, or if the local or State law does not require release within a specified time frame, the Servicer must submit the lien release for recordation within 30 Business Days of the receipt of the deed or lease and Mortgaged Premises

4. Report the acquisition of the property to the IRS in accordance with the requirements in Section 8106.3 on IRS Form 1099-A, Acquisition or Abandonment of Secured Property

5. Release of deficiency if participants have acted in good faith and in compliance with all applicable law.

   If the Borrower has acted in good faith and in compliance with the Guide and all applicable local, State and federal law, then Freddie Mac will not pursue the Borrower for the entire amount owed under the current Mortgage. Freddie Mac will accept the deed or lease and the cash contribution by the Borrower and the Servicer must release the lien on the Mortgaged Premises and mark the previous Note as canceled. For a deed-in-lieu of foreclosure completed with respect to an eMortgage (as defined in Section 1402.2), the Servicer must also comply with the requirements in Section 1402.11(c).

   However, if the Borrower had knowledge of and/or consented to a transaction that was not in compliance with the Guide and all applicable local, State and federal law, Freddie Mac reserves its rights to pursue any and all participants, including but not limited to the Borrower, for the full amount owed under the Mortgage, the amount of any other loss or damage Freddie Mac may have suffered and other costs and expenses, including, but not limited to, attorneys' fees.

6. If the Mortgage is covered by mortgage insurance and the MI has not provided a delegation of authority to the Servicer or Freddie Mac, fax a copy of the approval from the MI to Freddie Mac **(see Directory 5)** within two Business Days of the Servicer's receipt of the MI's approval

7. For Cooperative Share Loans, comply with the requirements in Section 8801.5(d)(ii)

Chapter 9210: Charge-off

9210.1: What is a charge-off? (05/04/20)

A charge-off ceases collection efforts on a Mortgage when all appropriate measures have been exhausted to collect on the delinquent Mortgage and the Servicer has deemed the debt to be uncollectible or that a foreclosure should not be completed. In most cases, a charge-off will be accompanied by a lien release and cancelation of the Note (see Section 9210.4).

A charge-off may be appropriate in varying situations, including:

1. A charge-off of a balance remaining after a short payoff. A short payoff may result from, among other things:

    - A negotiated settlement with the Borrower, a legal settlement or an agreement to resolve a legal dispute

    - A settlement related to: (i) a Condominium Project or Cooperative Project (see Chapter 8801 for special Servicing requirements for Cooperative Share Loans) termination; or (ii) a unit of a Condominium Project or Cooperative Project that is damaged and its repair is not feasible

    - A court order

    - A bankruptcy cramdown (see Section 9401.8 regarding completing and transmitting the final terms of a confirmed bankruptcy cramdown to Freddie Mac via the "Court Mandated Modification" screen in Workout Prospector®); or

    - A receivership

2. A full charge-off of:

    - A Mortgage that is secured by a Mortgaged Premises that is subject to property seizure

    - A Mortgage that is not subject to a recourse or repurchase obligation under the Purchase Documents, and it is not practical or possible to complete foreclosure or other enforcement of Freddie Mac’s rights under the Note or Mortgage and/or to obtain clear title to the Mortgaged Premises

    - A low balance Mortgage that is delinquent and Freddie Mac has determined to not complete a foreclosure of the Mortgage (see Section 9210.2 for more details)

    - A Mortgage or Cooperative Share Loan that is secured by a unit of a Condominium Project or Cooperative Project, respectively, and: (i) the project is not presently

economically viable; (ii) has been terminated; or (iii) the unit is damaged and its repair is not feasible

- A Mortgage that is secured by a Mortgaged Premises that has been impacted by a natural or manmade disaster, or other like circumstance, and rebuilding on the land is determined by the Servicer to be impracticable or impossible

- A Mortgage that is secured by undeveloped land or any above-grade primary structure has been demolished and removed by the Borrower, jurisdiction or other party; and the vacant land (and any remaining outbuilding, if applicable) has been protected from waste, damage and vandalism

- A Mortgage that is secured by a Mortgaged Premises that a third party is willing to accept any risk of liability if it becomes the owner of the property. (**Note**: This may also include a charge-off of a balance left over after a short payoff as the result of a negotiated settlement with the third party.)

- A Mortgage that is secured by a Mortgaged Premises that has been identified as posing a Risk of Property Ownership (see Section 9202.5 for more details)

9210.1: What is a charge-off? (Future effective date12/09/24)

A charge-off ceases collection efforts on a Mortgage when all appropriate measures have been exhausted to collect on the delinquent Mortgage and the Servicer has deemed the debt to be uncollectible or that a foreclosure should not be completed. In most cases, a charge-off will be accompanied by a lien release and cancelation of the Note.

A charge-off may be appropriate in varying situations, including:

1. A charge-off of a balance remaining after a short payoff. A short payoff may result from, among other things:

   - A negotiated settlement with the Borrower, a legal settlement or an agreement to resolve a legal dispute

   - A settlement related to: (i) a Condominium Project or Cooperative Project (see Chapter 8801 for special Servicing requirements for Cooperative Share Loans) termination; or (ii) a unit of a Condominium Project or Cooperative Project that is damaged and its repair is not feasible

   - A court order

- A bankruptcy cramdown (see Section 9401.8 regarding completing and transmitting the final terms of a confirmed bankruptcy cramdown to Freddie Mac via the "Custom Modification" functionality in Resolve®); or

- A receivership

2. A full charge-off of:

   - A Mortgage that is secured by a Mortgaged Premises that is subject to property seizure

   - A Mortgage that is not subject to a recourse or repurchase obligation under the Purchase Documents, and it is not practical or possible to complete foreclosure or other enforcement of Freddie Mac's rights under the Note or Mortgage and/or to obtain clear title to the Mortgaged Premises

   - A low balance Mortgage that is delinquent and Freddie Mac has determined to not complete a foreclosure of the Mortgage (see Section 9210.2 for more details)

   - A Mortgage or Cooperative Share Loan that is secured by a unit of a Condominium Project or Cooperative Project, respectively, and: (i) the project is not presently economically viable; (ii) has been terminated; or (iii) the unit is damaged and its repair is not feasible

   - A Mortgage that is secured by a Mortgaged Premises that has been impacted by a natural or manmade disaster, or other like circumstance, and rebuilding on the land is determined by the Servicer to be impracticable or impossible

   - A Mortgage that is secured by undeveloped land or any above-grade primary structure has been demolished and removed by the Borrower, jurisdiction or other party; and the vacant land (and any remaining outbuilding, if applicable) has been protected from waste, damage and vandalism

   - A Mortgage that is secured by a Mortgaged Premises that a third party is willing to accept any risk of liability if it becomes the owner of the property. (**Note**: This may also include a charge-off of a balance left over after a short payoff as the result of a negotiated settlement with the third party.)

   - A Mortgage that is secured by a Mortgaged Premises that has been identified as posing a Risk of Property Ownership (see Section 9202.5 for more details)

9210.2: When a Servicer must recommend a charge-off (05/04/20)

The Servicer must recommend a charge-off to Freddie Mac instead of proceeding with foreclosure when the debt that is secured by the Mortgaged Premises is deemed uncollectible and/or any of the following situations in numbered paragraphs 1 through 9 below exist:

1. A short-payoff has been approved by Freddie Mac and a balance is left over (see Section 9210.1)

2. The Mortgaged Premises is subject to property seizure (see Section 9210.1)

3. For any Mortgage not subject to recourse or repurchase obligations under the Purchase Documents, the Servicer determines that it is not practical or possible to complete foreclosure or other enforcement of Freddie Mac's rights and/or to obtain clear title to the Mortgaged Premises (see Section 9210.1)

4. The Servicer identifies a low balance Mortgage with a UPB that is $5,000 or less, regardless of the equity in the property, and the criteria of both (a) and (b) below are met:

   (a) Prior to the Mortgage becoming 120 days delinquent or the Mortgage maturing prior to becoming 120 days delinquent, the Servicer must:

   - Solicit a payoff or other form of workout from the Borrower and respond to all Borrower inquiries and requests about the Mortgage; and

   - Ensure that payments have been correctly applied to the Mortgage. (In certain circumstances, Freddie Mac may request that the Servicer provide documentation to substantiate that payments have been applied correctly to the Mortgage. If Freddie Mac determines that the payments were not applied correctly, the Servicer may be required to satisfy the affected debt.)

   (b) The following eligibility requirements must be met:

   - The property is owner-occupied

   - Property inspections continue to show the property maintenance to be both up to neighborhood standards and compliant with municipal requirements

   - The Mortgage is at least 120 days delinquent or has matured prior to becoming 120 days delinquent; and

   - The Borrower is not currently performing under a relief or workout arrangement or a bankruptcy plan

Note: In the event the Servicer identifies a Mortgage with a UPB that is greater than $5,000, but all other above criteria in both (a) and (b) are met, the Servicer may make a recommendation for a charge-off to Freddie Mac.

5. The Mortgage or Cooperative Share Loan (see Chapter 8801 for special Servicing requirements for Cooperative Share Loans) is secured by a unit of a Condominium Project or Cooperative Project, respectively, and: (i) the project is not presently economically viable; (ii) the project has been terminated; or (iii) the unit is damaged and its repair is not feasible (see Section 9210.1)

6. The Mortgaged Premises has been impacted by a natural or man-made disaster, or other like circumstance, and rebuilding on the land is determined by the Servicer to be impracticable or impossible (see Section 9210.1)

7. The Mortgage is secured by undeveloped land or any above-grade primary structure has been demolished and removed by the Borrower, jurisdiction or other party; and the vacant land (and any remaining outbuilding, if applicable) has been protected from waste, damage and vandalism (see Section 9210.1)

8. A third party is willing to accept any risk of liability if it becomes the owner of the property (see Section 9210.1)

9. The Mortgaged Premises poses a Risk of Property Ownership to Freddie Mac (see Section 9202.5)

In addition to the above requirements, if the Mortgage is a matured Mortgage, the Servicer must comply with the requirements of Section 8303.3 with respect to the payoff of such matured Mortgage and only submit a charge-off request if the Mortgage is delinquent at time of maturity, or becomes delinquent following maturity, and meets any of the above criteria.

9210.3: Submitting a recommendation for a charge-off to Freddie Mac (10/09/24)

Servicers may use the Resolve® user interface (UI) to submit a charge-off recommendation to Freddie Mac. Servicers that elect to submit charge-off recommendations via the Resolve UI should refer to **Resolve Online Help** for details on the process.

The Servicer must take the steps listed below in this section when it recommends a charge-off of a Mortgage to Freddie Mac. Before making the recommendation, the Servicer must have filed and settled any property insurance claim(s) with the applicable property insurer. Additionally, the Servicer must model the Mortgages in Workout Prospector® and transmit all recommendations to charge off a Mortgage via Workout Prospector to Freddie Mac.

The Servicer must submit the following documentation to Freddie Mac via the contact information provided in **Directory 5,** unless otherwise instructed by Freddie Mac, on all recommendations to charge-off a Mortgage:

1. A detailed explanation of the Servicer's recommendation documented in the comments section of Workout Prospector

2. Documentation describing the condition of the property, including copies of the most recent six consecutive months of property inspection reports with photographs. For charge-off recommendations on low balance Mortgages (see Section 9210.2), the Servicer may submit less than six consecutive months of property inspection reports depending on the level of Delinquency.

   Note: If the Servicer has previously provided this information in accordance with Section 8403.1, the Servicer does not need to submit this information again as part of the charge-off recommendation.

3. A Hazard Distressed BPO obtained through BPOdirect®, if applicable, if the recommendation to charge off a Mortgage is due to condemnation, disaster or other Risk of Property Ownership (see Section 9202.5). The Hazard Distressed BPO must be less than 90 days old on the date the Servicer makes the recommendation to charge off the Mortgage, unless expressly approved by Freddie Mac.

4. A payoff statement

5. A copy of any property insurance claims filed, including a copy of either:

   - An explanation of benefits and proof of payment received by the Servicer on any paid claim(s); or

   - Any notification documenting reason(s) for non-payment of a claim and if an appeal was filed by the Servicer that was also denied for payment of a claim

6. A copy of any estimates that may have been obtained by the Servicer for necessary repairs

7. In the case of Delinquency, a copy of the Servicer's collection records for the present period of Delinquency; and

8. If the Mortgage is secured by a Manufactured Home, the Servicer must provide the documentation specified in Section 9301.9(a) or 9301.9(b) to evidence that the Manufactured Home and the land are real property under the laws of the State where the property is located. If the Manufactured Home is located in a certificate of title State (see Section 5703.7), then the Servicer must provide the documentation specified in Section 9301.9(c).

Freddie Mac will contact the Servicer should it require additional documentation following the submission of a recommendation to charge off a Mortgage.

9210.3: Submitting a recommendation for a charge-off to Freddie Mac (Future effective date 12/09/24)

Servicers must use the Resolve® user interface (UI) to submit a charge-off recommendation to Freddie Mac. Servicers that elect to submit charge-off recommendations via the Resolve UI should refer to **Resolve Online Help** for details on the process.

The Servicer must take the steps listed below in this section when it recommends a charge-off of a Mortgage to Freddie Mac. Before making the recommendation, the Servicer must have filed and settled any property insurance claim(s) with the applicable property insurer.

To submit a charge-off recommendation, the Servicer must complete the charge-off template and upload the following via Resolve:

1. A detailed explanation of the Servicer's recommendation

2. Documentation describing the condition of the property, including copies of the most recent six consecutive months of property inspection reports with photographs. For charge-off recommendations on low balance Mortgages (see Section 9210.2), the Servicer may submit less than six consecutive months of property inspection reports depending on the level of Delinquency.

   Note: If the Servicer has previously provided this information in accordance with Section 8403.1, the Servicer does not need to submit this information again as part of the charge-off recommendation.

3. A Hazard Distressed BPO obtained through BPOdirect®, if applicable, if the recommendation to charge off a Mortgage is due to condemnation, disaster or other Risk of Property Ownership (see Section 9202.5). The Hazard Distressed BPO must be less than 90 days old on the date the Servicer makes the recommendation to charge off the Mortgage, unless expressly approved by Freddie Mac.

4. A payoff statement, when applicable

5. A copy of any property insurance claims filed, including a copy of either:

   - An explanation of benefits and proof of payment received by the Servicer on any paid claim(s); or

   - Any notification documenting reason(s) for non-payment of a claim and if an appeal was filed by the Servicer that was also denied for payment of a claim

6. A copy of any estimates that may have been obtained by the Servicer for necessary repairs

7. If the Mortgage is secured by a Manufactured Home, the Servicer must provide the documentation specified in Section 9301.9(a) or 9301.9(b) to evidence that the Manufactured Home and the land are real property under the laws of the State where the property is located. If the Manufactured Home is located in a certificate of title State (see Section 5703.7), then the Servicer must provide the documentation specified in Section 9301.9(c).

Freddie Mac will contact the Servicer should it require additional documentation following the submission of a recommendation to charge off a Mortgage.

9210.4: Freddie Mac's decision about a Servicer's charge-off recommendation (10/09/24)

This section contains requirements related to:

- Approval of request
- Denial of request

Freddie Mac will review the documentation the Servicer submits and make a decision to approve or deny the charge-off request.

(a) Approval of request

If Freddie Mac approves the charge-off request, the Servicer may access the approval letter in Workout Prospector®. This letter will include instructions on whether to complete a lien release and cancellation of the Note as part of the transaction. Additionally, upon approval of the request, the Servicer must not incur any new expenses for taxes, insurance, property preservation, legal fees, or any other fees or costs if Escrow is insufficient to pay charges when due without Freddie Mac's prior approval **(see Directory 5)**.

In most cases, when Freddie Mac approves a charge-off request, Freddie Mac will instruct the Servicer to release its lien on the property and cancel the Note as part of the closing of an approved charge-off request (see Section 9210.5). However, in situations in which future funds are anticipated (e.g., when Freddie Mac or the Servicer is negotiating a settlement with the Borrower or a third party), Freddie Mac will retain its lien on the property and will instruct the Servicer not to release the lien or cancel the Note on the approval letter in Workout Prospector until such time that funds are received by Freddie Mac.

(b) Denial of request

If Freddie Mac denies the charge-off request, Freddie Mac will provide the Servicer the response in Workout Prospector, stating the reason Freddie Mac denied the request together with the course of action the Servicer must take to resolve the Delinquency, including the

resumption of normal default servicing activity, including all Escrow advances, property preservation and legal activities, if applicable.

9210.4: Freddie Mac's decision about a Servicer's charge-off recommendation (Future effective date 12/09/24)

This section contains requirements related to:

- Approval of request
- Denial of request

Freddie Mac will review the documentation the Servicer submits and make a decision to approve or deny the charge-off request.

(a) Approval of request

Freddie Mac will notify the Servicer if the charge-off recommendation is approved and whether the lien has been released through Resolve®. Upon approval of the request, the Servicer must not incur any new expenses for taxes, insurance, property preservation, legal fees, or any other fees or costs if Escrow is insufficient to pay charges when due without Freddie Mac's prior approval **(see Directory 5)**.

In most cases, when Freddie Mac approves a charge-off request, Freddie Mac will instruct the Servicer to release its lien on the property and cancel the Note as part of the closing of an approved charge-off request (see Section 9210.5). However, in situations in which future funds are anticipated (e.g., when Freddie Mac or the Servicer is negotiating a settlement with the Borrower or a third party), Freddie Mac will retain its lien on the property and will instruct the Servicer not to release the lien or cancel the Note on the Request Details Screen in Resolve until such time that funds are received by Freddie Mac.

(b) Denial of request

If Freddie Mac denies the charge-off request, Freddie Mac will provide the Servicer the response in Resolve, stating the reason Freddie Mac denied the request together with the course of action the Servicer must take to resolve the Delinquency, including the resumption of normal default servicing activity, including all Escrow advances, property preservation and legal activities, if applicable.

9210.5: Closing, reporting and remittance requirements for charge-offs (10/09/24)

This section contains requirements related to:

- Closing requirements
- Lien release requirements
- Reporting requirements
- Settlement data submissions
- Charging-off the Delinquency
- Remittance requirements
- Requesting reimbursement

(a) Closing requirements

Within seven Business Days of receiving Freddie Mac's approval letter, the Servicer must:

1. Notify the Borrower in writing that the Servicer will no longer service the Mortgage. The written notice must include:
    - Freddie Mac's nine-digit loan number and the Servicer's loan number
    - Information that either:
        - The lien on the property is being released and the Note is being canceled; or
        - The lien is not being released and the Note is not being canceled, the Mortgage is being assigned to Freddie Mac, and the Borrower remains financially obligated to the Note and Security Instrument
    - Instructions that the Borrower remains responsible for paying property taxes and property insurance premiums and that such payments should be made directly to the taxing authority or insurer, even if the Mortgage had an Escrow account prior to the charge-off
2. If the Mortgage had an Escrow account prior to the charge-off, the Servicer must notify the local taxing authority in writing to send all tax bills directly to the Borrower

(b) Lien release requirements

- If Freddie Mac instructs the Servicer not to complete a lien release as part of the approved charge-off request, upon receiving a request from a Freddie Mac-approved vendor (see Section 9601.1 for details on this process), the Servicer must prepare and submit all of the following documentation to the Freddie Mac-approved vendor:

  - ❒ Original Note
  - ❒ Original Security Instrument
  - ❒ A copy of the assignment of the Security Instrument to "Federal Home Loan Mortgage Corporation" sent to the local recorder's office; and
  - ❒ A copy of the original loan application

  The Servicer must forward the recorded assignment to Freddie Mac **(see Directory 5)** when the Servicer has received it from the recorder's office. When sending the documentation to a Freddie Mac-approved vendor, the Servicer must not send the entire Servicing file, but only those items listed above.

- In the event Freddie Mac approves a charge-off request and instructs the Servicer to release the lien on the property and cancel the Note, the Servicer must prepare and execute a satisfaction of Note and/or release of lien. For Cooperative Share Loans, the Servicer must also comply with the requirements in Section 8801.5(e).

(c) Reporting requirements

Within two Business Days after the Servicer receives Freddie Mac's approval letter, the Servicer must:

1. Reinstate the Mortgage if it was inactivated; and
2. Report the Mortgage as a "Short Sale/Charge-off/Make-whole" and ensure that the:
   a. Ending gross UPB is zero
   b. Principal due field is completed with the gross unpaid ending balance of the Mortgage
   c. Payoff date is the date the Servicer received the approval letter from Freddie Mac; and
   d. DDLPI reflects the due date of the last fully paid installment

If any of these data elements are incorrect, the Servicer should contact its investor reporting specialist or call Customer Support Contact Center at 800-FREDDIE.

(d) Settlement data submissions

Following completion of the reporting and remittance requirements, complete the "Charge-off Settlement" screen in Workout Prospector® and transmit the data to Freddie Mac within 30 days of receiving Freddie Mac's approval letter. When submitting the data entered on the "Charge-off Settlement" screen, the Servicer must comply with the instructions for a charge-off described in the Workout Prospector Guide.

If the Servicer has not submitted the charge-off for settlement within 30 days of receiving Freddie Mac's approval letter, then the Servicer should provide a status update to Freddie Mac at **ShortSales@FreddieMac.com** and on a monthly basis thereafter until the charge-off has been submitted via Workout Prospector.

(e) Charging-off the Delinquency

The amount that Freddie Mac has determined to be charged off will be reflected on the Draft Report. The Servicer must review the Draft Report and report any discrepancies between its records and the amount on the Draft Report to Freddie Mac via the Freddie Mac Servicing Data Corrections tool (see Exhibit 88, Servicing Tools) within the same Accounting Cycle in which Freddie Mac posts the amount to the Draft Report. Servicers may access the Draft Report through the Cash Manager tool (see Exhibit 88, Servicing Tools).

When reporting a discrepancy, Servicers must input the calculation used to determine the variance and upload any documentation to support the request in the Servicing Data Corrections tool.

Discrepancies submitted after the Accounting Cycle in which the initial adjustment is posted to the Draft Report closes will be processed at Freddie Mac's discretion and may be subject to a contract noncompliance and contract change compensatory fee (see Section 8303.43). If the post-settlement correction request is denied, the Servicer may be liable for any additional losses.

(f) Remittance requirements

Following completion of the reporting requirements in Section 9210.5(c), but no later than three Business Days after the Servicer's receipt of Freddie Mac's approval letter, the Servicer must submit any proceeds received on a Mortgage that has an approved charge-off request via wire transfer or check to Freddie Mac **(see Directory 5)**, regardless of whether the lien is released or not.

(g) Requesting reimbursement

The Servicer must request reimbursement for any applicable expenses, in accordance with the requirements in Chapter 9701.

In order for the Servicer to be reimbursed, Freddie Mac must receive, and accept for settlement, the charge-off submitted via Workout Prospector. Additionally, failure to submit

the charge-off in the appropriate time frame could forfeit the Servicer's ability to be reimbursed, in part or in whole, for otherwise reimbursable expenses or amounts.

9210.5: Closing, reporting and remittance requirements for charge-offs (Future effective date 12/09/24)

This section contains requirements related to:

- Closing requirements
- Lien release requirements
- Reporting requirements
- Settlement data submissions
- Charging-off the Delinquency
- Remittance requirements
- Requesting reimbursement

(a) Closing requirements

Within seven Business Days of the workout approval date reflected in Resolve®, the Servicer must:

1. Notify the Borrower in writing that the Servicer will no longer service the Mortgage. The written notice must include:
    - Freddie Mac's nine-digit loan number and the Servicer's loan number
    - Information that either:
        - The lien on the property is being released and the Note is being canceled; or
        - The lien is not being released and the Note is not being canceled, the Mortgage is being assigned to Freddie Mac, and the Borrower remains financially obligated to the Note and Security Instrument
    - Instructions that the Borrower remains responsible for paying property taxes and property insurance premiums and that such payments should be made directly to the

taxing authority or insurer, even if the Mortgage had an Escrow account prior to the charge-off

2. If the Mortgage had an Escrow account prior to the charge-off, the Servicer must notify the local taxing authority in writing to send all tax bills directly to the Borrower

(b) Lien release requirements

- If Freddie Mac instructs the Servicer not to complete a lien release as part of the approved charge-off request, upon receiving a request from a Freddie Mac-approved vendor (see Section 9601.1 for details on this process), the Servicer must prepare and submit all of the following documentation to the Freddie Mac-approved vendor:

  - ❒ Original Note
  - ❒ Original Security Instrument
  - ❒ A copy of the assignment of the Security Instrument to "Federal Home Loan Mortgage Corporation" sent to the local recorder's office; and
  - ❒ A copy of the original loan application

  The Servicer must forward the recorded assignment to Freddie Mac **(see Directory 5)** when the Servicer has received it from the recorder's office. When sending the documentation to a Freddie Mac-approved vendor, the Servicer must not send the entire Servicing file, but only those items listed above.

- In the event Freddie Mac approves a charge-off request and instructs the Servicer to release the lien on the property and cancel the Note, the Servicer must prepare and execute a satisfaction of Note and/or release of lien. For Cooperative Share Loans, the Servicer must also comply with the requirements in Section 8801.5(e).

(c) Reporting requirements

Within two Business Days of the workout approval reflected in Resolve, the Servicer must:

1. Reinstate the Mortgage if it was inactivated; and
2. Report the Mortgage as a "Short Sale/Charge-off/Make-whole" in the Loan Level Reporting tool (see Exhibit 88, Servicing Tools) and ensure that the:

   a. Ending gross UPB is zero

   b. Principal due field is completed with the gross unpaid ending balance of the Mortgage

   c. Payoff date is the workout approval date reflected in Resolve; and

d. DDLPI reflects the due date of the last fully paid installment

If any of these data elements are incorrect, the Servicer should contact its investor reporting specialist or call Customer Support Contact Center at 800-FREDDIE.

(d) Settlement data submissions

Following completion of the reporting and remittance requirements, Resolve will automatically settle the charge-off transaction.

(e) Charging-off the Delinquency

The amount that Freddie Mac has determined to be charged off will be reflected on the Draft Report. The Servicer must review the Draft Report and report any discrepancies between its records and the amount on the Draft Report to Freddie Mac via the Freddie Mac Servicing Data Corrections tool (see Exhibit 88, Servicing Tools) within the same Accounting Cycle in which Freddie Mac posts the amount to the Draft Report. Servicers may access the Draft Report through the Cash Manager tool (see Exhibit 88, Servicing Tools).

When reporting a discrepancy, Servicers must input the calculation used to determine the variance and upload any documentation to support the request in the Servicing Data Corrections tool.

Discrepancies submitted after the Accounting Cycle in which the initial adjustment is posted to the Draft Report closes will be processed at Freddie Mac's discretion and may be subject to a contract noncompliance and contract change compensatory fee (see Section 8303.43). If the post-settlement correction request is denied, the Servicer may be liable for any additional losses.

(f) Remittance requirements

Following completion of the reporting requirements in Section 9210.5(c), but no later than three Business Days after the Servicer's receipt of Freddie Mac's approval letter, the Servicer must submit any proceeds received on a Mortgage that has an approved charge-off request via wire transfer or check to Freddie Mac **(see Directory 5)**, regardless of whether the lien is released or not.

(g) Requesting reimbursement

In order for the Servicer to be reimbursed for charge-off related expenses, the charge-off must first be accepted and settled in Resolve. The Servicer must request reimbursement for any applicable expenses, in accordance with the requirements in Chapter 9701.

Chapter 9211: Hardest Hit Fund

9211.1: Hardest Hit Fund (12/08/21)

Section 9211.1 is deleted effective December 8, 2021. Refer to Section 9212.1 for requirements for handling mortgage assistance fund from third parties.

Chapter 9212: Third Party Mortgage Assistance Funds

9212.1: Mortgage assistance funds (06/08/22)

This section highlights the requirements relating to mortgage assistance administered by State and local governments along with other third-party organizations.

(a) General Requirements

The facilitating organization determines Borrower eligibility criteria and underwrites the Borrower. Unless permitted by the organization, Servicers may not determine Borrower eligibility or communicate a determination of eligibility or qualification for mortgage assistance to a Borrower.

Servicers must accept such mortgage assistance funds on behalf of a Borrower as though they were from the Borrower and apply the funds in accordance with the Security Instrument, the Guide and applicable law. Should the funds received be insufficient to bring the Mortgage current (see Sections 9203.3 through 9203.7 on partial reinstatements) or represent only a partial payment, the Servicer must not waive rights under the Mortgage to collect the unpaid amount, continue collection efforts and attempt to establish Quality Right Party Contact (QRPC) as outlined in Chapters 9101 and 9102.

For Borrowers where mortgage assistance funds result in a partial prepayment, refer to Section 8103.7 and Section 8303.4(c).

(b) Borrower authorization

In connection with a Borrower's request for mortgage assistance, Servicers must receive authorization from each Borrower to release his or her nonpublic personal financial information to an authorized mortgage assistance organization. The Borrower's authorization to release his or her nonpublic personal financial information to the mortgage assistance organization and all communications that include a Borrower's nonpublic personal information must comply with Section 1301.2 and all applicable laws.

(c) Mortgages with credit enhancements

Servicers must comply with the requirements of, and obtain approvals as necessary from the FHA, VA, RHS and/or MI. Credit enhancement on a Mortgage must stay in place regardless of the Borrower's participation in a mortgage assistance program.

(d) Another relief or workout arrangement

Servicers must not deny or delay consideration of a Borrower for a relief or workout option pending approval for mortgage assistance. If a Borrower is currently performing under a relief or workout arrangement that has not been completed and the Borrower requests assistance from a mortgage assistance program, the Servicer must permit the Borrower to continue with the relief or workout arrangement. As noted in Section 9212.1(a), any funds received from the mortgage assistance program should be treated as funds from the Borrower and applied in accordance with the Security Instrument, the Guide and applicable law. Servicers should refer to Chapters 9203 through 9210 for relief and workout options guidance accordingly.

For streamlined evaluations for a Flex Modification, the Servicer must refer to guidance provided in Section 9206.5(c) in the event the Mortgage is reinstated, but in no instance must any Flex Modification Trial Period Plan already evaluated for an offered be revoked as a result of reinstatement.

The Servicer must cancel an active forbearance plan, an active repayment plan or a payment deferral that has not yet been completed if the Mortgage is fully reinstated as a result of mortgage assistance funds.

If the Borrower requests additional assistance following reinstatement, the Servicer must evaluate the Borrower for relief and workout options in accordance with the evaluation hierarchy in Section 9201.2 and with the requirements for the specific relief and workout options (Chapters 9203 through 9210).

(e) Foreclosure actions

Servicers may postpone foreclosure activity in accordance with the Guide and applicable law for up to 45 days if they have been notified that the Borrower is participating in a mortgage assistance program and they have a good faith belief that the participation with the program will cure the Borrower's delinquency.

The Servicer may extend the suspension of foreclosure actions beyond 45 days, as necessary, to facilitate the processing of the mortgage assistance, provided that:

- It continues to validate with the mortgage assistance provider that the Borrower's status has not changed
- The action is in compliance with its agreement with the mortgage assistance provider; and
- It obtains Freddie Mac's prior approval for any suspension beyond 60 days

Servicers must submit approval requests for foreclosure activity suspension beyond 60 days to **foreclosure@freddiemac.com**.

Servicers should refer to appropriate Guide sections on pre-foreclosure activities including Sections 9301.4 and 9301.29. Servicers must note the reason for the postponement in the Mortgage file (e.g., third-party mortgage assistance). In the event a foreclosure sale occurs, the Servicer's performance will be measured against Freddie Mac's State foreclosure timelines (refer to Exhibit 83, Freddie Mac State Foreclosure Timelines).

Servicers are reminded that if they postpone foreclosure activity, they can resume foreclosure activity without delay if the mortgage assistance program and/or any loss mitigation solution is unable to resolve the Borrower's delinquency. Servicers are further reminded that when communicating a postponement request for a pending foreclosure sale to foreclosure counsel, the Servicer must identify the reason for the postponement (i.e., third-party mortgage assistance).

If a notice of trustee/sheriff sale has been recorded and the trustee/sheriff sale is scheduled less than seven days from the date the Servicer is notified of Borrower approval for mortgage assistance, the Servicer is not required to accept the mortgage assistance payment. The Servicer should refer to Section 9301.29(b), the terms of the Note and applicable law accordingly for further guidance.

(f) Reporting

The Servicer must be able to readily identify any Borrower who receives third party mortgage assistance funds from any state or local governmental agency, such as an HFA or its designee. The Servicer must be able to provide this information to Freddie Mac upon request.

Chapter 9301: Foreclosure

9301.1: Foreclosures on Freddie Mac Mortgages (03/02/16)

The Servicer must refer to, manage and complete foreclosure in accordance with this chapter when there is no available alternative to foreclosure. Additionally, Freddie Mac requires the Servicer to manage the foreclosure process to acquire clear and marketable title to the property in a cost-effective, expeditious and efficient manner.

9301.2: General Servicer requirements for Freddie Mac Default Legal Matters (03/02/16)

When following the requirements provided in this chapter while processing Freddie Mac Default Legal Matters, the Servicer must comply with:

- The terms and conditions of the Mortgage documents, including the Note
- Applicable federal, State and local laws and customs
- Requirements of the FHA, VA, RHS or MI, if applicable
- The Guide and other Purchase Documents

9301.3: Freddie Mac's rights (03/02/16)

Among other rights available under applicable law and the Guide, Freddie Mac reserves the right to:

1. Select the foreclosure counsel
2. Direct and manage the actions taken by the foreclosure counsel, on a case-by-case or jurisdiction-wide basis
3. Assess compensatory fees and/or seek repayment of losses sustained due to errors, omissions or delays by the Servicer or its agent
4. Limit the amount of a reimbursement for attorney fees if those fees exceed the expense limits in Exhibit 57A, Approved Attorney Fees and Title Expenses, or the fees commonly charged for similar services in the area where the services are being performed

If Freddie Mac determines that the Servicer has directly or indirectly passed or charged to Freddie Mac any non-reimbursable expenses itemized in Section 9701.15 or charged Freddie Mac for Servicing Contract obligations covered by the Servicing Spread (as set forth in Section 8105.3) or in violation of Section 9501.8(a) or 9502.6(a), then Freddie Mac may pursue any or all the remedies specified in the Guide and the other Purchase Documents, as applicable.

9301.4: Pre-foreclosure referral account review (06/08/22)

Within 15 days prior to referral to foreclosure, the Servicer must review the Mortgage file to verify that it made every attempt to achieve quality right party contact in accordance with Section 9102.3, and there is no approved payment arrangement or pending alternative to foreclosure offer for which the Borrower response period has not expired.

In the event that the Servicer finds that there is an approved payment arrangement or a pending offer for an alternative to foreclosure for which the Borrower response period has not expired, then the Servicer must not refer the Mortgage to foreclosure.

The Servicer must document the results of its review in the Mortgage file or servicing system.

Prior approval required from Freddie Mac

The Servicer must seek Freddie Mac's approval to refer the Mortgage to foreclosure if the property inspections or any other information provided to the Servicer indicates that proceeding with referral may not be in Freddie Mac's best interest or that the property is considered a distressed property (see Section 9301.8 for a list of affected property conditions). See also Section 8801.6(a) regarding prior approval required from Freddie Mac for Cooperative Share Loans. Servicers must send approval requests to **Foreclosures@FreddieMac.com**.

Refer to Chapter 8403 for additional Servicing Contract requirements for Servicing Mortgages on distressed properties.

Refer to Chapter 9101 for additional Servicing Contract requirements for Servicing Mortgages that secure Primary Residences.

9301.5: Referral to foreclosure (03/02/16)

Referral to foreclosure is the submission of a Mortgage case and appropriate foreclosure documentation to foreclosure counsel after taking all appropriate actions to accelerate the Mortgage. Refer to Sections 9301.6 and 9301.7 for requirements for when to refer a Mortgage to foreclosure.

9301.6: When to refer a Mortgage to foreclosure – Primary Residence (12/08/21)

(a) General requirements

The Servicer must refer a Mortgage to foreclosure after expiration of the breach letter, but no earlier than 151 days from the DDLPI (121st day of Delinquency). However, Servicers may not refer a Mortgage to foreclosure if prohibited by applicable law or one of the following situations applies:

- There is an approved payment arrangement or an alternative to foreclosure; or
- A complete Borrower Response Package is received and the Servicer is still within the 30-day evaluation time period for evaluating the package as prescribed in Section 9102.5(c); or
- The Servicer has extended an offer for an alternative to foreclosure and the period for the Borrower's response has not expired; or
- The Borrower has accepted an offer for an alternative to foreclosure and is performing in accordance with its terms; or
- The time period for the Borrower to exercise a right to appeal a denial of a Trial Period Plan or loan modification (per Section 9101.3) has not expired, the Servicer is reviewing the Borrower's appeal, or the Borrower's time period to respond to the Servicer's decision on the appeal and any acceptance period for an alternative to foreclosure offered as part of that decision has not expired

Refer to Section 9101.4 for additional foreclosure suspension requirements when the First Complete Borrower Response Package is received more than 37 days prior to a scheduled foreclosure sale date.

To accept an offer

A Borrower's notification to the Servicer that he or she intends to accept an offer of an alternative to foreclosure may be demonstrated as follows:

- Verbal notification
- Written notification

If a payment is required to legally accept an alternative to foreclosure offer, and the Borrower does not communicate a verbal or written rejection of the alternative to foreclosure offer, the Servicer must postpone referral to foreclosure, where legally permitted, at least through the last day of the month in which the first payment is due under the terms of the alternative to

foreclosure offer or until the deadline for Borrower acceptance has passed. If the Servicer receives the first payment timely in accordance with the terms of a Trial Period Plan, repayment plan or forbearance plan, the Servicer must delay the next legal action unless the Borrower breaches the plan.

(b) Mortgages insured by the FHA or guaranteed by the VA or RHS or covered by mortgage insurance

The Servicer must comply with the foreclosure referral requirements of the FHA, VA, RHS or MI, if applicable.

(c) Performance measurement

Regardless of the reason for the delay in referral to foreclosure beyond 151 days from the DDLPI (121st day of Delinquency), the Servicer's performance will be measured against Freddie Mac's State foreclosure timelines (refer to Exhibit 83, Freddie Mac State Foreclosure Timelines).

9301.7: When to refer a Mortgage to foreclosure for a non-Primary Residence (06/08/22)

(a) General requirements

The Servicer must refer a Mortgage to foreclosure no later than 150 days from the DDLPI (120th day of Delinquency) unless the pre-referral accounts review indicates that:

- There is an approved payment arrangement or an alternative to foreclosure; or
- A complete Borrower Response Package is received and the Servicer is still within the 30-day evaluation time period for evaluating the package as prescribed in Section 9102.5(c); or
- The Servicer has extended an offer for an alternative to foreclosure (except for an offer for a Freddie Mac Standard Short Sale ("short sale") or Freddie Mac Standard Deed-in-Lieu of Foreclosure ("deed-in-lieu of foreclosure")), and the period for the Borrower's response has not expired; or
- The Borrower has accepted an offer for an alternative to foreclosure and is performing in accordance with its terms

Note: The Mortgage must be referred to foreclosure and foreclosure proceedings must continue if the Servicer sends the Borrower an offer to pursue a short sale or deed-in-lieu of foreclosure.

To accept an offer

A Borrower's notification to the Servicer that he or she intends to accept an offer to an alternative to foreclosure may be demonstrated as follows:

- Verbal notification
- Written notification

If a payment is required to legally accept an alternative to foreclosure offer, and the Borrower does not communicate a verbal or written rejection of the alternative to foreclosure offer, the Servicer must postpone referral to foreclosure, where legally permitted, at least through the last day of the month in which the first payment is due under the terms of the alternative to foreclosure offer or until the deadline for Borrower acceptance has passed. If the Servicer receives the first payment timely in accordance with the terms of a Trial Period Plan, the Servicer must delay the next legal action unless the Borrower breaches the plan.

Additionally, unless Freddie Mac requires the Servicer to obtain Freddie Mac's approval prior to referral to foreclosure (refer to Section 9301.9 for instances where Freddie Mac must approve the referral of the Mortgage to foreclosure), if the Borrower has abandoned the property, then the Servicer may refer to foreclosure as soon as it is legally possible to do so. The Servicer must send approval requests to **Foreclosures@FreddieMac.com**.

(b) Mortgages insured by the FHA or guaranteed by the VA or RHS or covered by mortgage insurance

The Servicer must comply with the foreclosure referral requirements of the FHA, VA, RHS or MI, if applicable.

(c) Performance measurement

Regardless of the reason for the delay in referral to foreclosure beyond 150 days from the DDLPI (120st day of Delinquency), the Servicer's performance will be measured against Freddie Mac's State foreclosure timelines (refer to Exhibit 83, Freddie Mac State Foreclosure Timelines).

9301.8: Approving referral to foreclosure on a First Lien Mortgage (11/13/19)

(a) Referral to foreclosure on a First Lien Mortgage

The Servicer is responsible for referral to foreclosure on a First Lien Mortgage. The Servicer does not need Freddie Mac's approval unless one or more of the following conditions exist.

If the Property Has...	Then the Servicer Must...	And...
Hazardous Substances located on or near that could impact the habitability, value or occupancy of the property	Request Freddie Mac's approval to refer to foreclosure by submitting a detailed description of the issue and the Servicer's recommendation for a First-Lien Mortgage to Freddie Mac **(see Directory 5)** within five Business Days of discovering the condition	Freddie Mac will approve or deny the referral to foreclosure and provide any necessary instructions to the Servicer
Damage from fire, flood or natural or man-made disaster		
Deteriorated and requires asset preservation or the property is a Manufactured Home that has significantly decreased in value		
A forfeiture action being litigated		

If the 2- to 4-unit property was built before 1978 and located in Massachusetts, refer to Section 9301.8(c) before initiating foreclosure. If the property was built before 1960 and located in New York City (Brooklyn, Bronx, Manhattan, Queens or Staten Island), refer to the requirements in Section 9202.7 before initiating foreclosure.

Refer to Chapter 8403 for additional Servicing Contract requirements for Servicing Mortgages on distressed properties.

Refer to Chapter 8404 for additional Servicing Contract requirements for Mortgages secured by properties affected by a disaster.

(b) Referral to foreclosure on Servicemembers or their Dependents

The Servicemembers Civil Relief Act, State Military Relief Laws and Freddie Mac-specific protections provided in Chapter 8503 limit the ability of a Servicer to refer to or complete foreclosure on Mortgages involving Servicemembers or Dependents, as those terms are defined in Chapter 8503. If the Servicer believes there are circumstances that warrant an exception to these requirements, the Servicer must submit Form 105, Multipurpose Loan Servicing Transmittal for a First-Lien Mortgage, and provide all relevant information supporting the exception request. Refer to Chapter 8503 for further details regarding foreclosure limitations involving Servicemembers and Dependents.

(c) Tenant-occupied properties built before 1978

Before referring a Mortgage to foreclosure on a tenant occupied property built before 1978, if the Servicer is aware of, or becomes aware of, outstanding lead-based paint or health code citations or violations against the property or property owner, then the Servicer must notify Freddie Mac **(see Directory 5)** and include the following:

1. A copy of the citation

2. Copies of documentation related to a lead-based paint violation

After reviewing the documentation, Freddie Mac will provide the Servicer with instructions on the course of action to take.

9301.9: Referral to foreclosure documentation requirements (02/07/24)

Appropriate foreclosure documentation includes, but is not limited to, all documents required by the foreclosure counsel to complete the first legal action. The Servicer must continue to comply with applicable law, but at a minimum, must supply the foreclosure counsel with the following:

1. Copies of the Note (or the original Note if required by applicable law) evidencing the indebtedness along with any intervening assignments, endorsements, powers of attorney or any applicable modifying instrument, such as a modification, a conversion agreement or an assumption of indebtedness and release of liability agreement

2. Mortgage or deed of trust

3. Copy of the original title insurance policy. For Cooperative Share Loans recognized as personal property, refer to Section 8801.1(f)(ii) regarding certain Servicer warranties required when foreclosing on a Cooperative Share Loan.

4. Copy of the breach, acceleration or demand letter sent to the Borrower

5. Military affidavits

6. Executed Substitution of Trustee, as necessary

7. Payoff statement with per diem interest as of the date of the foreclosure referral

8. Send foreclosure counsel the following information by facsimile transmission or other electronic means:

- Name, mailing address and telephone number of the Borrower(s)

- Property address (if different from the Borrower's mailing address)

- A statement that the Mortgage is a Freddie Mac-owned Mortgage and includes the nine-digit Freddie Mac loan number

- Name and address of the person to contact in the Servicer's foreclosure department

If Freddie Mac needs to execute a document that is not authorized for the Servicer to execute under the Limited Power of Attorney (see Exhibit 53) for the Servicer to conduct the foreclosure, the Servicer must submit the document with Form 105, Multipurpose Loan Servicing Transmittal, to Freddie Mac **(see Directory 5)**. Refer to Section 9301.12 for assigning Security Instruments back to the Servicer if an assignment of the Security Instrument to Freddie Mac has been recorded. Refer to Sections 8101.4 and 8601.6 for requirements on obtaining a Limited Power of Attorney for Freddie Mac to sign documents on behalf of Freddie Mac.

Referral to foreclosure documentation requirements on a Mortgage secured by a Manufactured Home

In addition to the above requirements, if the Mortgage is secured by a Manufactured Home, the Servicer must notify the foreclosure counsel that the property is a Manufactured Home when it submits the case to the foreclosure counsel. The Servicer must also provide the foreclosure counsel with evidence that the property is legally classified as real property under the laws in the State where the property is located.

(a) Evidence that the property is real property in a non-certificate of title State

The Servicer must provide the foreclosure counsel with copies of the following documentation in non-certificate of title States (see Section 5703.4) evidencing that the Manufactured Home and the land are real property under the laws of the State where the property is located:

- Information stating the legal basis (statutory or common law) for determining that the Manufactured Home is real property that is exempt from certificate of title requirements. This information may be included in the documentation received at origination of the Mortgage from the title insurance company that the Manufactured Home is real property, and

- Evidence that a certificate of title has not been issued, such as the manufacturer's statement of origin, if the manufacturer's statement of origin is not required to be surrendered to a State agency

(b) Evidence that the property is real property in a certificate of title surrender State

The Servicer must provide the foreclosure counsel with copies of the following documentation in certificate of title surrender States (see Section 5703.4) evidencing that the Manufactured Home and the land are real property under the laws of the State where the property is located:

- A certificate of cancelation, notification letter or other acknowledgment from the Department of Motor Vehicles (DMV) or the appropriate State agency to which the certificate of title was surrendered, or a copy of the documents submitted in connection with the surrender along with evidence that the documents were delivered and received by the appropriate State agency, and

- Copies of the documents, such as an affidavit of affixture, recorded in the land records as part of the title surrender procedures to show the Manufactured Home has been converted to real property

(c) Evidence of clear and marketable title to the Manufactured Home and land in certificate of title States

The Servicer must provide the foreclosure counsel with the following documentation in certificate of title States (see Section 5703.4) evidencing the Borrower's ownership of both the Manufactured Home and the land on which it is permanently affixed and documentation evidencing that the land is legally classified as real property under the laws in the State where the property is located:

- The original or a copy of the certificate of title showing the Borrower as owner of the Manufactured Home. The certificate of title must have a notation of the original Seller/Servicer's security interest in the Manufactured Home in the name of the Seller and its successors in interest and assigns and have a notation of all intervening assignments from the original mortgagee to each successive Servicer, ending with the current Servicer, and

- A copy of the deed evidencing ownership of the land showing the owner of the land on the deed to be identical to the owner of the Manufactured Home on the certificate of title

This and any other relevant information must be provided within five days of the referral to foreclosure so that the foreclosure counsel has the information necessary to simultaneously enforce the liens (whenever possible) and so as not to unnecessarily lengthen the foreclosure process.

9301.10: Choosing a judicial or nonjudicial foreclosure process (09/27/21)

In States where the Servicer has the option of pursuing a judicial or nonjudicial foreclosure process, the Servicer must choose the nonjudicial process. However, if the Servicer determines its filing of a judicial foreclosure will preserve the right to pursue a deficiency judgment, and/or is in Freddie Mac's best interests, the Servicer should refer to Exhibit 57A, Approved Attorney Fees and Title Expenses, to determine if Freddie Mac has approved judicial foreclosure attorney fees in the State.

If Freddie Mac has approved judicial foreclosure attorney fees in the State, the Servicer may pursue a judicial foreclosure process without Freddie Mac's approval.

If Freddie Mac does not have approved judicial foreclosure attorney fees in the State, or the filing of a judicial foreclosure will incur additional attorney fees exceeding the expense limits in Exhibit 57A, the Servicer must obtain Freddie Mac's approval prior to referral to judicial foreclosure by submitting a request for pre-approval via PAID (Payments Automated Intelligent and Dynamic) (see Exhibit 88, Servicing Tools).

Refer to Section 9301.24 regarding when to request Freddie Mac's approval to preserve deficiency rights.

9301.11: Obtaining the original Note (02/14/18)

If physical or constructive possession of the original Note is needed to perform the foreclosure, the Servicer must request the Note from the Document Custodian maintaining the Note by submitting to the Document Custodian a completed Form 1036, Request for Physical or Constructive Possession of Documents, or an electronic or system-generated version of the form (or, in the case of The Bank of New York Mellon Trust Company, N.A. as the Designated Custodian, a copy of the electronically generated 1036 Release Receipt Report) in accordance with the requirements of Section 8107.1(b).

If there is a full or partial reinstatement of the Mortgage, the Servicer must return the Note to the Document Custodian with either the original Form 1036 or a copy.

9301.12: Foreclosing in the Servicer's name (11/14/18)

(a) Conducting the foreclosure

The Servicer must instruct the foreclosure counsel to process the foreclosure in the Servicer's name and in a manner that would avoid any obligation to pay a transfer tax. However, the

Servicer may instruct foreclosure counsel to conduct the foreclosure in Freddie Mac's name if applicable law:

- Precludes the Servicer from conducting the foreclosure in its name because it owns or services a subordinate Mortgage on the Mortgaged Premises, or

- Requires the foreclosure to be processed in Freddie Mac's name to avoid any obligation to pay a transfer tax and foreclosure counsel could not otherwise process the foreclosure in a manner that would successfully avoid imposition of the transfer tax obligation

For these special circumstances, the Servicer does not need to obtain written approval but must notify Freddie Mac within two Business Days of the Servicer's determination to foreclose in Freddie Mac's name and record the basis of the decision in the Mortgage file. All notifications must be sent via e-mail **(see Directory 5)**. For all other circumstances in which the Servicer may need to instruct foreclosure counsel to conduct the foreclosure in Freddie Mac's name, the Servicer must obtain written approval from Freddie Mac (refer to Section 9402.2 regarding initiating legal actions on Freddie Mac's behalf).

When processing the foreclosure in Freddie Mac's name, all pleadings and related documents must comply with Section 9402.2(c). The Servicer remains obligated to notify Freddie Mac pursuant to Section 9501.12 in the event that any foreclosure conducted in Freddie Mac's name evolves into a non-routine litigation matter (see Section 9402.2).

When a Servicer conducts the foreclosure in Freddie Mac's name, the Servicer is not permitted to have the same foreclosure counsel represent the Servicer or another lien holder in the same proceeding. Freddie Mac does not consent to dual representation of Freddie Mac and another lien holder on the same property.

(b) Executing documents

If Freddie Mac needs to execute a document that is not authorized for the Servicer to execute under the Limited Power of Attorney (see Exhibit 53) for the Servicer to: (i) process the foreclosure, or (ii) execute a document related to a foreclosure sale, the Servicer must submit Form 105, Multipurpose Loan Servicing Transmittal, to Freddie Mac **(see Directory 5)** with all supporting documentation, which may include, but is not limited to, the last recorded document in the chain of title, and include the document Freddie Mac needs to execute. Refer to Sections 8101.4 and 8601.6 for requirements on obtaining a Limited Power of Attorney for Freddie Mac to sign documents on behalf of Freddie Mac.

If an assignment of the Security Instrument to Freddie Mac has been recorded and the Servicer is conducting the foreclosure in its name, then the Security Instrument must be assigned back to the Servicer before the foreclosure counsel files the first legal action. Refer to Section 9301.16 for an explanation of first legal action.

To have the Security Instrument assigned back to the Servicer, the Servicer must submit a completed assignment with a Request for Assistance Form (available at:

https://sf.freddiemac.com/content/_assets/resources/pdf/fact-sheet/sats699.pdf), to Freddie Mac **(see Directory 9)**. Freddie Mac will endeavor to execute the assignment and return it to the Servicer within 10-12 Business Days of receiving the documents.

If the Servicer is foreclosing on a Mortgage registered with MERS®, the Servicer must prepare and execute (using the Servicer's employee who is a MERS authorized "signing officer") an assignment of the Security Instrument from MERS to the Servicer. The Servicer must record the prepared assignment where required by State law. State mandated recordings are non-reimbursable by Freddie Mac, are not considered part of the Freddie Mac allowable foreclosure counsel fees and must not be billed to the Borrower.

If the Mortgage is an FHA, Section 502 GRH or VA Mortgage, then the Servicer must follow FHA, RHS or VA guidelines to determine in whose name the foreclosure action should be brought.

Refer to Section 6301.6 for additional information on Freddie Mac's requirements for assignments of the Security Instrument.

9301.13: Solicitation during the foreclosure process (10/19/17)

If a Servicer previously determined that a Borrower, who was less than 60 days delinquent at the time of evaluation, did not qualify for any alternative to foreclosure and the Borrower subsequently becomes 60 days delinquent, then the Servicer must continue its solicitation and collection efforts with the Borrower in accordance with the requirements of Chapter 9102. Continued solicitation includes sending another Borrower Solicitation Package, as applicable, if documentation needs to be refreshed in order to perform the subsequent evaluation of the Borrower for alternatives to foreclosure.

Unless required to continue contact attempts by applicable law, attempts to contact any delinquent Borrower and related loss mitigation solicitations must discontinue 60 days prior to a foreclosure sale date for judicial foreclosures or 30 days prior to a foreclosure sale date for non-judicial foreclosures.

Loss mitigation solicitations while the Mortgage is in foreclosure must be communicated to and coordinated with the foreclosure counsel, as appropriate. A Servicer must keep the foreclosure counsel informed of the status of relevant alternative to foreclosure negotiations and must notify the foreclosure counsel within two Business Days after arrangements for an alternative to foreclosure have been agreed to or within two Business Days after the Mortgage is fully reinstated.

9301.14: Servicer's responsibility to work with foreclosure counsel (03/02/16)

(a) After Servicer referral

Once the Servicer has referred a Mortgage to foreclosure, the Servicer must work with the foreclosure counsel to:

1. Identify any viable alternatives to foreclosure

2. Monitor the progress of the foreclosure

3. Facilitate prompt and efficient completion of the foreclosure proceedings and acquisition of clear and marketable title, including conducting the foreclosure in a way that will expedite an eviction of the tenant or Borrower

(b) Communication

Servicer must maintain communication with the foreclosure counsel so that the Servicer can manage the foreclosure effectively. No less than one time per month, the Servicer must require the foreclosure counsel to report the status of the foreclosure, request any documentation needed from Servicer and report any relevant information to the Servicer. The Servicer must maintain this information in the Mortgage file or on its Mortgage system.

(c) Compliance

A Servicer must ensure foreclosure counsel complies with the Servicemembers Civil Relief Act (SCRA) and all State Military Relief Laws as they apply to any Borrower or Mortgage including verification that the Borrower is not a Servicemember currently serving a Period of Military Service (as those terms are referenced in Section 8503.1), or if the Borrower was a Servicemember, that more than one year has elapsed since their period of Military Service ended. (See Section 9701.11 regarding when verification should be completed by foreclosure counsel).

(d) Providing information to the foreclosure counsel

For any Mortgage that the Servicer refers for foreclosure, the Servicer must provide complete written reinstatement or payoff figures to foreclosure counsel, workout specialist or outsourcing vendor requesting the information. This information must be provided within two Business Days of the date on which a written request is received. The Servicer may provide the written reinstatement or payoff figures via a paper document, facsimile or e-mail.

If the foreclosure counsel requests additional information and/or documentation from the Servicer (such as certificates of judgment), at any time, the Servicer must provide such requested information and/or documents within three Business Days after receipt of the

request, or within such earlier time frame if necessary to comply with timing requirements under applicable law or court orders and procedures.

(e) Foreclosure counsel fees

Foreclosure counsel fees and costs must be reasonable and comparable to those customarily charged in the area where the property is located. Exhibit 57A, Approved Attorney Fees and Title Expenses, provides Freddie Mac's expense limits for foreclosure counsel fees. The Servicer must obtain Freddie Mac's written approval prior to incurring foreclosure counsel fees in excess of the expense limits. Refer to Section 9701.3 for details on obtaining Freddie Mac's written pre-approval for exceeding the expense limits in Exhibit 57A.

(f) Fees and Borrower's defenses

Freddie Mac will reimburse the Servicer for Freddie Mac's proportionate share of expenses for responding to Borrower defenses. Refer to Section 9402.2 and Chapter 9701 for details regarding expense reimbursements.

9301.15: Reporting requirements (03/02/16)

The Servicer must notify Freddie Mac via an EDR transmission within the first three Business Days of the month following the month that the Servicer referred the Mortgage to foreclosure. Use a default action code of 43 and provide the date the Mortgage was referred to foreclosure. For additional information on EDR requirements, refer to Section 9102.8.

(a) Monthly foreclosure reporting

Once the Servicer has reported that a Mortgage has been referred to foreclosure the Servicer must report a default action code 68 (Date of first legal action) with the corresponding date of the first legal action (as defined in Section 9301.16). The Servicer must continue to report that the Mortgage is in foreclosure in its monthly EDR transmission using a default action code of 43 (Referred to foreclosure) until:

- The Servicer reports the results of a foreclosure sale or the execution of a deed-in-lieu of foreclosure, or
- The Servicer reports that the Mortgage is fully reinstated or paid off, or
- A workout is completed

For additional information on EDR requirements, refer to Section 9102.7.

(b) Responding to and reporting Borrower defenses

(i) Responding to Borrower defenses

The Servicer must respond to legal actions brought by the Borrower during the foreclosure. Refer to Chapter 9401 for specific requirements for handling bankruptcy and routine litigation and Chapter 9402 for non-routine litigation actions.

(ii) Reporting a bankruptcy filing

If the Borrower files bankruptcy during the foreclosure process, the Servicer must report the bankruptcy filing to Freddie Mac. The Servicer must submit this notification via an EDR transmission within the first three Business Days of the month following the month that the bankruptcy was filed. The Servicer must include the date of the filing and the applicable default action code to indicate the bankruptcy chapter number, as shown below.

Bankruptcy Chapter	Default Action Code
Chapter 12 bankruptcy petition filed	59
Chapter 7 bankruptcy petition filed	65
Chapter 11 bankruptcy petition filed	66
Chapter 13 bankruptcy petition filed	67

The Servicer must also notify Freddie Mac when the bankruptcy plan is confirmed by reporting a default action code of 69 (Bankruptcy plan confirmed), and providing the date the plan was confirmed, or in the event of a scheduled bankruptcy cramdown, by reporting a default action code of 35 (bankruptcy cramdown Scheduled). The Servicer must continue to report each month that the Borrower is in bankruptcy until the bankruptcy is cleared or the stay lifted and the Servicer has reported the event to Freddie Mac.

When the bankruptcy is cleared or the stay is lifted, the Servicer must notify Freddie Mac via an EDR transmission within the first three Business days of the month following the month that the action occurred. Use a default action code of 76 (Bankruptcy court clearance obtained/stay lifted) and provide the date that the action occurred.

For additional information on EDR requirements refer to Section 9102.7.

(iii)Reporting a contested foreclosure and/or other litigation

The Servicer must notify Freddie Mac of a contested foreclosure. The Servicer must also notify Freddie Mac of any pending litigation that affects the enforceability of the Mortgage or the marketability of the property securing the Mortgage. (Refer to Section 9402.2.) The Servicer must submit this notification via an EDR transmission within the first three Business Days of the month following the month in which the Servicer became aware of the contested foreclosure or other litigation. Use a default action code of 33 (Contested foreclosure and litigation) and provide the date that the action occurred.

The Servicer must report each month that the foreclosure is being contested or about the other litigation as long as the case is pending.

For additional information on EDR requirements, refer to Section 9102.7.

(c) Reporting the scheduled foreclosure sale date

The Servicer must notify Freddie Mac via an EDR transmission within the first three Business Days of the month following the month that a foreclosure sale has been scheduled, by reporting a default action code of 71 (Foreclosure sale scheduled) along with the scheduled sale date. When the Servicer reports the scheduled foreclosure sale in its EDR transmission, the Servicer must also indicate that the Mortgage is in foreclosure using a default action code of 43 (Referred to foreclosure). Therefore, the Servicer will be reporting multiple default action codes in the same EDR transmission.

For additional information on EDR requirements, refer to Section 9102.7.

9301.16: What is the first legal action in the foreclosure process? (03/02/16)

The first legal action is the first public action required in the jurisdiction where the property is located to commence the foreclosure process. The first legal action may include:

- For judicial foreclosures, a complaint, petition, order to docket or notice of hearing
- For non-judicial foreclosures, recording a notice of default or publication of a notice of sale
- For foreclosures other than judicial and non-judicial foreclosures, if any, the earliest document that establishes, sets or schedules a date for a foreclosure sale

This first legal action must take place after the referral to foreclosure. (Refer to Sections 9301.5, 9301.6, 9301.7 and 9301.9.)

9301.17: Expedited foreclosure if property is vacant or abandoned (09/27/21)

Some jurisdictions permit an expedited or alternative foreclosure process if the Mortgaged Premises is vacant or abandoned. If the Servicer decides it is in Freddie Mac's best interest to pursue an expedited foreclosure as a result of the occupancy status of the Mortgaged Premises, then the Servicer may proceed with an expedited foreclosure.

Requesting additional attorney fees

If the Servicer believes that pursuing an expedited foreclosure is in Freddie Mac's best interest and knows that additional attorney fees will be incurred when processing this expedited foreclosure, the Servicer must submit a request for pre-approval to Freddie Mac via PAID (Payments Automated Intelligent and Dynamic) (see Exhibit 88, Servicing Tools) to recommend incurring additional attorney fees to complete the expedited foreclosure. The Servicer must send the recommendation to Freddie Mac before the Servicer incurs additional fees; otherwise, Freddie Mac will not reimburse for those fees. Under no circumstances should the Servicer delay initiating foreclosure to obtain Freddie Mac's approval to pursue an expedited foreclosure.

9301.18: Obtaining judgment for less than total indebtedness (03/02/16)

While Servicers are required to obtain judgment against the Borrower for the total indebtedness due under the Note and Mortgage in accordance with applicable law and the Guide, there may be cases where the foreclosure proceeding will be significantly shortened if the Servicer only seeks judgment for any amount less than the total indebtedness (e.g., for only principal and interest owed by the Borrower). If the Servicer determines that obtaining judgment for any amount less than the total indebtedness is in Freddie Mac's best interest, it may do so. The Servicer must record the decision to obtain judgment for a lesser amount and the grounds for its decision in the Mortgage file.

Prior to obtaining final judgment of foreclosure on any amount less than the total indebtedness, the Servicer must ensure that:

- All requirements of the Guide have been met
- The ratio of the sum of principal and interest to the market value of the Mortgaged Premises is 100% or more. The Servicer must obtain the value of the Mortgaged Premises in accordance with Section 9202.16, as if the Servicer were obtaining an "estimated market value" of the Mortgaged Premises for a short sale (see Section 9208.5(b) for instructions on obtaining a short sale property value).

- In the event the Borrower reinstates or satisfies the Mortgage after judgment is obtained, the Servicer must instruct foreclosure counsel to vacate the judgment. If this is not possible and the Servicer has unreimbursed expenses or advances that are not collectable because it obtained judgment for an amount less than the total indebtedness, the Servicer may not seek reimbursement from Freddie Mac for those expenses or advances.

9301.19: Expedited foreclosures (03/02/16)

Servicers must always consider how to resolve a Freddie Mac Default Legal Matter in a way that obtains the best result for Freddie Mac and in a legally-compliant manner. While Servicers are not required to use expedited methods identified in this chapter, if a Servicer does proceed with an expedited method, it must adhere to the requirements set forth in this chapter.

This chapter provides requirements for expediting Freddie Mac Default Legal Matters, such as:

- Waiving Freddie Mac's right to pursue deficiency actions against a Borrower
- Expediting the foreclosure if the property is identified as vacant/abandoned
- Obtaining default judgment for an amount less than total amount owed by the Borrower
- State-specific methods for expediting Freddie Mac Default Legal Matters

9301.20: Expedited foreclosures – Florida (09/27/21)

(a) Determining the judgment method

In the State of Florida, Servicers may obtain judgment in connection with a foreclosure in several ways, including the following:

- Motion for summary judgment
- Bulk trial foreclosures
- Order to show cause
- Obtaining judgment for less than the total indebtedness as described in Section 9301.18

Foreclosure timeline requirements set forth in Section 9301.45 will not be waived regardless of the procedure the Servicer follows when foreclosing the Mortgage.

(b) Motion for summary judgment

Servicers may move for summary judgment against the Borrower using the expense limits set forth in Exhibit 57A, Approved Attorney Fees and Title Expenses.

(c) Bulk trial foreclosures

Servicers may utilize bulk trial foreclosures to accelerate foreclosures. This option can be used for Freddie Mac Default Legal Matters that were:

- Referred to law firms on or after June 1, 2013 or
- Referred to law firms before June 1, 2013 and for which the foreclosure complaint has been filed, but final judgment of foreclosure has not yet been entered

Servicers and their counsel must use their discretion to determine whether the bulk trial foreclosure process is appropriate for the jurisdiction, the Mortgage and the Mortgaged Premises that is the subject of the foreclosure.

Reimbursement of expenses

Pursuant to Section 9701.11, Freddie Mac will reimburse Servicers for approved attorney fees as set forth in Exhibit 57A. Servicers must submit expenses for additional attorney fees associated with the use of the bulk trial foreclosure process through PAID (Payments Automated Intelligent and Dynamic) (see Exhibit 88, Servicing Tools). Freddie Mac will reimburse up to a maximum of $1,750, including legal fees for all necessary work to complete bulk trial foreclosures, including, but not limited to:

- Identification of bulk trial foreclosure candidates
- Pre-trial preparation and correspondence
- Preparation of trial orders
- Witness preparation
- All necessary court appearances

This fee is in addition to the foreclosure attorney fee. Servicers must use expense code 010009 (Bulk Trial Foreclosure/Inquest Process) when submitting an expense in PAID (see Exhibit 88, Servicing Tools) for the additional trial fees associated with the bulk trial foreclosure process. Legal expenses paid by the Servicer must match or exceed the reimbursement request.

(d) Order to show cause

Servicers may foreclose using motions for order to show cause against the Borrower subject to the expense limits set forth in Exhibit 57A.

(e) Default judgment

Servicers may move for default judgment against the Borrower in accordance with Sections 9301.18 and 9301.23.

9301.21: Expedited foreclosures – Illinois (09/27/21)

In Illinois, Servicers may obtain a consent judgment from a Borrower and take title to the Mortgaged Premises on behalf of Freddie Mac instead of selling the Mortgaged Premises at foreclosure sale.

Servicers must comply with the requirements in Section 9301.2 and applicable law prior to obtaining a consent judgment pursuant to this section. Servicers may also offer a relocation incentive to a qualified Borrower as described in this section.

(a) General requirements

- The Mortgaged Premises must be located in Illinois
- Servicers may seek reimbursement from Freddie Mac, subject to the expense limits set forth in Exhibit 57A, Approved Attorney Fees and Title Expenses
- Payments from Freddie Mac or the Borrower to subordinate lienholders, if any, are not permitted. Most subordinate liens will be extinguished by operation of law once the consent judgment is final.

(b) Relocation incentive requirements

The Servicer may pay a relocation incentive of up to $3,000 to the Borrower in a manner similar to the relocation assistance for completion of a Freddie Mac Deed-in-Lieu of Foreclosure ("deed-in-lieu of foreclosure") if the Borrower occupies the Mortgaged Premises as his or her Primary Residence at the time the Borrower consents to judgment provided that:

1. If the Borrower receives relocation assistance from a source other than Freddie Mac or the Servicer, such as an employer, the Servicer must reduce the amount of Freddie Mac's relocation assistance by the amount received from the other source. If the Borrower will receive relocation assistance from a source other than Freddie Mac or the Servicer and the amount is equal to or greater than $3,000, Freddie Mac will not provide any relocation assistance to the extent that the Servicer is aware of such payment.

2. Borrowers subject to Permanent Change of Station (PCS) orders will not be eligible for Freddie Mac relocation assistance as the government assists in defraying the costs of the service member's relocation

3. The Servicer must conduct an interior inspection of the Mortgaged Premises to ensure that it is vacant, undamaged and in broom-swept condition in the same manner and under the same requirements as stated in Section 9209.5 for a deed-in-lieu of foreclosure, unless the property is a 2- to 4-unit property and Freddie Mac allows tenants to remain in one or more unit(s); in which case, the Servicer must ensure the remaining units are vacant, undamaged and in broom-swept condition. The Servicer must take all necessary actions to protect the Mortgaged Premises from waste, damage and vandalism.

   - If the property inspection reveals any environmental hazards or legal concerns as described in Section 9209.2(c), the Servicer must contact Freddie Mac for approval prior to obtaining the consent judgment

   - If the property inspection indicates that the Mortgaged Premises was not left in broom-swept condition or there is damage to the Mortgaged Premises, the Servicer must proceed to judgment and do all of the following:

     - Estimate the costs for remediating the issues

     - Reduce the Borrower relocation assistance by the estimated amount

     - Secure the property following the requirements in Section 9603.1

   - Freddie Mac will reimburse the Servicer for the actual cost of a final property inspection conducted by an outside service up to the expense limits stated in Exhibit 57, 1- to 4-Unit Property Approved Expense Amounts. Refer to Section 9701.9 for details regarding reimbursement of property inspection costs.

4. Once the final amount of relocation assistance has been determined, the consent judgment has been obtained and the Mortgaged Premises have been inspected and found to be in acceptable condition, the Servicer must disburse to the Borrower the relocation assistance payment. The Servicer must distribute the relocation assistance funds no more than 30 days after entry of judgment. The Servicer may request reimbursement for the relocation assistance from Freddie Mac via PAID (Payments Automated Intelligent and Dynamic) (see Exhibit 88, Servicing Tools).

5. In addition to the relocation assistance offered by Freddie Mac, the Servicer may in its discretion offer the Borrower an additional financial incentive to obtain the consent of the Borrower to entry of judgment. Any relocation assistance provided by the Servicer will be in addition to the relocation assistance amount provided by Freddie Mac and the Servicer's assistance amount does not have to be subtracted from the assistance amount Freddie Mac will pay. If the Servicer does offer its own relocation assistance, it must provide the assistance from its own funds, as a payment made directly to the Borrower.

6. The relocation assistance payment may not be applied to other debts secured by the Mortgaged Premises or retained by the Servicer for any reason

(c) Foreclosure sale reporting

The Servicer must report the Mortgage as reverting to REO through a foreclosure sale, and not a deed-in-lieu of foreclosure. The Servicer must report the "sale results" as the amount of the judgment (as there is no foreclosure sale) and the Servicer must report the "sale date" as the date the judgment is entered.

If the Servicer also waives the deficiency in connection with obtaining the consent judgment, then the Servicer must notify Freddie Mac that the deficiency rights have not been preserved at the time the foreclosure sales results are being reported as provided in Section 9301.38.

9301.22: Expedited foreclosures – New York (09/27/21)

In New York, certain counties or courts have established guidelines for an alternative course of legal action, the New York Foreclosure Inquest Program and/or bulk trials, as a method to expedite foreclosure actions.

Servicers may utilize the New York Foreclosure Inquest Program and/or bulk trials as an alternative foreclosure process to accelerate Freddie Mac Default Legal Matters in New York. Servicers and their counsel must use their discretion to determine if the use of the New York Foreclosure Inquest Program and/or bulk trials is in Freddie Mac's best interest based on the local jurisdiction, the Mortgage and the Mortgaged Premises that is the subject of the foreclosure, and if the foreclosure action meets the eligibility criteria for inclusion in the New York Foreclosure Inquest Program as determined by the participating county or judge.

Foreclosure timeline requirements set forth in Section 9301.45 will not be waived as a result of using the New York Foreclosure Inquest Program and/or bulk trials, and will remain in effect.

Reimbursement of expenses

Pursuant to Section 9701.11, Freddie Mac will reimburse Servicers for approved attorney fees as set forth in Exhibit 57A, Approved Attorney Fees and Title Expenses. Servicers must submit expenses for additional attorney fees associated with the use of the New York Foreclosure Inquest Program and/or bulk trials through PAID (Payments Automated Intelligent and Dynamic) (see Exhibit 88, Servicing Tools). Freddie Mac will reimburse up to a maximum of $1,750, which is the maximum legal fee for all work necessary to complete an inquest, including, but not limited to:

- Identification of Foreclosure Inquest Program candidates
- Pre-trial preparation and correspondence

- Preparation of trial orders
- Witness preparation
- All necessary court appearances

This fee is in addition to the approved foreclosure attorney fee. Servicers must use expense code 010009 (Bulk Trial Foreclosure/Inquest Process) when submitting a claim request in PAID for the additional trial fees associated with a Mortgage proceeding in the New York Foreclosure Inquest Program. Legal expenses paid by the Servicer must match or exceed the reimbursement request.

9301.23: When to preserve/waive deficiency rights (03/09/16)

(a) When to preserve deficiency rights

In all instances, except as set forth in this section, where the foreclosure timeline will not be extended or additional fees/costs will not be incurred above the approved expense limits set forth in Exhibit 57A, Approved Attorney Fees and Title Expenses, Servicers must work with their foreclosure attorney to preserve Freddie Mac's right to pursue a deficiency action. Freddie Mac reserves the right to pursue deficiencies after the foreclosure sale on a case-by-case basis.

If the Mortgage has mortgage insurance, the Servicer must follow the MI's instructions for pursuing deficiency judgments or waiving deficiency judgments.

(b) When to waive deficiency rights

The Servicer must adhere to the requirements provided in this section in order to waive Freddie Mac's right to pursue a deficiency judgment against a Borrower.

In many jurisdictions, applicable law provides Freddie Mac the right to pursue a deficiency balance after a foreclosure sale. In some instances, it may be in Freddie Mac's best interest to waive the right to collect the deficiency including, but not limited to, cases where a waiver will do one of the following:

- Expedite the foreclosure
- Expeditiously resolve litigation and/or bankruptcy in Freddie Mac's favor
- Result in a consent judgment conveying the Mortgaged Premises to Freddie Mac in Illinois

- Obtain a Borrower's consent to the final judgment of foreclosure on an expedited basis
- Expedite or result in the entry of an order confirming or ratifying the foreclosure sale by the court
- Minimize or avoid the imposition of additional redemption, confirmation or ratification periods, if State law would impose such additional periods

If the Servicer determines that waiving Freddie Mac's right to pursue a deficiency is in Freddie Mac's best interest, then the Servicer may use its discretion without obtaining Freddie Mac's prior approval to waive Freddie Mac's right to pursue a deficiency.

If the Servicer waives Freddie Mac's right to pursue a deficiency, then at the time it reports the foreclosure sale results as required by Section 9301.38, the Servicer must notify Freddie Mac that the deficiency rights have not been preserved.

The Servicer must record that it waived Freddie Mac's deficiency rights, as well as the grounds for its decision, in the Mortgage file.

Servicers must meet the requirements of Section 9301.38 when waiving deficiency rights.

9301.24: Circumstances where preserving deficiency rights requires additional expense (09/27/21)

If the Servicer knows that additional attorney fees will be incurred when preserving Freddie Mac's right to pursue a deficiency action, and the Servicer believes it is in Freddie Mac's best interest to preserve Freddie Mac's right to pursue a deficiency action against the Borrower, the Servicer must submit a request for pre-approval (RPA) to Freddie Mac via PAID (Payments Automated Intelligent and Dynamic) (see Exhibit 88, Servicing Tools) to recommend incurring additional attorney fees to perfect Freddie Mac's rights to pursue a deficiency action. If possible, the Servicer should send the recommendation to Freddie Mac before the Servicer refers a Mortgage to foreclosure. However, under no circumstances should the Servicer delay referring a Mortgage to foreclosure to obtain Freddie Mac's approval to preserve Freddie Mac's deficiency rights. When submitting a recommendation to Freddie Mac, the Servicer must follow the instructions provided below.

Servicers must only send a recommendation to Freddie Mac if the Servicer or its attorney is able to provide justification that would outweigh both the delays in the foreclosure process, and the increased fees and costs. Servicers should include an explanation for the request in the RPA comment field along with the electronic attachment of any supporting documentation.

Servicers will not receive foreclosure timeline compensatory fee consideration for delaying the foreclosure process unless explicitly stated by Freddie Mac in its response to the Servicer's recommendation.

For all other issues related to preserving deficiency rights where additional expenses are required, Servicers should direct their questions to Freddie Mac **(see Directory 5)**.

9301.25: Abandonment (03/02/16)

Preservation of deficiency rights should be sought against a Borrower who has abandoned the property. When these cases fall outside of the requirements set forth in Section 9301.23, it is the Servicer's responsibility to send a recommendation to Freddie Mac by submitting a request for pre-approval to Freddie Mac within five Business Days of discovering the property is abandoned.

For all other issues related to abandonment as it relates to the preservation of deficiency rights, Servicers should direct their questions to Freddie Mac **(see Directory 5)**.

9301.26: Preserving the property during the foreclosure process (09/27/21)

The Servicer must take the following actions to preserve and maintain the property during the foreclosure process:

1. Ensure the property is covered by property insurance throughout the foreclosure process, in accordance with the requirements of Section 9603.11. This includes taking all actions required in the mortgage clause of all applicable property insurance policies, including, but not limited to, providing all notices to the insurer required under such clause, in order to preserve the coverage and its maximum benefits for the Servicer and/or Freddie Mac, as mortgagee.

2. Take all necessary steps to protect the property from waste, damage and vandalism, and winterize, as appropriate (see Exhibit 57, 1- to 4-Unit Property Approved Expense Amounts, for an outline of winterization requirements)

Obtain approval from Freddie Mac for any property preservation expenses that either exceed Freddie Mac's approval limits or will be incurred after the date of a foreclosure sale, including where the property is sold to a third party by submitting a request for pre-approval of expenses (RPA) to Freddie Mac via PAID (Payments Automated Intelligent and Dynamic) (see Exhibit 88, Servicing Tools). (Refer to Section 9701.9 regarding reimbursement for property preservation expenses.)

3. Comply with any property preservation requirements of the FHA, RHS, VA or MI, if applicable

4. For leasehold Mortgages, ensure that payments required under the terms of the lease (i.e., ground rents) are made to prevent termination of the lease, if termination of the lease will impair Freddie Mac's lien position or interest in the property

Reporting lead-based paint violations

If during the foreclosure process the Servicer becomes aware of lead-based paint violations on the property, then the Servicer must report such violations to Freddie Mac **(see Directory 5)** within five Business Days of learning of the violation. The Servicer must include:

- A copy of the citation

- Copies of documentation related to a lead-based paint violation

9301.27: Expenses that may become First Liens on the property (05/04/20)

The Servicer must obtain bills and make payment for all expenses requiring payment under the Security Instrument. Such expenses may include, but are not limited to, property taxes, ground rents, and assessments or other charges (e.g., utility assessments, condominium/homeowners association (HOA) or Cooperative Corporation assessments, and Condominium Unit maintenance fees or Cooperative Unit Maintenance Fees) that, if delinquent, are or may become First Liens priority on the property or that if not paid would result in the subordination of Freddie Mac's interests. (See Section 8801.4 regarding Cooperative Share Loan expenses that may become First Liens on the property.) If the Borrower's Escrow Funds are insufficient to pay these items as they become due during foreclosure, or, if there is no Escrow account or if the Escrow account does not hold funds for these expenses, the Servicer must advance funds to pay these expenses, when and to the extent necessary, to protect Freddie Mac's interests.

Additionally, the Servicer must contact Freddie Mac **(see Directory 5)** and obtain Freddie Mac's written approval before making payments to taxing authorities when federal, State or local income tax liens would take priority over Freddie Mac's First Lien position.

9301.28: Complete Borrower Response Packages received after referral to foreclosure (09/27/21)

(a) First Complete Borrower Response Package received after referral to foreclosure and greater than 37 days prior to the foreclosure sale date

Refer to Section 9101.4.

(b) All other Borrower Response Packages received after referral to foreclosure and greater than 37 days prior to the foreclosure sale date

If the Servicer receives a complete Borrower Response Package after referral to foreclosure, the Servicer is not required to suspend foreclosure proceedings to review the complete Borrower Response Package and notify the Borrower of the decision.

To accept an offer

A Borrower's notification to the Servicer that he or she intends to accept an offer may be demonstrated as follows:

- Verbal notification
- Written notification

If a payment is required to legally accept an alternative to foreclosure offer, and the Borrower does not communicate a verbal or written rejection of the alternative to foreclosure offer, the Servicer must postpone foreclosure actions where legally permitted at least through the last day of the month that the first payment is due under the terms of the alternative to foreclosure offer or until the deadline for Borrower acceptance has passed. If the Servicer receives the first payment timely in accordance with the terms of a Trial Period Plan, repayment plan or forbearance plan, the Servicer must delay the next legal action unless the Borrower breaches the plan.

In the event a foreclosure sale occurs, the Servicer's performance will be measured against Freddie Mac's State foreclosure timelines without consideration given to the Servicer's postponement of the foreclosure sale (refer to Exhibit 83, Freddie Mac State Foreclosure Timelines).

Borrower Response Package received without a short sale purchase offer and foreclosure sale date is scheduled

If the foreclosure sale has been scheduled and the Servicer sends the Borrower a Borrower Evaluation Notice that is an intent to pursue a short sale based on receipt of a complete Borrower Response Package but a purchase offer was not received, then the Borrower Evaluation Notice must be amended to indicate the following:

- *Contact a real estate broker to list your property for sale if it is not currently listed*

- *Once you receive a potential buyer's offer, contact us immediately and we will review the offer to determine whether to accept it in full or partial satisfaction of your obligation*

Short sale evaluations

Once the Mortgage has been referred to foreclosure, the Servicer must continue with foreclosure proceedings during the short sale process, except where delay for motion of judgment is provided for Mortgages subject to judicial proceedings. However, the Servicer must not complete a foreclosure sale if the short sale has been approved based on a review of a purchase offer and a complete Borrower Response Package (or other streamlined documentation permitted in Section 9208.3). The Servicer must suspend the foreclosure sale where permitted under State or local law.

Deed-in-lieu of foreclosure evaluations

Once the Mortgage has been referred to foreclosure, the Servicer must continue with foreclosure proceedings during the deed-in-lieu of foreclosure process, except where delay for motion of judgment is provided for Mortgages subject to judicial proceedings. The Servicer may only suspend a foreclosure sale after the executed deed and all required deed-in-lieu of foreclosure documents have been received by the Servicer. Additionally, the Servicer must receive an executed deed from the Borrower no later than 30 days prior to the scheduled foreclosure sale date.

When considering a Borrower for a deed-in-lieu of foreclosure, the Servicer must ensure that there is sufficient time to complete processing of the deed-in-lieu of foreclosure (inclusive of sending the deed-in-lieu of foreclosure offer to the Borrower) so that the Servicer receives the executed deed no later than 30 days prior to the foreclosure sale date.

(c) Borrower Response Package received 37-15 days prior to the scheduled foreclosure sale date

If a complete Borrower Response Package (including a short sale purchase offer, as applicable) is submitted between 37 and 15 days before a scheduled foreclosure sale date, the Servicer must expedite its review and make a determination regarding the Borrower's request for assistance at least seven days before the scheduled foreclosure sale date. This will ensure that the Servicer will be able to determine whether it must send a foreclosure certification to the foreclosure counsel at least seven, but no more than 15 days prior to a scheduled foreclosure sale date, if appropriate or offer the Borrower an alternative to foreclosure.

For a short sale transaction, if the Servicer has approved the short sale based on a review of a purchase offer and a complete Borrower Response Package (or other streamlined documentation as permitted), the Servicer must suspend the foreclosure sale where permitted under State or local law.

If the Servicer sends the Borrower a Borrower Evaluation Notice that is an intent to pursue a Freddie Mac Standard Short Sale based on receipt of a complete Borrower Response Package but a purchase offer was not received, then the Borrower Evaluation Notice must be amended to indicate the following:

- *Contact a real estate broker to list your property for sale if it is not currently listed. If your property is not currently listed, there may not be adequate time to market the property or to review a potential buyer's offer prior to the foreclosure sale date.*

- *Once you receive a potential buyer's offer, contact us immediately and we will review the offer to determine whether to accept it in full or partial satisfaction of your obligation*

The "Standard Short Sale – All Other Scenarios" model clause included in Exhibit 93, Evaluation Model Clauses, is representative of this Borrower Evaluation Notice.

(d) Borrower Response Package received less than 15 days prior to the scheduled foreclosure sale date

If a complete Borrower Response Package is received less than 15 days prior to a scheduled foreclosure sale date, the Servicer must first determine whether it can conduct an expedited review of the Borrower Response Package and render a decision by the latest foreclosure certification date (i.e., seven days prior to the scheduled foreclosure sale date) and if so, the Servicer must complete the review.

If the Servicer offers the Borrower a home retention alternative to foreclosure, and the expiration of the 14-day Borrower response period will occur on or after a scheduled foreclosure sale date, it must not provide the certification to the foreclosure counsel and must make every effort to suspend the foreclosure sale for up to 14 days where legally permitted under State or local law (see Section 9301.28 for foreclosure suspension requirements related to short sales). The Servicer is not in violation of this requirement if:

- A court with jurisdiction over the foreclosure proceeding (if any), or the bankruptcy court in a bankruptcy case, or the public official charged with carrying out the activity or event, fails or refuses to halt some or all activities or events in the matter after the Servicer has made reasonable efforts to move the court or request the public official for a cessation of the activity or event

- The Servicer has taken action to protect the interests of Freddie Mac in response to action taken by the Borrower or other parties in the foreclosure process (e.g., bankruptcy filed by the Borrower, situations where the Borrower files a motion that requires a response, or similar situations)

The Servicer must document in the Mortgage file if any of the foregoing exceptions to the requirement to halt an existing foreclosure action are applicable. In the event a foreclosure sale occurs, the Servicer's performance will be measured against Freddie Mac's State

foreclosure timelines without consideration given to the Servicer's postponement of the foreclosure sale (refer to Exhibit 83).

Solely for the purpose of suspending foreclosure sale, a Borrower's notification to the Servicer that he or she intends to accept an offer may be demonstrated as follows:

- Written notification

- Remittance of a payment due under an alternative to foreclosure offer that requires payment (i.e., forbearance, repayment or Trial Period Plan)

If the Borrower communicates an intent to accept the alternative to foreclosure within 14 days from the date of the Borrower Evaluation Notice offer as described above, the Servicer must suspend the foreclosure sale where legally permitted under State or local law. Additionally, in cases where a payment is required under the terms of an alternative to foreclosure offer, and the Borrower communicates a written intent to accept an alternative to foreclosure offer, the Servicer must suspend the foreclosure sale until the last day of the month that the first payment is due under the terms of the alternative to foreclosure offer. If the Servicer receives the first payment timely in accordance with the terms of a Trial Period Plan, the Servicer must delay the next legal action in the foreclosure process until the first month following the end of the Trial Period Plan. If the Servicer receives the first payment timely in accordance with the terms of a repayment plan or forbearance plan, the Servicer must delay the next legal action unless the Borrower breaches the plan.

If the Borrower complies with the terms of the Trial Period or other plan and the Mortgage is modified with a fully executed modification agreement or the Delinquency is cured, the Servicer must then cancel the foreclosure action as permitted by State or local law.

(e) Foreclosure sale postponements

Servicers are delegated the authority to approve foreclosure sale postponements. When determining whether to postpone a foreclosure sale, the Servicer must comply with the requirements in Sections 9301.28(a), (b), (c) and (d).

Regardless of the reason for the foreclosure sale postponement, in the event a foreclosure sale occurs, the Servicer's performance will be measured against Freddie Mac's State foreclosure timelines (refer to Exhibit 83).

Foreclosure attorney fees for actions required to postpone the foreclosure sale are included in the attorney's fees listed in Exhibit 57A when complying with the requirements in Sections 9301.28(a), (b), (c) and (d). Additionally, with prior written approval from Freddie Mac, the Servicer may be reimbursed for foreclosure attorney fees that exceed the expense limits in Exhibit 57A. To obtain written approval from Freddie Mac, the Servicer must submit a request for pre-approval (RPA) using the RPA functionality in PAID (Payments Automated Intelligent and Dynamic) (see Exhibit 88, Servicing Tools).

If a foreclosure sale is postponed due to Servicer non-compliance with the Guide including, but not limited to, the Servicer failing to provide the foreclosure certification, the Servicer will not receive any credit or consideration of State foreclosure timeline compensatory fees and will also be subject to any loss, expenses or other damages.

9301.29: Reviews and certifications prior to foreclosure sale (03/02/16)

(a) Pre-sale account review by the Servicer

The Servicer must have written policies and procedures requiring a review of the Mortgage at least 30 days prior to the scheduled foreclosure sale date.

The Servicer must review the account history to verify compliance with all required Borrower outreach, solicitation and evaluation requirements specified in Chapters 9101 and 9102 and that there is no approved payment arrangement, pending alternative to foreclosure offer or appeal for which the Borrower response period has not expired. The Servicer must document the results of their review in its Mortgage file or servicing system.

(b) Certification to foreclosure counsel

At least seven, but no more than 15 days prior to foreclosure sale, the Servicer must review the account and send written certification to the foreclosure counsel indicating that the foreclosure sale must continue unless:

- The account review reveals that all Borrower outreach, solicitation and evaluation requirements have not been achieved, or
- There is an approved payment arrangement, pending alternative to foreclosure offer or appeal for which the Borrower response period has not expired

If any of the above exceptions apply, then the Servicer must not provide the certification and must make every effort to stop a scheduled foreclosure sale.

The Servicer must document the results of its review in its Mortgage file or servicing system.

The Servicer must work with the foreclosure counsel to develop a process for receipt of the foreclosure certification to prevent unnecessary delays. If the foreclosure counsel cancels the foreclosure sale due to the Servicer's failure to provide the foreclosure certification timely, the Servicer will be subject to compensatory fees for delays resulting from such a cancelation.

9301.30: Foreclosure sale date extensions (03/02/16)

In some instances, it may be in Freddie Mac's best interest to extend the foreclosure sale date including, but not limited to, cases when an extension of the sale will do one of the following:

- Expedite the foreclosure
- Expeditiously resolve litigation and/or bankruptcy in Freddie Mac's favor
- Obtain a Borrower's consent to the final judgment of foreclosure on an expedited basis

If the Servicer determines that extending the foreclosure sale date is in Freddie Mac's best interest, then the Servicer may use its discretion without obtaining Freddie Mac's prior approval to extend the sale. The Servicer must record the decision to extend the foreclosure sale date and the basis for its decision in the Mortgage file.

Foreclosure timeline requirements set forth in Section 9301.45 will not be waived in consideration of extending the foreclosure sale date. Servicers and their counsel must use their discretion to determine whether extending the foreclosure sale date is in Freddie Mac's best interest based on the jurisdiction, the Mortgage and the Mortgaged Premises that is the subject of the foreclosure.

9301.31: Delegated bidding (10/02/23)

The Servicer must offer a bid on all foreclosures. Freddie Mac delegates to the Servicer responsibility to establish the bid according to the guidelines in Sections 9301.34 through 9301.36. However, if any of the following conditions exist, the Servicer must contact Freddie Mac at least ten Business Days prior to the foreclosure sale date:

1. It is not in Freddie Mac's best interest for the Servicer to enter a bid in accordance with the guidelines	The Servicer must e-mail Form 105, Multipurpose Loan Servicing Transmittal, for a First-Lien Mortgage to Freddie Mac at **ShortSales@FreddieMac.com**
2. A hazard insurance claim is pending and the bid will jeopardize the approval or payout of the claim	The Servicer must e-mail Form 105 for a First-Lien Mortgage to Freddie Mac at **Distressed_Property@FreddieMac.com**
3. The Servicer is unable to obtain a credit bid (see Section 9301.32 on obtaining a credit bid for foreclosure sale bidding) and bid in accordance with Section 9301.34, or the Servicer disputes the credit bid obtained in connection with a	The Servicer must e-mail Form 105 for a First-Lien Mortgage to Freddie Mac at **ShortSales@FreddieMac.com**. If the Servicer disputes the credit bid obtained in connection with a scheduled

scheduled foreclosure sale	foreclosure sale, and Freddie Mac decides to update or change the credit bid obtained by the Servicer via the Freddie Mac Real Estate Valuation and Pricing tool (see Exhibit 88, Servicing Tools), Freddie Mac will notify the Servicer that the credit bid has been updated prior to the foreclosure sale date. (See Section 9301.32 on updated credit bids.)
4. The Servicer is unable to obtain a credit bid via the Freddie Mac Real Estate Valuation and Pricing tool (and bid in accordance with Section 9301.34) because the foreclosure sale is of a property subject to resale restrictions (in accordance with Chapters 4406, 4504 or 4502, as applicable), but the resale restrictions terminate upon foreclosure (or expiration of any applicable redemption period) or recordation of a deed-in-lieu of foreclosure	The Servicer must e-mail Form 105 for a First-Lien Mortgage to Freddie Mac at **ShortSales@FreddieMac.com**

If Freddie Mac provides bidding instructions and/or offers a bid for a foreclosure sale in response to the contact requirements above, the Servicer must cooperate with Freddie Mac and make every effort to ensure that foreclosure counsel receives the updated bidding instructions in a timely manner so as not to delay, cancel or stop a scheduled foreclosure sale.

9301.32: When to obtain a credit bid for foreclosure sale bidding (10/02/23)

The Servicer must obtain a credit bid when preparing bids on First Lien Mortgages not covered by mortgage insurance, or when State law does not require that an appraisal report be used to set the bid (see Section 9202.16 on obtaining an appraisal report to prepare foreclosure sale bidding instructions). Servicers are not required to obtain credit bids when preparing bids on properties subject to resale restrictions that survive foreclosure or recordation of a deed-in-lieu of foreclosure (in accordance with Chapters 4406, 4502 or 4504, as applicable). The Servicer must refer to the applicable resale restrictions for details on the property valuation and/or the restricted resale price, as well as any other terms and conditions that must be met.

To ensure the Servicer has a credit bid in time for the foreclosure sale, Freddie Mac recommends that the Servicer obtain the credit bid via the Freddie Mac Real Estate Valuation and Pricing tool (see Exhibit 88, Servicing Tools) no less than 30 and no more than 90 days before the scheduled

foreclosure sale date (see Chapter 2404 for information about access to the Real Estate Valuation and Pricing tool). If the "good through date" returned with the credit bid is set to expire prior to the scheduled foreclosure sale date, then the Servicer needs to proactively request an updated credit bid in time for the scheduled foreclosure sale.

Freddie Mac may decide, in its sole discretion or in response to a Servicer's dispute of the credit bid (see Section 9301.31 regarding a Servicer's dispute of the credit bid obtained in connection with a scheduled foreclosure sale), to update or change the credit bid obtained by the Servicer via the Real Estate Valuation and Pricing tool. In such cases, Freddie Mac will notify the Servicer that the credit bid has been updated prior to the foreclosure sale date, and the Servicer must cooperate with Freddie Mac and make every effort to ensure that foreclosure counsel receives the updated bidding instructions in a timely manner so as not to delay, cancel or stop a scheduled foreclosure sale.

If the Servicer is unable to provide the updated bidding instructions to foreclosure counsel in a timely manner, or foreclosure counsel could not use the updated bidding instructions, then the Servicer must document it in the Mortgage file. Under no circumstance should the foreclosure sale be delayed because of the Servicer's receipt of an updated credit bid.

9301.33: Requirements for and reimbursement of appraisal reports (03/31/22)

(a) Requirements for appraisals

If State or local law requires an appraisal report to establish the bid amount, and Freddie Mac has given the Servicer approval to obtain an appraisal report pursuant to the provisions of Section 9202.16(a), then the appraisal report must:

1. Be completed in accordance with the requirements in Topic 5600

2. Be dated no more than 120 days before the foreclosure sale date

3. Be completed by an appraiser who meets the requirements of Section 5603.1 and who is free from any conflict of interest or financial interest in the transaction other than the appraiser's reasonable fee for such an opinion

4. Be based on an exterior inspection, if an interior inspection cannot be obtained

5. Document any conditions that relate to the existence of Hazardous Substances or conditions that would affect the habitability, safety, value or occupancy of the property

When the appraisal report has become greater than 120 days old, the Servicer must have the appraiser recertify the appraisal report. The Servicer must not order a new appraisal report.

(b) Reimbursement of appraisal reports

Freddie Mac will reimburse the Servicer for the cost of an appraisal report ordered in compliance with Section 9202.16(a) and this section. If the Servicer needs to reaffirm the value of the property after 120 days, Freddie Mac will reimburse for a recertification of the appraisal report.

9301.34: Bidding instructions for First Lien Mortgages not covered by mortgage insurance or subject to credit enhancements (10/02/23)

For a First-Lien Mortgage not covered by mortgage insurance or subject to a credit enhancement, the Servicer must bid in accordance with the requirements provided below:

1. Unless State law requires that an appraisal report be used to set the bid or the foreclosure sale is of a property subject to resale restrictions that survive foreclosure or recordation of a deed-in-lieu of foreclosure (in accordance with Chapters 4406, 4502 or 4504, as applicable), Freddie Mac recommends that the Servicer obtain the credit bid via the Freddie Mac Real Estate Valuation and Pricing tool (see Exhibit 88, Servicing Tools) no less than 30 days, but no greater than 90 days prior to the scheduled foreclosure sale date. (See Section 9301.32 on obtaining a credit bid for foreclosure sale bidding and Section 9202.16 on obtaining an appraisal report to prepare foreclosure sale bidding instructions.)

2. The Servicer must then start its bid at the minimum required by State law. If State law would impose a redemption, confirmation or ratification period because the foreclosure sale price was below a certain amount, the Servicer must bid a sufficient amount that would minimize or avoid any such additional periods from being imposed. Also, if applicable State law gives the Borrower a post-foreclosure sale right of redemption, and the Borrower can redeem the property for the successful foreclosure sale price, the Servicer must start its bid, as applicable, at an amount equal to the lesser of:

    i) 100% of the credit bid obtained from the Real Estate Valuation and Pricing tool

    ii) Total indebtedness, which includes the UPB, accrued interest, Escrow advances and expenses (see Exhibit 57A, Approved Attorney Fees and Title Expenses, for the applicable expense limits)

    iii) Such other amount as may be required by applicable State law (e.g., amount of the judgment); or

    iv) For the foreclosure sale of a property subject to resale restrictions that survive foreclosure or recordation of a deed-in-lieu of foreclosure, the property valuation and/or the restricted resale price

3. In the event the Servicer worked with its foreclosure attorney to preserve either Freddie Mac's or the MI's right to pursue a deficiency action pursuant to Sections 9301.23 and 9301.35, respectively, or filed a judicial foreclosure to preserve the right to pursue a deficiency judgment pursuant to Section 9301.10, the Servicer should bid an amount at foreclosure sale that reserves the right to pursue deficiencies after the foreclosure sale on a case-by-case basis

4. If a third party enters a bid, the Servicer must bid, as applicable, an amount up to, but not exceeding, an amount equal to the lesser of:

   i) 100% of the credit bid obtained from the Real Estate Valuation and Pricing tool

   ii) Total indebtedness, which includes the UPB, accrued interest, Escrow advances and expenses (see Exhibit 57A for the applicable expense limits)

   iii) Such other amount as may be required by applicable State law (e.g., amount of the judgment); or

   iv) For the foreclosure sale of a property subject to resale restrictions that survive foreclosure or recordation of a deed-in-lieu of foreclosure, the property valuation and/or the restricted resale price

   As applicable, in the event that the minimum bid required by State law exceeds the credit bid, but is less than total indebtedness or such other amount as may be required by State law, then the Servicer does not need to bid an amount more than the minimum bid required by State law. However, if the minimum bid required by State law exceeds the credit bid, total indebtedness, and such other amount as may be required by State law, or, for the foreclosure sale of a property subject to resale restrictions that survive foreclosure or recordation of a deed-in-lieu of foreclosure, exceeds the property valuation and/or restricted resale price, then the Servicer must follow the instructions in Section 9301.31.

5. Notwithstanding the requirements above, for the foreclosure sale of a property subject to with resale restrictions that survive foreclosure or recordation of a deed-in-lieu of foreclosure, the Servicer must refer to the applicable resale restrictions for details on the property valuation and/or the restricted resale price, as well as any other terms and conditions that must be met.

9301.35: Bidding instructions for Mortgages covered by mortgage insurance or subject to credit enhancements (03/02/16)

For a First Lien Mortgage covered by mortgage insurance, the Servicer must bid an amount approved by the MI. If the MI elects not to issue bidding instructions, or Freddie Mac has a delegation of authority from the MI for foreclosure sale bidding, the Servicer must follow the instructions in Section 9301.34.

Notwithstanding the above, in the event the Mortgage has mortgage insurance and the MI's bidding instructions or requirements include preserving deficiency rights, where permitted by applicable law, regardless if the MI has delegated authority to Freddie Mac for foreclosure sale bidding, the Servicer must preserve the MI's right to pursue a deficiency action and should bid an amount at foreclosure sale that reserves the right to pursue deficiencies after the foreclosure sale on a case-by-case basis.

For a Mortgage subject to a credit enhancement, the Servicer must bid an amount approved by the responsible party.

9301.36: Bidding instructions for Mortgages insured by the FHA or guaranteed by the VA or RHS (03/02/16)

If the Mortgage is insured by the FHA or guaranteed by the VA or RHS, then the Servicer must follow FHA, VA or RHS guidelines for bidding instructions. If the Mortgage is a VA Mortgage, then the Servicer may not enter a bid on Freddie Mac's behalf in excess of the upset price established by the VA. If the Servicer does not receive the VA upset price, the Servicer must contact Freddie Mac for instructions by submitting Form 105, Multipurpose Loan Servicing Transmittal, to Freddie Mac **(see Directory 5)**.

9301.37: Bidding appropriately and pursuit of surplus proceeds or overbid funds (09/27/21)

The Servicer must bid at the foreclosure sale:

- In accordance with the requirements in Sections 9301.31 through 9301.36, and
- To preserve Freddie Mac's rights to a deficiency according to the requirements in Sections 9301.23 through 9301.25

If the property is purchased by a third party at the foreclosure sale and there are any surplus proceeds or overbid funds, the Servicer must pursue and claim to retain the funds, so long as it is determined to be in Freddie Mac's best interest, to the extent:

- The funds will satisfy or reduce the total indebtedness under the terms of the Mortgage or such other amount as may be allowed by State law (e.g., amount and terms of the judgment) and the costs and expenses of the sale, if possible; and
- It is permitted under applicable State law

If the Servicer knows that additional attorney fees will be incurred when pursuing any surplus proceeds or overbid funds, and the Servicer believes it is in Freddie Mac's best interest to pursue and claim to retain any surplus proceeds or overbid funds, the Servicer must submit a request for pre-approval (RPA) to Freddie Mac via PAID (Payments Automated Intelligent and Dynamic) (see Exhibit 88, Servicing Tools) to recommend incurring additional attorney fees.

9301.38: Reporting foreclosure sale results (10/09/24)

This section contains requirements related to:

- Reporting requirements
- Compensatory fee for failing to comply with reporting requirements

Servicers may use the Resolve® user interface (UI) to report the results of a foreclosure sale to Freddie Mac. Servicers that elect to report the results of a foreclosure sale via the Resolve UI should refer to **Resolve Online Help** for details on the process.

(a) Reporting requirements

The Servicer must notify Freddie Mac of the results of all foreclosure sales, including successful third-party bids. The Servicer must notify Freddie Mac of the foreclosure sale results via the Freddie Mac Foreclosure Sale Reporting tool (see Exhibit 88, Servicing Tools) (i.e., foreclosure sale/deed-in-lieu of foreclosure ("DIL") submission) and complete the applicable data fields, including whether deficiency rights were preserved, no later than the Business Day immediately following the date of the foreclosure sale.

If the property was purchased by a third party at the foreclosure sale and either the sale price is less than the total indebtedness or the Servicer is owed reimbursable expenses or amounts, then the Servicer must use Workout Prospector® to settle the third-party foreclosure sale transaction once the foreclosure sale is confirmed or ratified and the Servicer has received the sale proceeds. (Refer to Section 9301.43 regarding reporting and remittance requirements for third-party sales.)

If the result of a foreclosure sale reported to Freddie Mac needs to be corrected or removed for reasons noted in Section 9301.39(a), the Servicer must notify Freddie Mac by requesting a "rollback" pursuant to Section 9301.39.

Once a foreclosure sale is held, a Servicer does not need to continue to report applicable information through EDR for the Mortgage. (See Section 9102.7 regarding monthly EDR transmissions.)

(b) Compensatory fee for failing to comply with reporting requirements

Failure to comply with the requirements of Section 9301.38 will result in the assessment of a compensatory fee to the Servicer of $100 per day for every day that the foreclosure sale is not reported correctly. If the results of the foreclosure sale are not reported correctly, Freddie Mac may exercise its remedies provided by the Guide and the other Purchase Documents. Refer to Chapter 3602 regarding repurchases, repurchase alternatives and other remedies.

Freddie Mac will bill the Servicer for such compensatory fees on the Servicer Non-Performing Loans Invoice. Refer to Section 9102.1 for information on the payment of Servicing Non-Performing Loans Invoices via an Automated Clearing House draft.

Servicers are not required to but may appeal a compensatory fee for late foreclosure sale reporting. Appeals must be submitted to Freddie Mac via the Freddie Mac Default Fee Appeal System.

Freddie Mac considers the notification to be correctly reported when Freddie Mac has received and successfully processed the foreclosure sale/DIL submission without errors.

9301.38: Reporting foreclosure sale results (Future effective date 12/09/24)

This section contains requirements related to:

- Reporting requirements
- Compensatory fee for failing to comply with reporting requirements

Servicers must use the Resolve® user interface (UI) to report the results of a foreclosure sale to Freddie Mac. Servicers should refer to **Resolve Online Help** for details on the process.

(a) Reporting requirements

The Servicer must notify Freddie Mac of the results of all foreclosure sales, including successful third-party bids. To notify Freddie Mac of the results of a foreclosure sale, the Servicer must complete the applicable data fields in the foreclosure sale reporting template, including whether deficiency rights were preserved, and upload the foreclosure sale reporting template in Resolve no later than the Business Day immediately following the date of the foreclosure sale.

If the result of a foreclosure sale reported to Freddie Mac needs to be corrected or removed for reasons noted in Section 9301.39(a), the Servicer must notify Freddie Mac by requesting a “rollback” pursuant to Section 9301.39.

Once a foreclosure sale is held, a Servicer does not need to continue to report applicable information through EDR for the Mortgage. (See Section 9102.7 regarding monthly EDR transmissions.)

(b) Compensatory fee for failing to comply with reporting requirements

Failure to comply with the requirements of Section 9301.38 will result in the assessment of a compensatory fee to the Servicer of $100 per day for every day that the foreclosure sale is not reported correctly. If the results of the foreclosure sale are not reported correctly, Freddie Mac may exercise its remedies provided by the Guide and the other Purchase Documents. Refer to Chapter 3602 regarding repurchases, repurchase alternatives and other remedies.

Freddie Mac will bill the Servicer for such compensatory fees on the Servicer Non-Performing Loans Invoice. Refer to Section 9102.1 for information on the payment of Servicing Non-Performing Loans Invoices via an Automated Clearing House draft.

Servicers are not required to but may appeal a compensatory fee for late foreclosure sale reporting. Appeals must be submitted to Freddie Mac via the Freddie Mac Default Fee Appeal System.

Freddie Mac considers the notification to be correctly reported when Freddie Mac has received and successfully processed the foreclosure sale/DIL submission without errors.

9301.39: Rollbacks (12/09/19)

If the result of a foreclosure sale reported to Freddie Mac needs to be corrected or removed for various reasons including, but not limited to, the reasons noted in subsection (a), the Servicer must notify Freddie Mac by requesting a "rollback."

(a) Reporting requirements

1. The Servicer must notify Freddie Mac, via Freddie Mac Servicing Data Corrections (see Exhibit 88, Servicing Tools), within one Business Day of the Servicer's determination, in coordination with foreclosure counsel, that the foreclosure sale is legally invalid or void (e.g., a prior bankruptcy filing renders the sale void).

    - Following the Servicer's determination that the foreclosure sale is legally invalid or void, if appropriate, the Servicer must take legal action to obtain relief and seek validation of the foreclosure sale. The Servicer must process the foreclosure according to all applicable Guide requirements and continue to monitor the status of all pending legal action(s). For example, if a bankruptcy petition has been filed and the Servicer files a motion to obtain relief or annul the automatic stay and obtain validation of the foreclosure sale, the Servicer must monitor the status of the motion.

- Subsequent to Freddie Mac's receipt and processing of the rollback, and prior to any validation of the foreclosure sale, if any, the Servicer must continue to report all applicable information through EDR for the Mortgage. (See Section 9102.7 regarding monthly EDR transmissions.) If the court grants a motion for relief and/or enters an order validating the foreclosure sale, the Servicer must re-report the foreclosure sale results (pursuant to the reporting requirements in Section 9301.38) within one Business Day of entry of the order by the court.

- In circumstances where a Chapter 11, 12 or 13 bankruptcy filing would not legally invalidate or void the foreclosure sale but the Servicer is applying payments under any bankruptcy repayment plan, the Servicer must notify Freddie Mac, via the Servicing Data Corrections tool. In these cases, it may be in Freddie Mac's best interest to process a rollback to allow the Servicer to report applicable information relating to the bankruptcy repayment plan. Subsequent to Freddie Mac's receipt and processing of the rollback, if the court dismisses the bankruptcy case or grants a motion for relief from the automatic stay, the Servicer must re-report the foreclosure sale results within one Business Day of entry of the order by the court and use the date of entry of the order as the foreclosure sale date.

2. If a third party enters an upset bid per applicable State law on a property that Freddie Mac acquired at the foreclosure sale (i.e., REO property), the Servicer must notify Freddie Mac, via the Servicing Data Corrections tool, within one Business Day of the upset bid

   - The Servicer must report the foreclosure sale results based on the final upset bid within one Business Day of receiving notification from Freddie Mac that the rollback has been processed, and the upset bid period has expired

3. If the property is sold to a third party, but the sale falls through and the Servicer determines it must foreclose the Mortgaged Premises again, the Servicer must notify Freddie Mac of its determination within one Business Day via the Servicing Data Corrections tool.

   In the event the Mortgaged Premises needs to be re-foreclosed, the Servicer must process the foreclosure according to all applicable Guide requirements once the foreclosure action is validated. Additionally, subsequent to Freddie Mac's receipt and processing of the rollback, the Servicer must continue to report all applicable information through EDR for the Mortgage.

4. If the Servicer incorrectly reported that Freddie Mac acquired the property at the foreclosure sale and needs to re-report the correct foreclosure sale results, the Servicer must notify Freddie Mac via the Servicing Data Corrections tool

   - The Servicer must report the correct foreclosure sale results within one Business Day of receiving notification from Freddie Mac that the rollback has been processed

5. If the Servicer approved the Borrower for an alternative to foreclosure prior to the foreclosure sale, but did not cancel the foreclosure sale, the Servicer must notify Freddie Mac within one Business Day, via the Servicing Data Corrections tool, its determination that the foreclosure sale can be rescinded

    - The Servicer must contact the foreclosure counsel to confirm the foreclosure sale can be rescinded and indicate such determination in the Servicing Data Corrections tool when notifying Freddie Mac of the rollback

    - The Servicer must comply with the requirements set forth in the Guide and other Purchase Documents for the applicable alternative to foreclosure. To the extent permitted by applicable law, the Servicer must not rescind the foreclosure sale until the Borrower executes the applicable agreement, makes the appropriate payment (if required) and otherwise complies with the terms of the alternative to foreclosure.

    - Subsequent to Freddie Mac's receipt and processing of the rollback, if the Borrower does not comply with the requirements of the applicable alternative to foreclosure, the Servicer must cancel the agreement and notify Freddie Mac via the Servicing Data Corrections tool within one Business Day of the cancelation. Additionally, the Servicer must comply with all other reporting requirements applicable to the specific alternative to foreclosure, and re-report the foreclosure sale results immediately following all other reporting requirements being completed.

    - Post-sale alternative to foreclosure reviews and/or approvals are generally prohibited. A rollback request due to the approval of an alternative to foreclosure after the foreclosure sale will not be processed by Freddie Mac except for reasons noted in this Section 9301.39(a) or any other applicable Guide sections. However, if payments are made and applied by the Servicer after the foreclosure sale, in absence of a pre-sale agreement, it may be in Freddie Mac's best interest to process a rollback.

For all rollback requests, the Servicer must ensure that title vests to the appropriate party in the event the rollback has been processed, and/or the foreclosure sale has been rescinded.

The Servicer does not need to request a rollback if the Servicer reported that a third party purchased the property at the foreclosure sale, erroneously or otherwise, and needs to report that Freddie Mac acquired the property at the foreclosure sale. Instead, the Servicer must re-report the foreclosure sale results within one Business Day of the Servicer's determination that Freddie Mac acquired the property at the foreclosure sale.

(b) Compensatory fee for failing to comply with reporting requirements

The Servicer will be assessed a compensatory fee in an amount equal to $1,000 per occurrence for administrative costs plus any third-party costs when Freddie Mac must process a rollback in accordance with Section 9301.39(a). Freddie Mac will not reimburse foreclosure fees and costs for the improper foreclosure that resulted in a rollback.

Freddie Mac will bill the Servicer for such compensatory fees on the Servicer Non-Performing Loans Invoice. Refer to Section 9102.1 for information on the payment of Servicer Non-Performing Loans Invoices via an Automated Clearing House draft.

Freddie Mac considers the notification to be correctly reported when Freddie Mac has received and successfully processed the foreclosure sale/deed-in-lieu of foreclosure submission without errors.

9301.40: Delivery of clear and marketable title (08/17/16)

(a) Property located in a State without a redemption or confirmation period

When the Servicer is the purchaser of the property at a foreclosure sale, it must ensure that the foreclosure counsel provides Freddie Mac with clear and marketable title to the property after the foreclosure sale. The title must be free of any liens, claims, defects and encumbrances. The title must be marketable so Freddie Mac can sell the property freely to others. Issuance or purchase of a letter of indemnity, title insurance or similar form of indemnification does not constitute, and may not be used in lieu of, provision of clear and marketable title to the Mortgaged Premises.

The Servicer must instruct the foreclosure counsel to:

1. Submit the foreclosure deed for recordation within one Business Day after receipt of the deed

2. Obtain the recorder's receipt as evidence that the deed was presented for recordation

3. Send the Servicer the recorder's receipt within three Business Days after receiving it from the recorder

4. Provide the recorded deed to the Servicer within three Business Days after receiving the deed from the recorder's office. The Servicer must retain the deed in the Mortgage file.

(b) Property located in a State with a redemption or confirmation period

After the redemption period has expired or the foreclosure sale has been confirmed, the Servicer must ensure that clear and marketable title is obtained as stated in Section 9301.40(a).

Executing documents

If Freddie Mac needs to execute a document for the Servicer to process the foreclosure, or execute a document related to a foreclosure sale, the Servicer must submit Form 105,

Multipurpose Loan Servicing Transmittal, to Freddie Mac **(see Directory 5)** with all supporting documentation, which may include, but is not limited to, the last recorded document in the chain of title, and include the document Freddie Mac needs to execute.

9301.41: Vesting the title and avoiding transfer taxes (09/27/21)

After the foreclosure sale, or when closing a deed-in-lieu of foreclosure transaction, the Servicer must ensure that title to the property is vested to the appropriate party. (See Section 9209.8 regarding closing, reporting and remittance requirements for a deed-in-lieu of foreclosure transaction.)

(a) Conventional Mortgages

After the foreclosure sale (if the property is not purchased by a third party) or when closing a deed-in-lieu of foreclosure transaction, the Servicer must ensure that title to the property is vested in Freddie Mac's name; that is, unless it is in Freddie Mac's best interest to have the title to the property vested in the Servicer's name after the foreclosure sale. In such cases, the Servicer must then have the title to the property transferred to Freddie Mac via special warranty deed or quitclaim deed and must ensure that the transfer of title will not impair Freddie Mac's sale of the REO. In Florida, a special warranty deed is required to transfer the title to the property to Freddie Mac. If applicable, the transfer to Freddie Mac's name should generally be completed within 30 days of vesting the title in the Servicer's name. For example, if having the title to the property vested in the Servicer's name after the foreclosure sale limits the liability for Freddie Mac to reimburse homeowners association (HOA) assessments, then the Servicer should proceed in such a manner. If the Servicer determines it is in Freddie Mac's best interest, the Servicer must record in the Mortgage file the decision to vest the title in the Servicer's name and the basis for its decision.

After the foreclosure sale, or when closing a deed-in-lieu of foreclosure transaction, title to the property should be vested in a manner that does not result in an obligation to pay transfer taxes. Freddie Mac will not reimburse the Servicer for any transfer taxes, unless:

- Local authorities require the Servicer to pay the transfer tax in order to record a deed and ensure that title vests appropriately
- The transfer tax is paid under protest
- The Servicer submits the request for written pre-approval (RPA) for reimbursement of the transfer tax via PAID (Payments Automated Intelligent and Dynamic) (see Exhibit 88, Servicing Tools) (see Section 9701.15), and

- Counsel could not process the foreclosure and/or the deed-in-lieu of foreclosure transaction in a manner that would successfully avoid the imposition of the transfer tax obligation

Servicers will not be reimbursed for transfer taxes if any of the above conditions and requirements do not exist or are not met.

If the foreclosure involves a Manufactured Home in a certificate of title State, the Servicer must conduct the replevin or other legal action necessary to repossess the home in the Servicer's name and have the new certificate of title issued in Freddie Mac's name.

(b) Mortgages insured by the FHA or guaranteed by the VA or RHS

The Servicer must follow FHA, VA or RHS guidelines for conveying title to the foreclosed property to the applicable agency.

9301.42: Reporting and remittance requirements for redemptions and confirmation date changes (09/27/21)

The Servicer must notify Freddie Mac if either the projected expiration of the redemption period changes, or the scheduled confirmation date changes from the date the Servicer notified Freddie Mac of the foreclosure sale/deed-in-lieu of foreclosure via the Freddie Mac Foreclosure Sale Reporting tool (see Exhibit 88, Servicing Tools).

The Servicer must report the change by submitting Form 105, Multipurpose Loan Servicing Transmittal, to Freddie Mac **(see Directory 6)** no later than one Business Day after the Servicer receives notification of the change.

(a) Redemptions of REO properties

(i) Reporting requirements for REO redemptions

The Servicer must notify Freddie Mac that the REO property is redeemed no later than one Business Day after redemption by completing and submitting Form 105 to Freddie Mac **(see Directory 6)** for a 1-unit property or 2- to 4-unit properties. If Freddie Mac must execute any documents related to the redemption, the Servicer must send the documents with Form 105 to the appropriate address.

(ii) Remitting REO redemption proceeds – 1-unit and 2- to 4-unit properties

If the property is redeemed, the Servicer must forward to Freddie Mac the principal and interest amount due (through the redemption date), as well as all amounts that are reimbursable by Freddie Mac pursuant to Chapter 9701 within five Business Days of receiving the redemption proceeds.

If included in the redemption proceeds, the Servicer may net out any amounts that are due to the Servicer from the Borrower but are not reimbursable by Freddie Mac (e.g., late fees, NSF fees, property inspections and other items permitted by applicable law); that is, so long as the redemption proceeds after any netting are sufficient to cover the amounts required to be forwarded to Freddie Mac.

If the redemption proceeds are not sufficient to cover the amounts required to be forwarded to Freddie Mac, then the Servicer must remit the entire redemption proceeds to Freddie Mac.

Checks should be made payable to the Federal Home Loan Mortgage Corporation and must reference the property address and the nine-digit Freddie Mac loan number on the check. Remittances should be forwarded to the appropriate business address below.

Overnight mail or courier deliveries:

JP Morgan Chase
National Wholesale LockBox TX 1-0029
14800 Frye Road
Fort Worth, TX 76155
Attn: Freddie Mac #730453

Wire proceeds:

JP Morgan Chase Bank
Benefit FHLMC
55 Water Street
New York, NY 10041
ABA #021000021
FAO: Freddie Mac #9102418887

Submit the related expenses to Freddie Mac via PAID (Payments Automated Intelligent and Dynamic) (see Exhibit 88) System available at **https://sf.freddiemac.com/working-with-us/servicing/resources**.

(b) Reporting and remittance requirements for redemptions following third-party foreclosure sales

The remittance requirements for redemptions following third-party foreclosure sales are the same as the remittance requirements for third-party foreclosure sales. If a Servicer receives redemption proceeds, the Servicer must remit the required principal and interest owed to Freddie Mac (as required in Section 8303.10) no later than five Business Days after the Servicer receives the proceeds.

Servicers must comply with the investor reporting and remitting requirements in Chapter 8303.

If, after remitting the required amount to Freddie Mac, the Servicer is owed reimbursable expenses or reimbursable principal and interest, then the Servicer must request reimbursement of expenses following the redemption in the same manner it requests reimbursement following a third-party foreclosure sale, as described in Section 9301.43.

9301.42: Reporting and remittance requirements for redemptions and confirmation date changes (Future effective date 12/09/24)

The Servicer must notify Freddie Mac if either the projected expiration of the redemption period changes, or the scheduled confirmation date changes from the date the Servicer notified Freddie Mac of the foreclosure sale/deed-in-lieu of foreclosure via Resolve®.

The Servicer must report the change by submitting Form 105, Multipurpose Loan Servicing Transmittal, to Freddie Mac **(see Directory 6)** no later than one Business Day after the Servicer receives notification of the change.

(a) Redemptions of REO properties

(i) Reporting requirements for REO redemptions

The Servicer must notify Freddie Mac that the REO property is redeemed no later than one Business Day after redemption by completing and submitting Form 105 to Freddie Mac **(see Directory 6)** for a 1-unit property or 2- to 4-unit properties. If Freddie Mac must execute any documents related to the redemption, the Servicer must send the documents with Form 105 to the appropriate address.

(ii) Remitting REO redemption proceeds – 1-unit and 2- to 4-unit properties

If the property is redeemed, the Servicer must forward to Freddie Mac the principal and interest amount due (through the redemption date), as well as all amounts that are reimbursable by Freddie Mac pursuant to Chapter 9701 within five Business Days of receiving the redemption proceeds.

If included in the redemption proceeds, the Servicer may net out any amounts that are due to the Servicer from the Borrower but are not reimbursable by Freddie Mac (e.g., late fees, NSF fees, property inspections and other items permitted by applicable law); that is, so long as the redemption proceeds after any netting are sufficient to cover the amounts required to be forwarded to Freddie Mac.

If the redemption proceeds are not sufficient to cover the amounts required to be forwarded to Freddie Mac, then the Servicer must remit the entire redemption proceeds to Freddie Mac.

Checks should be made payable to the Federal Home Loan Mortgage Corporation and must reference the property address and the nine-digit Freddie Mac loan number on the check. Remittances should be forwarded to the appropriate business address below.

Overnight mail or courier deliveries:

JP Morgan Chase
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14800 Frye Road
Fort Worth, TX 76155
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New York, NY 10041
ABA #021000021
FAO: Freddie Mac #9102418887

Submit the related expenses to Freddie Mac via PAID (Payments Automated Intelligent and Dynamic) (see Exhibit 88) System available at **https://sf.freddiemac.com/working-with-us/servicing/resources**.

(b) Reporting and remittance requirements for redemptions following third-party foreclosure sales

The remittance requirements for redemptions following third-party foreclosure sales are the same as the remittance requirements for third-party foreclosure sales. If a Servicer receives redemption proceeds, the Servicer must remit the required principal and interest owed to Freddie Mac (as required in Section 8303.10) no later than five Business Days after the Servicer receives the proceeds.

Servicers must comply with the investor reporting and remitting requirements in Chapter 8303.

If, after remitting the required amount to Freddie Mac, the Servicer is owed reimbursable expenses or reimbursable principal and interest, then the Servicer must request reimbursement of expenses following the redemption in the same manner it requests reimbursement following a third-party foreclosure sale, as described in Section 9301.43.

9301.43: Third-party sale proceeds, reimbursement of expenses and reporting and remittance requirements (10/09/24)

This section contains requirements related to:

- Remitting the sale proceeds
- Obtaining reimbursement for foreclosure counsel fees and costs
- Reporting and remittance requirements for third-party sales
- Workout Prospector®
- Supporting documentation

Servicers may use the Resolve user interface (UI) to report the results of a third-party foreclosure sale to Freddie Mac and settle the transaction. Servicers that elect to report the results of a foreclosure sale via the Resolve UI should refer to **Resolve Online Help** for details on the process.

(a) Remitting the sale proceeds

If a third party purchases the property at the foreclosure sale the Servicer must instruct the foreclosure counsel conducting the sale to remit the sale proceeds (i.e., sale proceeds without any netting by foreclosure counsel of their fees and/or costs from the sale proceeds check) to the Servicer via overnight mail or wire transfer no later than three Business Days after the foreclosure counsel receives the proceeds.

If the Servicer has not received the sale proceeds from the foreclosure counsel who conducted the sale within 60 days from the foreclosure sale, then the Servicer should provide a status update to Freddie Mac at **ShortSales@FreddieMac.com**, and on a monthly basis thereafter until the Servicer receives the proceeds.

(b) Obtaining reimbursement for foreclosure counsel fees and costs

The foreclosure counsel must obtain reimbursement of all fees and costs from the Servicer. The foreclosure counsel should not net their fees and/or costs from the sale proceeds check. If applicable law mandates that certain expenses (e.g., sheriff or auctioneer fees) be deducted from the sale proceeds before remitting them to the foreclosure counsel, the Servicer must instruct the foreclosure counsel to send the Servicer an itemization of the distribution of the proceeds with the sale proceeds. This itemization of the distribution of the proceeds may be needed as supporting documentation if the Servicer intends to be reimbursed for any shortage in the sale proceeds.

Note: Freddie Mac will not reimburse the Servicer for foreclosure fees and costs incurred on a Mortgage that was sold to Freddie Mac with recourse.

(c) Reporting and remittance requirements for third-party sales

To complete the third-party foreclosure sale, the Servicer must complete the following steps:

1. The Servicer must notify Freddie Mac of the third-party sale no later than the Business Day immediately following the date of the foreclosure sale pursuant to Section 9301.38

2. Following the Servicer's receipt of the proceeds from a third-party sale, the Servicer must complete all reporting and remittance requirements pursuant to Section 8303.10

3. The Servicer must use Workout Prospector® to settle the third-party foreclosure sale transaction (see Section 9301.43(d) for details on using Workout Prospector for third-party foreclosure sales) if, after remitting the required amount to Freddie Mac, the Servicer is owed:

   - Reimbursable principal and interest (pursuant to Section 8303.32)
   - Any shortage in the sale proceeds (e.g., sheriff or auctioneer fees), and/or
   - Reimbursable expenses or amounts (pursuant to Chapter 9701), including amounts not legally collectable from the third-party purchaser

   The Servicer must submit all required data for settling the third-party foreclosure sale transaction via Workout Prospector no later than the 15th Business Day following the Servicer's receipt of the sale proceeds.

   If the Servicer is owed reimbursement of any shortage in the sale proceeds, and/or reimbursable expenses or amounts, including amounts not legally collectable from the third-party purchaser, then the Servicer may submit its request for reimbursement via PAID (Payments Automated Intelligent and Dynamic) (see Exhibit 88, Servicing Tools). (Refer to Section 9701.5 for timeframes to submit expenses.) When submitting reimbursement requests, Servicers must offset these expenses or amounts by income as set forth in Section 9701.19. Additionally, for expense reimbursement requests on Mortgages insured by the FHA or guaranteed by the VA or RHS not subject to recourse or indemnification, reimbursement will occur after Freddie Mac receives the claim payment from the applicable entity and determines that all other requirements for reimbursement have been satisfied. (Refer to Section 9603.2 on FHA/VA/RHS claim filing and Section 9603.5 on receipt of claim payment.)

In order for the Servicer to be reimbursed, Freddie Mac must receive, and accept for settlement, the third-party foreclosure sale transaction submitted via Workout Prospector. Additionally, failure to submit the third-party foreclosure sale transaction in the appropriate

time frame could forfeit the Servicer's ability to be reimbursed, in part or in whole, for otherwise reimbursable expenses or amounts.

For a third-party sale where the net sale proceeds meet or exceed the total indebtedness (e.g., the UPB, accrued interest, Escrow advances and expenses), the Servicer should not settle the third-party foreclosure sale transaction via Workout Prospector or submit a request for reimbursement via PAID.

(d) Workout Prospector

If the property was purchased by a third party at the foreclosure sale, the Servicer must use Workout Prospector to settle the third-party foreclosure sale transaction following the foreclosure sale being confirmed or ratified and the Servicer having received the sale proceeds, in the following circumstances:

- The sale price is less than the total indebtedness; and/or
- The Servicer is owed reimbursable expenses or amounts, including expenses that were deducted from the sale proceeds before being remitted to foreclosure counsel pursuant to applicable law

Servicers represent and warrant that they will only use Workout Prospector on Freddie Mac Mortgages and not Mortgages owned by other investors. Both the input and output of Workout Prospector is confidential information that the Servicer must not disclose to third parties, except as authorized by Freddie Mac. Servicers using Workout Prospector are bound by all of the provisions of the Workout Prospector User Agreement, included in this Guide as Exhibit 86, to the same degree as if they had signed such Agreement as a "User." the Workout Prospector Users' Guide for information on processing third-party foreclosure sale transactions through Workout Prospector. In addition, Servicers must ensure that all data input into Workout Prospector is true, complete and accurate and that all data is entered correctly. (Refer to Section 9204.4 for additional requirements when submitting a workout or transaction via Workout Prospector for approval and closing in Freddie Mac's systems.)

(e) Supporting documentation

Freddie Mac generally will not require the Servicer to send supporting documentation with the submission of a third-party foreclosure sale transaction via Workout Prospector. However, there are situations where Freddie Mac may instruct the Servicer to provide standard supporting documentation.

Standard supporting documentation includes, but is not limited to, the following:

- Form 1160, Third-Party Sale Transmittal Worksheet, with Section D Indebtedness completed, itemizing the complete total debt figure including the UPB, accrued interest, Escrow advances less any positive Escrow balances, as well as expenses after being offset by any income (pursuant to Section 9701.19)

- Itemization of the distribution of the sale proceeds, if the sale proceeds are less than the sale price (e.g., if the foreclosure court order required the payment of sheriff expenses from the sale price). If the sale proceeds equal 100% of the sale price, then this itemization is not needed.

- Copy of the BPO or appraisal report, if used for the foreclosure bid

- Copy of the sale proceeds check, or other documentation (e.g., proof of wire transfer) verifying the amount of sale proceeds received

- Copy of the sheriff's appraisal, or other documentation used to establish the opening bid, if required by applicable State law

- If there are amounts not legally collectable from the third-party purchaser that need to be reimbursed to the Servicer, supporting documentation, including but not limited to, the applicable State statute

  Freddie Mac will contact the Servicer should it require supporting documentation following submission of a third-party foreclosure sale transaction via Workout Prospector.

9301.43: Third-party sale proceeds, reimbursement of expenses and reporting and remittance requirements (Future effective date 12/09/24)

This section contains requirements related to:

- Remitting the sale proceeds
- Obtaining reimbursement for foreclosure counsel fees and costs
- Reporting and remittance requirements for third-party sales
- Resolve®
- Supporting documentation

Servicers must use the Resolve® user interface (UI) to report the results of a third-party foreclosure sale to Freddie Mac and settle the transaction. Servicers should refer to **Resolve Online Help** for details on the process.

(a) Remitting the sale proceeds

If a third party purchases the property at the foreclosure sale the Servicer must instruct the foreclosure counsel conducting the sale to remit the sale proceeds (i.e., sale proceeds without any netting by foreclosure counsel of their fees and/or costs from the sale proceeds check) to the Servicer via overnight mail or wire transfer no later than three Business Days after the foreclosure counsel receives the proceeds.

If the Servicer has not received the sale proceeds from the foreclosure counsel who conducted the sale within 60 days from the foreclosure sale, then the Servicer should provide a status update to Freddie Mac at **ShortSales@FreddieMac.com**, and on a monthly basis thereafter until the Servicer receives the proceeds.

(b) Obtaining reimbursement for foreclosure counsel fees and costs

The foreclosure counsel must obtain reimbursement of all fees and costs from the Servicer. The foreclosure counsel should not net their fees and/or costs from the sale proceeds check. If applicable law mandates that certain expenses (e.g., sheriff or auctioneer fees) be deducted from the sale proceeds before remitting them to the foreclosure counsel, the Servicer must instruct the foreclosure counsel to send the Servicer an itemization of the distribution of the proceeds with the sale proceeds. This itemization of the distribution of the proceeds may be needed as supporting documentation if the Servicer intends to be reimbursed for any shortage in the sale proceeds.

Note: Freddie Mac will not reimburse the Servicer for foreclosure fees and costs incurred on a Mortgage that was sold to Freddie Mac with recourse.

(c) Reporting and remittance requirements for third-party sales

To complete the third-party foreclosure sale, the Servicer must complete the following steps:

1. The Servicer must notify Freddie Mac of the third-party sale no later than the Business Day immediately following the date of the foreclosure sale pursuant to Section 9301.38

2. Following the Servicer's receipt of the entire amount of the proceeds from a third-party sale, the Servicer must complete all reporting and remittance requirements pursuant to Section 8303.10

3. After the Servicer completes all reporting and remittance requirements pursuant to Section 8303.10, Resolve will automatically settle the third-party sale with no further action required by the Servicer

4. If the Servicer is owed reimbursement of any shortage in the sale proceeds, and/or reimbursable expenses or amounts, including amounts not legally collectable from the third-party purchaser, then the Servicer may submit its request for reimbursement via PAID (Payments Automated Intelligent and Dynamic) (see Exhibit 88, Servicing Tools). (Refer to Section 9701.5 for timeframes to submit expenses. Note: the time frame to

submit expenses for a third-party sale begins once the transaction has been settled in Resolve.)

When submitting reimbursement requests, Servicers must offset these expenses or amounts by income as set forth in Section 9701.19. Additionally, for expense reimbursement requests on Mortgages insured by the FHA or guaranteed by the VA or RHS not subject to recourse or indemnification, reimbursement will occur after Freddie Mac receives the claim payment from the applicable entity and determines that all other requirements for reimbursement have been satisfied. (Refer to Section 9603.2 on FHA/VA/RHS claim filing and Section 9603.5 on receipt of claim payment.)

In order for the Servicer to be reimbursed, Freddie Mac must receive, accept and settle the third-party foreclosure sale transaction submitted via Resolve. Additionally, failure to submit the third-party foreclosure sale transaction in the appropriate time frame could forfeit the Servicer's ability to be reimbursed, in part or in whole, for otherwise reimbursable expenses or amounts.

For a third-party sale where the net sale proceeds meet or exceed the total indebtedness (e.g., the UPB, accrued interest, Escrow advances and expenses), the Servicer must not submit a request for reimbursement via PAID.

(d) Resolve

Servicers represent and warrant that they will only use Resolve on Freddie Mac Mortgages and not Mortgages owned by other investors. Both the input and output of Resolve is confidential information that the Servicer must not disclose to third parties, except as authorized by Freddie Mac. Servicers and any users that use or access Resolve are bound by all of the provisions of the Master System License (see Section 2401.1) and the Servicing Gateway System Specific License (see Section 2404.2). Refer to **Resolve Online Help** for information on processing third-party foreclosure sale transactions through Resolve. In addition, Servicers must ensure that all data input into Resolve is true, complete and accurate and that all data is entered correctly. (Refer to Section 9204.4 for additional requirements when submitting a workout or transaction via Resolve for approval and closing in Freddie Mac's systems.)

(e) Supporting documentation

Freddie Mac generally will not require the Servicer to send supporting documentation with the submission of a third-party foreclosure sale transaction via Resolve . However, there are situations where Freddie Mac may instruct the Servicer to provide standard supporting documentation.

Standard supporting documentation includes, but is not limited to, the following:

- Form 1160, Third-Party Sale Transmittal Worksheet, with Section D Indebtedness completed, itemizing the complete total debt figure including the UPB, accrued interest,

Escrow advances less any positive Escrow balances, as well as expenses after being offset by any income (pursuant to Section 9701.19)

- Itemization of the distribution of the sale proceeds, if the sale proceeds are less than the sale price (e.g., if the foreclosure court order required the payment of sheriff expenses from the sale price). If the sale proceeds equal 100% of the sale price, then this itemization is not needed.

- Copy of the BPO or appraisal report, if used for the foreclosure bid

- Copy of the sale proceeds check, or other documentation (e.g., proof of wire transfer) verifying the amount of sale proceeds received

- Copy of the sheriff's appraisal, or other documentation used to establish the opening bid, if required by applicable State law

- If there are amounts not legally collectable from the third-party purchaser that need to be reimbursed to the Servicer, supporting documentation, including but not limited to, the applicable State statute

Freddie Mac will contact the Servicer should it require supporting documentation following submission of a third-party foreclosure sale transaction via Resolve.

9301.44: File retention for foreclosure proceedings (03/02/16)

The Servicer must maintain accurate and complete records of the foreclosure proceedings for Mortgages in the Mortgage file. The Servicer must maintain the Mortgage file for at least seven years from the date of the foreclosure sale.

9301.45: State foreclosure timelines (12/13/17)

A foreclosure timeline is the time it takes to process a foreclosure. The timeline is measured in days from the DDLPI to the date of the foreclosure sale.

Therefore, the timeline consists of the time it should take from the DDLPI to the date the Mortgage is referred to foreclosure counsel (see Sections 9301.4 and 9301.5 through 9301.7), plus the time it takes from the referral date of foreclosure to the foreclosure sale date.

The timeline does not include any post-sale redemption or confirmation periods. Freddie Mac has a timeline for each State which is the number of days it should take to process a foreclosure in the State under most circumstances.

For conventional Mortgages, the Servicer must complete the foreclosure sale within the foreclosure timeline (from DDLPI to foreclosure sale) for the State in which the property is located, as listed in Exhibit 83, Freddie Mac State Foreclosure Timelines. The Servicer must comply with FHA, VA and RHS timelines for all Mortgages insured by the FHA or guaranteed by the VA or RHS.

If the foreclosure sale was delayed due to one of the allowable State foreclosure timeline delays listed in Section 9301.46, the timeline from DDLPI to the foreclosure sale date will be increased to account for the allowable delay based on the information the Servicer reports to Freddie Mac via EDR. Refer to Exhibit 83A, Determining State Foreclosure Timeline Compensatory Fees, for details on how Freddie Mac determines the additional time to be granted for allowable delays.

The Servicer must have procedures and processes in place to manage its State foreclosure timeline performance. To assist with monitoring performance, the Servicer may access reports, accessible via the "Foreclosures" tile of the Servicer's Servicer Performance Profile (SPP) (see Exhibit 88, Servicing Tools), on foreclosure sales completed. The reports in the SPP will be based on information and data the Servicer reported to Freddie Mac. Servicers should review the reports regularly to ensure the information and data they reported was complete and accurate.

Reduction in timelines

At any time and in its sole discretion, Freddie Mac may reduce a State's foreclosure timeline set forth in Exhibit 83 and further, may subject loans to revised timelines and associated compensatory fee calculations that were referred to foreclosure as of the effective date of the reduced timeline.

9301.46: Allowable delays in completing a foreclosure (06/14/23)

Exhibit 83, Freddie Mac State Foreclosure Timelines, sets forth Freddie Mac's foreclosure timeline for each State. Freddie Mac's State foreclosure timeline (DDLPI to foreclosure sale) will be extended for a Mortgage under the following circumstances, provided the Servicer complies with the applicable EDR requirements (refer to Section 9102.7 for information on EDR reporting requirements):

- When a Borrower files for bankruptcy protection
- Delays due to probate, military indulgence and contested foreclosures
- Delays caused by the Borrower being offered or entering into a Freddie Mac Flex Modification Trial Period plan but failing to comply with the terms of the plan
- Delays caused by the Borrower entering into an unemployment forbearance plan

- Delays caused by the Borrower exercising his or her right to appeal a modification denial, pursuant to Section 9101.3

Refer to Exhibit 83A, Determining State Foreclosure Timeline Performance Compensatory Fees, for information on how Freddie Mac calculates the additional time granted for each of the allowable delays listed above.

Moreover, a Servicer may delay completing the foreclosure, if necessary, when the delay is required due to:

- Applicable federal, State or local law, but only if the delay was necessary or inevitable despite the Servicer's best efforts to incorporate such laws into its foreclosure procedures and timelines

- Emergency, exigent or unusual circumstances that do not occur in the regular course of business and that are both unforeseeable and outside the control of the Servicer (this includes delays resulting from Eligible Disasters, pursuant to Section 8404.4)

- The Servicer waiting for instructions from Freddie Mac on how to proceed with a distressed property (see Section 8403.1 for an explanation of a distressed property)

- The Servicer being unable to complete the foreclosure sale due to the Borrower being approved for, or performing under, the terms of an alternative to foreclosure

- The Borrower's approval for a Freddie Mac Standard Short Sale or Freddie Mac Standard Deed-in-Lieu of Foreclosure being based on a review of a First Complete Borrower Response Package, pursuant to Section 9101.4

- The Borrower being conditionally approved for mortgage assistance under the State Housing Finance Agency program in accordance with Section 9211.1

Regardless of a delay for any of the above reasons, the Servicer's State foreclosure timeline performance will be measured against Freddie Mac's State foreclosure timeline and compensatory fees. The Servicer may appeal the decision and must provide to Freddie Mac at the time of appeal any and all information and documentation supporting the claim that the delay was necessary and required.

9301.47: State foreclosure timeline performance assessment (04/10/24)

For Mortgages that resulted in a foreclosure sale on or after January 1, 2019:

(a) Determination of State foreclosure timeline performance

Freddie Mac will evaluate the Servicer's State foreclosure timeline performance on a calendar year basis. Based on all foreclosures the Servicer completes in the year being evaluated, Freddie Mac will determine a Servicer's State foreclosure timeline performance for each Mortgage that went to foreclosure sale in the year being evaluated on a national basis.

Freddie Mac will determine how long it took the Servicer to complete each foreclosure sale based on the information that the Servicer reports to Freddie Mac via the monthly EDR submissions and the foreclosure sale transmission after the completion of the foreclosure sale. Freddie Mac will calculate the amount of compensatory fees, if any, in addition to any actual losses, costs or damages caused by Servicer non-compliance with the Guide, including State foreclosure timeline requirements.

To determine the Servicer's overall State foreclosure timeline performance, Freddie Mac will complete the following steps:

Step 1 – Calculating actual foreclosure timeline performance for each Mortgage: Freddie Mac will determine how many days it took the Servicer to complete each foreclosure sale during the calendar year and whether the number of days exceeded or were managed under the applicable State foreclosure timeline standard as listed in Exhibit 83, Freddie Mac State Foreclosure Timelines. Freddie Mac will then calculate the compensatory fee amount for each individual foreclosure sale to determine whether each Mortgage will result in a compensatory fee or credit. The amounts calculated in this step on an individual foreclosure sale basis will be negative (a credit) for those foreclosure sales that were managed under that State's foreclosure timeline and will be positive (a compensatory fee) for those foreclosure sales that exceeded that State's foreclosure timeline.

Step 2 – Calculating the aggregate compensatory fee on a national basis: Freddie Mac will calculate the Servicer's aggregate State foreclosure timeline compensatory fee amount by netting the compensatory fees and credits determined in Step 1 for all foreclosure sales that were completed in the calendar year.

Step 3 – Determining whether to assess a compensatory fee: If the Servicer's aggregate compensatory fee calculated in Step 2 is $300,000 or less, then no compensatory fee will be assessed. However, if the Servicer's aggregate compensatory fee calculated in Step 2 is greater than $300,000, and the Servicer is not otherwise exempt under Section 9301.47(b), a compensatory fee will be assessed.

Refer to Exhibit 83A, Determining State Foreclosure Timeline Performance Compensatory Fees, for additional details regarding how Freddie Mac calculates compensatory fees.

The State foreclosure timelines used in determining the Servicer's performance will be adjusted for the period of time for which the foreclosures were delayed due to any of the allowable delays in Section 9301.46(a), provided the Servicer complied with the applicable EDR requirement and/or the appeals process in Section 9301.47(c).

(b) Compensatory fee process

If the Servicer's performance exceeded Freddie Mac's State foreclosure timeline requirements as outlined in Section 9301.47(a), then the compensatory fee process is as follows:

- **Step 1**: Freddie Mac will automatically waive a Servicer's potential State foreclosure timeline compensatory fees if its exposure amount is $300,000 or less for that calendar year. This is considered the de minimis billing exception. (Note: $300,000 = previous monthly *de minimis* threshold of $25,000 x 12 months).

- **Step 2**: For those Servicers that did not receive a waiver under Step 1, Freddie Mac will calculate the Servicer's overall Servicer Success Scorecard ranking for that calendar year against the respective rank group the Servicer belongs to on December 31 of that calendar year (see Section 3501.2(b) regarding Servicer performance results). If a Servicer's overall ranking for that year is in the top 75% of its rank group on December 31 (i.e., not in the bottom 25% of that rank group), its State foreclosure timeline compensatory fees will automatically be waived.

  Note: This step does not apply to a Servicer where an overall ranking is not provided, whether because no Servicers in that Servicer's rank group are provided an overall ranking or the individual Servicer did not receive an overall ranking within its rank group. Additional information on rankings and the Servicer Success Scorecard is available at **https://sf.freddiemac.com/tools-learning/servicing-gateway/our-solutions/servicer-performance-profile**.

- **Step 3**: If a Servicer remains subject to the assessment of State foreclosure timeline compensatory fees after steps 1 and 2, the Servicer may be placed into a performance monitoring plan. If the Servicer is placed into a performance monitoring plan, the assessment of its compensatory fee exposure balance will be suspended until Freddie Mac determines whether the Servicer met the terms of the plan. If Freddie Mac determines that a Servicer complied with the required terms of the plan, its State foreclosure timeline compensatory fee assessment will be waived automatically. If the Servicer is not eligible for a performance monitoring plan, the Servicer will be assessed its compensatory fee exposure balance.

- **Step 4**: If a Servicer still remains subject to the assessment of State foreclosure timeline compensatory fees after steps 1 through 3, the Servicer will be assessed its compensatory fee exposure balance if not previously assessed. The Servicer will have 90 days to submit any loan-level appeals in accordance with Section 9301.47(c). If after the appeals process is completed a Servicer continues to have a compensatory fee exposure balance of greater than $300,000, then the Servicer will be billed for such fees in accordance with Section 9301.47(d).

(c) Servicer appeal process for State foreclosure timeline compensatory fees

The Servicer may appeal a pending compensatory fee prior to Freddie Mac billing the compensatory fee.

The calendar year's estimated State foreclosure timeline compensatory fees will be available in the *Foreclosure Timeline Compensatory Fees Overview* report, accessible via the "Foreclosures" tile of the Servicer's Servicer Performance Profile (SPP) (see Exhibit 88, Servicing Tools). This report will be updated monthly, on the fifth Business Day of each month to reflect the year-to-date State foreclosure timeline performance through the end of the prior month.

Servicers are not required to submit appeals and it is recommended that Servicers do not submit any appeals until all steps outlined in Section 9301.47(b) have been completed and the Servicer has been notified that the compensatory fees are now assessed and subject to billing.

Servicers must submit, in their original appeal, a description of all delays along with all related documentation. Any information that is received after the original appeal is submitted will not be considered.

The Servicer has 90 days to submit an appeal to Freddie Mac using the Freddie Mac Default Fee Appeal System (which can be accessed at **https://sf.freddiemac.com/tools-learning/servicing-gateway/our-solutions/default-fee-appeal-system**) as described in Section 2406.5.

(d) Billing process for compensatory fees

Compensatory fees to be billed will appear on the Servicer's Monthly Non-Performing Loans Billing Statement in the first monthly cycle after the date in which all appeals have been submitted to, and decisioned by, Freddie Mac. Refer to Section 9102.1 for information on the payment of Servicing Non-Performing Loans Invoices via an Automated Clearing House draft.

Chapter 9401: Bankruptcy

9401.1: Bankruptcy (10/12/16)

This chapter provides Servicers with Freddie Mac's requirements for Servicing Mortgages subject to bankruptcy proceedings or litigation. The Servicer must take appropriate action to protect Freddie Mac's interest during bankruptcy proceedings in which the Borrower is the debtor.

(Refer to Chapter 9402 for requirements for Servicing Mortgages subject to other litigation.)

9401.2: Freddie Mac's rights (08/01/18)

In addition to any other remedies it may have at law or in equity, Freddie Mac reserves the right, at its sole discretion, to:

1. Require the Servicer to submit copies of any and all records related to Freddie Mac's Mortgages

2. Require the Servicer to compensate Freddie Mac and hold Freddie Mac harmless for any loss, damage or expense, including without limitation, previously paid incentives, expense reimbursements, court costs and attorney fees, that Freddie Mac sustains as a result of the Servicer's failure to comply with the provisions in this chapter, Chapter 8402, Chapter 8403, Section 9402.1 and Section 8601.26, or that result from errors, omissions or delays by the Servicer or the Servicer's agent

3. Use or require the Servicer to use Freddie Mac's counsel or trustee for any Freddie Mac Default Legal Matter

4. Limit the amount of a reimbursement for attorney fees if those fees exceed the limits in Exhibit 57A, Approved Attorney Fees and Title Expenses, or the fees commonly charged for similar services in the area where the affected property is located

5. Limit the amount of a reimbursement for preservation and maintenance expenses if those expenses exceed the limits in Exhibit 57, 1- to 4-Unit Property Approved Expense Amounts

6. If the Servicer does not obtain Freddie Mac's prior written approval as required, deny the Servicer's request for reimbursement of expenses incurred as a result of Servicing Freddie Mac's Mortgages under the requirements of this chapter and Chapter 8402

7. Assess compensatory and other fees and exercise any remedies provided by the Guide and the other Purchase Documents if the Servicer fails to comply with the requirements contained

in this chapter, Chapter 8402, Chapter 8403, Section 9402.1 and Section 8601.26. Refer to Chapter 3602 regarding repurchases, repurchase alternatives and other remedies.

9401.3: Bankruptcy general requirements (04/12/23)

When the Servicer receives notice, or confirms information that a Borrower has filed a bankruptcy petition, at a minimum, the Servicer must:

1. Comply with all applicable laws and regulations, including working with the debtor's pre-bankruptcy credit counseling agency on a debt management plan, if applicable

2. Obtain a copy of the Borrower's (debtor's) bankruptcy petition or other bankruptcy notice

3. Accurately complete and file a proof of claim, including all required proof of claim forms, within the time limitations set by the bankruptcy court. This may include, but is not limited to, providing timely information, documentation (e.g., Borrower payment history) and payoff and reinstatement figures necessary for bankruptcy counsel to meet the time limits set by the bankruptcy court if counsel is representing the Servicer in the case. If additional costs are incurred after confirmation of the bankruptcy plan, work with the trustee to ensure all steps are taken to recover those costs allowable by applicable law from the debtor through the plan, if applicable. The Servicer must, prior to filing any proof of claim or motion for relief from the stay with respect to a Mortgage registered on the MERS® System, prepare and execute (using the Servicer's employee who is a MERS authorized "signing officer") an assignment of the Security Instrument from MERS to the Servicer. The Servicer must record the prepared assignment where required by State law. State mandated recordings are non-reimbursable by Freddie Mac, are not considered part of the Freddie Mac allowable foreclosure counsel fees and must not be billed to the Borrower.

4. Monitor the bankruptcy filing and obtain status of the proceedings from the trustee in a timely manner. This includes, at a minimum, assisting with any motions for relief of stay and monitoring the first meeting of creditors, proof of claim and/or confirmation of the bankruptcy plan, pre- and post-petition payments, pleadings and notices. If counsel requests additional documentation and/or information from the Servicer, at any time, the Servicer must provide such requested information and/or documents within three Business Days after receipt of the request, or within such earlier time frame if necessary, to comply with timing requirements under applicable law or court orders and procedures.

5. Maintain copies of all relevant documents related to the bankruptcy including the notice of first meeting of creditors, proof of claim, pleadings, notices, etc.

6. Determine whether the Borrower wishes to keep the property

7. Not require the Borrower to sign a reaffirmation of debt agreement. If the Servicer chooses to have the Borrower reaffirm the debt, the Servicer must comply with all applicable laws, including obtaining the court's approval of the reaffirmation agreement, if necessary. Freddie

Mac will not reimburse the Servicer for any legal costs incurred in obtaining a reaffirmation agreement.

8. Review any bankruptcy reorganization plan proposed under Chapters 11 or 13 of the U.S. Bankruptcy Code (refer to Section 9401.8 regarding the Servicer's Servicing responsibilities should a bankruptcy judge order a bankruptcy cramdown) and respond in a manner that protects Freddie Mac's interests. Likewise, review any bankruptcy plan proposed under Chapter 12 of the U.S. Bankruptcy Code and respond in a manner that protects Freddie Mac's interests. Such review includes verifying that the bankruptcy repayment plan does not extend past the maturity date of the Mortgage, and the bankruptcy repayment plan sets forth the proper monthly payment to include the outstanding debt and sufficient funds to pay property taxes, and all property insurance and mortgage insurance premiums when they become due. If the bankruptcy repayment plan will extend past the maturity date of the Mortgage, the Servicer must object.

9. If appropriate, file an action with the bankruptcy court to secure a determination that the property is abandoned. In the event the court considers the property abandoned, file an order lifting the automatic stay.

10. Monitor and properly apply payments received under any bankruptcy repayment plan. If the Borrower becomes delinquent in his or her payments under a bankruptcy repayment plan, pursuant to Sections 9401.6 and 9401.7, as applicable, the Servicer must instruct counsel to take immediate action to modify the stay order and initiate, or resume, foreclosure proceedings.

11. Conduct a monthly inspection of the property for any delinquent Mortgage unless a bankruptcy repayment plan is in place and being adhered to

12. Verify that the Borrower is current on his or her property taxes and property and mortgage insurance premiums, as applicable, or, if there is an Escrow account, perform an Escrow analysis to determine if a bankruptcy repayment plan must include additional Escrow Funds to maintain the Escrow account. In addition, perform a periodic Escrow analysis and notify the trustee of any change to the payment amount resulting from the analysis.

13. Immediately notify the trustee of any Transfer of Servicing (both the Transferor Servicer and Transferee Servicer must notify the trustee). See Chapter 7101 for specific requirements for Transfer of Servicing, including Concurrent Transfers of Servicing and Subsequent Transfers of Servicing.

14. For leasehold Mortgages:

    - If termination of the lease will impair Freddie Mac's lien position or interest in the property, take appropriate action to assume the lease payments to the lessor if the lease is rejected by the Chapter 7 trustee in bankruptcy and the Borrower ceases making payments required under the terms of the lease (i.e., ground rents)

- Object to any Chapter 13 plan that does not provide for payment of ground rents

15. In cases when the trustee will pay post-petition payments, it is the Servicer's responsibility to notify the trustee of all changes, including any missed post-petition payment, and to send copies of breach/acceleration letters to the trustee

16. Immediately upon release of bankruptcy, if the Mortgage is delinquent, the Servicer must either:

    - Resume foreclosure activities, if the Mortgage was in foreclosure previous to the bankruptcy filing, in accordance with Chapter 9301, or

    - Initiate or resume collection activity in accordance with Chapter 9102

    Servicers must inform the Borrower, Borrower's counsel or bankruptcy trustee, that an approved modification is conditioned on obtaining the bankruptcy court's approval, if necessary, to modify the Mortgage prior to the due date of the first modified payment.

9401.4: Multiple bankruptcy filings (03/02/16)

A Borrower may file for bankruptcy protection more than once or under different chapters of the bankruptcy laws. When the Servicer receives notice of a Borrower filing a petition for protection under the bankruptcy laws, the Servicer must check its Mortgage records to determine if the Borrower has previously filed for bankruptcy protection. If the Servicer's records disclose a previous bankruptcy filing for that Borrower and the Mortgage is delinquent, the Servicer must refer the bankruptcy case to counsel.

The Servicer must direct counsel to take appropriate action including:

- If the Borrower has filed multiple times, but the bankruptcies are more than 12 months apart:

    1. Motion to annul the automatic stay to confirm foreclosure sale if the Servicer was unaware that the Borrower had filed for bankruptcy and the Servicer had conducted a foreclosure sale

    2. Motion to dismiss the bankruptcy case if it can be shown that there has been no substantial change in the Borrower's financial circumstances since the last bankruptcy filing, or it can be shown the Borrower has no prospect of repayment under a reorganization plan

    3. Object to the confirmation of a Chapter 13 Plan and a motion to dismiss in connection with a Chapter 13 bankruptcy in which the reorganization plan appears to be infeasible, offered in bad faith or it can be shown that there has been no substantial change in the Borrower's financial circumstances since the last bankruptcy filing

4. Motion for "in rem" relief or 180 day bar to prevent the Borrower from filing another bankruptcy case in the future affecting the property securing Freddie Mac's Mortgage when there are successive filings with a scheme of fraudulent property transfers

5. Any other actions as deemed appropriate and permitted under the *Bankruptcy Abuse Prevention and Consumer Protection Act of 2005*

- If the multiple filing is within 12 months of the previous filing:

1. Object in the event that the Borrower petitions to extend the automatic stay when (i) the Borrower's bankruptcy is presumptively filed not in good faith under the Bankruptcy Code, (ii) the Servicer believes that the filing was offered in bad faith or (iii) if there has been no substantial change in the Borrower's financial circumstances since the last bankruptcy filing. (See Exhibit 57A, Approved Attorney Fees and Title Expenses, for the related allowable fee for filing an objection to an extension of the automatic stay and attending the related court hearings.)

2. Any other actions as deemed appropriate and permitted under the *Bankruptcy Abuse Prevention and Consumer Protection Act of 2005*

9401.5: Notifying Freddie Mac of bankruptcy proceedings (03/02/16)

The Servicer must report a bankruptcy filing to Freddie Mac, regardless of whether the Borrower is current or delinquent in his or her Mortgage payments. The Servicer must submit this notification via an EDR transmission within the first three Business Days of the month following the month in which the Servicer received notice of the filing. The Servicer must also include the filing date and the applicable default action code (as listed below) to indicate the bankruptcy chapter number.

Refer to Section 9301.46 and Exhibit 83A, Determining State Foreclosure Timeline Performance Compensatory Fees, for allowable State foreclosure timeline delays related to the Borrower filing for bankruptcy protection.

The bankruptcy petition chapters and applicable default action codes are:

Bankruptcy chapter	Default action code
Chapter 7	65
Chapter 11	66
Chapter 12	59
Chapter 13	67

The Servicer must also notify Freddie Mac when the court confirms the bankruptcy plan by reporting default action code 69 (Bankruptcy plan confirmed) or in the event of a scheduled Bankruptcy Cramdown by reporting a default action code of 35 (Bankruptcy Cramdown Scheduled) within the first three Business Days of the month following the month in which the confirmation occurred.

The Servicer must continue to report via an EDR transmission each month that the Borrower is in bankruptcy until the court clears the bankruptcy or lifts the stay. The Servicer must notify Freddie Mac within the first three Business Days of the month following the month in which either of these actions occur via an EDR transmission using default action code 76 (Bankruptcy court clearance obtained/Stay lifted). Include the date the action occurred.

If a bankruptcy converts from one Chapter to another, the Servicer must report a default action code 76 (Bankruptcy court clearance) to close the prior bankruptcy Chapter. The conversion date is the bankruptcy release date for the prior bankruptcy Chapter and the filing date for the new Chapter.

For example, if a Chapter 13 converted to a Chapter 7 on 01/30/xx, the Servicer would report default action code 76 using 01/30/xx to close the Chapter 13 status and a default action code 65 using 01/30/xx to open the Chapter 7 bankruptcy.

For additional information on EDR reporting requirements, refer to Section 9102.7.

9401.6: Managing new bankruptcy filings (09/27/21)

(a) For Mortgages current at the time of filing

If a Borrower is current in his or her Mortgage payments at the time the Borrower files a Chapter 7, 12 or 13 bankruptcy petition, the Servicer is not required to refer the matter to counsel and Freddie Mac will not reimburse the Servicer if the Servicer does so.

If the Servicer determines that special circumstances exist that require case management by counsel on a current Mortgage (for example, if the Servicer receives a proposed reorganization plan that includes a bankruptcy cramdown), then the Servicer must obtain Freddie Mac's prior written approval via e-mail **(see Directory 5)** to obtain counsel and to incur the legal expense by submitting a request for pre-approval via PAID (Payments Automated Intelligent and Dynamic) (see Exhibit 88, Servicing Tools).

All Chapter 11 bankruptcy cases must be referred to counsel as soon as the Servicer receives notice that the Borrower has filed for bankruptcy protection, regardless of whether the Mortgage payments are current.

If applicable, refer to Section 9401.7 for requirements related to managing Mortgages that become delinquent subsequent to bankruptcy filing.

(b) For Mortgages delinquent at the time of filing, or for bankruptcy filings after a foreclosure sale

The Servicer must refer the bankruptcy to counsel, whether a Chapter 7, 11, 12 or 13 bankruptcy petition, within three Business Days of the Servicer's receipt of notice that a petition has been filed if:

1. The Borrower is at least 30 days delinquent in his or her Mortgage payments at the time bankruptcy is filed

2. The Borrower files a bankruptcy petition after the foreclosure sale and the bankruptcy filing invalidates the foreclosure sale. (See Section 9301.39 for requirements on requesting a rollback if the Servicer determines that the foreclosure sale is legally invalid or void.)
3. The Borrower files a bankruptcy petition after the foreclosure sale but prior to the expiration of a redemption, confirmation or ratification period. (See Section 9301.39 regarding circumstances where it may be in Freddie Mac's best interest to process a rollback to allow the Servicer to report applicable information relating to a bankruptcy repayment plan, if applicable.)

Freddie Mac will reimburse the Servicer for expenses the Servicer incurs in accordance with Section 9401.11 and Chapter 9701.

The Servicer must instruct counsel to file a motion for relief from the automatic stay:

1. In a Chapter 7 case:

   - If the Borrower is at least 60 days delinquent in his or her Mortgage payments at the time of filing, at the same time the Servicer refers the case to counsel

   - If the Borrower is less than 60 days delinquent in his or her Mortgage payments at the time of filing, no later than the 60th day of Delinquency

2. In a Chapter 11, 12, or 13 case, upon determining the Borrower became 60 days delinquent in his or her post-petition and/or plan payments to either the Servicer or the trustee but no later than the 75th day of Delinquency

9401.7: Managing Mortgages that become delinquent subsequent to bankruptcy filing (08/14/19)

If the Borrower was current at the time of filing bankruptcy and subsequently becomes at least 30 days delinquent in payments to either the Servicer or the trustee, then the Servicer must refer the case to counsel. Freddie Mac will reimburse the Servicer for expenses the Servicer incurs in accordance with Section 9401.11 and Chapter 9701.

The Servicer must instruct counsel to file for relief from the automatic stay:

1. In a Chapter 7 bankruptcy case, no later than the 60th day of Delinquency

2. In a Chapter 12 or 13 bankruptcy case, upon determining the Borrower became 60 days delinquent in his or her post-petition and/or plan payments to either the Servicer or the trustee but no later than the 75th day of Delinquency

For Chapter 11 bankruptcy cases already referred to counsel pursuant to Section 9401.6(a), the Servicer must instruct counsel to file for relief from the automatic stay upon determining the Borrower became 60 days delinquent in his or her post-petition and/or plan payments to either the Servicer or the trustee but no later than the 75th day of Delinquency.

9401.8: Bankruptcy cramdowns (10/09/24)

This section contains information related to:

- Notifying Freddie Mac of a proposed bankruptcy cramdown
- Notifying Freddie Mac of a confirmed bankruptcy cramdown
- Other requirements

When a Borrower files bankruptcy and the value of the property has declined to a value less than the amount owed on the Mortgage, a federal bankruptcy judge may, in some instances, order a division of the bankruptcy claim.

Under this process, the court divides the Mortgage debt into two claims: a secured claim in the amount of the current appraised value of the property and an unsecured claim for the remaining balance of the debt.

All of, or a portion of, the remaining unsecured claim balance is forgiven upon completion of the court-ordered repayment plan. This is known as a bankruptcy cramdown. Bankruptcy cramdowns are not permitted on Mortgages secured by the Primary Residence of a Borrower who has filed a Chapter 13 bankruptcy.

(a) Notifying Freddie Mac of a proposed bankruptcy cramdown

If the Servicer receives a proposed reorganization plan that includes a bankruptcy cramdown, the Servicer must advise its counsel to file an objection to the reorganization plan. In doing so, the Servicer must direct its counsel to assert that the proposed plan may not modify the original Security Instrument and Note by means of a bankruptcy cramdown.

Additionally, the Servicer must complete and send a copy of Form 1155, Bankruptcy Cramdown Pre-Confirmation Proposal of Settlement Terms, to notify Freddie Mac (**see Directory 5)** of the proposed plan within one Business Day of receiving the plan. Freddie Mac will review Form 1155 that the Servicer submits and make a decision to approve or make a counter-offer to the terms of the proposed plan. In some instances, Freddie Mac may request additional information in its review.

The Servicer must ensure that all terms of the proposed plan are updated and correctly stated on each amendment, if applicable.

If a proposed reorganization plan includes a bankruptcy cramdown that is not in compliance with Freddie Mac workout options in Chapter 9204, the Servicer must object and Freddie Mac will not agree to the terms of the reorganization plan. If the Servicer agrees to a reorganization plan without Freddie Mac's written approval, Freddie Mac reserves the right to exercise any remedies provided by the Guide and the other Purchase Documents. Refer to Chapter 3602 regarding repurchases, repurchase alternatives and other remedies.

(b) Notifying Freddie Mac of a confirmed bankruptcy cramdown

If a reorganization plan that includes a bankruptcy cramdown has been confirmed, the Servicer must notify Freddie Mac of the confirmed plan within one Business Day of receiving the plan. In doing so, the Servicer must transmit the final terms of the confirmed bankruptcy cramdown (a "bankruptcy cramdown modification") to Freddie Mac via the "Court Mandated Modification" screen in Workout Prospector®.

(i) Entering the data into Workout Prospector

By completing the "Court Mandated Modification" screen in Workout Prospector and submitting the bankruptcy cramdown modification for settlement, the Servicer represents and warrants to Freddie Mac that it has completed the data entry in accordance with the instructions set forth in the Workout Prospector Users' Guide and that all information set forth on the "Court Mandated Modification" screen is accurate and in accordance with the terms of the confirmed plan. In submitting the bankruptcy cramdown modification via

the "Court Mandated Modification" screen, the Servicer represents and warrants, among other things that:

(i) The "Current UPB (pre-modification)" and the DDLPI entered on the "Court Mandated Modification" screen matches the UPB and DDLPI reported to Freddie Mac at the time of confirmation of the reorganization plan

(ii) The data entered on the "Court Mandated Modification" screen matches the final terms of the confirmed bankruptcy cramdown

(iii) The property value is either the BPO or appraisal, depending on what was required by the court

(ii) Modification pending update report and modification status

Once the data entered onto the "Court Mandated Modification" screen has been submitted to Freddie Mac, Servicers should monitor the *Modification Pending Update* report, accessible via the "Modifications" tile of the Servicer's Servicer Performance Profile (SPP) (see Exhibit 88, Servicing Tools). All Mortgages that are scheduled to be processed in Freddie Mac's systems will appear on this report in the SPP.

In addition, Freddie Mac will notify Servicers that the bankruptcy cramdown modification has been processed in Freddie Mac's systems via the *Modification Status Overview* report in the SPP. If a Servicer attempts to report a monthly loan-level transaction on a Mortgage based on the modified terms prior to the bankruptcy cramdown modification being processed in Freddie Mac's systems, the Servicer will not be able to successfully complete the transaction.

(c) Other requirements

The Servicer must ensure that proper EDR requirements are followed in accordance with Section 9401.5.

Upon determining the Borrower became 60 days delinquent in his or her payments under a confirmed reorganization plan that includes a bankruptcy cramdown but no later than the 75th day of Delinquency, the Servicer must instruct counsel to file for relief from the automatic stay (see Sections 9401.6 and 9401.7, as applicable, regarding filing for relief from the automatic stay). For any other default under the terms of a confirmed reorganization plan that includes a bankruptcy cramdown, the Servicer must notify Freddie Mac **(see Directory 5)** within one Business Day of such default and indicate the type of default and include the Servicer's recommendation as to how to proceed.

9401.8: Bankruptcy cramdowns (Future effective date 12/09/24)

This section contains information related to:

- Notifying Freddie Mac of a proposed bankruptcy cramdown
- Notifying Freddie Mac of a confirmed bankruptcy cramdown
- Other requirements

When a Borrower files bankruptcy and the value of the property has declined to a value less than the amount owed on the Mortgage, a federal bankruptcy judge may, in some instances, order a division of the bankruptcy claim.

Under this process, the court divides the Mortgage debt into two claims: a secured claim in the amount of the current appraised value of the property and an unsecured claim for the remaining balance of the debt.

All of, or a portion of, the remaining unsecured claim balance is forgiven upon completion of the court-ordered repayment plan. This is known as a bankruptcy cramdown. Bankruptcy cramdowns are not permitted on Mortgages secured by the Primary Residence of a Borrower who has filed a Chapter 13 bankruptcy.

(a) Notifying Freddie Mac of a proposed bankruptcy cramdown

If the Servicer receives a proposed reorganization plan that includes a bankruptcy cramdown, the Servicer must advise its counsel to file an objection to the reorganization plan. In doing so, the Servicer must direct its counsel to assert that the proposed plan may not modify the original Security Instrument and Note by means of a bankruptcy cramdown.

Additionally, the Servicer must complete and send a copy of Form 1155, Bankruptcy Cramdown Pre-Confirmation Proposal of Settlement Terms, to notify Freddie Mac (**see Directory 5)** of the proposed plan within one Business Day of receiving the plan. Freddie Mac will review Form 1155 that the Servicer submits and make a decision to approve or make a counter-offer to the terms of the proposed plan. In some instances, Freddie Mac may request additional information in its review.

The Servicer must ensure that all terms of the proposed plan are updated and correctly stated on each amendment, if applicable.

If a proposed reorganization plan includes a bankruptcy cramdown that is not in compliance with Freddie Mac workout options in Chapter 9204, the Servicer must object and Freddie Mac will not agree to the terms of the reorganization plan. If the Servicer agrees to a reorganization plan without Freddie Mac's written approval, Freddie Mac reserves the right

to exercise any remedies provided by the Guide and the other Purchase Documents. Refer to Chapter 3602 regarding repurchases, repurchase alternatives and other remedies.

(b) Notifying Freddie Mac of a confirmed bankruptcy cramdown

If a reorganization plan that includes a bankruptcy cramdown has been confirmed, the Servicer must notify Freddie Mac of the confirmed plan within one Business Day of receiving the plan. In doing so, the Servicer must transmit the final terms of the confirmed bankruptcy cramdown (a "bankruptcy cramdown modification") to Freddie Mac via the custom modification screen in Resolve®.

(i) Entering the data into Resolve

By completing and submitting the custom modification template in Resolve and submitting the bankruptcy cramdown modification for settlement, the Servicer represents and warrants to Freddie Mac that it has completed the data entry in accordance with the instructions set forth in **Resolve Online Help** and that all information set forth in the custom modification template is accurate and in accordance with the terms of the confirmed plan. In submitting the bankruptcy cramdown modification via the custom modification template, the Servicer represents and warrants, among other things, that:

- The data entered on the custom modification template matches the final terms of the confirmed bankruptcy cramdown
- The property value is either the BPO or appraisal, depending on what was required by the court

(ii) Modification pending update report and modification status

Once the data entered in the custom modification template has been submitted to Freddie Mac, Servicers should monitor the *Modification Pending Update* report, accessible via the "Modifications" tile of the Servicer's Servicer Performance Profile (SPP) (see Exhibit 88, Servicing Tools). All Mortgages that are scheduled to be processed in Freddie Mac's systems will appear on this report in the SPP.

In addition, Freddie Mac will notify Servicers that the bankruptcy cramdown modification has been processed in Freddie Mac's systems via the *Modification Status Overview* report in the SPP. If a Servicer attempts to report a monthly loan-level transaction on a Mortgage based on the modified terms prior to the bankruptcy cramdown modification being processed in Freddie Mac's systems, the Servicer will not be able to successfully complete the transaction.

(c) Other requirements

The Servicer must ensure that proper EDR requirements are followed in accordance with Section 9401.5.

Upon determining the Borrower became 60 days delinquent in his or her payments under a confirmed reorganization plan that includes a bankruptcy cramdown but no later than the 75th day of Delinquency, the Servicer must instruct counsel to file for relief from the automatic stay (see Sections 9401.6 and 9401.7, as applicable, regarding filing for relief from the automatic stay). For any other default under the terms of a confirmed reorganization plan that includes a bankruptcy cramdown, the Servicer must notify Freddie Mac **(see Directory 5)** within one Business Day of such default and indicate the type of default and include the Servicer's recommendation as to how to proceed.

9401.9: Servicing bankruptcies on Mortgages secured by income properties (03/02/16)

If a Borrower on a Mortgage secured by income producing property files a bankruptcy petition and Freddie Mac has an assignment of rents, the Servicer must take action to prohibit the Borrower from using any income from the property for any purpose other than making payments on the Mortgage by instructing counsel to:

1. File a motion for sequestration of rental income, or

2. Obtain an adequate protection order

9401.10: Selecting bankruptcy counsel, bankruptcy referrals and the Servicer's responsibility to work with bankruptcy counsel (03/02/16)

(a) Selecting bankruptcy counsel

For requirements applicable to Freddie Mac Default Legal Matters, which include bankruptcy matters, refer to Chapter 9501.

(b) Bankruptcy referrals

1. If the Borrower is referred to foreclosure after the bankruptcy referral, the Servicer is not required to refer the foreclosure to the same law firm that handled the bankruptcy matter. However, the Servicer should give preference to the law firm that handled the bankruptcy matter if the Servicer determines it is in Freddie Mac's best interest.

2. If the Borrower is in foreclosure at the time of the bankruptcy referral, or the Borrower files a bankruptcy petition after the foreclosure sale (see Section 9401.6 regarding managing bankruptcy filings after a foreclosure sale), the Servicer is not required to refer the bankruptcy case to the same law firm handling the foreclosure. However, the Servicer

should give preference to the law firm handling the foreclosure if the Servicer determines it is in Freddie Mac's best interest.

If the Servicer does not refer the bankruptcy case to the law firm handling the foreclosure, then the Servicer must ensure that it periodically updates the foreclosure counsel regarding the status of the bankruptcy matter. Once the bankruptcy matter is resolved, the Servicer is responsible for transitioning the foreclosure back to the law firm handling the foreclosure for any further required proceedings immediately upon release of bankruptcy, but no later than one Business Day after the resolution of the bankruptcy matter.

3. When referring a bankruptcy case to counsel, the Servicer must provide all documentation and/or information required to handle the bankruptcy matter and work with the bankruptcy attorney to facilitate either timely reinstatement or relief from the automatic stay.

(c) Servicer's responsibility to work with bankruptcy counsel

When the Servicer refers a bankruptcy case to counsel, the Servicer must provide complete written reinstatement or payoff figures to the attorney, trustee, workout specialist or outsourcing vendor, as applicable, at the time of referral unless the Borrower is in foreclosure at the time of the bankruptcy referral and the Servicer refers the bankruptcy case to the law firm handling the foreclosure. Also, the Servicer must respond to any additional requests for reinstatement and/or payoff figures after referral within two Business Days of the date on which the Servicer receives a written request. The Servicer may provide the written reinstatement or payoff figures via a paper document, facsimile or e-mail.

If the bankruptcy counsel requests any additional information and/or documentation at any time, the Servicer must provide such requested information and/or documents within three Business Days after receipt of the request, or such earlier time frame, if necessary to comply with timing requirements under applicable law or court orders and procedures.

A Servicer must maintain communication with the bankruptcy attorney so that the Servicer can manage the bankruptcy case effectively. No less than one time per month, the Servicer must require the bankruptcy attorney to report the status of the case, request any documentation needed from the Servicer and report any relevant information to the Servicer. The Servicer must maintain this information in the Mortgage file or on its Mortgage system.

9401.11: Reimbursement of expenses related to a bankruptcy (09/27/21)

When legally permissible, the Servicer must attempt to obtain payment of the attorney fees and costs resulting from the bankruptcy proceedings directly from the Borrower and/or the bankruptcy court.

Freddie Mac will reimburse the Servicer for expenses the Servicer incurs in accordance with the limits listed in Exhibit 57A, Approved Attorney Fees and Title Expenses, and according to the requirements contained in Chapter 9701. The Servicer must obtain Freddie Mac's written pre-approval for any fees in excess of the fees listed in Exhibit 57A by submitting a request for pre-approval via PAID (Payments Automated Intelligent and Dynamic) (see Exhibit 88, Servicing Tools).

Freddie Mac will not reimburse Servicers for attorney fees or legal costs on any bankruptcy case if:

1. The Borrower was current on the Mortgage at the time the Borrower filed for bankruptcy protection, has remained current, and Freddie Mac did not approve a referral to bankruptcy counsel for special circumstances

2. The Servicer incurred costs for reaffirmation agreements

3. The Servicer incorrectly reported or failed to report the bankruptcy through EDR. See Section 9401.5 for more details on how to report bankruptcies through EDR.

4. The firm was not eligible to receive referrals of Freddie Mac Default Legal Matters, as specified in Chapter 9501

Chapter 9402: Other Litigation Involving Freddie Mac-Owned or Guaranteed Mortgages

9402.1: Freddie Mac rights (07/13/16)

Freddie Mac reserves the right to direct and control all litigation involving a Freddie Mac-owned or guaranteed Mortgage, regardless of whether Freddie Mac is a named party. The Servicer and all law firms handling the litigation, whether selected and engaged pursuant to Chapter 9501, Section 8601.25 or Section 9402.4, must cooperate fully with Freddie Mac in the prosecution, defense and handling of the matter.

Refer to Section 9401.2 for Freddie Mac rights when the requirements of this section regarding Servicer and law firm cooperation with Freddie Mac in the prosecution, defense and handling of litigation involving Freddie Mac-owned or guaranteed Mortgages are not met.

9402.2: Routine and non-routine litigation (06/12/19)

(a) Definition of routine and non-routine litigation

- **Routine litigation** generally is a contested action in which the Borrower alleges case-specific defenses or issues which, if successful, would not create negative legal precedent beyond the immediate case

- **Non-routine litigation** generally is a contested action in which the Borrower alleges case-specific defenses or issues, which, if successful, would create negative legal precedent beyond the immediate case

Examples of non-routine litigation that must be reported to Freddie Mac as non-routine litigation include, but are not limited to, the following:

- Actions that name Freddie Mac as a party

- Action that seeks monetary relief against Freddie Mac, including any claim (including counterclaims, cross-claims, or third-party claims in foreclosure or bankruptcy actions) for damages against Freddie Mac or its officers, directors, or employees

- Actions that challenge the validity, priority, or enforceability of a Freddie Mac-owned or guaranteed Mortgage or seek to impair Freddie Mac's interest in an REO including, by way of example:

    1. An action seeking to demolish a structure on the property or the property as a result of a code violation

2. An action seeking to avoid a lien based on a failure to comply with a law or regulation

3. An attempt by a junior lienholder to assert priority over a Freddie Mac-owned or guaranteed Mortgage or extinguish Freddie Mac's interests

4. A quiet title action seeking to declare Freddie Mac's lien void; and

5. An attempt by a Borrower to effect a cramdown of a Mortgage in bankruptcy as to which Freddie Mac has not delegated authority to the Servicer or law firm to address

- Actions that present an issue that may pose significant legal or reputational risk to Freddie Mac include, by way of example:

1. Any issue involving Freddie Mac's conservatorship, its conservator, FHFA, Freddie Mac's status as a federal instrumentality, or an interpretation of Freddie Mac's charter

2. Any assertion that Freddie Mac is a federal agency or otherwise part of the United States Government

3. Any "due process" or other constitutional challenge

4. Any challenge to the methods by which Freddie Mac does business

5. Any putative class actions involving a Freddie Mac-owned or guaranteed Mortgage

6. Challenges to the standing of the Servicer to conduct foreclosures or bankruptcies which, if successful, could create negative legal precedent with an impact beyond the immediate case

7. Challenges to the methods by which MERS® does business or its ability to act as nominee under a Mortgage

8. Any "show cause orders" or motions for sanctions relating to a Freddie Mac-owned or guaranteed Mortgage, whether against Freddie Mac, the Servicer, a law firm, or a vendor of the Servicer or law firm

9. Any appellate or other action for post-judgment relief in any foreclosure, bankruptcy or legal action in which Freddie Mac is a named party

10. Foreclosures on HUD-Guaranteed Section 184 Native American Mortgages

11. Any environmental litigation relating to a Freddie Mac-owned or guaranteed Mortgage

12. A need to foreclose judicially in a State where non-judicial foreclosures predominate

13. Any claim invoking Home Affordable Modification Program (HAMP®) as a basis to challenge a foreclosure

14. Any claim brought by a governmental body

15. Cross-border insolvency proceedings under Chapter 15 of the Bankruptcy Code

16. Any claim of predatory lending or discrimination in Mortgage origination or Servicing; and

17. Any claim implicating the interpretation of the terms of the Fannie Mae/Freddie Mac Uniform Mortgage Instruments

- Actions involving an eNote or eMortgage (as those terms are defined in Section 1402.2)

Given the evolving nature of default-related litigation, it is not possible to provide an exhaustive list of non-routine litigation. Each contested action presents unique circumstances, and the Servicer should evaluate each action on a case-by-case basis to determine whether a contested action is routine or non-routine.

(b) Legal actions and strategies initiated by the Servicer

A Servicer must obtain written approval **(see Directory 5)** from the Freddie Mac Legal Division prior to initiating the following legal actions and strategies:

- Filing a new legal action, other than a Freddie Mac Default Legal Matter, on behalf of Freddie Mac

- Filing a motion to intervene in a pending legal action on behalf of Freddie Mac

- Appealing or otherwise challenging a judgment in any foreclosure or bankruptcy proceeding, or any legal action in which Freddie Mac is a named party

- Filing a notice of removal to federal district court for any legal action in which Freddie Mac is a named party

- Asserting any position in a legal action that relates to Freddie Mac's status as a Government Sponsored Enterprise (GSE), its conservatorship, or its conservator, FHFA

- Propounding discovery requests or otherwise serving or providing any discovery responses on behalf of Freddie Mac

(c) Referring to Freddie Mac in litigation

Freddie Mac must be described in legal proceedings as "Federal Home Loan Mortgage Corporation ("Freddie Mac"), a corporation organized and existing under the laws of the United States of America." Freddie Mac may not be referred to as a "government agency."

(d) MERS-registered Mortgages

See Section 8101.12(b) for additional requirements relating to notices from MERS and MERS-registered Mortgages.

9402.3: Reporting and notification requirements for litigation (10/20/21)

The Servicer must monitor all Freddie Mac Default Legal Matters.

(a) EDR requirements

The Servicer must act without delay and in accordance with applicable law when responding to any litigation matter.

If litigation involves a Mortgage that is 30 or more days delinquent, the Servicer must report the litigation matter to Freddie Mac via EDR within the first three Business Days of the month following the month in which the Servicer became aware of the litigation, using default action code 33 (Contested Foreclosure and Litigation).

(b) Legal reporting requirements for non-routine litigation

(i) Notifying Freddie Mac of non-routine litigation

The Servicer must act without delay and notify Freddie Mac within two Business Days of determining that the Freddie Mac Default Legal Matter involves or evolves into non-routine litigation. All notifications must be sent via e-mail **(see Directory 5)**.

If the Servicer retains counsel not selected and engaged pursuant to Chapter 9501 to handle the non-routine litigation matter (see Section 8601.25 and Section 9402.4), the notification to Freddie Mac must include the name, address, phone number, and e-mail address of the Servicer's counsel and a brief summary including but not limited to: the issues presented, the Freddie Mac loan number, docket number, case caption and court and any relevant pleadings.

Once Freddie Mac has been notified accordingly, the Servicer and the law firm(s) handling the non-routine litigation matter must periodically update Freddie Mac on the progress of the litigation. Freddie Mac must be provided sufficient opportunity, but no

less than five Business Days before the filing deadline, to review and comment upon any substantive pleadings including, but not limited to: motions, replies, briefs and proposed orders.

(ii) Notification of a modification of a Mortgage subject to active non-routine litigation

If the Mortgage is subject to active non-routine litigation and the Servicer determines the Borrower is eligible for a Freddie Mac Flex® Modification, the Servicer must conduct a review through its in-house or outside counsel to determine that it is appropriate to send the Trial Period Plan offer per applicable laws, ensure that any active litigation and settlement negotiations by Servicer's counsel are not undermined and that Freddie Mac's interests are not adversely impacted. If it is deemed appropriate to send based upon the aforementioned review, the Servicer or the Servicer's counsel must send the Trial Period Plan offer to an eligible Borrower's counsel, or, if not represented, to the Borrower directly, when that Borrower's Mortgage is subject to active non-routine litigation.

(c) Legal expenses for non-routine litigation

The Servicer must obtain Freddie Mac's prior written approval before incurring any expenses in the Servicing of a non-routine litigation matter. To obtain Freddie Mac's approval, the Servicer must first contact Freddie Mac with details of the non-routine litigation matter **(see Directory 5)** according to the reporting requirements in Section 9402.3(b). If legal expenses related to the non-routine litigation matter are reimbursable to the Servicer, then the Servicer must submit a request for pre-approval (RPA) in PAID (Payments Automated Intelligent and Dynamic) (see Exhibit 88, Servicing Tools), including an estimate of the attorney's fees and litigation costs and the attorney's hourly rate.

When a delay in taking protective action might result in the impairment of the property or jeopardize Freddie Mac's lien position, the Servicer must immediately submit an RPA. If unusual or emergency circumstances do not allow the Servicer to request Freddie Mac's prior written approval, then the Servicer must notify Freddie Mac via PAID by the next Business Day after the Servicer incurred the expense. If the Servicer's determination to incur the expense was reasonable, as determined in Freddie Mac's sole discretion, Freddie Mac will reimburse the Servicer.

9402.4: Counsel retained by Servicers pursuant to Servicer's duty to indemnify Freddie Mac (07/13/16)

From time to time, the Servicer may retain counsel to represent Freddie Mac and/or the Servicer with respect to litigation involving, related to, or arising out of allegations which, if true, could subject the Servicer to liability to Freddie Mac for a failure to comply with any selling or Servicing representation or warranty or requirement of the Guide or other Purchase Documents. When the Servicer retains counsel for this purpose, the Servicer remains liable for legal fees and costs incurred in the defense of any litigation, as well as any and all losses, judgments, damages and expenses, including fees and costs entered against and incurred on behalf of Freddie Mac.

Freddie Mac will reimburse the Servicer for Freddie Mac's proportionate share of expenses for responding to Borrower defenses.

Counsel retained and paid by Servicers pursuant to Section 9402.2 and this section do not need to be selected and engaged pursuant to Chapter 9501. In all other Freddie Mac Default Legal Matters, the Servicer must use counsel selected and engaged pursuant to Chapter 9501.

Servicers must notify Freddie Mac **(see Directory 5)** of its retention of counsel not selected and engaged pursuant to Chapter 9501 and are required to comply with the reporting requirements in Section 9402.3(b).

The Servicer must ensure that the law firm to which the Freddie Mac Default Legal Matter was originally referred is updated on the current status of the litigation either by the Servicer or its new counsel. Once the litigation for which new counsel is retained concludes, unless the entire legal matter or action is resolved, the Servicer is responsible for transitioning the Freddie Mac Default Legal Matter back to the law firm to which it was originally referred for any required further proceedings no later than one Business Day after the resolution of the litigation matter.

In instances in which the Security Instrument provides for the Borrower to reimburse any legal fees and costs incurred by the Servicer, the Servicer should instruct its counsel to notify the Borrower about his or her responsibility for such expenses. The Servicer's counsel should attempt to handle such matters by stipulation or any other expeditious manner that will reduce the fees and costs that the Borrower has to pay.

Chapter 9501: Selection, Retention and Management of Law Firms for Freddie Mac Default Legal Matters

9501.1: Servicer's management of law firms for Freddie Mac Default Legal Matters (03/02/16)

This chapter sets forth requirements for the Servicer's review and evaluation, selection, retention and management of law firms (referred to throughout this chapter as "firms") for Freddie Mac Default Legal Matters.

Effective June 1, 2013, all referrals of Freddie Mac Default Legal Matters must be conducted in accordance with the requirements of Chapter 9501. Chapter 9501 governs the referral of Freddie Mac Default Legal Matters to law firms selected by the Servicer under the requirements of Section 9501.7.

Effective August 1, 2013, Servicers must comply with all requirements of this chapter in order to refer Freddie Mac Default Legal Matters to law firms. Refer to Chapter 9502 for requirements related to Default Legal Matters referred prior to the August 1, 2013 effective date.

Each Servicer is responsible for retaining firms for Freddie Mac Default Legal Matters. Freddie Mac will continue to retain firms directly for REO-related legal services: eviction, REO closing, and related litigation (refer to Chapters 9401 and 9402 for more information relating to litigation).

9501.2: Review and evaluation of firms (03/02/16)

(a) Due diligence

As part of its selection process, each Servicer is responsible for obtaining and evaluating documentation and information from firms, and conducting due diligence to ensure that selected firms meet the requirements set forth in Section 9501.3. As part of the process, each Servicer must:

- Obtain and review all required documentation and information submitted by each firm
- Ensure that it selects from a pool of potentially acceptable firms that is diverse, and includes minority and women-owned firms and other diverse firms when feasible; and

- Ensure that the firm or any entity or individual performing work for the firm is not on the Freddie Mac Exclusionary List in accordance with Section 3101.1

(b) Due diligence documentation

The Servicer must provide to Freddie Mac upon request a copy of each firm's application information and related due diligence documentation. Freddie Mac reserves the right to review the process, procedures and due diligence used by the Servicer to evaluate and select a firm.

(c) Document retention requirements

The Servicer must retain all information submitted by a firm in support of the firm's application and all information otherwise gathered by the Servicer regarding the firm. The Servicer must maintain any information relating to firms that are selected and retained by the Servicer for as long as the firm is providing legal services with respect to Freddie Mac-owned or guaranteed Mortgages and, thereafter, for the longer of any retention period applicable to the Servicer or seven years. The Servicer must maintain any information relating to firms that are not selected and retained by the Servicer for the longer of any retention period applicable to the Servicer or seven years.

9501.3: Firm Minimum Requirements (02/01/24)

The Servicer must ensure that all firms selected and retained to handle Freddie Mac Default Legal Matters meet the firm minimum requirements specified in this section ("Firm Minimum Requirements"), and all other applicable Freddie Mac requirements. The Firm Minimum Requirements are as follows:

(a) Firm practice

The firm's practice areas must include end-to-end default-related legal services: foreclosure, bankruptcy, loss mitigation (e.g., deeds-in-lieu of foreclosure), default-related litigation and REO-related legal services: eviction, REO closing and related litigation.

The firm must:

- Be familiar with industry standards in the jurisdiction in which it practices
- Understand the jurisdiction legal processes and requirements in default-related and REO-related legal services; and
- Understand the substantive legal issues in the jurisdiction (e.g., standing)

Additionally, the Servicer must consider firm experience in the following areas: foreclosure mediation, the Fair Debt Collection Practices Act, title curative issues, and general housing-

related issues (e.g., rent control, Section 8, lead paint liability, health code violations, foreclosure redemption, confirmation and ratification, condominium associations, homeowners associations (HOA), mobile home matters, and Cooperative Share Loans (see Chapter 8801 for special Servicing requirements for Cooperative Share Loans)). The firm should also have some experience with delegation for loss mitigation.

The Servicer must also consider the firm's membership in default-related and REO-related trade and industry groups, attendance or participation in State bar associations, seminar and lecture participation and attendance, and any other activities relevant to default-related and REO-related law practice.

(b) One staffed office with physical presence in jurisdiction

The Servicer must confirm that the law firm has at least one appropriately staffed office physically located in a jurisdiction in which the firm is retained for Freddie Mac Default Legal Matters. An appropriately staffed office means a physical brick and mortar office at which law firm employees regularly work that is not a place of residence and that contains the usual equipment and facilities necessary to operate a law practice.

A law firm must be registered, licensed and/or permitted, as necessary, with the appropriate jurisdictional authorities for all jurisdictions in which it practices.

(c) Firm has adequate, relevant jurisdiction-specific experience

The Servicer must confirm that a law firm has at least two full-time attorneys dedicated to default Mortgage practice in each jurisdiction in which the law firm has been selected and retained for default-related legal services (the "Qualifying Attorneys"), with special rules applicable to select jurisdictions.

The law firm must have at least two Qualifying Attorneys in each jurisdiction in which the law firm has been selected and retained for default-related legal services, one with at least eight years and a second with at least five years of jurisdiction-specific experience in foreclosure (including, where applicable, confirmation, redemption and ratification matters), bankruptcy, loss mitigation, eviction, REO closing and related litigation (collectively, "default Mortgage practice"). Each Qualifying Attorney must be an owner, partner or full-time employee of the firm.

The law firm can meet the requirement that the Qualifying Attorneys are "in each jurisdiction" in one of two ways:

- If the law firm does not have an appropriately staffed and equipped office in the jurisdiction, the two Qualifying Attorneys must: (a) reside in the relevant jurisdiction, (b) be licensed and in good standing to practice law in the relevant jurisdiction, (c) practice law on a full-time basis, and (d) devote more than fifty percent (50%) of their working time to default Mortgage practice in the relevant jurisdiction.

- If the law firm has an appropriately staffed and equipped office in the jurisdiction, one or both of the two Qualifying Attorneys may reside outside of the jurisdiction, provided the Qualifying Attorneys not residing in the relevant jurisdiction ordinarily work out of the firm's office(s) in the relevant jurisdiction (except during situations involving national or regional emergencies such as natural disasters, health-related pandemics or epidemics and other situations making it appropriate and reasonable for the firm to not require employees to report for work at the firm's office(s))

The Servicer must obtain a list of the names of the firm's managing attorneys, partners and associates with the years of experience in each area (foreclosure, bankruptcy, eviction, REO closing and related litigation).

Special rules apply to the jurisdictions of Alaska, Idaho, Montana, New Hampshire, North Dakota, Rhode Island, South Dakota, West Virginia and Wyoming, and to the U.S. territories of Guam, Puerto Rico, Samoa and the U.S. Virgin Islands, and to the District of Columbia. In these jurisdictions, the two Qualifying Attorneys must: (a) be licensed and in good standing to practice law in the relevant jurisdiction, and (b) practice law on a full-time basis. While Freddie Mac expects that Servicers will give preference to firms that employ at least two attorneys who reside in the relevant jurisdiction and devote more than fifty percent (50%) of their working time to default Mortgage practice in the relevant jurisdiction, Servicers may use a firm that does not meet these two standards if the firm otherwise meets the Firm Minimum Requirements.

When submitting the Servicer Selection Form pursuant to Section 9501.4(a), the Servicer must identify the Qualifying Attorneys for each relevant jurisdiction. At a minimum, the Servicer must: (a) identify where the attorneys reside by city or county, (b) identify the jurisdictions in which the attorneys are licensed and are in good standing to practice law, and (c) state whether the attorneys practice law on a full-time basis. The Servicer must also describe the employment relationship between the firm and the attorneys, such as whether the attorneys are owners, principals, members, shareholders, partners, associates or other employees.

(d) Jurisdiction-specific industry references

The Servicer must obtain from the firm at least two jurisdiction-specific Mortgage Servicers or default-related references, or if the firm has been in existence less than one year, the partners or shareholders of the firm must provide at least two Servicer or default-related references in connection with work performed in the particular jurisdiction.

(e) Jurisdiction-wide coverage and use of local counsel

The Servicer must ensure that the firm has the ability to cover foreclosure, bankruptcy, eviction, REO closing matters and default-related litigation throughout the jurisdiction.

If the firm has partnerships or relationships with third parties (e.g., local counsel, trustee companies or title companies) that will perform or complete some aspect of the default-

related and REO-related work, the Servicer must require the firm to: (i) obtain disclosure from the firm regarding such relationships and the extent to which third parties will be relied upon and (ii) determine whether the firm has a reasonable contingency plan for the loss of any of those relationships or operational processes. In evaluating any such third-party relationship, the Servicer must consider the length of time the relationship has existed and the adequacy of the firm's written policies to mitigate third-party risk.

If a firm uses local counsel to handle matters within the jurisdiction, the Servicer must ensure that the firm has a process to select, manage, and review the local counsel and their work product. The process must be designed to ensure that local attorneys are qualified and adequately trained and have a satisfactory history with respect to bar complaints, sanctions and similar matters.

For a firm's contested caseload (e.g., contested foreclosures and litigated cases), the firm's reliance on local counsel must be minimal. Any use of local counsel for these matters must be structured so that the retained firm will direct and manage the local counsel on those matters.

(f) Prior volume experience

Servicers must confirm the firm and/or managing attorney(s) has completed a sufficient number of foreclosure, bankruptcy, loss mitigation, eviction and REO matters within the past 24 months to demonstrate that the firm has experience in representing creditors in default-related matters.

For the 24-month period, the Servicer must review the total number of matters referred, the total number of matters completed and the number of matters currently pending for each of the following areas: foreclosure, bankruptcy, loss mitigation, eviction and REO closing.

What constitutes a sufficient number of completed default-related and REO-related legal services will vary depending upon the jurisdiction at issue, the volume the Servicer expects to refer to the firm, and the relative size of the firm. Servicers must consider these factors when making this determination.

(g) Attorney licensing

The Servicer must confirm that the firm's attorneys who will handle Freddie Mac Default Legal Matters are licensed to practice, and in good standing, in the jurisdiction in which the firm is being retained. Legal work must be performed by attorneys licensed in the jurisdiction.

(h) Staff experience

The Servicer must determine whether the firm's non-attorney staff has reasonable experience. In determining what constitutes reasonable experience, the Servicer must consider the average years of experience, education, qualifications and demonstrated ability of the non-attorney staff in relation to their respective levels of responsibility.

(i) Staff oversight

The Servicer must confirm that the firm has appropriate attorney-to-staff ratios to ensure appropriate staff oversight given the size of the firm and the firm's operational structure. The Servicer must consider whether the firm practices in a judicial or a non-judicial jurisdiction, the firm's case management practices, the jurisdiction-specific process, attorney and staff experience, firm technology and firm infrastructure.

(j) File oversight

The Servicer must confirm that the firm has appropriate (i) attorney-to-file and (ii) staff-to-file ratios, given the size of the firm and the firm's operational structure. The Servicer must take into consideration whether the firm practices in a judicial or a non-judicial foreclosure jurisdiction, the firm's case management practices, the jurisdiction-specific processes, attorney and staff experience, firm technology and firm infrastructure.

(k) Firm capacity

As of the date of the submission of the Servicer Selection Form via **https://www.freddiemacsats.com/Security/Login**, the Servicer must confirm that the firm has the ability to accept additional referrals. Additionally, the Servicer must confirm that the firm is not operating at full capacity, given the existing facilities, personnel, and technology or, alternatively, the firm must outline to the Servicer's satisfaction the steps and time frame necessary to be in a position to handle additional referrals while still maintaining appropriate firm–to-file and staff-to-file ratios. The Servicer must confirm that the firm has contingency plans to deal with a contraction in the market.

(l) Ethics and professional standards

The firm must demonstrate a history of legal practice that comports with applicable legal and ethical standards, reflecting high professional standards. The Servicer must conclude that the firm does not, in the totality of the circumstances, pose a legal and/or reputational risk or exhibit systematic issues that may lead to reputational and/or legal risk to Freddie Mac.

The Servicer must obtain the following information from the firm in order to evaluate the sufficiency of the firm's professional standards:

- Any sanctions against the firm or any of its present or former attorneys in the past five years, including the nature of the sanctions and if they relate to a loan-level matter or

systemic firm practice, and if related to firm practice, any corrective actions taken by the firm

- Any bar complaints/reprimands against present and former firm attorneys in the past ten years and whether the complaints were closed, pending or resulted in some form of adverse action

- Any government investigations involving firm practices in the past ten years and whether the investigations involved firm practices or are related to client investigations

- Any damages or settlement of claims as a result of an allegation of professional negligence against the firm or its attorneys in the past five years (i) in excess of $20,000 in any single occurrence, $50,000 in the aggregate, or (ii) reflect a possible pattern of professional negligence, regardless of amount; and

- Any significant litigation asserting systemic issues with firm processes or legal work, such as any class action lawsuit against the firm

If the Servicer is aware of any of the above items that involve the firm's professional standards, but which were not disclosed by the firm, the Servicer must disclose them to Freddie Mac in the Servicer Selection Form.

The Servicer must obtain a disclosure from the firm regarding whether the firm (or any of its partners, shareholders, or employees while acting as a partner, shareholder, or principal at another firm) has been previously terminated by Freddie Mac or Fannie Mae or had referrals suspended by Freddie Mac or Fannie Mae.

The Servicer must obtain a certification from the firm that, to the best of the firm's knowledge, the firm's documents have been and continue to be prepared, executed and/or notarized in compliance with applicable law. If the firm reports that the firm, its attorneys, notaries or third-parties that the firm relies on to perform any aspect of default-related or REO-related services have previously prepared, executed or notarized documents that have not been in compliance with applicable law, the Servicer must conclude that the firm has instituted controls, procedures, and processes to address the contributing cause(s) of the firm's failure to comply with applicable law in order to execute the Servicer Selection Form.

Freddie Mac expects Servicers to exercise sound judgment and consider the totality of the circumstances in evaluating the potential legal and reputational risks posed by a firm to Freddie Mac. The items for consideration outlined above are not intended to be exhaustive or to disqualify a firm from retention if the Servicer concludes that the firm is acceptable considering the totality of the circumstances.

(m)Timelines

The Servicer must review the firm's completion timelines, and confirm that the firm is able to track, monitor and complete foreclosure and bankruptcy matters in compliance with

applicable law and Freddie Mac timeline requirements, taking into consideration outside factors that impact compliance with Freddie Mac timelines such as new foreclosure requirements and court delays.

(n) Information privacy

The firm must maintain physical, technical and procedural controls and effective information security and data management to:

- Ensure the security and confidentiality of personally identifiable information (PII) and confidential information, whether in paper, electronic or other form
- Protect against any threats or hazards to the security or integrity of such information; and
- Protect against unauthorized access to or use of such information

The firm must implement controls meeting or exceeding industry standards, including, as applicable, standards promulgated by the International Office for Standardization (ISO) or National Institute for Standards and Technology (NIST). The firm must ensure that PII that is stored on the firm's systems and workstations is encrypted at rest at all times. The firm must have secured storage for promissory notes and other original documents to prevent theft and to ensure protection against fire, flood or other damage. The firm may not perform, outsource, or send to any affiliate outside of the United States or its territories, any legal work on Freddie Mac-owned or guaranteed Mortgages, including any storage of Freddie Mac data. The firm may not send any PII underlying Freddie Mac-owned or guaranteed Mortgages, outside the United States. The firm must have written policies, procedures, and processes in place by the date of the submission of the Servicer Selection Form, related to protection of PII and fraud prevention, including policies, procedures and processes related to: background checks of all employees; protection of PII; fraud prevention and identification; and incident response and notification protocols for data breaches and other security incidents. The Servicer must review and confirm that the firm meets these requirements for information security, data management, protection of PII and fraud prevention.

(o) Daily reporting to Freddie Mac

The Servicer must confirm that the firm has the capability to provide daily reporting to Freddie Mac of key metrics (i.e., volume, milestones, delays, loss mitigation successes, litigation detail, etc.) via the Attorney Data Reporting (ADR) System, a Servicing Tool, pursuant to Section 9501.10. The Servicer must also ensure that the firm has staff responsible for reporting data directly to Freddie Mac using ADR.

(p) Technology

The Servicer must confirm that the firm has adequate technology in place or technological capabilities to provide reporting, communication and tracking of key events and milestones,

including access to PACER/ECF or other similar systems to obtain case and docket information from federal appellate, district and bankruptcy court records.

Additionally, the Servicer must confirm that the firm is able to provide status reports and track significant dates and events for foreclosure, bankruptcy, evictions and REO closings and has the capability to measure the duration between various process stages, to identify process impediments (e.g., holds) and to parse holds into different categories.

If a firm is multi-jurisdictional or has partnerships or relationships with third parties (e.g., local counsel, trustee companies or title companies) that will perform or complete some aspect of the default-related or REO-related work or if the firm relies on other offices to perform some aspect of the work or provide operational support, the Servicer must confirm that the firm maintains a reliable and secure means of exchanging matter information between each office and any third party the firm relies upon.

The Servicer must require the firm to describe whether the firm currently uses a universal translation technology to communicate information between their technological system and the various Servicers' systems, or explain its method for transmitting information efficiently, accurately and securely to Servicers.

(q) Technology staffing

The Servicer must confirm that the firm has adequate in-house technical expertise or readily available vendor support to ensure compliance with Freddie Mac's automated reporting requirements.

(r) Insurance requirements

The Servicer must confirm that the firm has an appropriate level of malpractice and errors and omissions insurance coverage in place or be able to obtain an appropriate amount of insurance by the date of the submission of the Servicer Selection Form. The appropriate level of insurance coverage will depend upon the total number of Freddie Mac and Fannie Mae files the firm is managing or expects to manage when being evaluated by the Servicer. The firm must have the ability to obtain the appropriate amount of insurance coverage under the new requirements as follows:

- Tier I, volume of 0-4,499 foreclosure matters, coverage of not less than $1 million per occurrence with an aggregate of not less than $3 million
- Tier II, volume of 4,500-19,999 foreclosure matters, coverage of not less than $5 million per occurrence with an aggregate of not less than $5 million; and
- Tier III, volume of 20,000 or more foreclosure matters, coverage of not less than $8 million per occurrence with an aggregate of not less than $8 million

The required level of insurance is determined by the higher of the Freddie Mac or Fannie Mae pending foreclosure volume. By way of example, if a firm had 2,000 Freddie Mac foreclosure matters and 4,501 Fannie Mae foreclosure matters, the firm would fall within Tier II and the required coverage would be not less than $5 million per occurrence with an aggregate of not less than $5 million. Beginning in 2014, Servicers must conduct an updated coverage analysis annually, with the appropriate level of insurance to be determined by the number of matters being handled as of June 1 of each year. When an annual review reveals a need to increase a firm's coverage, firms will have until December 31 of each year to obtain any required increased coverage. Servicers may grant firms additional time to obtain increased coverage, if necessary, to reach the routine renewal date for the firm's policy but may not grant extensions beyond June 1 of the following year.

(s) Financial resources

The Servicer must confirm that the firm has adequate financial resources and the financial ability to make required advances in connection with filing fees and costs necessary to process default-related and REO-related matters.

The Servicer must review the firm's financial statements and/or other firm financial documents in order to confirm that the firm has sufficient reserves or credit lines to manage operating expenses.

(t) Business continuity

The Servicer must confirm that the firm has business continuity and/or disaster recovery plans in place to recover critical business functions. The firm must have a documented succession/continuity plan in the event of loss of the firm owners/partners.

(u) Quality control

The Servicer must confirm that the firm has written policies, procedures and/or processes in place by the date of the submission of the Servicer Selection Form, to ensure the proper management and supervision of staff and the proper preparation, review, execution and notarization of default-related documents and REO-related documents. The Servicer must also confirm the firm has an escalation process for employees to raise document execution and other quality control issues to firm management.

The Servicer must obtain documentation and information related to the firm's process for ensuring compliance with its policies, procedures, processes and training, such as an internal compliance program and/or quality control reviews.

(v) Employee training

The Servicer must confirm that the firm has written policies for employee training, including privacy training. When determining whether a firm's employee training is

adequate, the Servicer must review the frequency of training, the presence of policies and procedures and firm handbooks, manuals and job aids.

(w) Adverse matters

No substantial part of the firm's practice can include matters that are adverse to financial institutions, including Freddie Mac or Fannie Mae. Adverse matters to financial institutions include:

- Condominium association, HOA or Cooperative Corporation foreclosures
- Consumer debtor or mortgagor representation
- Bankruptcy trustee representation; or
- Any other client(s) that may create a potential conflict of interest

(x) Conflicts of interest

Attorneys must not be affected by a conflict of interest or a potential conflict of interest when handling Freddie Mac Default Legal Matters. The Servicer must retain the most qualified attorneys in compliance with Freddie Mac requirements to assist with processing Freddie Mac Default Legal Matters without regard to arrangements that could provide a financial or personal benefit directly or indirectly to the Servicer, its employees, outsource companies or third-party vendors utilized by the Servicer to assist in Servicing defaulted Mortgages.

On the Servicer Selection Form, the Servicer must disclose to Freddie Mac any current, past (within the last five years), or pending personal and/or financial relationships between (i) the Servicer and the firm, including its partners and shareholders (as applicable) and (ii) the firm, including its partners and shareholders (as applicable), and any outsourcing company or other third-party vendor utilized by the Servicer to assist in Servicing defaulted Mortgages.

(y) Disclosure of third-party service providers

The Servicer must require the firm to disclose the identity of, and relationship with, any entities the firm relies upon to provide third-party support functions performed on the Servicer's behalf, including, but not limited to, title searches, title insurance, posting, publication, and process services.

The Servicer must also require the firm to disclose whether the firm has a process to select and regularly review costs and performance of vendors of related sources to ensure competitive pricing and high quality.

(z) Referrals

The Servicer is responsible for ensuring that the firm complies with Freddie Mac requirements and applicable laws regarding referrals and payment of related fees and benefits, as further described in Sections 9501.7 and 9501.8.

The Servicer must not require the firm to use vendors, outsource companies or other third-parties specified by the Servicer as a condition of receiving a referral of a Freddie Mac Default Legal Matter.

(aa) Diversity data

The Servicer must confirm that the firm has the capability to report diversity data to the Servicer and Freddie Mac, if necessary.

9501.4: Selection of firm (02/01/24)

(a) Servicer selects firm

If the Servicer determines that a firm meets the Firm Minimum Requirements specified in Section 9501.3 and all other Guide requirements, then the Servicer must complete and submit a Servicer Selection Form to Freddie Mac, via **https://www.freddiemacsats.com/Security/Login** and receive Freddie Mac's "no objection" determination before entering into an agreement with a firm to handle Freddie Mac Default Legal Matters. If Freddie Mac requests additional information from the Servicer as part of this process, the Servicer must provide the requested information within the time frame requested by Freddie Mac. Servicers may not rely upon a previous submission of a Servicer Selection Form with respect to a firm by another Servicer that received a "no objection" determination. Each Servicer must conduct its own due diligence, submit a Servicer Selection Form and receive a "no objection" determination for each firm that the Servicer wishes to retain to handle Freddie Mac Default Legal Matters.

If a firm practices in multiple jurisdictions, the Servicer must submit a Servicer Selection Form for each jurisdiction for which the Servicer wishes to retain the firm.

Servicer Attorney Tracking System (SATS) registration

Servicers must use the Servicer Attorney Tracking System (SATS), an online process, to submit a Servicer Selection Form to Freddie Mac for each law firm selected to handle Freddie Mac Default Legal Matters. To establish access to SATS, Servicers must first register to create a user ID and password at **https://www.freddiemacsats.com/Security/Login**. After completing the registration process, SATS will allow users to submit the information required in the Servicer Selection Form to Freddie Mac for review. SATS will also allow Servicers to respond to Freddie Mac's

requests for additional information, as necessary, and will allow Servicers to track each submission's status during the review process.

Freddie Mac will not review any Servicer Selection Form completed and submitted to any Freddie Mac e-mail address. Servicers must complete and submit the Servicer Selection Form via **https://www.freddiemacsats.com/Security/Login**.

(b) Freddie Mac review of Servicer Selection Form

After Freddie Mac receives the Servicer Selection Form, Freddie Mac will notify the Servicer via the Servicer's registered e-mail address with SATS whether Freddie Mac:

- Objects to the Servicer's retention of the firm to handle Freddie Mac Default Legal Matters
- Has no objection to Servicer's retention of the firm to handle Freddie Mac Default Legal Matters; or
- Needs additional information or documentation, or due diligence to be conducted before deciding whether the firm may be retained. If requested, the Servicer must provide any additional information or documentation to Freddie Mac via **https://www.freddiemacsats.com/Security/Login**, and must conduct any further due diligence requested by Freddie Mac within the time period stated in Freddie Mac's request.

(c) Freddie Mac's response to Servicer firm selection

(i) Freddie Mac provides a "no objection" response

The Servicer must enter into a contract with the firm (if a contract does not already exist) as further specified in Section 9501.5, to handle Freddie Mac Default Legal Matters.

(ii) Freddie Mac provides an "objection" response

If the Servicer determines not to retain a particular firm, or if Freddie Mac objects to the retention of a particular firm, the Servicer must notify the firm that the firm cannot be hired for Freddie Mac Default Legal Matters.

(d) The Servicer decides not to retain firm

The Servicer is not obligated to inform Freddie Mac:

- If the Servicer determines that a firm does not meet the Firm Minimum Requirements; or
- If the Servicer decides not to retain a firm

(e) Diversity

Servicers are reminded that they must be aware of, and comply with, Freddie Mac's requirements in Sections 1201.10 and 1301.2. The Servicer must commit to practice the principles of equal employment opportunity and non-discrimination in all its business activities, including the retention and hiring of firms retained pursuant to this section.

9501.5: Retention of firm (02/01/24)

(a) Servicer contract with firm

If the Servicer has not already entered into a contract with a selected firm and Freddie Mac has provided a "no objection" determination, then the Servicer must enter into a contract with the firm. The Servicer must notify Freddie Mac when the contract has been executed by updating the Servicer Attorney Tracking System (SATS) via **https://www.freddiemacsats.com/Security/Login**, and must provide a copy of the contract to Freddie Mac, upon request.

(b) Freddie Mac limited retention agreement with firm

Freddie Mac will enter into a limited retention agreement that sets forth certain key retention provisions with each selected firm for each jurisdiction in which the firm has received a "no objection" determination.

(c) Conflict between Servicer's contract and limited retention agreements; Servicer's respective consent

The Servicer acknowledges that the limited retention agreement recognizes and reflects a joint attorney-client relationship between the law firm, Freddie Mac and the Servicer, and the Servicer consents to such joint representation. The Servicer consents, in advance, to the selected firm's representation of Freddie Mac in any Freddie Mac Default Legal Matter that is or might be adverse to the Servicer, and further agrees that the firm can use in such representation any information the firm gained in the course of jointly representing the Servicer and Freddie Mac. In the event of any inconsistency or conflict between the terms and conditions of the Servicer's contract with the selected firm and the terms and conditions of Freddie Mac's limited retention agreement with the firm, Freddie Mac's limited retention agreement shall control.

9501.6: Training of firms (03/02/16)

(a) Training prior to referral

The Servicer must not refer any Freddie Mac Default Legal Matters to a firm until the Servicer verifies that the firm has executed a limited retention agreement with Freddie Mac and has completed Freddie Mac's new firm training.

A firm is only required to attend Freddie Mac's new firm training once, regardless of the number of Servicers that select and retain the firm.

(b) Ongoing training

The Servicer must ensure that each firm obtains appropriate training to keep the firm apprised of updated Freddie Mac requirements. If the Servicer provides its own standard training and/or other communication materials to a firm, the Servicer must include information regarding Freddie Mac's requirements.

9501.7: Referral of Freddie Mac Default Legal Matters to firm (02/01/24)

(a) Requirements prior to referral

Prior to referring a Freddie Mac Default Legal Matter to a firm, the Servicer must confirm that the firm is eligible to receive a referral by ensuring that:

- The firm meets the Firm Minimum Requirements, as specified in Section 9501.3
- Freddie Mac has provided a "no objection" determination, as specified in Section 9501.4
- The firm has executed a contract with the Servicer requiring the firm to comply with all applicable Freddie Mac requirements, as specified in Section 9501.5
- The firm has executed a limited retention agreement with Freddie Mac, as specified in Section 9501.5
- The firm has completed Freddie Mac training and any additional Servicer training, as specified in Section 9501.6; and
- There are no conflicts of interest with respect to the retention of the firm and referral of Freddie Mac Default Legal Matters to the firm

(b) Diversification of referrals

The Servicer must diversify its referrals of Freddie Mac Default Legal Matters to an appropriate number of firms in each jurisdiction to protect the interests of Freddie Mac and to mitigate the risks related to a high concentration of Freddie Mac files. In selecting firms for referrals, the Servicer must consider firm capacity and management of staff to file ratios.

(c) Bankruptcy and foreclosure matters

The Servicer must not refer foreclosure matters directly to trustees listed on the deeds of trust.

Refer to Section 9401.10 for additional referral requirements.

(d) Providing documentation to firm

The Servicer must identify a file as a Freddie Mac Default Legal Matter when sending the file to a firm. When referring a file to a firm, the Servicer must provide all documentation required to initiate a foreclosure. If the firm requests any additional information and/or documentation at any time, the Servicer must provide such requested information and/or documents within three Business Days after receipt of the request, or within such earlier time frame if necessary to comply with timing requirements under applicable law or court orders and procedures.

For any Mortgage that the Servicer refers for foreclosure that is subsequently repurchased by the Servicer, whether voluntarily or involuntarily, the Servicer must notify foreclosure and/or bankruptcy counsel within two Business Days of the completed repurchase. (See Chapter 3602 for additional information about repurchases.)

(e) Contingency plan

All Servicers must have a contingency plan in place, either in the form of a stand-alone document or incorporated into policies and procedures, to redirect new foreclosure and bankruptcy referrals.

9501.8: Prohibitions related to Freddie Mac Default Legal Matters (03/02/16)

Servicers must not require the firm to perform any foreclosure or bankruptcy-related services on any Freddie Mac Default Legal Matter without compensation.

(a) Prohibition against charging for, contracting for, or making arrangements to receive benefits for Servicing obligations

A Servicer, whether acting directly or through an affiliate, service provider, vendor or outsourcing company, must not directly or indirectly:

- Charge Freddie Mac or the firm for any foreclosure or bankruptcy-related Servicing obligations, including expenses covered by the Servicing Spread; or

- Contract or make any arrangements with the firm whereby the Servicer (or its affiliate, service provider, vendor or outsourcing company) receives, directly or indirectly, any financial or other benefits (including, but not limited to, payments, the provision of employees or free or discounted services or products) from the firm in connection with any Freddie Mac Default Legal Matter or Freddie Mac-owned or guaranteed Mortgage

Refer to Section 8103.3 for additional information on Servicing obligations.

(b) Prohibitions with respect to use of specific vendors, services and/or products

The Servicer, and not a service provider, vendor or outsourcing company assisting the Servicer in Servicing defaulted Mortgages, must select the firm to handle Freddie Mac Default Legal Matters, and Servicers must not permit service providers, vendors, outsourcing companies, or others to participate in or influence, in any way, the Servicer's referral process.

A Servicer must not, whether acting directly or through an affiliate, service provider, vendor or outsourcing company:

- Require the firm to contract with or use a particular service provider, vendor or outsourcing company, or to use, or pay for, a particular service or product

- Refuse to refer a file to the firm because the firm chooses not to contract with or use a particular service provider, vendor or outsourcing company, or chooses not to use, or pay for, a particular service or product; or

- Charge the firm for any aspect of the file referral or management process, including, but not limited to, the use of connectivity or invoice processing systems (e.g., licensing or subscription fees, "click" charges, or any other payment) in order for the firm to provide services necessary to handle Freddie Mac Default Legal Matters (e.g., to prosecute the foreclosure or bankruptcy case)

However, a Servicer may require the firm to use certain connectivity or invoice processing systems, provided that the firm is not required to pay for the use of, or access to, such systems.

Refer to Section 9501.9 for information about use of, and reimbursement for, connectivity and invoice processing systems.

9501.9: Servicer use of connectivity and invoice processing system (03/02/16)

A Servicer, whether acting directly or through any vendor, service provider or outsourcing company, may employ electronic monitoring, management, reporting or information and document delivery processes technology, referred to in this section as a "Connectivity System," and an invoice processing system as outlined below.

(a) Connectivity System

A Servicer may employ a Connectivity System to assist with fulfilling Servicing obligations such as:

- Packaging and referring foreclosure and bankruptcy cases to the firm
- Communicating information and delivering documents between the Servicer and the firm as well as any other third parties requiring access to the Connectivity System; and
- Managing and monitoring foreclosure and bankruptcy cases

If a Servicer uses a Connectivity System:

- Freddie Mac will reimburse the Servicer for the actual cost of the connectivity fee up to the maximum expense limit specified in Section 9701.11
- The Servicer must provide the firm with use of and access to the identical Connectivity System
- The Servicer must permit, or continue to permit, the firm to integrate its own technology systems with the Connectivity System at no cost to the firm; and
- The Servicer must not pass on any Connectivity System related charges to the Borrower or the firm

(b) Invoice processing system

A Servicer may employ an invoice processing system for managing the submission and payment of invoices.

If a Servicer, whether acting directly or through a vendor or outsourcing company, processes firm invoices electronically:

- Freddie Mac will reimburse the Servicer for the actual cost of the invoicing fee up to the maximum expense limits specified in Section 9701.11; and

- The Servicer must not pass on any invoice processing related charges to the Borrower or the firm

The amounts specified in Section 9701.11 for connectivity and invoice processing systems are the maximum amounts for which a Servicer may seek reimbursement for the life of the default (i.e., the duration of the foreclosure, including any Freddie Mac Default Legal Matter such as bankruptcy).

For example, if a Servicer has already referred a Mortgage to foreclosure and it then becomes necessary to take action with respect to a bankruptcy related to such Mortgage, or if a Servicer has already referred a file for bankruptcy and foreclosure has commenced following the bankruptcy referral, the Servicer may be reimbursed only for one connectivity fee. Likewise in this scenario, if the Servicer is using an invoice processing system, then the Servicer may only seek reimbursement for one invoicing fee associated with the foreclosure and for one invoicing fee associated with the bankruptcy during the life of the default.

9501.10: Servicer reporting on Freddie Mac Default Legal Matters (06/29/16)

The Servicer must provide reports related to firm performance, management of foreclosure and bankruptcy processes, oversight of firm compliance and performance and other related matters as required by Freddie Mac. Servicers must ensure that all firms retained for Freddie Mac Default Legal Matters report data required by Freddie Mac directly to Freddie Mac accurately and in the time frames prescribed. This includes required daily reporting by its retained law firms, via the Attorney Data Reporting (ADR) System, of key metrics such as:

- Milestones during the lifecycle of Freddie Mac Default Legal Matters
- Delays affecting prompt and efficient completion of the Freddie Mac Default Legal Matter
- Successful loss mitigation activities
- Litigation detail during the lifecycle of certain non-routine litigation matters
- Completion of the Freddie Mac Default Legal Matter

Key metrics generally must be reported to Freddie Mac within 24 hours of occurrence, unless otherwise prescribed in related training materials for the web-based attorney reporting system. Servicers may obtain access to ADR, and monitor their law firms' reporting progress, by completing the **ADR Servicer Access Request Form** available on the Freddie Mac Default-Related Legal Services webpage at **https://sf.freddiemac.com/working-with-us/servicing/default-related-legal-services**.

If a Servicer has further questions regarding ADR access, they may contact Freddie Mac at **Foreclosures@FreddieMac.com**.

9501.11: Servicer monitoring and management of firm (03/02/16)

The Servicer is responsible for managing and monitoring all aspects of the firm performance, providing necessary assistance to the firm relating to Freddie Mac Default Legal Matters, and for undertaking all activities required to protect Freddie Mac's interest in the Mortgage. The Servicer must also ensure that the firm is in compliance with applicable Freddie Mac requirements, and that the firm receives all training and documentation relating to applicable Freddie Mac requirements, either separately or as part of the Servicer's standard training.

(a) Compliance processes

The Servicer must develop and have in place policies and procedures regarding oversight and compliance of firms handling Freddie Mac Default Legal Matters. The Servicer must have policies and procedures reasonably designed to ensure that firms handling Freddie Mac Default Legal Matters are in compliance with the limited retention agreement, the applicable provisions of the Guide, and applicable law.

The Servicer's ongoing compliance monitoring must address the following minimum elements:

- Ongoing eligibility under the Firm Minimum Requirements specified in Section 9501.3
- Compliance with the limited retention agreement, including the fee and cost guidelines; and
- Firm performance and processes necessary to ensure Servicer's compliance with applicable Guide requirements

The Servicer must conduct periodic compliance reviews and training as appropriate. In determining the frequency of firm compliance reviews, the Servicer must consider the overall risk posed to Freddie Mac by the firm (legal, reputational, and financial), firm file volume, performance, any changes in staffing ratios or levels, any litigation against the firm alleging systemic issues, any media coverage regarding the firm and the prior results of any firm compliance reviews.

(b) Freddie Mac review of compliance process

Freddie Mac reserves the right to review the Servicer's compliance process. Freddie Mac may require Servicers to conduct additional compliance activities related to firms handling Freddie Mac Default Legal Matters, such as additional firm compliance reviews.

The Servicer must make available to Freddie Mac upon request the materials relating to its performance and compliance monitoring of firms handling Freddie Mac Default Legal Matters, including:

- Information regarding the scope and methodology of the Servicer's compliance monitoring
- The schedule of firm compliance reviews conducted
- The identity of any vendors used in the firm compliance reviews
- All documentation from the firm compliance reviews; and
- All findings, reports or remediation plans resulting from the firm compliance reviews

In addition, Freddie Mac may require a Servicer to change the scope of its compliance process used to monitor firms handling Freddie Mac Mortgages.

(c) Freddie Mac right to audit firm

Freddie Mac also reserves the right to directly conduct firm audits and firm on-site visits as Freddie Mac deems necessary. Freddie Mac audits and visits may focus on items such as fee and cost compliance, Servicer compliance with Freddie Mac requirements, and high-risk issues, including compliance with applicable laws, reputational risk, unsatisfactory results of Servicer firm compliance reviews and conflicts of interest involving Freddie Mac-owned or guaranteed Mortgages.

9501.12: Escalation of firm issues to Freddie Mac (03/02/16)

(a) Escalation of issues

The Servicer must notify Freddie Mac via e-mail **(see Directory 1)**, within two Business Days of discovery or sooner if circumstances warrant, if the Servicer becomes aware of any issues or concerns relating to a firm (including a specific employee or vendor of a firm), or a Freddie Mac Default Legal Matter, including, but not limited to:

1. Any information regarding a firm that may warrant a firm's suspension, termination or Servicer request to transfer Freddie Mac Default Legal Matters to another firm
2. Information suggesting legal or reputational risk posed by the firm such as bar complaints, sanctions, or litigation alleging systemic issues with the firm, firm attorney, or the firm's practices

3. Security incidents that compromise the security, confidentiality or integrity of "sensitive customer information" and that security incident is related to Freddie Mac-owned or guaranteed Mortgages (refer to Section 1301.2(f))

4. Actual or alleged fraud on the part of the firm

5. Federal, State, or local governmental inquiries, including congressional inquiries, regarding a firm, Freddie Mac-owned or guaranteed Mortgages, or Freddie Mac or Servicer practices affecting Freddie Mac-owned or guaranteed Mortgages

6. Non-routine litigation (as described in Section 9402.2)

7. Media inquiries relating to Freddie Mac, a firm, or Freddie Mac-owned or guaranteed Mortgages

8. Volume or capacity issues with the firm

9. Breach of the limited retention agreement between the firm and Freddie Mac, or the contract between the firm and the Servicer

10. Legal matters such as regulatory updates and specific reporting on certain matters (e.g., transfer tax matters)

11. Any systemic issues with the firm

12. Systemic Servicer issues related to file suspensions and foreclosure holds (e.g., failure to properly implement new statutory changes); and

13. Any material change in the ownership, partnership, or organization of the firm after executing the limited retention agreement. Such notifications should include instances where a named partner leaves the firm or a major practice group separates from the firm.

(b) Procedures relating to issues and concerns

When a Servicer provides Freddie Mac notice of an issue requiring Freddie Mac's attention, the Servicer must designate in its e-mail one or more points of contact. Freddie Mac may request that the Servicer obtain additional information from the firm regarding the issue that was escalated to Freddie Mac, and the Servicer must promptly provide the requested information to Freddie Mac.

(c) Freddie Mac rights

Freddie Mac reserves the right to issue direction to Servicers and firms regarding escalated issues. Refer to Section 9501.15 for more information about Freddie Mac's reservation of rights

(d) Escalated issue – confidential information

Any issue that is identified and escalated to or by Freddie Mac pursuant to this section (other than non-routine litigation) is considered to be "confidential information" as defined in Sections 1201.8 and 8101.8. The Servicer must comply with the requirements of such sections with respect to treatment of any escalated issue.

9501.13: File transfers, termination and suspension of firms (05/18/16)

(a) Servicer-directed suspension of referrals, Freddie Mac Default Legal Matter transfers and terminations

If a Servicer becomes aware of information regarding a firm's handling Freddie Mac Default Legal Matters that might warrant a suspension of referrals of new Freddie Mac Default Legal Matters, the transfer of Freddie Mac Default Legal Matters to another firm, and/or termination of the firm (such as for legal, reputational, or operational risk), the Servicer must:

- Notify Freddie Mac within two Business Days via e-mail or sooner if circumstances warrant, as set forth in Section 9501.12; and
- Conduct due diligence with respect to the issue

If the Servicer intends to suspend referrals of new Freddie Mac Default Legal Matters, transfer Freddie Mac Default Legal Matters, and/or terminate a firm, the Servicer must provide Freddie Mac with at least five Business Days' notice **(see Directory 1)** prior to implementing the decision. Additionally, the notification must provide Freddie Mac with the implementation plan for the course of action chosen by the Servicer, pursuant to Section 9501.14.

For the transfer of Freddie Mac Default Legal Matters, once a Servicer has determined the eligible law firm(s) that will receive such file transfers, the following must also be included in the notification to Freddie Mac:

- Servicer name and the six-digit Seller/Servicer number
- The nine-digit Freddie Mac loan number
- Servicer loan number
- Date of transfer
- Original law firm name

- New law firm name
- Freddie Mac Default Legal Matter being transferred (e.g., foreclosure, bankruptcy proof of claim (POC) or bankruptcy motion for relief (MFR)) to the new law firm
- The State in which the Mortgaged Premises is located

In addition, the Servicer must:

- Upon request, provide Freddie Mac with the reason for the decision and the due diligence materials or other information supporting the decision
- Inform the firm of the decision; and
- Keep Freddie Mac periodically updated with respect to the status of implementation of the decision

Refer to Section 9501.14 for additional information relating to implementation of terminations, transfer of Freddie Mac Default Legal Matters and suspensions.

(b) Freddie Mac-directed suspension of referrals, matter transfers and terminations

Freddie Mac may direct the Servicer to initiate an investigation of a firm if Freddie Mac becomes aware of information that might warrant a suspension of referrals of new Freddie Mac Default Legal Matters, the transfer of Freddie Mac Default Legal Matters, or termination of the firm. Freddie Mac also may conduct due diligence and investigations as necessary. Freddie Mac may instruct Servicers to suspend some or all referrals of new Freddie Mac Default Legal Matters, to transfer some or all existing Freddie Mac Default Legal Matters, or to terminate a firm.

In the event of a decision by Freddie Mac to suspend referrals of new Freddie Mac Default Legal Matters, transfer Freddie Mac Default Legal Matters, or terminate a firm, Freddie Mac will:

- Inform the Servicer of the decision and provide direction with respect to required Servicer actions, including direction with respect to transfers of Freddie Mac Default Legal Matters
- Inform the firm of the decision and provide direction to the firm with respect to required firm actions; and
- Terminate the limited retention agreement between Freddie Mac and the firm, as appropriate

(c) Documentation of due diligence review

The Servicer must maintain documentation of the due diligence review, the Servicer's decision, and all other information supporting the decision for a period of seven years after such decision.

9501.14: Implementing file transfers and/or the termination and suspension of firms (02/01/24)

(a) Implementation plan

Prior to implementing any decision to terminate a contract with a firm, suspend referrals of new Freddie Mac Default Legal Matters and/or transfer Freddie Mac Default Legal Matters from a firm, the Servicer must develop an implementation plan which addresses:

- File transfers
- The capacity of other eligible firms in the jurisdiction to handle additional Freddie Mac Default Legal Matters and/or transferred Freddie Mac Default Legal Matters
- Proration of fees and costs between the transferor and transferee firms
- Contract provisions during any transition period, including insurance; and
- Other issues as necessary

The implementation plan must take into account any legal, operational or reputational risks that may arise during the transition period, and must address these risks in the most cost-efficient and effective manner. Freddie Mac reserves the right to require the modification of the implementation plan, and provide additional Servicer requirements relating to the termination of any firm, the suspension of referrals of new Freddie Mac Default Legal Matters and the transfer of Freddie Mac Default Legal Matters.

(b) Servicer monitoring of implementation plan

The Servicer must take all necessary steps to ensure that the implementation plan proceeds in an orderly manner and that all Freddie Mac interests are protected during the implementation. Such steps include, but are not limited to:

- Transferring files relating to Freddie Mac Default Legal Matters to eligible firms
- Addressing any issues arising from the transfer of files, the suspension of referrals and the termination of a firm

- Reporting periodically to Freddie Mac on the status of the plan, including such details as how many files are transferred to each new firm, which new firms receive the files and the timing of transfers; and

- Such other details as requested by Freddie Mac

Servicers may not charge Freddie Mac or Borrowers for any fees or costs associated with transferring Freddie Mac Default Legal Matters, and such amounts may not be added to Borrower Mortgage balances.

(c) Freddie Mac's rights to manage termination, suspension and/or file transfers

Freddie Mac may decide, in its sole discretion, that the legal, operational or reputational risks necessitate Freddie Mac's management of the:

- Termination of any firm with respect to its handling of Freddie Mac Default Legal Matters

- Suspension of referrals of Freddie Mac Default Legal Matters to a firm; and/or
- Transfers of files relating to Freddie Mac Default Legal Matters

In such case, the Servicer must cooperate with Freddie Mac in such management and provide all necessary documentation, files and information as requested by Freddie Mac.

9501.15: Reservation of rights and remedies for non-compliance concerning litigation (02/01/24)

Freddie Mac reserves the right to direct and control all litigation involving a Freddie Mac loan. The Servicer and firm handling the litigation must cooperate fully with Freddie Mac in the prosecution, defense or handling of the matter.

In addition, Freddie Mac reserves the right to:

1. Select the foreclosure counsel for a particular case, whether the case is routine or non-routine litigation

2. Direct and manage the actions taken by the foreclosure counsel, on a case-by-case or individual jurisdiction basis

3. Assess additional compensatory fees against the Servicer and/or seek repayment of losses, costs or damages from the Servicer sustained due to errors, omissions or delays by the Servicer or its agent; and

4. Direct and manage the actions taken by Servicers and firms relating to escalated issues specified in Section 9501.12

Remedies for non-compliance

If a Servicer fails to comply with the provisions under Chapter 9501, Freddie Mac, in its sole discretion, and in addition to any other remedies specified in the Guide or the Servicer's other Purchase Documents, reserves the right to:

- Refuse to reimburse the Servicer for any legal fees and costs

- Offset the entire legal fee from future foreclosure expenses otherwise eligible for reimbursement from Freddie Mac or seek the Servicer's reimbursement of the entire legal fee with interest, if Freddie Mac has already reimbursed the Servicer for the costs involved in the particular foreclosure or bankruptcy

- Require the Servicer to reimburse the firm or Freddie Mac for any prohibited payments or other financial benefits
- Prohibit the Servicer from contracting, directly or through any service provider, vendor or outsourcing company, with a firm with respect to products or services ancillary to a foreclosure or bankruptcy case

- Prohibit the Servicer from contracting with the service provider, vendor or outsourcing company involved in the prohibited activities with respect to Freddie Mac-owned or guaranteed Mortgages

- Seek Servicer repayment of losses, costs or damages sustained by Freddie Mac due to errors by the Servicer or its agent; and/or require repurchase of impacted Mortgage

Chapter 9502: Retention of Counsel for Freddie Mac Default Legal Matters Referred Prior to August 1, 2013

9502.1: Retention of counsel for Freddie Mac Default Legal Matters referred prior to August 1, 2013 (03/02/16)

If a Freddie Mac Default Legal Matter is referred to a law firm prior to August 1, 2013, the Servicer must comply with the requirements relating to the selection and retention of counsel as set forth in this chapter rather than the requirements of Chapter 9501. However, Servicers must comply with the requirements in Chapter 9501 related to the monitoring and management of a law firm, reporting, escalation of issues and termination and suspension of law firms for matters referred to counsel on or after June 1, 2013.

9502.2: Litigation counsel eligibility criteria for Freddie Mac Default Legal Matters referred prior to August 1, 2013 (03/02/16)

Having a single law firm handle a Mortgage from foreclosure through eviction, including bankruptcy, increases efficiency and effectiveness by eliminating learning curve problems and delays caused by hand-offs and duplicative title work. Therefore, Servicers are required to ensure that counsel retained for Freddie Mac's Mortgage foreclosures, evictions, deeds-in-lieu of foreclosure and bankruptcies meet the following criteria:

- The law firm retained as litigation counsel must have expertise in all four of the following areas: residential foreclosures, deeds-in-lieu of foreclosure, evictions and secured creditor representation in bankruptcy cases. For foreclosures or evictions on 2- to 4-unit properties, the law firm must also have experience in handling litigation matters on income-producing properties, including appointing receivers and enforcing assignment of rents.

- The attorneys at the law firm who are actually handling Freddie Mac's cases must have a minimum of three years' experience in their particular areas of expertise. For example, an attorney handling a bankruptcy case must have at least three years' experience representing secured creditors in bankruptcy cases. In the event that the attorney handling a matter for Freddie Mac is unavailable, the firm must have an attorney with similar relevant experience who can substitute for the absent attorney without causing a delay.

In addition, when selecting a law firm to handle foreclosures and bankruptcies, Servicers should consider the reputation of the firm as well as whether the firm's attorneys, principals, or managers are, or have been, subject to:

- Disciplinary action by any regulatory authority
- Sanctions imposed by a court or licensing authority
- Legal action by any governmental or regulatory authority resulting from the firm's involvement in single-family loan-level foreclosure, bankruptcy, eviction or property closing activities
- Legal action by consumers resulting from the firm's involvement in single-family loan-level foreclosure, bankruptcy, eviction or property closing activities

Refer to Sections 9401.6 through 9401.10 regarding when to refer a bankruptcy case to counsel and our requirements for bankruptcy counsel and Sections 9402.1 through 9402.3 regarding litigation.

9502.3: How to select foreclosure counsel for Freddie Mac Default Legal Matters referred prior to August 1, 2013 (03/02/16)

The Servicer is responsible for selecting counsel, and its selection decisions must not be influenced by inappropriate considerations. Refer to Section 9502.6 for additional information on prohibitions relating to foreclosure and bankruptcy referrals.

When making foreclosure and bankruptcy referrals, the Servicer must ensure that it is diversifying referrals by engaging in a relationship with at least two law firms in higher-volume States (States in which the Servicer has 250 or more Freddie Mac foreclosure and bankruptcy referrals in a calendar year).

In higher-volume States, the Servicer must take one of the following approaches to diversifying foreclosure and bankruptcy referrals:

1. The Servicer must make foreclosure and bankruptcy referrals on Mortgages it services on behalf of Freddie Mac to at least two law firms, ensuring that at least a substantial minority of the referrals are made to the law firm that receives the fewest referrals; or
2. The Servicer must make foreclosure and bankruptcy referrals to at least two law firms, with respect to its entire Servicing portfolio, ensuring that at least a substantial minority of the referrals are made to the law firm that receives the fewest referrals

In addition, all Servicers must have a contingency plan in place, either in the form of a stand-alone document or incorporated into policies and procedures, to redirect new foreclosure and bankruptcy referrals in the event a law firm the Servicer is using is no longer able to accept new referrals.

The Servicer must use the same entity that it retains to represent it in a bankruptcy action on a Mortgage to process the foreclosure.

The foreclosure counsel must be free from any conflict of interest with the Borrower.

The foreclosure counsel the Servicer chooses must meet the eligibility requirements in Section 9502.2.

When selecting the foreclosure counsel, the Servicer must base the selection on the prior performance of the foreclosure counsel in the following areas:

1. Completing foreclosures

2. Delivering clear and marketable title to Freddie Mac

3. Facilitating reinstatements and workouts with Borrowers

4. Resolving litigation delays (foreclosure counsel only)

The Servicer must communicate Freddie Mac's State foreclosure time line expectations and Freddie Mac's allowable fee schedule to the foreclosure counsel whom the Servicer selects. The Servicer must also communicate to the counsel that if they pay the Servicer or its vendor, either directly or indirectly, for any of the Servicing obligations covered by the Servicing Spread or any expenses itemized in Section 9701.15, Freddie Mac may preclude the counsel who pays any such expenses on Freddie Mac Mortgages from processing future foreclosures or bankruptcies for Freddie Mac.

9502.4: Selecting bankruptcy counsel for Freddie Mac Default Legal Matters referred prior to August 1, 2013 (09/27/21)

The Servicer must diversify foreclosure and bankruptcy referrals in higher-volume States (States in which the Servicer has 250 or more Freddie Mac foreclosure and bankruptcy referrals in a calendar year). In addition, the Servicer must have a contingency plan to redirect new foreclosure and bankruptcy referrals in the event a law firm that the Servicer is using is no longer able to accept new referrals (see Section 9502.3).

Bankruptcy counsel must be free from any conflict of interest with the Borrower.

Servicers must use the same entity retained in a foreclosure action on a Mortgage to represent the Servicer in a subsequent bankruptcy. Likewise, if at the dismissal or completion of the bankruptcy the Mortgage progresses to foreclosure, the Servicer must use the same law firm to handle the foreclosure as it used for the bankruptcy.

If the Servicer does not use the same entity representing the Servicer in a foreclosure action to represent it in a subsequent bankruptcy, Freddie Mac may, in its sole discretion, elect not to reimburse the Servicer. See Chapter 9701 for more details on reimbursement for bankruptcy costs and fees.

If a Servicer determines that special circumstances exist that require case management by counsel on a current Mortgage, then the Servicer must obtain Freddie Mac's prior written approval to obtain counsel in accordance with the requirements in Section 9502.2 and incur the legal expense by submitting a request for pre-approval via PAID (Payments Automated Intelligent and Dynamic) (see Exhibit 88, Servicing Tools).

9502.5: Foreclosure time line compensatory fee protection for use of designated counsel when required for Freddie Mac Default Legal Matters referred prior to August 1, 2013 (03/02/16)

For Mortgages referred to foreclosure prior to October 1, 2011:

The Servicer will not be subject to compensatory fees for a foreclosure and/or bankruptcy handled by a designated counsel that is not completed within Freddie Mac's required time lines, as long as the delay was not caused by the Servicer's failure to refer the Mortgage to foreclosure in accordance with the Guide requirements and/or send all of the documentation, information, signatures and/or funds to the designated counsel as required.

If the Servicer elects to use Freddie Mac's designated counsel, and the Servicer does not use that same designated counsel for both foreclosure and bankruptcy, Freddie Mac will not give the Servicer credit for using designated counsel for purposes of foreclosure time line compensatory fee protection.

9502.6: Prohibitions relating to foreclosure and bankruptcy referrals for Freddie Mac Default Legal

Matters referred prior to August 1, 2013 and Freddie Mac remedies for non-compliance (03/02/16)

Freddie Mac requires that all foreclosure and bankruptcy-related Servicing obligations, and all services and products purchased in connection with such Servicing obligations, be done in the most effective, efficient and cost-conscious manner. Servicers must not require the law firm to perform any foreclosure or bankruptcy-related services on any Freddie Mac Legal Matter without compensation.

(a) Prohibition against charging for, contracting for, or making arrangements to receive benefits for Servicing obligations

A Servicer, whether acting directly or through an affiliate, service provider, vendor or outsourcing company, must not directly or indirectly:

- Charge Freddie Mac, the counsel for any foreclosure or bankruptcy-related Servicing obligations, including expenses covered by the Servicing Spread; or
- Contract or make any arrangements with counsel whereby the Servicer (or its affiliate, service provider, vendor or outsourcing company) receives, directly or indirectly, any financial or other benefits (including, but not limited to, payments, the provision of employees, or free or discounted services or products) from the counsel in connection with any Freddie Mac Mortgage

Refer to Section 8105.3 for additional information on Servicing obligations.

(b) Prohibition against Servicers requiring firms to use specific vendors, services and/or products

A Servicer must not, whether acting directly or through an affiliate, service provider, vendor or outsourcing company:

- Require counsel to contract with or use a particular service provider, vendor or outsourcing company, or to use, or pay for, a particular service or product;
- Refuse to refer a file to counsel because the attorney chooses not to contract with or use a particular service provider, vendor or outsourcing company, or chooses not to use, or pay for, a particular service or product; or
- Charge counsel for any aspect of the file referral or management process, including, but not limited to, the use of connectivity or invoice processing systems (e.g., licensing or subscription fees, "click" charges, or any other payment) in order for an attorney to provide services necessary to prosecute the foreclosure or bankruptcy case

However, a Servicer may require counsel to use certain connectivity or invoice processing systems provided that the attorney is not required to pay for the use of, or access to, such systems.

(c) Prohibition against service providers, vendors, outsourcing companies or others influencing selection of foreclosure counsel

The Servicer, and not a service provider, vendor or outsourcing company assisting the Servicer in Servicing defaulted Mortgages, must select counsel to work on Freddie Mac Mortgages, and Servicers must not permit service providers, vendors, outsourcing companies, or others to participate in or influence, in any way, the Servicer's selection process.

(d) Remedies for non-compliance

If a Servicer fails to comply with the provisions of Section 9502.6(a), (b), or (c) above, Freddie Mac may, in its sole discretion and in addition to any other remedies specified in the Guide or the Servicer's other Purchase Documents:

- Refuse to reimburse the Servicer for any counsel fees and costs;
- Offset the entire legal fee from future foreclosure expenses or seek reimbursement of the entire legal fee with interest, if Freddie Mac has already reimbursed the Servicer for the costs involved in the particular foreclosure or bankruptcy;
- Require the Servicer to reimburse the counsel or Freddie Mac for any prohibited payments or other financial benefits;
- Prohibit the Servicer from contracting, directly or through any service provider, vendor or outsourcing company, with counsel with respect to products or services ancillary to a foreclosure or bankruptcy case; and/or
- Prohibit the Servicer from contracting with the service provider, vendor or outsourcing company involved in the prohibited activities with respect to Freddie Mac Mortgages

9502.7: Providing information to the foreclosure counsel and Servicer use of connectivity and invoice processing systems for Freddie Mac Default Legal Matters referred prior to August 1, 2013 (03/02/16)

(a) Responsibility to provide information to foreclosure counsel

For any Mortgage that the Servicer refers for foreclosure, the Servicer must provide complete written reinstatement or payoff figures to the counsel workout specialist, or outsourcing vendor requesting the information. This information must be provided within two Business Days of the date on which a written request is received. The Servicer may provide the written reinstatement or payoff figures via a paper document, facsimile or e-mail.

If the foreclosure counsel requests additional documentation from the Servicer (such as certificates of judgment or proofs of claim) while a case is pending, the Servicer must provide the additional documentation within two Business Days of receiving the request.

For any Mortgage that the Servicer refers for foreclosure, but the Mortgage is subsequently repurchased by the Servicer, whether voluntarily or involuntarily, the Servicer must notify foreclosure and/or bankruptcy counsel within two Business Days of the completed repurchase. (See Chapter 3602 for additional information about repurchases.)

(b) Connectivity and invoice processing systems

A Servicer, whether acting directly or through any vendor, service provider or outsourcing company, may employ electronic monitoring, management, reporting or information and document delivery processes technology, referred to here as a "Connectivity System," and an invoice processing system as outlined below.

i) Connectivity System

A Servicer may employ a Connectivity System to assist with fulfilling Servicing obligations such as:

- Packaging and referring foreclosure and bankruptcy cases to counsel;
- Communicating information and delivering documents between the Servicer and its counsel as well as any other third parties requiring access to the Connectivity System; and
- Managing and monitoring foreclosure and bankruptcy cases

If a Servicer uses a Connectivity System:

- Freddie Mac will reimburse a Servicer for the actual cost of the connectivity fee up to the maximum expense limit specified in Section 9701.11;
- The Servicer must provide all attorneys the use of and access to the identical Connectivity System;
- The Servicer must permit, or continue to permit, counsel to integrate their own technology systems with the Connectivity System at no cost to the counsel; and

- The Servicer must not pass on any Connectivity System related charges to the Borrower or the counsel

ii) Invoice processing system

A Servicer may employ an invoice processing system for managing the submission and payment of invoices.

If a Servicer, whether acting directly or through a vendor or outsourcing company, processes counsel invoices electronically:

- Freddie Mac will reimburse the Servicer for the actual cost of the invoicing fee up to the maximum expense limits specified in Section 9701.11; and

- The Servicer must not pass on any invoice processing related charges to the Borrower or the counsel

The amounts specified in Section 9701.11 for connectivity and invoice processing systems are the maximum amounts for which a Servicer may seek reimbursement for the life of the default (i.e., the duration of the foreclosure, including any related bankruptcy referral).

For example, if a Servicer has already referred a file to foreclosure and it then becomes necessary to take action with respect to a bankruptcy related to such Mortgage, or if a Servicer has already referred a file for bankruptcy and foreclosure has commenced following the bankruptcy referral, the Servicer may be reimbursed only for one connectivity fee. Likewise in this scenario, if the Servicer is using an invoice processing system, then the Servicer may only seek reimbursement for one invoicing fee associated with the foreclosure and for one invoicing fee associated with the bankruptcy during the life of the default.

Chapter 9601: Deficiency Recovery

9601.1: Working with vendors to collect deficiencies (07/13/16)

Freddie Mac may use vendors to assist in the collection of deficiencies. The Servicer must assist such vendors to obtain any necessary case file documentation upon the vendor's request. This would include data reporting or case file documentation that firms, selected and retained by the Servicer to handle Freddie Mac Default Legal Matters, may have obtained in the course of handling a particular case. At the time the vendor requests documentation for this purpose, as part of the request, the vendor will provide a letter of authorization from Freddie Mac to obtain such information.

The Servicer may only execute deficiency assignment documents that transfer deficiency rights from the Servicer to Freddie Mac when requested by an MI or third-party vendor. Refer to Section 9601.2 for requirements on assigning deficiency rights.

9601.2: Assigning deficiency rights after the foreclosure sale (03/02/16)

If the Mortgage has mortgage insurance and is not covered by any other credit enhancement, the Servicer must not execute any assignment of the right to pursue a deficiency or assignment of a deficiency judgment to an MI or a third party. These documents must be sent directly to Freddie Mac **(see Directory 5)**. Freddie Mac will coordinate the execution of these assignment documents.

The Servicer may execute deficiency assignment documents that transfer deficiency rights from the Servicer to Freddie Mac when requested by an MI or third-party vendor.

For all other issues related to assigning deficiency rights after foreclosure sale, Servicers should direct their questions to Freddie Mac **(see Directory 5)**.

9601.3: Charging off the deficiency (12/09/19)

The amount that Freddie Mac has determined to be charged off will be reflected on the Draft Report. The Servicer must review the Draft Report and report any discrepancies between its records and the amount on the Draft Report to Freddie Mac via the Freddie Mac Servicing Data Corrections tool (see Exhibit 88, Servicing Tools) within 30 calendar days following Freddie Mac's posting of the amount to the Draft Report. Servicers may access the Draft Report through the Freddie Mac Cash Manager tool (see Exhibit 88).

When reporting a discrepancy, Servicers must input the calculation used to determine the variance and upload any documentation to support the request in the Servicing Data Corrections tool.

Freddie Mac will process, at its discretion, discrepancies that are submitted more than 60 calendar days after the initial adjustment is posted to the Draft Report. Such discrepancies may be subject to a contract noncompliance and contract change compensatory fee (see Section 8303.43). If the post-settlement correction request is denied, the Servicer may be liable for any additional losses.

Chapter 9602: Post-Sale Reporting to Other Entities

9602.1: Servicer reporting of foreclosure sales to credit repositories (03/02/16)

The Servicer must report all foreclosure sales to the credit repositories listed in Exhibit 51, Credit Repositories and Information to Report, according to the requirements in Section 8106.6.

9602.2: Servicer reporting to the IRS (03/02/16)

The Servicer must report the acquisition or abandonment of the property to the Internal Revenue Service (IRS) according to the requirements in Section 8106.3 on IRS Form 1099-A, Acquisition or Abandonment of Secured Property.

In the event that deficiency rights were not preserved during the foreclosure process as may be allowed under Section 9301.23, the Servicer must also report the cancellation of debt to the IRS according to the requirements in Section 8106.4 on IRS Form 1099-C, Cancellation of Debt.

Chapter 9603: REO

9603.1: General Servicer requirements for REO properties (10/09/24)

Once Freddie Mac has acquired a property in REO and the Servicer has successfully reported the foreclosure sale or deed-in-lieu of foreclosure via the Freddie Mac Foreclosure Sale Reporting and Loan Level Reporting tools (see Exhibit 88, Servicing Tools) pursuant to Section 9603.9, the Servicer will no longer have the responsibility for the following REO activities, including for properties located in States that have a redemption, confirmation process or ratification of sale:

- Securing, maintaining, inspecting, protecting and preserving the property
- Making advances to superior lienholders including condominium/homeowners association (HOA) or Cooperative Corporation assessments (see Chapter 8801 for special Servicing requirements for Cooperative Share Loans), Condominium Unit maintenance fees or Cooperative Unit Maintenance Fees, and ground rents
- Evicting the occupants in the property
- Marketing and rehabilitating the REO

Servicers are responsible for the following activities until the sale of the REO by Freddie Mac, the MI, FHA, RHS or VA:

- Filing and concluding FHA, RHS and VA claims, if applicable. (Freddie Mac will file MI claims.)
- Filing and concluding property insurance claims, if applicable and applying for premium refunds, in accordance with Section 9603.11. The Servicer is required to cancel any existing property insurance policies no later than 14 days after the foreclosure sale or deed-in-lieu of foreclosure has been successfully reported to Freddie Mac. Freddie Mac may instruct the Servicer to maintain property insurance (even if the property is vacant and has no claimable damage). If Freddie Mac makes this request, the Servicer must continue the insurance coverage until Freddie Mac notifies the Servicer that Freddie Mac has sold the REO.
- Referring all inquiries and offers regarding purchase of the REO to Freddie Mac **(see Directory 6)** within one Business Day of the inquiry or offer
- Fulfilling all requests made by Freddie Mac, including attorney selection. If the Servicer requires the assistance of an attorney in fulfilling any of the obligations set forth in this chapter, the Servicer must use an attorney who meets the criteria in Section 9501.3.
- Taking such action that Freddie Mac may request regarding a property

Servicers may review the REO Overview report, accessible via the "REO" tile of the Servicer's Servicer Performance Profile (SPP) (see Exhibit 88), for the property status. The Servicer may also call the Customer Support Contact Center at 800-FREDDIE to obtain this information. Freddie Mac will not send the Servicer a written notice of the sale of the REO.

9603.1: General Servicer requirements for REO properties (Future effective date 12/09/24)

Once Freddie Mac has acquired a property in REO and the Servicer has successfully reported the foreclosure sale or deed-in-lieu of foreclosure via Resolve® and the Loan Level Reporting tool (see Exhibit 88, Servicing Tools) pursuant to Section 9603.9, the Servicer will no longer have the responsibility for the following REO activities, including for properties located in States that have a redemption, confirmation process or ratification of sale:

- Securing, maintaining, inspecting, protecting and preserving the property
- Making advances to superior lienholders including condominium/homeowners association (HOA) or Cooperative Corporation assessments (see Chapter 8801 for special Servicing requirements for Cooperative Share Loans), Condominium Unit maintenance fees or Cooperative Unit Maintenance Fees, and ground rents
- Evicting the occupants in the property
- Marketing and rehabilitating the REO

Servicers are responsible for the following activities until the sale of the REO by Freddie Mac, the MI, FHA, RHS or VA:

- Filing and concluding FHA, RHS and VA claims, if applicable. (Freddie Mac will file MI claims.)
- Filing and concluding property insurance claims, if applicable and applying for premium refunds, in accordance with Section 9603.11. The Servicer is required to cancel any existing property insurance policies no later than 14 days after the foreclosure sale or deed-in-lieu of foreclosure has been successfully reported to Freddie Mac. Freddie Mac may instruct the Servicer to maintain property insurance (even if the property is vacant and has no claimable damage). If Freddie Mac makes this request, the Servicer must continue the insurance coverage until Freddie Mac notifies the Servicer that Freddie Mac has sold the REO.
- Referring all inquiries and offers regarding purchase of the REO to Freddie Mac **(see Directory 6)** within one Business Day of the inquiry or offer

- Fulfilling all requests made by Freddie Mac, including attorney selection. If the Servicer requires the assistance of an attorney in fulfilling any of the obligations set forth in this chapter, the Servicer must use an attorney who meets the criteria in Section 9501.3.

- Taking such action that Freddie Mac may request regarding a property

Servicers may review the REO Overview report, accessible via the "REO" tile of the Servicer's Servicer Performance Profile (SPP) (see Exhibit 88), for the property status. The Servicer may also call the Customer Support Contact Center at 800-FREDDIE to obtain this information. Freddie Mac will not send the Servicer a written notice of the sale of the REO..

9603.2: FHA/VA/RHS claim filing (03/02/16)

On a Mortgage that is insured by the FHA or guaranteed by the VA or RHS, the Servicer must process the claim for FHA insurance or VA or RHS guaranty benefits within the agency's established time frames and according to the agency's requirements to ensure that the claim recipient receives the maximum claim payment amount.

(a) FHA, VA or RHS claim filing for Mortgages subject to a recourse obligation, including indemnification

The Servicer must file the claim to ensure that payment is made directly to the Servicer. Because the Servicer is the claim recipient, the Servicer should ensure that it receives the maximum claim payment amount to apply towards any expenses incurred as Freddie Mac will not reimburse the Servicer for expenses incurred on Mortgages subject to a recourse obligation (see Section 9701.4 on Freddie Mac's rights).

(b) FHA, VA or RHS claim filing for Mortgages not subject to a recourse obligation or indemnification

The Servicer must file the claim in Freddie Mac's name to ensure that payment is made directly to Freddie Mac **(see Directory 6)**. Because Freddie Mac is the claim recipient, the Servicer should ensure that Freddie Mac receives the claim payment, in the maximum claim payment amount, before seeking reimbursement for expenses incurred on the Mortgage.

9603.3: Primary mortgage insurance claim filing (03/02/16)

Freddie Mac will file a claim for loss with the MI if the Mortgage is covered by primary mortgage insurance and will manage the claims payment process with the MI. The Servicer must provide all information and documentation pertaining to the claim to the MI no later than 60 days after the foreclosure sale, short sale or acceptance of a deed-in-lieu of foreclosure, or within any shorter time frame as specified by the mortgage insurance master policy or by Freddie Mac.

9603.4: Offers to purchase the property with a pending mortgage insurance claim (07/15/19)

A Servicer that receives an inquiry or an offer regarding purchase of an REO property must contact its Freddie Mac REO claim specialist **(see Directory 6)** within one Business Day of receiving the inquiry or offer.

9603.5: Receipt of claim payment (03/02/16)

If the Servicer receives a claim payment intended for Freddie Mac, whether from the MI or applicable entity (see Section 9603.2 on FHA/VA/RHS claim filing and Section 9603.3 on primary mortgage insurance claim filing), the Servicer must send the funds to Freddie Mac **(see Directory 6)** within 10 Business Days after the Servicer receives them. The Servicer must also include all supporting documentation relating to the claim payment received from the MI or applicable entity, including a copy of the claim payment check.

However, if the Mortgage insured by the FHA, or guaranteed by the VA or RHS is subject to a recourse obligation, including indemnification, the Servicer does not need to send the funds to Freddie Mac.

9603.6: Reduced, suspended or denied claims (03/02/16)

If the claim payment amount is reduced, suspended or denied by the MI due to the Servicer's actions or inactions including, but not limited to, failure to comply with the Guide or applicable mortgage insurance requirements, then Freddie Mac may exercise its remedies provided by the Guide and the other Purchase Documents for the amount that is reduced, suspended or denied. Refer to Chapter 3602 regarding repurchases, repurchase alternatives and other remedies.

9603.7: Remittance of primary mortgage insurance claim payments (03/02/16)

When Freddie Mac receives the claim payment from the MI, Freddie Mac will remit any portion of the proceeds due to the Servicer, less any outstanding amounts due to Freddie Mac from the Servicer.

9603.8: Property Condition Certificate (PCC) process (07/15/19)

The Servicer may review the REO Overview report, assessible via the "REO" tile of the Servicer's Servicer Performance Profile (SPP) (see Exhibit 88, Servicing Tools), for the property status, including the Property Condition Certificate (PCC) completion date. The Servicer may also call the Customer Support Contact Center at 800-FREDDIE to obtain this information. Freddie Mac will not send the Servicer a written notice of the sale of the REO.

9603.9: Required REO documentation and reporting (05/04/20)

When reporting an REO, the Servicer must report the transaction ID of "Foreclosure" and sales result "Freddie Mac" via the Foreclosure Sale Reporting tool (see Exhibit 88, Servicing Tools) no later than the Business Day immediately following the date of the foreclosure sale. Refer to Section 9301.38.

The Servicer must submit to Freddie Mac **(see Directory 6)** any information Freddie Mac requests from the Mortgage file within 15 Business Days of the date of its request. (Refer to Section 3302.3 for Freddie Mac's record retention requirements for Mortgage files on foreclosed Mortgages.) Additionally, for a Cooperative Unit in REO, the Servicer must submit the information listed in Section 8801.6(d) if requested by Freddie Mac.

9603.9: Required REO documentation and reporting (Future effective date 12/09/24)

When reporting an REO, the Servicer must report the foreclosure sale result "REO" in Resolve no later than one Business Day immediately following the date of the foreclosure sale. Refer to Section 9301.38.

The Servicer must submit to Freddie Mac **(see Directory 6)** any information Freddie Mac requests from the Mortgage file within 15 Business Days of the date of its request. (Refer to Section 3302.3 for Freddie Mac's record retention requirements for Mortgage files on foreclosed Mortgages.) Additionally, for a Cooperative Unit in REO, the Servicer must submit the information listed in Section 8801.6(d) if requested by Freddie Mac.

9603.10: Notifying the taxing authority/HOA of REO (10/20/21)

Within five days of successfully reporting the foreclosure sale or deed-in-lieu of foreclosure via the Freddie Mac Foreclosure Sale Reporting tool (see Exhibit 88, Servicing Tools), the Servicer must notify all organizations that require notice of Freddie Mac's ownership of the property to ensure that statements are sent to the appropriate location. This includes, but is not limited to, the taxing authority, condominium association, municipality, homeowners association (HOA) or Cooperative Corporation (see Chapter 8801 for special Servicing requirements for Cooperative Share Loans), and any organization as required by law.

When the Servicer contacts these organizations, the Servicer must update the remitter's name as follows:

Federal Home Loan Mortgage Corporation
c/o Radian Real Estate Management
7730 South Union Park Avenue, Suite 400
Midvale, UT 84047

Important: Freddie Mac will pay the property taxes, condominium/HOA or Cooperative Corporation assessments, Condominium Unit maintenance fees or Cooperative Unit Maintenance Fees, and ground rents, as applicable, as they become due after the Servicer successfully reports the foreclosure sale or the deed-in-lieu of foreclosure. Freddie Mac may retain a vendor to conduct such activities.

There are special requirements for REO located in California. California taxing authorities reassess properties for supplemental taxes from the foreclosure sale date to the sale date of the REO. Also, taxing authorities often generate a supplemental tax statement long after the REO sale date. Therefore, the Servicer must notify the taxing authority in writing to send any supplemental tax bills to Freddie Mac at the address above within five days following the foreclosure sale or the deed-in-lieu of foreclosure date.

9603.10: Notifying the taxing authority/HOA of REO (Future effective date 12/09/24)

Within five days of successfully reporting the foreclosure sale or deed-in-lieu of foreclosure via Resolve®, the Servicer must notify all organizations that require notice of Freddie Mac's ownership of the property to ensure that statements are sent to the appropriate location. This includes, but is not limited to, the taxing authority, condominium association, municipality, homeowners association (HOA) or Cooperative Corporation (see Chapter 8801 for special Servicing requirements for Cooperative Share Loans), and any organization as required by law.

When the Servicer contacts these organizations, the Servicer must update the remitter's name as follows:

Federal Home Loan Mortgage Corporation
c/o Radian Real Estate Management
7730 South Union Park Avenue, Suite 400
Midvale, UT 84047

Important: Freddie Mac will pay the property taxes, condominium/HOA or Cooperative Corporation assessments, Condominium Unit maintenance fees or Cooperative Unit Maintenance Fees, and ground rents, as applicable, as they become due after the Servicer successfully reports the foreclosure sale or the deed-in-lieu of foreclosure. Freddie Mac may retain a vendor to conduct such activities.

There are special requirements for REO located in California. California taxing authorities reassess properties for supplemental taxes from the foreclosure sale date to the sale date of the REO. Also, taxing authorities often generate a supplemental tax statement long after the REO sale date. Therefore, the Servicer must notify the taxing authority in writing to send any supplemental tax bills to Freddie Mac at the address above within five days following the foreclosure sale or the deed-in-lieu of foreclosure date.

9603.11: Property insurance for REO (09/27/21)

The Servicer must maintain or cancel the existing property insurance policy according to the requirements in this section and Section 8202.12. Additionally, the Servicer must assist in the filing of a property insurance claim, when applicable, according to requirements in subsection 9603.11(b) below.

(a) Maintaining or canceling property insurance

The Servicer must take all actions required in the mortgage clause of all applicable property insurance policies including, but not limited to, providing all notices to the insurer required under such clause, in order to preserve the coverage and its maximum benefits for the Servicer and/or Freddie Mac, as mortgagee. The Servicer must cancel such policies within 14 days after the foreclosure sale or deed-in-lieu of foreclosure has been reported to Freddie Mac, even if there is claimable damage to the property or if the property has sold.

(b) Filing claims

A property recovery firm will handle the insurance claim filing process on Freddie Mac's behalf. The Servicer must provide that firm with the necessary information to file and process the claim within three Business Days of their request for such information.

(c) Obtaining a refund for the unearned insurance premiums

After canceling the policy, the Servicer must submit a request for the unearned portion of the insurance premium to the insurance company for any premium that the Servicer paid on behalf of the Borrower, if applicable. The Servicer must offset any refund it receives from the insurance company against expenses the Servicer requests via PAID (Payments Automated Intelligent and Dynamic) (see Exhibit 88, Servicing Tools).

9603.12: Canceling utilities for REO (07/15/19)

Once the Servicer has successfully reported the foreclosure sale or deed-in-lieu of foreclosure to Freddie Mac, Freddie Mac or its agent/vendor will transfer the utilities to Freddie Mac. The Servicer can obtain reimbursement for any utility bills it paid that Freddie Mac approved in advance or the Servicer incurred up to the foreclosure sale or deed-in-lieu of foreclosure pursuant to the process for reimbursement of expenses in Section 9603.15.

9603.13: Condominium/HOA or Cooperative Corporation assessments, ground rents and property taxes for REO (10/09/24)

This section contains requirements related to:

- REO located in a Condominium Project, Planned Unit Development or Cooperative Project, or subject to a leasehold estate
- Reimbursement of duplicate assessments and property tax payments

(a) REO located in a Condominium Project, Planned Unit Development or Cooperative Project, or subject to a leasehold estate

Pursuant to Section 9603.1, the Servicer is no longer responsible for paying condominium/homeowners association (HOA) or Cooperative Corporation assessments (see Chapter 8801 for special Servicing requirements for Cooperative Share Loans), Condominium Unit maintenance fees or Cooperative Unit Maintenance Fees, and ground rents, as applicable, upon the successful reporting of the foreclosure sale or deed-in-lieu of foreclosure to Freddie Mac via the Freddie Mac Foreclosure Sale Reporting tool (see Exhibit 88, Servicing Tools).

Freddie Mac may require the Servicer in special circumstances to pay assessments after the foreclosure sale date, in order to protect Freddie Mac's interests.

(b) Reimbursement of duplicate assessments and property tax payments

In the event the Servicer has complied with the requirements of this section and the duplication of assessments and property tax payments exists, Freddie Mac will reimburse the Servicer for its portion of the duplicate payment(s) in accordance with the requirement in this chapter and Chapter 9701.

To receive reimbursement for the duplicate payment(s), the Servicer must submit a request for reimbursement to Freddie Mac via e-mail **(see Directory 6)** and include in that request proof of the Servicers compliance with the applicable requirements and proof of the payment of the expenses.

Freddie Mac will not reimburse the Servicer for any such duplicate payments if the Servicer does not meet the requirements in this section and/or the requirements in Chapter 9701. In such instances, the Servicer may seek a refund from the condominium association, HOA or Cooperative Corporation, or taxing authority to which duplicate payments were made.

9603.13: Condominium/HOA or Cooperative Corporation assessments, ground rents and property taxes for REO (Future effective date 12/09/24)

This section contains requirements related to:

- REO located in a Condominium Project, Planned Unit Development or Cooperative Project, or subject to a leasehold estate
- Reimbursement of duplicate assessments and property tax payments

(a) REO located in a Condominium Project, Planned Unit Development or Cooperative Project, or subject to a leasehold estate

Pursuant to Section 9603.1, the Servicer is no longer responsible for paying condominium/homeowners association (HOA) or Cooperative Corporation assessments (see Chapter 8801 for special Servicing requirements for Cooperative Share Loans), Condominium Unit maintenance fees or Cooperative Unit Maintenance Fees, and ground rents, as applicable, upon the successful reporting of the foreclosure sale or deed-in-lieu of foreclosure to Freddie Mac via Resolve®.

Freddie Mac may require the Servicer in special circumstances to pay assessments after the foreclosure sale date, in order to protect Freddie Mac's interests.

(b) Reimbursement of duplicate assessments and property tax payments

In the event the Servicer has complied with the requirements of this section and the duplication of assessments and property tax payments exists, Freddie Mac will reimburse the

Servicer for its portion of the duplicate payment(s) in accordance with the requirement in this chapter and Chapter 9701.

To receive reimbursement for the duplicate payment(s), the Servicer must submit a request for reimbursement to Freddie Mac via e-mail **(see Directory 6)** and include in that request proof of the Servicers compliance with the applicable requirements and proof of the payment of the expenses.

Freddie Mac will not reimburse the Servicer for any such duplicate payments if the Servicer does not meet the requirements in this section and/or the requirements in Chapter 9701. In such instances, the Servicer may seek a refund from the condominium association, HOA or Cooperative Corporation, or taxing authority to which duplicate payments were made.

9603.14: Eviction requirements for REO (07/15/19)

Freddie Mac will conduct the eviction proceedings if the property is occupied. If Freddie Mac requests information or documentation from the Servicer pertaining to the eviction, then the Servicer must provide the information or documentation to Freddie Mac within the requested time frames.

9603.15: Reimbursement of expenses incurred on an REO property (03/02/16)

For an REO not acquired by a third-party at the foreclosure sale, or for legal expenses not legally collectible from the third-party purchaser, Freddie Mac will reimburse the Servicer for reasonable expenses incurred in accordance with the provisions in Chapter 9701, Exhibit 57A, Approved Attorney Fees and Title Expenses, and/or those approved by Freddie Mac during the foreclosure process.

9603.16: Final settlement between the Servicer and Freddie Mac for REO (09/27/21)

After Freddie Mac has received all proceeds from the sale of the REO and the Servicer has submitted all expense reimbursement requests to Freddie Mac through PAID (Payments Automated Intelligent and Dynamic) (see Exhibit 88, Servicing Tools), Freddie Mac will calculate and complete the final settlement of foreclosure expenses between the Servicer and Freddie Mac.

Freddie Mac will bill the Servicer for the Servicer's proportionate share of any expenses Freddie Mac has advanced during the REO holding period if Freddie Mac is not able to recover them from the Servicer's share of the proceeds. Otherwise, Freddie Mac will net these expenses

against the Servicer's proportionate share of the sale proceeds and Freddie Mac will send the balance of the Servicer's share to the Servicer. Freddie Mac will also collect any fees, charges or other amounts the Servicer owes Freddie Mac with this settlement.

9603.17: Late execution of REO repurchase (05/01/19)

Freddie Mac may request a Servicer to repurchase a Mortgage post-foreclosure and after investor reporting ceases and the loan has been transferred to REO. If the Servicer does not remit proceeds to Freddie Mac in accordance with the time frame and requirements in Section 8303.14, the Servicer will be assessed a late execution of REO repurchase compensatory fee.

The compensatory fee will be calculated by multiplying the amount of the remittance shortage by the highest quoted prime rate on the last Business Day of the month in which the REO repurchase occurred in the print edition of *The Wall Street Journal* in its regular column entitled "Money Rates" plus 3%. If the prime rate is not published, then Freddie Mac will determine the comparable rate.

The amount of the late remittance and the number of days that the remittance is late is based on a 365-day year and determines the amount of the late execution of REO repurchase compensatory fee due to Freddie Mac. There is a minimum charge of $50 on any late remittance. For purposes of calculating the charge, Freddie Mac uses the rate described above for any late remittances occurring between the first day after the Accounting Cycle, up to and including the last day of the following Accounting Cycle.

Refer to Section 8303.42 for the compensatory fee assessed for late execution of a repurchase request if not an REO.

Chapter 9701: Reimbursement of Expenses

9701.1: Reimbursement of expenses (09/27/21)

This chapter contains Freddie Mac's guidelines and requirements for using PAID (Payments Automated Intelligent and Dynamic) (see Exhibit 88, Servicing Tools) to request and obtain reimbursement for eligible expenses incurred in connection with a workout or foreclosure of a Mortgage serviced for Freddie Mac.

The expense reimbursement process is governed by the requirements in this chapter, Sections 2401.1 and 2404.2, Chapter 2405, other Purchase Documents, and the following:

1. The terms and conditions of the Mortgage documents

2. Applicable law

3. Requirements of the FHA, RHS, VA or MI, if applicable

If foreclosure proceedings are discontinued, all fees and costs the Servicer incurs must be collected from the Borrower (unless prohibited by applicable law). The Servicer must not charge the Borrower for:

- Any costs or fees that the Servicer has not incurred, and

- Reinstatement or relief fees that are not allowed by applicable law or the Purchase Documents

If applicable law prohibits reimbursement from the Borrower, Freddie Mac will share the expenses with the Servicer in proportion to Freddie Mac's interest in the Mortgage.

9701.2: Servicer expense approval authority (03/02/16)

Servicers may incur legal and other expenses in accordance with the established limits in Exhibit 57, 1- to 4-Unit Property Approved Expense Amounts, and Exhibit 57A, Approved Attorney Fees and Title Expenses, without Freddie Mac's prior approval.

9701.3: Request for pre-approval (RPA) (09/27/21)

Prior to the Servicer incurring the expense or expenses, if possible, the Servicer must obtain written pre-approval from Freddie Mac by submitting a request for pre-approval (RPA) via the

RPA functionality in PAID (Payments Automated Intelligent and Dynamic) (see Exhibit 88, Servicing Tools) to:

- Exceed the expense limits in Exhibits 57 and 57A
- Incur certain expenses as set forth in Exhibit 74
- Incur expenses not set forth in Exhibit 74

All RPAs will require the Servicer to submit supporting documentation. Freddie Mac will not provide pre-approval for, or reimbursement of, expenses considered non-reimbursable (as set forth in Section 9701.15).

9701.4: Freddie Mac's rights concerning expense reimbursement (06/12/19)

Freddie Mac reserves the following rights:

1. Freddie Mac may deny the Servicer's request for reimbursement or curtail a portion of such expenses if Freddie Mac does not receive the Servicer's request within the required time frames specified in Section 9701.5

2. Freddie Mac will not reimburse the Servicer for expenses incurred on Mortgages repurchased by the Servicer, or Mortgages subject to full recourse or indemnification. However, when applicable, the Servicer must submit expenses on any Mortgage that is pending repurchase. If the Servicer is required to repurchase Freddie Mac's interest in a Mortgage in accordance with Chapter 3602, Freddie Mac's calculation of the repurchase price will include all amounts the Servicer was reimbursed.

3. If Freddie Mac does not exercise its right to set off amounts owed to Freddie Mac against other funds owed to a Servicer, Freddie Mac will bill the Servicer for expenses and/or losses incurred or discovered after the repurchase notification date and/or the date of Freddie Mac's receipt of the repurchase proceeds from the Servicer

4. If Freddie Mac audits the Servicer's reimbursement requests and determines that a previously reimbursed expense was not eligible for reimbursement, Freddie Mac may bill the Servicer for any amounts due to Freddie Mac on the Servicer's monthly Servicer Non-Performing Loans Invoice. (Refer to Section 9102.1 for information on the payment of Servicing Non-Performing Loans Invoices via an Automated Clearing House draft.)

5. The expenses submitted on the final claim for a Mortgage insured by the FHA, or guaranteed by the VA or RHS not subject to recourse or indemnification will not be reimbursed until Freddie Mac has received the full amount of claim proceeds from the applicable entity

Note: Freddie Mac will reimburse the Servicer for additional expenses that appear on the claim forms the Servicer submits to the applicable entity only if Freddie Mac receives these funds in the claim proceeds from the applicable entity.

6. Freddie Mac reserves the right to require the Servicer to obtain competitive bids from multiple vendors on property preservation work that exceeds the expense limits specified in Exhibit 57, 1- to 4- Unit Property Approved Expense Amounts.

9701.5: Expense reimbursement submission time frames (09/27/21)

Expenses for which the Servicer is seeking reimbursement must be submitted in PAID (Payments Automated Intelligent and Dynamic) (see Exhibit 88, Servicing Tools).

Servicers may enter expenses in PAID as they are accrued; however, Servicers will not receive reimbursement until the mortgage modification, short sale or charge-off has settled on Freddie Mac systems or the deed-in-lieu of foreclosure, third-party sale or foreclosure sale has been successfully reported to Freddie Mac.

Expense reimbursement submission time frames provided for in this Section 9701.5 are not applicable for Mortgages insured by the FHA, or guaranteed by the VA or RHS. For expenses incurred on Mortgages insured by the FHA, or guaranteed by the VA or RHS not subject to recourse or indemnification, the Servicer must submit expenses in PAID after Freddie Mac has received the claim payment from the applicable entity (see Section 9603.2 on FHA/VA/RHS claim filing and Section 9603.5 on receipt of claim payment), but no later than 60 days after Freddie Mac has received the claim payment.

(a) Reimbursement of loan modification expenses

With the exception of recordation fees, Servicers must enter all loan modification related expenses in PAID that were not capitalized in the modification or otherwise paid by the Borrower (including unrecoverable expenses described in Section 9701.5(d)) no later than 90 days after the settlement date in Freddie Mac systems. Recordation fees (expense code 300003) must be submitted no later than 180 days after the settlement date in Freddie Mac systems.

(b) Reimbursement of expenses for short-sales; charge-offs; deeds-in-lieu of foreclosure; third-party sales; and forclosure sales

Servicers must enter the initial expenses related to a short-sale, charge-off, deed-in-lieu of foreclosure, third-party foreclosure sale or a foreclosure sale in PAID that were not paid by the Borrower (including unrecoverable expenses described in Section 9701.5(d)) no later than 45 days after the workout is settled on Freddie Mac systems or the foreclosure sale is successfully reported to Freddie Mac. Additional expenses must be entered no later than 60

days after the workout is settled on Freddie Mac systems or the foreclosure sale is successfully reported to Freddie Mac.

Note: During the REO holding period (i.e., the time period from Freddie Mac's acquisition of the property to the sale of the REO), the Servicer may review the status of the REO by monitoring the REO Overview Report, accessible via the "REO" tile of the Servicer's Servicer Performance Profile (SPP) (see Exhibit 88, Servicing Tools). The Servicer may also call the Customer Support Contact Center at 800-FREDDIE to obtain this information. Freddie Mac will not send the Servicer a written notice of the sale of the REO. Usually the Servicer only needs to submit one claim, referred to as the "final" claim. Any additional claim submissions are referred to as "supplemental."

(c) Reimbursement of other expenses

Servicers must enter the initial expenses for the following expenses in PAID no later than 45 days after completion of the event, and any additional expenses must be entered no later than 60 days:

- Expenses (e.g., legal fees and/or legal costs) considered unrecoverable from the Borrower under applicable federal, State or local law upon reinstatement or payoff of the Mortgage (including unrecoverable expenses described in Section 9701.5(d));

- Bankruptcy completion on a current Mortgage for which the Servicer obtained Freddie Mac's written pre-approval to incur the legal expense via the request for pre-approval (RPA) functionality in PAID pursuant to Section 9401.6(a)

(d) Unrecoverable expenses

Freddie Mac will reimburse certain expenses (e.g., legal fees and/or legal costs), as set forth in Exhibit 74, Expense and Income Codes for Expense Reimbursement Claims, considered unrecoverable from the Borrower under applicable federal, State or local law upon reinstatement or pay off of the Mortgage, or upon completion of a mortgage modification.

For any other expense a Servicer believes to be unrecoverable from the Borrower under applicable federal, State or local law, the Servicer must obtain written pre-approval from Freddie Mac by submitting a request for pre-approval (RPA) via the RPA functionality in PAID.

9701.6: Reimbursement of property taxes (09/27/21)

The Servicer must administer all funds in the Borrower's Escrow account to pay expenses in accordance with the terms set forth in the Note and the Security Instrument, in addition to applicable federal, State and local laws. The Servicer must maintain sufficient Escrows and/or verify timely payments of property taxes in accordance with Sections 8201.1 and 9301.27.

Freddie Mac will reimburse the Servicer that is in compliance with the requirements of Sections 8201.1 and 9301.27 for property taxes that were incurred and paid to a taxing authority as follows:

- For foreclosure sales and deeds-in-lieu of foreclosure, property taxes are reimbursable if incurred up to 12 months prior to the DDLPI through the foreclosure sale or the deed-in-lieu of foreclosure date

- For short-sales, charge-offs or third party sales, property taxes are reimbursable if incurred and paid to a taxing authority up to 12 months prior to the DDLPI through the payoff date. (Refer to Section 9701.5 for a description of expense reimbursement requests and submission time frames.)

If the Servicer advanced property taxes as required in Section 8201.1 and entered into a repayment plan for the property taxes with the Borrower, and the Borrower breached the repayment plan during the repayment period, Freddie Mac will reimburse the Servicer for the property taxes the Borrower did not pay if the Servicer provides Freddie Mac with documentation of:

1. The repayment plan and the sequence of events

2. Evidence that the Servicer initiated foreclosure as required in Section 8201.1

Except as otherwise provided herein, Freddie Mac will reimburse the Servicer for the first tax penalty incurred on a non-escrowed Mortgage that goes to foreclosure on the condition that the Servicer has complied with the requirements of Section 8201.1. Freddie Mac will not reimburse the Servicer for the interest or other charges accrued on delinquent property taxes.

Freddie Mac will reimburse Servicers for the first and second tax penalty incurred on a non-escrowed Mortgage in the State of California only in instances where the Servicer is not notified of unpaid property taxes on a non-escrowed Mortgage until the second tax penalty was assessed.

Freddie Mac will not reimburse the Servicer for any late fees, interest and penalties other than:

- The first tax penalty on a non-escrowed Mortgage (including interest if the taxing authority considers interest as a penalty, or includes it as part of the penalty)

- The first and second tax penalties on a non-escrowed Mortgage in California

In California, properties are reassessed for supplemental taxes from the foreclosure sale date to the REO settlement date. A supplemental tax statement is often generated long after the REO settlement date. Therefore, within five days following the foreclosure sale or the deed-in-lieu of foreclosure date, the Servicer must notify the taxing authority, in writing, to send any supplemental tax bills to Freddie Mac **(see Directory 6)**. The Servicer must also send Freddie Mac a copy of the letter sent to the taxing authority.

9701.7: Reimbursement of insurance premiums (10/09/24)

Freddie Mac will reimburse the Servicer for property insurance premiums if they were incurred and paid to the insurer up to 12 months prior to the DDLPI.

After the DDLPI, the following insurance expenses are reimbursable in every jurisdiction:

- Mortgage insurance premiums are reimbursable if incurred after the DDLPI and before:
  - The REO acquisition date. The acquisition date is the foreclosure sale date, the date of the expiration of the redemption period and/or the confirmation/ratification date, whichever occurs last
  - A deed-in-lieu of foreclosure has been successfully reported to Freddie Mac through the Foreclosure Sale Reporting tool (see Exhibit 88, Servicing Tools)
  - A short sales has been settled on Freddie Mac systems
- Property insurance premiums paid through an escrow account are reimbursable for a period up to:
  - Twelve months after the foreclosure sale or cancelation of the policy (whichever occurs earlier)
  - 14 days after the foreclosure sale or deed-in-lieu of foreclosure has been successfully reported to Freddie Mac through the Freddie Mac Foreclosure Sale Reporting tool, if the property did not revert to REO through foreclosure sale; or
  - For short-sales, charge-offs or third party sales, 14 days after completion of the workout settlement. (Refer to Section 9701.5 for a description of expense reimbursement requests and submission time frames.)
- Lender-Placed Insurance (LPI) premiums are reimbursable for a period up to 14 days after the final non-REO activity or up to 14 days after the foreclosure sale and or the deed-in-lieu of foreclosure has been successfully reported through the Foreclosure Sale Reporting tool. Freddie Mac will not reimburse the Servicer for LPI premiums for periods in which the Borrower obtained coverage meeting the requirements outlined in Chapter 8202 was already in place. LPI premiums for which the Servicer or an affiliated entity received compensation in violation of Section 8202.12 are not reimbursable.

9701.7: Reimbursement of insurance premiums (Future effective date 12/09/24)

Freddie Mac will reimburse the Servicer for property insurance premiums if they were incurred and paid to the insurer up to 12 months prior to the DDLPI.

After the DDLPI, the following insurance expenses are reimbursable in every jurisdiction:

- Mortgage insurance premiums are reimbursable if incurred after the DDLPI and before:
  - The REO acquisition date. The acquisition date is the foreclosure sale date, the date of the expiration of the redemption period and/or the confirmation/ratification date, whichever occurs last
  - A deed-in-lieu of foreclosure has been successfully reported to Freddie Mac through Resolve®
  - A short sales has been settled on Freddie Mac systems
- Property insurance premiums paid through an escrow account are reimbursable for a period up to:
  - Twelve months after the foreclosure sale or cancelation of the policy (whichever occurs earlier)
  - 14 days after the foreclosure sale or deed-in-lieu of foreclosure has been successfully reported to Freddie Mac through Resolve, if the property did not revert to REO through foreclosure sale; or
  - For short-sales, charge-offs or third party sales, 14 days after completion of the workout settlement. (Refer to Section 9701.5 for a description of expense reimbursement requests and submission time frames.)
- Lender-Placed Insurance (LPI) premiums are reimbursable for a period up to 14 days after the final non-REO activity or up to 14 days after the foreclosure sale and or the deed-in-lieu of foreclosure has been successfully reported through Resolve. Freddie Mac will not reimburse the Servicer for LPI premiums for periods in which the Borrower obtained coverage meeting the requirements outlined in Chapter 8202 was already in place. LPI premiums for which the Servicer or an affiliated entity received compensation in violation of Section 8202.12 are not reimbursable.

9701.8: Reimbursement of liens (09/27/21)

Freddie Mac will reimburse the Servicer in most instances where the Servicer must pay expenses that, if delinquent, are or may become First Liens on the property or that if not paid would result in the subordination of Freddie Mac's interests, as provided in the Guide. (Refer to Sections 9301.27 and 9701.10.) To be reimbursed, the Servicer must obtain written pre-approval from Freddie Mac (by submitting a request for pre-approval (RPA) via the RPA functionality in PAID (Payments Automated Intelligent and Dynamic) (see Exhibit 88, Servicing Tools)).

9701.9: Reimbursement for property inspection and property preservation expenses (09/27/21)

For each property inspection completed in accordance with the requirements of Section 9202.12, Freddie Mac will reimburse the Servicer the lesser of:

- The actual cost of the property inspection; or
- The applicable expense limit stated in Exhibit 57, 1- to 4-Unit Property Approved Expense Amounts

In addition, the Servicer will be reimbursed for an interior property inspection obtained for a Freddie Mac Standard Deed-in-Lieu of Foreclosure pursuant to the requirements of Section 9209.6.

In the case of abandoned properties, it may be necessary for the Servicer to incur certain property preservation expenses, such as the cost of utilities and expenses incurred to protect the property from waste, damage and vandalism. The Servicer will be reimbursed for Freddie Mac's proportionate share of such property preservation expenses according to the guidelines in Exhibit 57 and Section 8403.2 for expenses incurred from the DDLPI through the reported foreclosure sale date, when the property reverts to REO. If the expense of the preservation exceeds Freddie Mac's approval limits, or the expense will be incurred after the date of a foreclosure sale, including where the property sold to a third party, the Servicer must obtain Freddie Mac's approval prior to incurring the expense by submitting a request for pre-approval of these costs via PAID (Payments Automated Intelligent and Dynamic) (see Exhibit 88, Servicing Tools).

If the Servicer exceeds the expense limit in Exhibit 57 for emergency repairs, Freddie Mac may reimburse the Servicer if Freddie Mac is notified of the emergency via PAID by the next Business Day after the expense was incurred. If the Servicer's determination to incur the expense was reasonable, as determined in Freddie Mac's sole discretion, Freddie Mac will reimburse the Servicer for the expense.

The Servicer is no longer responsible for property preservation expenses and will not be reimbursed for property preservation costs, including utility expenses, incurred after (i) the

reported foreclosure sale date or (ii) if the property sold to a third party at the foreclosure sale, the foreclosure action is complete.

9701.10: Reimbursement of condominium/homeowners association (HOA) or Cooperative Corporation assessments, and ground rents (10/09/24)

This section contains requirements related to:

- Mortgages with Note Dates prior to February 14, 2014
- Mortgages with Note Dates on or after February 14, 2014
- Ground rents

(a) Mortgages with Note Dates prior to February 14, 2014

Pursuant to Section 9603.1, Freddie Mac will pay the condominium/homeowners association (HOA) or Cooperative Corporation assessments (see Chapter 8801 for special Servicing requirements for Cooperative Share Loans), Condominium Unit maintenance fees or Cooperative Unit Maintenance Fees, and ground rents, as applicable, as they become due after the Servicer has successfully reported the foreclosure sale or deed-in-lieu of foreclosure via the Freddie Mac Foreclosure Sale Reporting tool (see Exhibit 88, Servicing Tools).

If applicable State law creates a lien priority over Freddie Mac's First Lien position for delinquent condominium/HOA or Cooperative Corporation assessments assessed pre-foreclosure, then Freddie Mac will reimburse the Servicer for its payment of regular assessments assessed pre-foreclosure in an amount no greater than the lesser of:

- The actual amount in regular assessments advanced by the Servicer
- The maximum amount in regular assessments that, per the project declaration or bylaws, would take priority over Freddie Mac's First Lien position
- The maximum amount in regular assessments that, per applicable State statute, would take priority over Freddie Mac's First Lien position
- For Cooperative Share Loans, see Section 8801.4 regarding Cooperative Share Loan expenses that may become First Liens on the property

Unless otherwise provided in the Guide, Freddie Mac will not reimburse the Servicer for late fees, interest, collections expenses or attorney fees, regardless of whether such amounts may be included under the lien pursuant to applicable State law.

(b) Mortgages with Note Dates on or after February 14, 2014

Pursuant to Section 9603.1, Freddie Mac will pay the condominium/HOA or Cooperative Corporation assessments, Condominium Unit maintenance fees or Cooperative Unit Maintenance Fees, and ground rents, as applicable, as they become due after the Servicer has successfully reported the foreclosure sale or deed-in-lieu of foreclosure via the Foreclosure Sale Reporting tool (see Exhibit 88, Servicing Tools).

If applicable State law creates a lien priority over Freddie Mac's First Lien position for delinquent condominium/HOA or Cooperative Corporation assessments assessed pre-foreclosure, then Freddie Mac will reimburse the Servicer for its payment of regular assessments assessed pre-foreclosure in an amount equal to the lesser of the actual amount advanced or:

- For Mortgages secured by property in the State of Florida – no more than 12 months (or any lesser amount provided by State statute)
- For Mortgages secured by property in the State of Connecticut – no more than nine months (or any lesser amount provided by State statute)
- For Mortgages secured by property in all other States (including States that provide an exception for Freddie Mac Mortgages) – no more than six months (or any lesser amount provided by State statute)
- For Cooperative Share Loans, see Section 8801.4 regarding Cooperative Share Loan expenses that may become First Liens on the property

Unless otherwise provided in the Guide, Freddie Mac will not reimburse the Servicer for late fees, interest, collections expenses or attorney fees, regardless of whether such amounts may be included under the lien pursuant to applicable State law.

(c) Ground rents

For leasehold Mortgages, if termination of the lease will impair Freddie Mac's lien position or interest in the property, Freddie Mac will reimburse the Servicer for any payments it made pursuant to the terms of the lease (i.e., ground rents) to prevent termination of the lease and protect Freddie Mac's lien position and interest in the property.

Freddie Mac will reimburse the Servicer that is in compliance with the requirements of Sections 9301.26 and 9401.3 regarding leasehold Mortgages for ground rents paid as follows:

- For foreclosures and deed-in-lieu of foreclosure, ground rents are reimbursable if incurred and paid up to 12 months prior to the DDLPI through the foreclosure sale date

- For short-sales; charge-offs or third-party sales, ground rents are reimbursable if incurred and paid up to 12 months prior to the DDLPI through the payoff date. (Refer to Section 9701.5 for a description of expense reimbursement request and submission time frames.)

9701.10: Reimbursement of condominium/homeowners association (HOA) or Cooperative Corporation assessments, and ground rents (Future effective date 12/09/24)

This section contains requirements related to:

- Mortgages with Note Dates prior to February 14, 2014
- Mortgages with Note Dates on or after February 14, 2014
- Ground rents

(a) Mortgages with Note Dates prior to February 14, 2014

Pursuant to Section 9603.1, Freddie Mac will pay the condominium/homeowners association (HOA) or Cooperative Corporation assessments (see Chapter 8801 for special Servicing requirements for Cooperative Share Loans), Condominium Unit maintenance fees or Cooperative Unit Maintenance Fees, and ground rents, as applicable, as they become due after the Servicer has successfully reported the foreclosure sale or deed-in-lieu of foreclosure via Resolve®.

If applicable State law creates a lien priority over Freddie Mac's First Lien position for delinquent condominium/HOA or Cooperative Corporation assessments assessed pre-foreclosure, then Freddie Mac will reimburse the Servicer for its payment of regular assessments assessed pre-foreclosure in an amount no greater than the lesser of:

- The actual amount in regular assessments advanced by the Servicer
- The maximum amount in regular assessments that, per the project declaration or bylaws, would take priority over Freddie Mac's First Lien position
- The maximum amount in regular assessments that, per applicable State statute, would take priority over Freddie Mac's First Lien position

- For Cooperative Share Loans, see Section 8801.4 regarding Cooperative Share Loan expenses that may become First Liens on the property

Unless otherwise provided in the Guide, Freddie Mac will not reimburse the Servicer for late fees, interest, collections expenses or attorney fees, regardless of whether such amounts may be included under the lien pursuant to applicable State law.

(b) Mortgages with Note Dates on or after February 14, 2014

Pursuant to Section 9603.1, Freddie Mac will pay the condominium/HOA or Cooperative Corporation assessments, Condominium Unit maintenance fees or Cooperative Unit Maintenance Fees, and ground rents, as applicable, as they become due after the Servicer has successfully reported the foreclosure sale or deed-in-lieu of foreclosure via Resolve.

If applicable State law creates a lien priority over Freddie Mac's First Lien position for delinquent condominium/HOA or Cooperative Corporation assessments assessed pre-foreclosure, then Freddie Mac will reimburse the Servicer for its payment of regular assessments assessed pre-foreclosure in an amount equal to the lesser of the actual amount advanced or:

- For Mortgages secured by property in the State of Florida – no more than 12 months (or any lesser amount provided by State statute)

- For Mortgages secured by property in the State of Connecticut – no more than nine months (or any lesser amount provided by State statute)

- For Mortgages secured by property in all other States (including States that provide an exception for Freddie Mac Mortgages) – no more than six months (or any lesser amount provided by State statute)

- For Cooperative Share Loans, see Section 8801.4 regarding Cooperative Share Loan expenses that may become First Liens on the property

Unless otherwise provided in the Guide, Freddie Mac will not reimburse the Servicer for late fees, interest, collections expenses or attorney fees, regardless of whether such amounts may be included under the lien pursuant to applicable State law.

(c) Ground rents

For leasehold Mortgages, if termination of the lease will impair Freddie Mac's lien position or interest in the property, Freddie Mac will reimburse the Servicer for any payments it made pursuant to the terms of the lease (i.e., ground rents) to prevent termination of the lease and protect Freddie Mac's lien position and interest in the property.

Freddie Mac will reimburse the Servicer that is in compliance with the requirements of Sections 9301.26 and 9401.3 regarding leasehold Mortgages for ground rents paid as follows:

- For foreclosures and deed-in-lieu of foreclosure, ground rents are reimbursable if incurred and paid up to 12 months prior to the DDLPI through the foreclosure sale date

- For short-sales; charge-offs or third-party sales, ground rents are reimbursable if incurred and paid up to 12 months prior to the DDLPI through the payoff date. (Refer to Section 9701.5 for a description of expense reimbursement request and submission time frames.)

9701.11: Reimbursement of fees and costs incurred during legal proceedings (08/09/23)

Certain legal fees and costs are reimbursable when the Servicer forecloses on a property or takes other routine or non-routine legal action. All foreclosure and related legal fees and costs must be reasonable and comparable to those customarily charged in the area where the property is located (see Section 9301.14 regarding foreclosure counsel fees). Those fees and costs include such items as:

1. Foreclosure attorney fees as set forth in Exhibit 57A, Approved Attorney Fees and Title Expenses, and foreclosure attorney fees incurred that exceed the expense limits in Exhibit 57A, if the Servicer has submitted and Freddie Mac has granted written pre-approval of the Servicer's request via PAID (Payments Automated Intelligent and Dynamic) (see Exhibit 88, Servicing Tools).

   Foreclosure attorney fees listed in Exhibit 57A are the approved attorney fees for an uncontested foreclosure. This generally includes but is not limited to:

   - All activities necessary to complete the first legal action

   - Review of supporting documentation and loan status

   - Verification that the Borrower is not a Servicemember currently serving a Period of Military Service (as those terms are referenced in Section 8503.1), or if the Borrower was a Servicemember, that more than one year has elapsed since his or her Period of Military Service ended (see Section 8503.2 regarding foreclosure relief options exclusive to Servicemembers and their Dependents). Verification must be completed following the referral of a Mortgage to foreclosure but prior to the first legal action, and again prior to foreclosure sale.

   - Review of title examination

   - Preparation and filing of all necessary papers and notices, including the publication and posting of notices of foreclosure or other legal proceedings as required by State or local law, as well as obtaining service of process on all defendants or parties entitled to notice

- Obtain orders for alternate or special service, if doing so will expedite service of process at little or no additional cost

- All necessary court appearances required in an uncontested foreclosure

- Preparing documentation for and obtaining entry of judgment in a judicial foreclosure action, or preparing all documentation necessary to conduct the foreclosure sale in a non-judicial foreclosure action

- Handling the foreclosure sale including any actions required to postpone (see Section 9301.28 regarding foreclosure sale postponements), reset and set aside the sale, and

- Preparation and recording of conveyance deeds

- For Cooperative Share Loans, any transfer of the Cooperative Shares and Proprietary Lease (see Section 8801.6 regarding delinquency management for Cooperative Share Loans)

If during the pendency of a foreclosure, a Servicer relies upon its foreclosure counsel, as a vendor, to perform or handle services associated with Servicer functions, including Delinquency management requirements as provided in Chapters 8402 through 8404, 9201 through 9211, 9301, 9401, 9402, 9501, 9601 and 9602, then any additional fees or service charges billed by a law firm should be paid by the Servicer at its own expense. (See Section 9701.15 regarding non-reimbursable expenses.)

2. Filing costs are reimbursable for required paper and e-filing, including costs associated with third-party vendors, unless the option to file electronically can be done without vendor-related costs

3. The cost of obtaining a copy of a death certificate if needed to facilitate prompt and efficient completion of the legal proceeding

4. Costs as set forth in Exhibit 57A for title work required for foreclosures, which include the cost of an update to the title if required by the State, or to ensure clear and marketable title to the Mortgaged Premises after the foreclosure sale. Freddie Mac will not reimburse for any additional title abstract, commitment or policy. If the Servicer must obtain an additional update to the title because the original is stale due to bankruptcy delay, Freddie Mac will reimburse the Servicer up to $125 for the update in Maryland, Ohio and Virginia, and $75 for all other States. Servicers must contact Freddie Mac for written pre-approval for an additional update if the title becomes stale for any other reason.

5. Costs of serving legal notices, when required by applicable law

6. Cost of publication of notices of foreclosure or other legal proceedings as required by State or local law. Reimbursable costs incurred for the publication of such legal notices include

actual charges imposed by the newspaper or publication. The foreclosure attorney fees in Exhibit 57A cover fees for acquiring the publication, including the cost of preparing, submitting and verifying the legal notices.

7. Cost of posting of notices of foreclosure or other legal proceedings, as required by State or local law. Reimbursable costs incurred for the posting of such legal notices are for actual charges imposed for the physical posting of notices on the property.

8. Postage for certified or registered mail that is required for legal notices as required by applicable law

9. Bankruptcy costs and fees as set forth in Exhibit 57A, and bankruptcy expenses incurred that exceed the expense limits in Exhibit 57A, if the Servicer has submitted and Freddie Mac has granted written pre-approval of the Servicer's request via PAID. However, if the Borrower is delinquent and files for bankruptcy protection and a reorganization plan is approved, the Servicer must seek reimbursement for its allowable expenses through the Borrower's bankruptcy plan.

   If the Borrower breaches the bankruptcy plan, the Servicer must not submit a claim for expense reimbursement until after the applicable event or activity described in Section 9701.5.

10. Contested foreclosure fees and court costs required to continue with the foreclosure process, if the Servicer has submitted and Freddie Mac has granted written pre-approval of the Servicer's request via PAID.

    For legal expenses that are related to a non-routine litigation matter and are considered reimbursable, Servicers must first contact Freddie Mac with details of the non-routine litigation matter according to the reporting requirements in Section 9402.3(b), and include an estimate of the attorney's fees and litigation costs, as well as the attorney's hourly rate, in the Servicer's request for Freddie Mac's pre-approval via PAID.

    Contested foreclosure fees and court costs are:

Contested Foreclosure Resolved by Motion for Summary Judgment (Judicial)	Foreclosure attorney fee for a contested foreclosure in which a defendant files an answer requiring the filing of a summary judgment motion. This includes work leading up to the filing of the summary judgment motion, all court appearances and all written discovery.

Responding to a Motion to Dismiss (Judicial)	Foreclosure attorney fee for responding to a motion to dismiss, including the preparation and filing of a response and attendance at all hearings.
Contested Foreclosure Resolved by Trial (Judicial)	Foreclosure attorney fee for trial, set by court upon its own motion including, but not limited to, pre-trial preparation and correspondence, preparation and filing documents necessary for trial, witness preparation and all necessary court appearances.
Contested Foreclosure Resolved by Motion to Dismiss (Non-Judicial)	Foreclosure attorney fee for a contested foreclosure (i.e., Borrower's filing of a lawsuit to challenge a non-judicial foreclosure) resolved by the filing of a motion to dismiss and subsequent entry of an order granting motion to dismiss. This includes all work leading up to the filing of the motion to dismiss and all necessary court appearances.
Contested Foreclosure Resolved by Summary Judgment Motion (Non-Judicial)	Foreclosure attorney fee for a contested foreclosure (i.e., Borrower's filing of a lawsuit to challenge a non-judicial foreclosure) resolved by the filing of a motion for summary judgment and subsequent entry of an order granting motion for summary judgment. This includes all work leading up to the filing of the summary judgment motion, all court appearances and all written discovery.
Probate Proceedings	Foreclosure attorney fee for probate proceedings during a contested foreclosure.
Motion for Mediation in a Contested Foreclosure	Foreclosure attorney fee for attendance and appearance at a mediation session for a contested foreclosure that is not part of a State or local law pre-foreclosure mediation program.

Borrower Initiated Motions	Foreclosure attorney fee for responding to a motion initiated by the Borrower or Borrower's counsel, including the preparation and filing of a response and attendance at all hearings.
Reply to Affirmative Defenses/Motion to Strike	Foreclosure attorney fee for responding to affirmative defenses or a motion to strike filed by or on behalf of the Borrower in a contested foreclosure, including the preparation and filing of a response and attendance at all hearings.
Discovery (Request for Production of Documents, Request for Admissions, Interrogatories)	Foreclosure attorney fee for responding to a discovery request or propounding discovery in a contested foreclosure, including the preparation and filing of a response and attendance at all hearings.
Contested Foreclosure Fee – Other	Foreclosure attorney fee for additional work needed to resolve a contested foreclosure that enters into litigation, whether routine or non-routine, in order to proceed with the foreclosure.

11. For the life of the default, the actual cost of system connectivity fees, technology fees and invoice processing fees up to the following maximum expense limits:

    - Connectivity fees are reimbursable up to a maximum of $25 per referral, on or after April 1, 2011, for the life of the default

    - Technology fees are reimbursable up to a maximum of $5 per referral, before April 1, 2011, for the life of the default

    - Invoicing fees are reimbursable up to a maximum of $5 to process foreclosure invoices and an additional maximum of $5 to process bankruptcy invoices for the life of the default on referrals on or after April 1, 2011

    For details on system connectivity and invoice processing, refer to Section 9501.9.

12. Attorney fees to shorten a redemption period, when allowed by applicable State law, if the Servicer has submitted and Freddie Mac has granted written pre-approval of the Servicer's request via PAID

13. Attorney fees to foreclose on a Cooperative Share Loan (see Chapter 8801 for special Servicing requirements for Cooperative Share Loans), if the Servicer has submitted and Freddie Mac has granted written pre-approval of the Servicer's request via PAID

14. Attorney fees for appearance and attendance at a status, conciliation or case management conference, when required by State or local law or set by the court, if the Servicer has submitted and Freddie Mac has granted written pre-approval of the Servicer's request via PAID. This includes fees for appearance and attendance at pre-mediation hearings or conferences, when required by State or local law or set by the court.

15. Certain expenses (e.g., legal fees and/or legal costs) considered unrecoverable from the Borrower under applicable federal, State or local law upon reinstatement or payoff of the Mortgage, or upon completion of a mortgage modification. (Refer to Section 9701.5(f) regarding unrecoverable expenses.)

In the event of a foreclosure of the property or a bankruptcy of the Borrower, attorneys' invoices paid by the Servicer pursuant to Section 8103.3 must match or exceed the claim for reimbursement in PAID. Servicers must pay attorneys' invoices timely and should not be delaying the payment of attorneys' invoices until after the expenses have been reimbursed by Freddie Mac.

Freddie Mac will not reimburse the Servicer for attorney's fees and litigation costs on Mortgages sold to Freddie Mac with full recourse or subject to indemnification. For Mortgages sold to Freddie Mac with recourse or subject to indemnification, the Servicer must inform counsel retained for foreclosure, eviction or bankruptcy that the Servicer is responsible for paying all associated fees and costs.

9701.12: Reimbursement requirements when foreclosure must be restarted (09/27/21)

In certain States, if the Servicer must restart a foreclosure proceeding, in whole or in part, due to an allowable delay as defined in Section 9301.46, Freddie Mac will reimburse the Servicer as follows:

1. All of the reimbursable actual costs (per the requirements of the Guide) of each foreclosure attempt and the completed foreclosure

2. Up to 70% of the approved foreclosure attorney fees for the first foreclosure attempt

3. Up to 100% of the approved foreclosure attorney fees for the completed foreclosure

Additionally, for any foreclosure attempt subsequent to the first foreclosure attempt, except for the completed foreclosure, the Servicer may be reimbursed up to 70% of the approved foreclosure attorney fees with prior written approval from Freddie Mac. To obtain written

approval from Freddie Mac, the Servicer must submit a request for pre-approval (RPA) via the RPA functionality in PAID (Payments Automated Intelligent and Dynamic) (see Exhibit 88, Servicing Tools).

Freddie Mac will not reimburse the Servicer for any fees or costs associated with a restarted foreclosure if the Servicer has to restart a foreclosure proceeding due to a delay that is not considered an allowable delay as defined in Section 9301.46, or due to Servicer non-compliance with the Guide.

The States affected by this requirement are identified in Exhibit 57A, Approved Attorney Fees and Title Expenses.

In all other States, Freddie Mac will reimburse the Servicer for only one occurrence of the foreclosure attorney fee and reimbursable actual costs (per the requirements of the Guide).

9701.13: Reimbursement of BPO/appraisal reports (03/02/16)

Since the Servicer does not incur an expense when it orders a BPO or appraisal report from Freddie Mac via BPOdirect® in connection with a workout or a foreclosure, a BPO or appraisal report via BPOdirect is not an expense for which the Servicer may seek reimbursement. Freddie Mac will only reimburse the Servicer for an appraisal report ordered from an appraiser of its choice if the Servicer has complied with Section 9202.16.

9701.14: Reimbursement of Scheduled Principal (05/01/19)

Effective May 1, 2019, this section is deleted.

9701.15: Non-reimbursable expenses (09/27/21)

Consistent with Section 8101.2, standard operating costs incurred by a Servicer, or its Servicing Agent and/or Outsourced Vendor(s), as applicable, in connection with the Servicer's obligations and duties owed to Freddie Mac are part of the Servicer's cost of doing business, and, therefore, are not reimbursable by Freddie Mac, unless expressly provided for otherwise in the Servicing Contract.

Standard operating costs and expenses that are non-reimbursable by Freddie Mac (together referred to as "non-reimbursable expenses") include, but are not limited to:

1. Appraisal reports, except when approved by Freddie Mac in advance

2. Attorney's fees resulting from correction of matters that should have been resolved pre-foreclosure, including any costs to resolve real property title issues that are the result of the Seller's or Servicer's actions or inactions

3. Documentary stamp taxes/transfer taxes/excise taxes on real estate conveyance (Freddie Mac is exempt under Title 12 of the United States Code, Section 1452(e)), unless the Servicer received Freddie Mac's prior written approval via PAID (Payments Automated Intelligent and Dynamic) (see Exhibit 88, Servicing Tools). (See Section 9301.41 for additional requirements for reimbursement of transfer taxes after a foreclosure sale, or when closing a deed-in-lieu of foreclosure transaction).

4. Sales tax

5. Facsimile transmission (fax) charges

6. Interest, penalties (except for the first tax penalty (and second tax penalty in California as provided in Section 9701.6) incurred as defined in Section 9701.6), late charges, collection expenses or legal fees for late payment of property taxes or condominium/homeowners association (HOA) or Cooperative Corporation assessments unless otherwise provided in the Guide. (See Chapter 8801 for special Servicing requirements for Cooperative Share Loans.)

7. Long distance telephone calls

8. Mailgram charges

9. Mileage or travel costs

10. Mortgage credit life insurance premiums

11. Other costs of an attorney, such as time or fees for curing a Delinquency, document preparation, word processing or notary public services performed by an attorney; co-counsel fees; referral fees, packaging fees or other similar fees and new case start-up fees

12. Photocopy costs

13. Photographs

14. Regular postage

15. The actual or imputed value of in-house counsel time expended when the reimbursable matter is handled by in-house counsel

16. Additional fees for preparing a foreclosure deed because the cost of doing so is included in the attorney's fees listed in Exhibit 57A, Approved Attorney Fees and Title Expenses

17. Credit reports

18. Additional fees or service charges billed by a law firm, or any entities the firm relies upon to provide third-party support functions performed on the Servicer's behalf, that are considered included in the attorney's fees listed in Exhibit 57A

19. Additional fees or service charges that are billed by a law firm or any entity the Servicer relies upon and are associated with Servicer functions. Servicers should pay vendors for handling such Servicer functions at their own expense.

For non-reimbursable expenses, Servicers or their Permitted Vendors (see Section 2405.7 regarding use of PAID by Permitted Vendors) should not be requesting Freddie Mac's written pre-approval by submitting a request for pre-approval (RPA) via the RPA functionality in PAID for these expense amounts.

If Freddie Mac determines that the Servicer has directly or indirectly passed or charged to Freddie Mac any non-reimbursable expenses or charged Freddie Mac for Servicing obligations covered by the Servicing Spread (as set forth in Section 8103.3), then Freddie Mac may pursue any or all remedies available under the Guide, other Purchase Documents and applicable law.

9701.15: Non-reimbursable expenses (09/27/21)

Consistent with Section 8101.2, standard operating costs incurred by a Servicer, or its Servicing Agent and/or Outsourced Vendor(s), as applicable, in connection with the Servicer's obligations and duties owed to Freddie Mac are part of the Servicer's cost of doing business, and, therefore, are not reimbursable by Freddie Mac, unless expressly provided for otherwise in the Servicing Contract.

Standard operating costs and expenses that are non-reimbursable by Freddie Mac (together referred to as "non-reimbursable expenses") include, but are not limited to:

20. Appraisal reports, except when approved by Freddie Mac in advance

21. Attorney's fees resulting from correction of matters that should have been resolved pre-foreclosure, including any costs to resolve real property title issues that are the result of the Seller's or Servicer's actions or inactions

22. Documentary stamp taxes/transfer taxes/excise taxes on real estate conveyance (Freddie Mac is exempt under Title 12 of the United States Code, Section 1452(e)), unless the Servicer received Freddie Mac's prior written approval via PAID (Payments Automated Intelligent and Dynamic) (see Exhibit 88, Servicing Tools). (See Section 9301.41 for additional requirements for reimbursement of transfer taxes after a foreclosure sale, or when closing a deed-in-lieu of foreclosure transaction).

23. Sales tax

24. Facsimile transmission (fax) charges

25. Interest, penalties (except for the first tax penalty (and second tax penalty in California as provided in Section 9701.6) incurred as defined in Section 9701.6), late charges, collection expenses or legal fees for late payment of property taxes or condominium/homeowners association (HOA) or Cooperative Corporation assessments unless otherwise provided in the Guide. (See Chapter 8801 for special Servicing requirements for Cooperative Share Loans.)

26. Long distance telephone calls

27. Mailgram charges

28. Mileage or travel costs

29. Mortgage credit life insurance premiums

30. Other costs of an attorney, such as time or fees for curing a Delinquency, document preparation, word processing or notary public services performed by an attorney; co-counsel fees; referral fees, packaging fees or other similar fees and new case start-up fees

31. Photocopy costs

32. Photographs

33. Regular postage

34. The actual or imputed value of in-house counsel time expended when the reimbursable matter is handled by in-house counsel

35. Additional fees for preparing a foreclosure deed because the cost of doing so is included in the attorney's fees listed in Exhibit 57A, Approved Attorney Fees and Title Expenses

36. Credit reports

37. Additional fees or service charges billed by a law firm, or any entities the firm relies upon to provide third-party support functions performed on the Servicer's behalf, that are considered included in the attorney's fees listed in Exhibit 57A

38. Additional fees or service charges that are billed by a law firm or any entity the Servicer relies upon and are associated with Servicer functions. Servicers should pay vendors for handling such Servicer functions at their own expense.

For non-reimbursable expenses, Servicers or their Permitted Vendors (see Section 2405.7 regarding use of PAID by Permitted Vendors) should not be requesting Freddie Mac's written pre-approval by submitting a request for pre-approval (RPA) via the RPA functionality in PAID

for these expense amounts.

If Freddie Mac determines that the Servicer has directly or indirectly passed or charged to Freddie Mac any non-reimbursable expenses or charged Freddie Mac for Servicing obligations covered by the Servicing Spread (as set forth in Section 8103.3), then Freddie Mac may pursue any or all remedies available under the Guide, other Purchase Documents and applicable law.

9701.16: Denials and adjustments of expense reimbursement requests (09/27/21)

Freddie Mac reserves the right to withhold payment on a reimbursement request if:

1. Servicer fails to provide Freddie Mac with supporting documentation requested or in the time frame Freddie Mac requires

2. Freddie Mac did not receive the request within the expense reimbursement submission time frames (see Section 9701.5)

3. The request includes expenses that are typically non-reimbursable, unless the Servicer has obtained Freddie Mac's written pre-approval

4. The request includes expenses for an amount in excess of the expense limits in Exhibit 57, 1- to 4-Unit Property Approved Expense Amounts, and Exhibit 57A, Approved Attorney Fees and Title Expenses, unless the Servicer obtained Freddie Mac's written pre-approval

   If Freddie Mac adjusts or denies the Servicer's reimbursement request:

   - Information on the reason why Freddie Mac either adjusted or denied an expense reimbursement will be available in PAID (Payments Automated Intelligent and Dynamic) (see Exhibit 88, Servicing Tools)

   - The Servicer may resubmit the reimbursement request via PAID provided the resubmission is within Freddie Mac's time frame requirements, the Servicer claims only the disallowed expense, and the appropriate documentation is attached and includes a justification for why the disallowed expense should be reimbursed

9701.17: Default reporting requirements and reimbursement of claims (09/27/21)

The legal fees and costs the Servicer submits must reflect the same default action dates as reported via EDR. Failure to report Delinquency, foreclosure, bankruptcy and other relevant EDR data will result in the adjustment or denial of the request.

9701.18: REO related costs and expenses (03/02/16)

Freddie Mac will reimburse the Servicer for post-acquisition activities which a Servicer must perform for Freddie Mac, the MI, the FHA and/or the VA. (Refer to Chapter 9603 for information on these activities.)

9701.19: Expense offsets (03/02/16)

The Servicer must deduct certain funds from expenses incurred. These funds include positive Escrow balances at default, interest on Escrow balances, property insurance and primary mortgage insurance premium refunds.

The Servicer's requested expense reimbursements must be offset by any positive Escrow balance. Funds remaining in the Borrower's Escrow account at default must be accounted for with the Servicer's reimbursement request as income to offset expenses. Funds remaining in a temporary buydown account before the foreclosure action was started must be applied as set forth in Section 4204.4. Additionally, the Servicer is required to offset any incurred reimbursable expenses with the proceeds of rental income it receives during the foreclosure or REO holding period.

Mortgage insurance premium refunds should be refunded directly to Freddie Mac by the MI on the claim for loss. If, however, the MI sends a refund of the mortgage insurance premium to the Servicer directly, the Servicer must credit the MI premium refund on the claim as income when it submits a request for expense reimbursement.

In the following instances, Freddie Mac will bill the Servicer for the funds on the Performing Loans monthly Servicer Billing Statement or the Servicer Non-Performing Loans Invoice, respectively:

- If the income reported by the Servicer exceeds the expenses requested
- If the Servicer has no expenses currently being processed to offset the income that is due to Freddie Mac

Refer to Section 9102.1 for information on the payment of the Servicer Billing Statement and Non-Performing Loans Invoice via an Automated Clearing House (ACH) draft.

The Servicer must not offset anticipated or received mortgage insurance claim payments, property insurance claim proceeds or sales proceeds against any expenses incurred. (Refer to Section 9701.20 for information on remitting these funds to Freddie Mac.)

9701.20: Forwarding remittances to Freddie Mac (11/30/16)

The Servicer is required to forward, via wire transfer or check, non-REO related funds to Freddie Mac **(see Directory 5)** and REO related funds to Freddie Mac **(see Directory 6)** within 10 Business Days of the Servicer's receipt of the funds. Such funds typically include, but are not limited to, mortgage insurance claim proceeds and property insurance claim proceeds.

The Servicer must forward the funds to Freddie Mac via check or wire transfer as follows:

- For non-REO related funds, the Servicer must forward the funds via check payable to the Federal Home Loan Mortgage Corporation and include the Freddie Mac loan number along with copies of related documentation with the check

- For REO related funds, the Servicer must forward the funds via (a) check or (b) wire transfer

  (a) Remittances forwarded by check must be payable to the Federal Home Loan Mortgage Corporation and include the Freddie Mac loan number along with copies of related documentation with the check

  (b) Remittances forwarded by wire transfer must reference the Freddie Mac loan number, address of property, and the type of proceeds (e.g., REO repurchases, mortgage insurance claim proceeds, and property insurance claim proceeds)

The Servicer must not offset any expenses against property insurance claim proceeds or mortgage insurance claim proceeds.

9701.21: Standard supporting documentation for expense reimbursement (05/04/20)

With the exception of Mortgages insured by the FHA, or guaranteed by the VA or RHS not subject to recourse or indemnification, Freddie Mac generally will not require the Servicer to submit supporting documentation with its expense reimbursement requests and resubmission of denied reimbursement requests. However, there are situations, such as audits of reimbursement requests, where Freddie Mac will instruct the Servicer to provide standard supporting documentation. Standard supporting documentation for expense reimbursement requests includes, but is not limited to:

1. Proof of all disbursements: Copies of original bills/invoices of services performed for expenses submitted on the claim, that include, but are not limited to, the following: legal fees and costs, property inspection, property preservation costs, primary mortgage insurance premiums and condominium/homeowners association (HOA) or Cooperative Corporation

assessments (see Chapter 8801 for special Servicing requirements for Cooperative Share Loans)

2. A copy of the project declaration highlighting, if applicable, the portion of the condominium/HOA assessments that may take priority over the Mortgage. For Cooperative Share Loans, refer to Section 8801.7 regarding standard supporting documentation for reimbursement of expenses incurred on a Cooperative Share Loan.

3. Copy of the Mortgage history beginning twelve months prior to the DDLPI through the date Freddie Mac requests the Mortgage history. Proof of payment of normal Escrow items is not required if shown in the history. However, if property tax payments are not consistent with the other taxes or if they were paid in a lump sum, the Servicer must submit documentation from the taxing authority providing the breakdown of the tax amount, including any late charges, penalties and interest (if applicable).

4. The buydown account balance, if applicable

For expense reimbursement requests on Mortgages insured by the FHA, or guaranteed by the VA or RHS not subject to recourse or indemnification, Freddie Mac requires the Servicer to provide supporting documentation including, but not limited to:

- A copy of the claim for benefits filed with the applicable entity

- Any communication or requests for information from the applicable entity regarding the claim, including any response, and

- Documentation showing the itemization of the distribution of the claim payment received from the applicable entity (e.g., loss claim packet or advice of payment letter)

In the event a Servicer is required to submit supporting documentation for Freddie Mac to process the claim, the Servicer's submission must meet the appropriate submission deadline in Section 9701.5 or any deadline given in Freddie Mac's request for documentation.

9701.22: Expense reimbursement audits (09/27/21)

Freddie Mac will perform audits of expenses to ensure compliance with Freddie Mac's requirements. If Freddie Mac finds that an expense is not in compliance with applicable requirements, Freddie Mac may deny the reimbursement or adjust the claim.

Freddie Mac will communicate an audit request to the Servicer via PAID (Payments Automated Intelligent and Dynamic) (see Exhibit 88, Servicing Tools). The Servicer will then be required to submit the standard supporting documentation via PAID within seven Business Days. (Refer to Section 9701.21.) If the Servicer fails to submit the required documentation by the deadline, the Servicer's expense reimbursement request will be denied and the Servicer will not be permitted to resubmit the claim to Freddie Mac.

If Freddie Mac determines through the audit that an expense was not eligible for reimbursement, Freddie Mac will:

- Provide the Servicer with an explanation of Freddie Mac's audit findings, and
- Release the expense back to the Servicer or adjust the expense based on Freddie Mac's audit findings

If Freddie Mac determines through an audit that a previously reimbursed expense was not eligible for reimbursement, Freddie Mac will bill the Servicer for the amounts due back to Freddie Mac on its monthly Servicer Non-Performing Loans Invoice. (Refer to Section 9102.1 for information on the payment of Servicing Non-Performing Loans Invoices via an Automated Clearing House draft.)

If Freddie Mac determines through the audit that Freddie Mac owes funds to the Servicer, Freddie Mac will remit the funds to the Servicer within 30 calendar days of the date Freddie Mac notifies the Servicer of the audit findings.

9701.23: Consent Agreement terms and conditions (10/09/24)

This section contains requirements related to:

- Defined terms
- Eligibility
- Constent Agreements
- Collateral Pledge Agreements

(a) Defined terms

For purposes of this Section 9701.23, the following terms have the prescribed meaning set forth in Exhibit 103, Consent Agreement Incorporated Provisions:

- Advance Financing
- Advances
- Consent Agreement
- Reimbursement Amounts

(b) Eligibility

This Section 9701.23 is not a general offering and is only available to specific Servicers. This Section 9701.23 does not apply unless and until Freddie Mac and the Servicer execute and deliver a Consent Agreement, in form and substance acceptable to Freddie Mac in its sole and absolute discretion, implementing these terms and conditions.

(c) Consent Agreements

With the prior express written consent of Freddie Mac, a Servicer, in order to obtain Advance Financing, may grant a security interest to a third party lender in all of such Servicer's present and future rights, as expressly set forth in, and subject to the limitations of the Guide and/or the other Purchase Documents, for the reimbursement of Advances required to be made by the Servicer under the Guide and/or the other Purchase Documents, including, but not limited to, the reimbursement of expense requirements of Chapter 9701, Servicer advances required in Section 8301.19 and transfer of funds requirements in Section 7101.10.

If Freddie Mac consents to an Advance Financing, it will indicate its consent only by executing a Consent Agreement, which must also be executed by the Servicer and its Secured Party, in form and substance acceptable to Freddie Mac in its sole and absolute discretion.

All Consent Agreements must include the following language:

"This Consent Agreement incorporates the provisions of Section 9701.23 of the Guide and the provisions of Guide Exhibit 103 by reference and such provisions are a substantive contractual part of this Consent Agreement such that each of the Servicer and its Secured Party expressly agrees:

(i) that Guide Section 9701.23 is operative as to the Servicer and its Secured Party and

(ii) each of the Servicer and its Secured Party is bound by the terms and conditions set forth in Guide Section 9701.23 and Guide Exhibit 103.

Any purported or attempted assignment, sale, hypothecation, pledge or transfer of, or grant of a security interest in Reimbursement Amounts or any other purported or attempted Advance Financing transaction, without execution and delivery of a Consent Agreement is prohibited and shall be null and void. The Reimbursement Amounts are not an interest in nor a component of Servicing Contract Rights, nor are they proceeds or cashflow derived from Servicing Contract Rights. No Advance Financing shall be construed as a division of the Servicing Contract Rights. A Servicer may make a separate request to Freddie Mac for consent to enter into a financing transaction secured by Servicing Contract Rights, and the proceeds and cashflow derived from the Servicing Contract Rights (a "Servicing Contract Rights Financing"), pursuant to Guide Section 1101.2(c) and Guide Exhibit 33A, Acknowledgment Agreement Incorporated Provisions, Exhibit 33B, Acknowledgment Agreement (Syndication) Incorporated Provisions, Exhibit 33C, Acknowledgment Agreement (Cashflow) Incorporated Provisions, or

Exhibit 33D, Acknowledgment Agreement (Combination) Incorporated Provisions, as applicable. In no event shall any Advance Financing be cross-collateralized with any Collateral under any Servicing Contract Rights Financing. Any collateral under any Advance Financing is and will continue to be at all times separate and distinct from any and all Collateral under any Servicing Contract Rights Financing."

(d) Collateral Pledge Agreements

Freddie Mac reserves the right to condition its entry into a Consent Agreement on the Servicer's pledge of collateral pursuant to a Collateral Pledge Agreement in substantially the form and substance of Exhibit 104, Collateral Pledge Agreement.