



Recommended Loan Assumption Provisions for the Purchase and Sale Contract

In the event a borrower intends to sell a property encumbered by a Freddie Mac loan (whether a portfolio loan or a loan that has been securitized), and the buyer of the property wishes to assume such loan, Freddie Mac recommends that the borrower/property seller include language in the property sales contract which highlights the obligations owed by the parties to the Servicer acting on behalf of the noteholder. Recognizing these obligations will help ensure that the loan assumption approval process will proceed timely and agree with the sale closing date contemplated in the sales contract. While these loan assumption obligations may generally be evident from the terms and provisions found in the documents governing the loan (i.e., the security instrument or loan agreement), Freddie Mac urges borrowers to include specific language comparable to that set out below in their purchase and sale contracts.

This will assist the borrower in managing expectations of what will be required as well as reduce the back-and-forth between the borrower and the Servicer.

Suggested legal language for Purchase and Sale Contract:

Seller and Buyer each acknowledge that in connection with Buyer's application for approval to assume the loan(s) currently encumbering the property (the "Loan Assumption") certain items must be delivered to _____ [INSERT NAME OF LOAN SERVICER] ("Servicer") so that Servicer may timely process the request for Loan Assumption. Seller has been advised that only after Servicer receives a *complete* Loan Assumption request package will Servicer then be obligated to begin processing such request. [On or before _____, 20__] or [Within _____ [INSERT NUMBER OF DAYS] from the [date of this agreement], Seller and Buyer agree to deliver to Servicer all supporting documentation for Servicer's Loan Assumption approval review. These items typically include the following:

1. Copy of executed contract of sale
2. Current financial statements and of proposed transferee and its principals, along with credit reports, real estate experience and background for each
3. Current and proposed detailed organizational charts
4. Freddie Mac Form 1115 – Borrower and Borrower Principal Certificate(s)
5. Freddie Mac Form 1116 – Real Estate Schedule for proposed transferee
6. Information regarding proposed professional manager and/or transferee's management experience
7. Evidence of insurance
8. Current, certified financial statements for property (T-12, if not previously submitted to Servicer)
9. Budget for year 1 for property for proposed new borrower
10. Moisture Management Plan, certified by the Servicer
11. Copies of third party reports related to the ownership transfer, if necessary
12. Applicable fees

While the above-referenced items identify what is customarily required by Servicer to support a Loan Assumption request, Seller and Buyer acknowledge and agree that the terms, provisions and conditions of the documents governing the loan(s) to be assumed will ultimately control, including, without limitation, transfer fees and costs, release language, legal opinions and the documentation required to evidence the Loan Assumption. Buyer acknowledges that submission of the required items does not ensure Servicer's approval of the Loan Assumption, and that Servicer's evaluation of Buyer's application will be made in accordance with Servicer's underwriting standards and the terms of the loan documents.