

Multifamily Quarterly Income and Expense Analysis

Desk Reference



This Reference Guide introduces the Multifamily Quarterly Income and Analysis (QIE) form that will be used in the Property Reporting System (PRS). It replaces the Q Tool QIE/QRA form effective 1/1/2012. You are no longer required to complete the QRA template with the quarterly operating statement analysis. In addition, operating statement collection and analysis for the first quarter has been eliminated. This document highlights the new submission protocols, provides guidelines on how to complete the QIE form.

SUBMISSION PROTOCOL AND REQUIREMENTS

This table lists the submission and protocol requirements.

STEPS	COMMENTS
<p>Quick Start Guide</p>	<p>For successful completion of the QIE Form and submission to PRS, observe the following quick start guide:</p> <ul style="list-style-type: none"> ▪ The QIE template is in Microsoft Excel 2003 format and can be downloaded from PRS. Once downloaded, users must enable Macros in Excel for all validations and conditional formatting to work properly. (See instructions for Excel 2007 here: http://office.microsoft.com/en-us/help/enable-or-disable-macros-in-office-documents-HA010031071.aspx) ▪ QIE template is to be completed and stored on your local machine, file server, or document management system (depending upon local IT policies and procedures). Upon successful completion and validation that all fields have been correctly entered by the user, the Excel QIE template file will indicate a status of “Complete”. ▪ Once the status of the QIE indicates “Complete”, the completed form can be uploaded into the PRS system. Any Assessment(s) with a status of “Incomplete” will be automatically “Rejected” by the system, for the user to correct and attempt upload again.
<p>Quarterly Income and Expense Assessment (QIE)</p>	<p>The Quarterly Income and Expense Assessment (QIE) is a quarterly operating statement analysis. The QIE consists of a review of the Property’s financial condition for the most recent quarter, which is year to quarter end data, in order to identify any risks associated with the Property’s financial performance. There are two types of QIE reporting:</p> <ul style="list-style-type: none"> ▪ Detailed QIE ▪ Abbreviated QIE
<p>Detailed QIE</p>	<p>Detailed quarterly operating statement analysis is required when the below conditions are met:</p> <ul style="list-style-type: none"> ▪ A Mortgage with a Risk Rating > 6, or ▪ All Mortgages, regardless of Risk Rating, if: <ul style="list-style-type: none"> ○ The Property securing the Mortgage is designated as unstable in PRS, or ○ PRS indicates that a detailed QIE is required based on the DCR reported

Multifamily Quarterly Income and Expense Analysis

Desk Reference



Abbreviated QIE	<p>Abbreviated quarterly operating statement analysis is required when the below conditions are met:</p> <ul style="list-style-type: none">▪ A Mortgage:<ul style="list-style-type: none">○ With an Origination Date on or after 1/1/2003, and○ That has a Risk Rating of 6 or less, and○ That is secured by a Property that PRS designates as stable, and○ That has a DCR above the designated thresholds requiring a detailed submission
Retrieve the QIE Form	<p>Within PRS, you have the option of downloading a blank QIE form or a pre-populated form. When you download a pre-populated form, the system will populate the following data fields across the top of the Property and Loan Overview section for you:</p> <ul style="list-style-type: none">▪ Detailed QIE<ul style="list-style-type: none">○ Freddie Mac Loan Number○ Property Name○ City○ State○ Risk Rating○ Servicer Loan Number○ Servicer Name○ Applicable characteristics of a loan (Senior Housing and/or Unstabilized)○ QIE Reporting Type (Detailed)
Retrieve the QIE Form	<ul style="list-style-type: none">▪ Abbreviated QIE<ul style="list-style-type: none">○ Freddie Mac Loan Number○ Property Name○ City○ State○ Risk Rating○ Servicer Loan Number○ Servicer Name○ QIE Reporting Type (Abbreviated)○ Loan Type Selection:<ul style="list-style-type: none">▪ Loan Type (Standard Loan Amort, Standard Loan I/O, Co-ops, Senior Housing Amort, or Senior Housing I/O)▪ Crossed – “Yes” or “No”

Multifamily Quarterly Income and Expense Analysis

Desk Reference



NEW SUBMISSION PROTOCOL AND REQUIREMENTS cont'd

STEPS	COMMENTS
<p>Complete the Quarterly Income and Expense Form—General Guidance</p>	<ul style="list-style-type: none"> ▪ Always enable the macro and Active X controls before using the template ▪ Required worksheets will display when relevant characteristics are selected ▪ Required inputs are denoted by red borders; some cells become required inputs depending on responses from preceding cells ▪ Formula driven cells are protected and grayed out ▪ Comments boxes describe data validation rules
<p>Complete the Quarterly Income and Expense Form</p>	<p>The QIE form is an Excel based workbook that contains an income and expense analysis worksheet for Abbreviated and Detailed reporting based on risk rating and stabilization of the property that secures a loan.</p> <ul style="list-style-type: none"> ▪ For loans with Risk Rating of greater than six, Detailed QIE reporting is required. For Detailed QIE, additional reporting is required on: <ul style="list-style-type: none"> ○ Senior Housing loans: You are required to complete additional, senior housing specific, income and expense line items within the Income and Expense Analysis worksheet when the borrower’s operating statement provides the details ○ Unstabilized Loans: For unstabilized loans you are required to complete the Unstabilized Comments form ○ QIE Comment Form: You are required to complete the QIE comment form ▪ For loans with Risk Rating of equal to or less than six, Abbreviated reporting can be submitted
<p>Enter the Submission Period and Quarter</p>	<p>Enter the Submission Period and Reporting Quarter, which is the year in which you are submitting the information and the quarter you are reporting i.e. 2012 & Q2 or Q3.</p>
<p>Provide the Preparer Contact Information</p>	<p>Provide the contact information for the primary preparer of the QIE Form.</p>
<p>Verify the Template for Completeness— Submitting the QIE Package</p>	<p>The QIE Form has a series of validation points to assist you in completing the form:</p> <ul style="list-style-type: none"> ▪ Completion Status: Provides a status of “Complete” or “Incomplete”. The QIE form needs to have a “complete” status to be submitted ▪ Required Fields: Fields requiring user input will include a red border around them. All red borders within the form need to be cleared before an QIE can have a “Complete” status ▪ Valid Data Format: Certain fields contain validation rules that check whether or not the value entered into the field is correctly formatted. Such fields contain comments regarding the format rule. You will have to meet all format rules for the QIE form to have a “Complete” status <p>*Forms that do not pass the completeness verification will not be accepted and will be rejected for submission. Only completed forms will be accepted by Freddie Mac. Incomplete forms or forms with bad data will be rejected by Freddie Mac and Servicers will be notified at the time of submission.</p>

Multifamily Quarterly Income and Expense Analysis

Desk Reference



FINANCIAL STATEMENT — MASTER WORKSHEET

There are two sections under the Financial Statement—Master Worksheet that requires special focus: *Property and Loan Overview* and *Income Expense and Analysis*.

Property and Loan Overview

The Property and Loan Overview section of the worksheet provides brief property and loan specific information. Some data fields from this section will populate other fields within the worksheet.

DATA FIELDS	GUIDANCE
Summary of Freddie Mac Provided Debt	<ul style="list-style-type: none"> List all Freddie Mac provided debt in lien priority order on the subject property including Freddie Mac Loan Numbers, UPB, and Annual Debt Service (ADS). Always use 12 months of debt service for the first mortgage regardless of funding date For subordinate debt, use actual debt service paid during the time period covered by Operating Statement If the subordinate debt funding occurred recently such that debt service was not paid during the reporting period, do not report the subordinate debt
Property, Size, Age and Replacement Reserve	<ul style="list-style-type: none"> The Total Number of Units in this section will populate from the Income Analysis section. Check that the number of units has not changed since origination. Notify Freddie Mac of any changes Enter Year Built and Year Renovated (as applicable) Enter the Replacement Reserve amount per the Replacement Reserve Agreement; check for step up clauses. If the loan doesn't have a Replacement Reserve Agreement, estimate the amount based on the age and condition of the property
Reporting Period Details	<ul style="list-style-type: none"> The Statement Beginning and Ending Date fields must be completed. These are the beginning and end dates from the Borrower's Operating Statement Enter the Number of Months Reported in the operating statement, which is typically between three to nine months. <p>* Number of Months Reported will be calculated based on the financial statement start and end dates. Number of months reported has to be at least 3 months</p>
Occupancy Information	<ul style="list-style-type: none"> The Occupancy Rate field will be populated from the income analysis section of the form Enter the Occupancy – Rent Roll Date of the rent roll that you have obtained

Multifamily Quarterly Income and Expense Analysis

Desk Reference



Property and Loan Overview cont'd

DATA FIELDS	GUIDANCE
Summary of Other subordinate Financing	<ul style="list-style-type: none">▪ Additional details of Other Subordinate Financing become required inputs once a Name of Lender is entered
Income Analysis	<ul style="list-style-type: none">▪ Income Analysis is optional for QIE Detailed and Abbreviated Templates. Please note that unit count of occupied, vacant and non-revenue units are required to be reported.▪ Rent Rolls must be no older than three months from QIE submission date

Multifamily Quarterly Income and Expense Analysis

Desk Reference



Income and Expense Analysis – Detailed QIE

The Income and Expense Analysis section of the worksheet for detailed reporting type contains a three-column format to easily identify adjustments made to the borrower’s actual I&E amounts. It also annualizes quarterly operating statements.

COLUMN	GUIDANCE
Borrower Actual	<ul style="list-style-type: none"> Complete the Borrower Actual column of the form per the borrower’s operating statement except for fields that are formula driven and do not require entry. Enter Senior Housing specific Income and Expense line items where applicable and available <p>*If the borrower’s operating statement does not provide detailed senior housing specific line items for a Senior Housing property, enter total Miscellaneous Income and Expense amounts in the Other Miscellaneous Income/Expense data fields</p>
Adjustment	<ul style="list-style-type: none"> Utilize the adjustment column provided in the QIE Form to normalize income and expense amounts as appropriate. Show Income and expense line item omissions and additions in the Adjustment column.
YTD Normalized/ YTD Annualized*	<ul style="list-style-type: none"> Enter annualized Actual Annual Real Estate Tax and Insurance Expense in this column. These two data fields are required inputs. The tax reported can be based on the tax Bill or Escrow disbursement records. Similar to RE Taxes, enter the annualized actual amount paid per the insurance policy. Enter annualized Unsubordinated Ground Rent in this column if applicable Enter annualized Capital Expenditure amount in this column <p>*This is a formula driven column (with noted exception on RE Taxes, Insurance, unsubordinated ground rent, and capital expenditure) that will normalize income and expense line items per adjustments and annualize income and expense items based on number of months reported (as indicated in the Property & Loan Overview section).</p>
Detailed QIE Line Item Guidance*	<ul style="list-style-type: none"> QIE line items are cross-referenced to the number of chart of accounts on the Income and Expense form. Please refer to the AIE Desk Reference page seven to ten for complete guidance on line items <p>*The AIE Desk Reference can be obtained at http://www.freddie.com/multifamily/resources/aie_form_desk_reference.pdf</p>

Multifamily Quarterly Income and Expense Analysis

Desk Reference



Income and Expense Analysis – Abbreviated QIE

The Income and Expense Analysis section of the worksheet for Abbreviated reporting type contains a two-column format to capture borrower actual amounts and annualize quarterly operating statements.

COLUMN	GUIDANCE
Borrower Actual *	<ul style="list-style-type: none"> Complete the Borrower Actual column of the form per the borrower’s operating statement except for fields that are formula driven and do not require entry. For abbreviated reporting, analysis will consist of limited data fields <p>*Please refer to the Abbreviated QIE Line Item Guidance section of this document to complete the Borrower Actual column</p>
YTD Normalized/YTD Annualized*	<ul style="list-style-type: none"> Enter annualized Actual Annual Real Estate Tax and Insurance Expense in this column. These two data fields are required inputs. The tax reported can be based on the tax Bill or Escrow disbursement records. Similar to RE Taxes, enter the annualized actual amount paid per the insurance policy. Enter annualized Unsubordinated Ground Rent in this column if applicable <p>*This is a formula driven column (with noted exception on RE Taxes, Insurance, and unsubordinated ground rent) that will normalize income and expense line items per adjustments and annualize income and expense items based on number of months reported (as indicated in the Property & Loan Overview section).</p>

ABBREVIATED QIE LINE ITEM GUIDANCE

ABBREVIATED QIE LINE ITEM	SOURCE	GUIDANCE
Effective Gross Income	YTD actual amount reported on the Operating Statement	<ul style="list-style-type: none"> Report actual from Operating Statement
Adjusted Total Operating Expense	YTD actual amounts reported on the Operating Statement	<ul style="list-style-type: none"> Report Total Operating Expense per Operating Statement minus Real Estate Tax and Insurance per Operating Statement
Unsubordinated Ground Rents	Data entered in the YTD Annualized/Normalized column	<ul style="list-style-type: none"> Formula driven data field and does not require entry.

Multifamily Quarterly Income and Expense Analysis

Desk Reference



QIE COMMENTS WORKSHEET

The QIE Comments worksheet provides relevant information that can explain property performance.

DATA FIELD (Required/Optional Input)	GUIDANCE
Overall Risk Trend (Required)	Assess the overall risk trend of the subject property and describe noteworthy changes in risk
Property Condition (Required)	Include updates on deferred maintenance, Cap Ex plan, repair agreement or other significant property changes
Financial Performance (Required)	Include updates on payment history, Debt Service adjustments, property performance or other significant financial changes
Market/Submarket Analysis (Optional)	Include new concerns or improvements related to market/submarket and property's performance relative to competition
Borrower/Key Principal (Optional)	Include new information on financial strength, intentions and responsiveness
Property Management Company (Optional)	Address any meaningful changes in property management
Legal Issues (Optional)	Include new legal concerns or improvements [e.g. evictions, liens, significant code violations, lawsuits etc.]
Other Issues (Optional)	Include new information about accounts payable, escrow issues, etc.
Risk Mitigants (Optional)	Include updates about risk mitigants [cross collateralized/defaulted, LOCs (expiration dates), escrows, guarantees etc.]

Multifamily Quarterly Income and Expense Analysis

Desk Reference



ADDITIONAL REPORTING REQUIREMENTS

For Detailed QIE, additional Income and Expense line items will display if the Senior Housing characteristic is selected in the Property and Loan Overview section. Additional worksheet will display if the “Unstabilized” characteristics is updated to Yes.

Unstabilized Comments Forms

Refer to instructions in the template comment guideline to complete the Unstabilized Comments forms.

DATA FIELDS	GUIDANCE
Risk Trend	<ul style="list-style-type: none">▪ Trend/Update and Describe Noteworthy Changes comment boxes are required inputs for:<ul style="list-style-type: none">– Property Condition– Financial Performance– Are Reporting requirements Met
Immediate Repairs	<ul style="list-style-type: none">▪ Update status based on most recent inspection and/or monitoring report. Where applicable, provide inspection dates, outstanding repair items and expected date of completion in the Comments section▪ Required inputs are highlighted with red borders
Repair/Rehab/ Renovation	<ul style="list-style-type: none">▪ Update status based on most recent inspection and/or monitoring report. Where applicable, provide inspection dates, outstanding repair items and expected date of completion in the Comments section▪ Required inputs are highlighted with red borders

Multifamily Quarterly Income and Expense Analysis

Desk Reference



ASSESSMENT TYPE/ATTACHMENT REQUIREMENTS/NAMING CONVENTIONS/DUE DATES

The QIE form and attachments must be submitted prior to the Due Date or they will be considered late. Only completed QIE forms will be accepted by Freddie Mac.

Assessment Type	Required Submissions	Naming Convention	Due Dates
Quarterly Income and Expense	1. QIE Form includes: a. Financial Stmt – Master b. QIE Comments and Unstabilized Comments Forms (Applicable to Detailed Reporting only)	1. XXXXXXXXXX_QIE_Form_MM-DD-YY_S-YYYYQx a. XXXXXXXXXX is Freddie Mac 9 digit loan number b. MM-DD-YYYY is due date of QIE c. S-YYYYQx is the Submission Year and quarter of reporting (i.e. 2012 and Q2 or Q3)	<ul style="list-style-type: none"> ▪ 8/31 – Second quarter reporting ▪ 11/30 – Third quarter reporting
	2. Rent Roll	2. XXXXXXXXXX_QIE_RR_MM-DD-YY_S-YYYYQx a. XXXXXXXXXX is Freddie Mac 9 digit loan number b. MM-DD-YY is date of rent roll c. S-YYYYQx is the Submission Year and quarter of reporting (i.e. 2012 and Q2 or Q3)	
	3. Borrower’s operating statement	3. XXXXXXXXXX_QIE_FS_MM-DD-YY_S-YYYYQx a. XXXXXXXXXX is Freddie Mac 9 digit loan number b. MM-DD-YY is end date of statement c. S-YYYYQx is the Submission Year and quarter of reporting (i.e. 2012 and Q2 or Q3)	