

## Description

For refinancing or acquiring newly constructed properties



## Eligible Borrowers

- Borrowers must have experience with new construction and/or lease-up properties, and generally have strong financial capacity and real estate management expertise with good performance and credit history
- For Targeted Affordable Lease-Ups, borrowers must have experience in the development and/or ownership of multifamily properties financed with credit-enhanced tax-exempt bonds, state and local affordable programs, Section 8, and/or Low-Income Housing Tax Credits (LIHTC), and/or work with an experienced LIHTC Syndicator, as applicable.

## Eligible Property Types

- Well-constructed properties, exhibiting strong lease-up trends, and located in good locations and markets
- Student housing, seniors housing and manufactured housing community transactions are not eligible
- Stabilization expected within 12 months of funding

## Loan Types

- Fixed- and floating-rate loans
- Interest-only (I/O) available during the lease-up period

## LTV and DSCR

- 75% LTV (as-stabilized)
- 1.25x-1.35x, depending upon market

## Minimum Cash Equity Requirement

15% on refinances, 25% on acquisitions

## Minimum Credit Enhancement Requirements

- A Lease-Up Credit Enhancement required for all Lease-Up transactions, as determined by Freddie Mac
- The Lease-Up Credit Enhancement must be at least 5% of the unpaid principal balance (10% if the Lease-Up Credit Enhancement is a guaranty, subject to additional conditions)
- Release of Lease-Up Credit Enhancement will occur once the property has achieved the required amortizing DCR based on average performance of the past 3 months, net rental income for the past 1 month meets or exceeds the level necessary to reach the required amortizing DCR, and has met other standard conditions as set forth by Freddie Mac
- If the required DCR is not reached within 12 months, the Lease-Up Credit Enhancement will be used to resize the loan and recast the payments.

## Closing Debt Service Escrow

An additional 3-month debt service escrow may be required based on the property's actual operations at underwriting

## At Rate Lock

- 50% occupied
- 60% leased
- 60% or more Certificates of Occupancy issued

## At Closing

- 1.05x DSCR on a refinance; 1.00x DSCR on an acquisition
- 100% of Certificates of Occupancy issued
- Assisted living properties must have all required licenses authorizing operations

## Appraisal Report

The appraisal report must provide the as-is and as-stabilized values for the property

## Premier Sponsors and Markets

Additional flexibility available on a case-by-case basis through an assessment of the sponsor and market as determined by Freddie Mac

## Borrow Up Option

Intended to capture improved NOI within the 12-24-month period following origination of a Lease-up loan, additional loan proceeds via a supplemental mortgage (pari passu) are permitted. Key features:

- The supplemental mortgage will be priced at first-mortgage pricing.
- Minimum supplemental amount: \$1 million
- Must be coterminous and have the same interest-rate type as the initial mortgage
- LTV/DCR parameters align with first mortgage baseline requirements
- Third party reports from the initial mortgage will be utilized, and the most recent servicing inspection must be submitted.
  - Additional proceeds are not eligible based upon a revised appraisal.
- One supplemental mortgage per initial mortgage. Any subsequent request for additional proceeds must be in the form of a second-lien Supplemental loan.

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