Freddie Mac Lease-Up Loan



Description

For refinancing or acquiring newly constructed properties.

Eligibility

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.

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

Markets

Targeting strong markets and locations

LTV and DSCR

- Maximum LTV on refinance is 75% (as-stabilized) and on an acquisition 70% (as-stabilized)
- Minimum DSCR on a refinance and acquisition is 1.30x.

Minimum Cash Equity Requirement

15% on a refinance and 25% on an acquisition

Minimum Credit Enhancement Requirements

- A Lease-Up Credit Enhancement is required for all Lease-Up transactions
- The form of the Lease-Up Credit Enhancement will be 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.

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At Rate Lock

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

At Closing

- 1.05x IO DSCR on a refinance; 1.00x IO DSCR on an acquisition
- 65% occupied
- 75% leased
- 100% of Certificates of Occupancy issued

At Stabilization

- Minimum 90% occupied
- 1.25x amortizing DSCR for 3 consecutive months

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.

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