

Description

Short-term financing for modest property upgrades of \$10,000 to \$25,000 per unit, where 50% of funds are spent on unit interiors.



Eligible Borrowers

- Developers / operators with experience in multifamily property rehabilitation and in the local market with sufficient financial capacity
- 1.5x the standard minimum net worth and liquidity requirements for guarantors

Eligible Property Types

- Properties with no more than 500 total units in good locations
- Well-constructed properties requiring modest repairs
- Seniors housing, student housing and manufactured housing communities are not eligible

Terms

- Three years with one 12-month extension based on the borrower's request and one optional 12-month extension based on Freddie Mac's discretion
- Floating-rate loan with full-term interest-only; no cap required
- Standard 12-month lock out with option for longer or shorter lock out; borrower may pay off the loan at any time after the expiration of the lock out period, but must remit an exit fee of 1% (waived if refinanced with Freddie Mac)
- Acquisitions and refinances; not assumable
- Loan documentation at origination will include the Value-Add Rider, which will detail the terms / requirements of the rehabilitation
- Escrows will include real estate taxes, insurance and replacement reserves
- 15% cash equity generally required
- For longer term ownership, cash-out is available provided a completion guaranty on budgeted improvements in an amount at least equal to the cash-out in place

Loan Amount

- "As-is" baseline maximum loan-to-purchase / loan-to-value (LTV) ratio: 85%. "As-stabilized" baseline maximum LTV of 75%.
- "As-is" minimum amortizing debt coverage ratios (DCR) of 1.15x, depending on market. "As-stabilized" minimum DCR of 1.30x, depending on market.
- Sizing based on a 7-year sizing note rate
- Appraisal must include as-is and as-stabilized values
- Refinance Test not required

Rehabilitation

- Rehabilitation must commence within 90 days of loan origination and be completed within 33 months
- Acceptable budget of \$10,000 per unit to \$25,000 per unit
- Budget can be adjusted by as much as 20% without additional approval; 50% of the budget should be spent on unit interiors.
- Completion Guaranty or rehabilitation escrow required
- Borrower/Service reporting required

At Loan Maturity/Refinance

- Final engineer review of work completion and quality is required
- Refinance with Freddie Mac with no exit fee; otherwise 1% applies
- Freddie Mac will re-underwrite the loan according to then-current credit policy parameters
- One-year borrower extension option is available for a 0.5% extension fee, assuming no event of default
- Additional Freddie Mac extension option is available thereafter with 1% extension fee

Fees

Standard fees apply, including application fee and good faith deposit. Additionally, a standard upfront fee of 0.5% of the loan amount is required, non-refundable, and subject to adjustment depending on the loan term.

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