



## Description

Offers short-term, cost-effective financing for modest property upgrades. Borrowers receive competitive pricing and lower execution costs. Options for both interest-only and uncapped floating-rate loans are available. This loan is non-recourse and provides “one-stop shopping” for upgrade and permanent financing.

## Product Snapshot:

- 1 Short-term, negotiable financing for upgrades of \$10,000 to \$25,000 per unit
- 2 Allows for a wide variation in borrower term and structure needs.
- 3 Funds up to 50% should be spent on unit interiors.
- 4 Budget can be adjusted up to 20% without additional approval

## 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
- Market laggards that require capital infusion and new / improved management
- Real-estate owned properties in receivership that are capable of improved performance
- 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
- No lock-out; borrower may pay off the loan at any time but must remit an exit fee of 1%; the exit fee will be waived if the loan is 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

## Amount

- Maximum loan-to-purchase / loan-to-value (LTV) ratio: 85%
- Minimum amortizing debt coverage ratios (DCR): 1.10x – 1.15x depending on market
- Sizing based on a 7-year sizing note rate
- Appraisal must include as-is and as-stabilized values; underwriting must support a 1.30x DCR and 75% LTV based on as-stabilized value supported by the appraisal
- Standard Freddie Mac underwriting based on as-is income and expense
- Refinance Test not required
- No pro-forma underwriting of future performance

## 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/Servicer 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