

# FREDDIE MAC VALUE-ADD LOAN

- Short-term, negotiable financing for upgrades of \$10,000 to \$25,000 per unit
- Allows for a wide variation in borrower term and structure needs
- Funds up to 50% should be spent on unit interiors
- Budget can be adjusted up to 20% without additional approval
- Interest-only and uncapped floating-rate loan
- We support eligible mixed-use properties

<b>TERM</b>	<ul style="list-style-type: none"> <li>• 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</li> <li>• Floating-rate loan with full-term interest-only; no cap required</li> <li>• 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</li> <li>• Acquisitions and refinances; not assumable</li> <li>• Loan documentation at origination will include the Value-Add Rider, which will detail the terms/requirements of the rehabilitation</li> <li>• Escrows will include real estate taxes, insurance and replacement reserves</li> <li>• 15% cash equity generally required</li> <li>• For longer term ownership, cash-out is available provided a completion guaranty on budgeted improvements in an amount at least equal to the cashout in place</li> </ul>	<b>ELIGIBLE PROPERTY TYPES</b> <ul style="list-style-type: none"> <li>• Properties with no more than 500 total units in good locations</li> <li>• Well-constructed properties requiring modest repairs</li> <li>• Market laggards that require capital infusion and new/improved management</li> <li>• Real-estate owned properties in receivership that are capable of improved performance</li> <li>• Seniors housing, student housing and manufactured housing communities are not eligible</li> </ul>
<b>AMOUNT</b>	<ul style="list-style-type: none"> <li>• Maximum loan-to-purchase / loan-to-value (LTV) ratio: 85%</li> <li>• Minimum amortizing debt coverage ratios (DCR): 1.10x – 1.15x depending on market</li> <li>• Sizing based on a 7-year sizing note rate</li> <li>• 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</li> <li>• Standard Freddie Mac underwriting based on as-is income and expense</li> <li>• Refinance Test not required</li> <li>• No pro-forma underwriting of future performance</li> </ul>	<b>ELIGIBLE BORROWERS</b> <ul style="list-style-type: none"> <li>• Developers/operators with experience in multifamily property rehabilitation and in the local market with sufficient financial capacity</li> <li>• 1.5x the standard minimum net worth and liquidity requirements for guarantors</li> </ul>
<b>REHABILITATION</b>	<ul style="list-style-type: none"> <li>• Rehabilitation must commence within 90 days of loan origination and be completed within 33 months</li> <li>• Acceptable budget of \$10,000 per unit to \$25,000 per unit</li> <li>• Budget can be adjusted by as much as 20% without additional approval; 50% of the budget should be spent on unit interiors</li> <li>• Completion Guaranty or rehabilitation escrow required</li> <li>• Borrower/Servicer reporting required</li> </ul>	
<b>AT LOAN MATURITY/REFINANCE</b>	<ul style="list-style-type: none"> <li>• Final engineer review of work completion and quality is required</li> <li>• Refinance with Freddie Mac with no exit fee; otherwise 1% applies</li> <li>• Freddie Mac will re-underwrite the loan according to then-current credit policy parameters</li> <li>• One-year borrower extension option is available for a 0.5% extension fee, assuming no event of default</li> <li>• Additional Freddie Mac extension option is available thereafter with 1% extension fee</li> </ul>	
<b>FEES</b>	<ul style="list-style-type: none"> <li>• Standard fees apply, including application fee and good faith deposit</li> </ul>	