

# FREDDIE MAC NON-LIHTC FORWARDS

Freddie Mac's Non-LIHTC Forwards financing helps create affordable housing stock — and offers flexible transaction structuring and certainty of execution at lower costs to the Borrower.

<b>PRODUCT DESCRIPTION</b>	Unfunded forward commitments for affordable housing developed by nonprofits and subsidized, rent-restricted affordable housing developed by for-profit developers for new multifamily construction or substantial rehabilitation.	<b>PROGRAM BENEFITS</b> <ul style="list-style-type: none"> <li>• Hedge interest rate risk</li> <li>• Get competitive pricing for a unique execution</li> <li>• Use multiple types of subsidies</li> <li>• Lend on properties geared toward Workforce Housing, so broader income bands than LIHTC</li> <li>• For nonprofits or for-profits</li> <li>• Up to 80% leverage for eligible properties</li> </ul>
<b>ELIGIBLE PROPERTY TYPES</b>	To-be-built or substantially rehabilitated garden, mid-rise, or high-rise multifamily property with public or mission-driven financial investment	
<b>TERMS</b>	<ul style="list-style-type: none"> <li>• Fixed Rate – Up to 30 years</li> <li>• Floating Rate – Up to 10 years</li> </ul>	
<b>TYPE OF FUNDING</b>	Forward commitment to provide permanent financing upon successful conversion from construction phase to permanent phase (unfunded forward)	
<b>MINIMUM COMBINED DEBT COVERAGE RATIO (DCR)</b>	1.25x	
<b>MAXIMUM LOAN-TO-VALUE (LTV) RATIO</b>	80%	
<b>CONSTRUCTION LOAN TERM</b>	36 months maximum	
<b>MAXIMUM AMORTIZATION</b>	30 years	
<b>PREPAYMENT PROVISIONS</b>	Fee maintenance	
<b>SUBORDINATE FINANCING</b>	Permitted	
<b>TAX AND INSURANCE ESCROWS</b>	Required	
<b>FEES</b>	Application Fee, Commitment Fee, Credit Facility Fee, Delivery Assurance Fee, other fees, as applicable	

# FREDDIE MAC NON-LIHTC FORWARDS, CONT'D.

## FINANCIAL INVESTMENT AND AFFORDABILITY REQUIREMENTS

### FOR PROFIT BORROWERS

**Public/Mission-Driven Financial Investment** must be quantified as at least 10% of the first mortgage UPB. The subsidy must be for the minimum term of the mortgage.

- Sources of Public/Mission-Driven Financial Investment includes:
- Subordinate debt from a government affiliated lender – soft or hard debt
- Real estate tax abatements or PILOT (payment in lieu of taxes) programs
- Low payment long-term ground lease agreements
- The PV (present value) of the real estate tax abatement or PILOT or ground lease payment calculation terms include a PV rate equal to the fixed-rate mortgage coupon plus 100 bps
- Mission-driven nonprofit entity(ies) providing equity

**Rent or income restrictions** must meet the following requirements:

- 10% of the units at the property must have rent restrictions that meet FHFA rules for uncapped volume.
- 80% of the units at the property must have rents at or below the following thresholds based on FHFA market designations:
  - Standard Markets – at or below 100% of AMI
  - High-Cost Markets – at or below 125% of AMI
  - Very High-Cost or Extremely High-Cost Markets 150% of AMI
- 10% of the units at the property may be at market rents based on the subject location.

However, if 50% of the units at the property have rent restrictions that meet FHFA rules for uncapped volume, then the above rent/income restrictions are not applicable. In this event the subsidy requirements remain in place.

### NONPROFIT BORROWERS

The sponsor must be a 501(c)(3) whose primary purpose and tax-exempt status depends on the public purpose of providing affordable housing.

All units at the property owned by a nonprofit must be intended for tenants at workforce or affordable levels based on the market designations as defined by FHFA for that county.

The general partner or managing member of the Borrower must be a nonprofit. Being the co-general partner for the purposes of qualifying for the CA real estate tax abatement is not sufficient.

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