

FREDDIE MAC IMPACT GAP FINANCING

Impact Gap Financing provides the infrastructure to enable Impact Investors to invest directly in NOAH properties and close capital gaps between Sponsor-provided equity and the Freddie Mac NOAH Preservation Loan. Impact Investors may work with Borrowers directly, with a Freddie Mac Multifamily Optigo® Seller, or with Freddie Mac, who can help match them to potential properties and Borrowers.

Nonprofits will work with an Optigo® Seller who will make both the Freddie Mac NOAH Preservation Loan and the Impact Gap Loan simultaneously, providing a one-stop shop for comprehensive debt financing up to 97% loan-to-cost to go with a minimum 3% Borrower equity contribution.

For the Optigo® Seller to make the Freddie Mac NOAH Preservation Loan and the Impact Gap Loan together, the Impact Investor must be identified for the Impact Gap Loan prior to receiving a soft quote, and the following must be in place prior to interest rate-lock on the NOAH Preservation Loan:

1. Impact Investor must execute and deliver a commitment to the Freddie Mac Seller to purchase the Impact Gap Loan
 - Freddie Mac will perform confirmatory due diligence and provide a back-up commitment to purchase in the event the Impact Investor fails to purchase the Impact Gap Loan
2. Impact Investor must deposit funds in escrow to fully collateralize its commitment to **purchase the Impact Gap Loan**

The Impact Gap Loan will be made on Freddie Mac form Impact Gap Loan documents, including the Impact Gap Loan commitment, loan agreement, note, guaranty, security instrument and escrow agreement.

	NOAH PRESERVATION LOAN	IMPACT GAP LOAN ¹
ELIGIBLE PROPERTY TYPES	Garden, mid-rise, or high-rise multifamily NOAH properties	
ELIGIBLE BORROWERS	501(c)(3) nonprofit organizations with affordable housing preservation as a stated part of its mission and a demonstrated history of successful property ownership	
MINIMUM AFFORDABILITY	At least 50% of the units must have affordable rents at 60% / 80% / 100% / 120% area median income (AMI) based on market at the time of origination	
TERM	Up to 30 years	Must mature after Freddie Mac NOAH Preservation Loan
MAXIMUM AMORTIZATION	Up to 30 years	Based on Exit Requirement (achieve 80% combined LTV by the end of the loan term)
MINIMUM DEBT COVERAGE RATIO (DCR)²	1.25x with 1.20x available subject to underwriting approval	Combined minimum – 1.05x subject to Payment Structure (below) and Investor approval
MAXIMUM LOAN-TO-VALUE (LTV) RATIO²	80%	Combined maximum loan to cost – 97% subject to payment structure below and Investor approval
TAX AND INSURANCE ESCROWS	Required	Required, serviced by Freddie Mac
FEES	Application fee and Commitment fee Servicing document review fee discounted to \$1,500 per review for items disclosed prior to origination	As determined by Impact Investor (may include investor origination and servicing fees)
PAYMENT STRUCTURE	Per Freddie Mac Commitment	Paid from 75% of surplus cash ³ in the following order: 1. Interest 2. Principal payments (not to exceed half of remaining surplus cash after interest payment)

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	NOAH PRESERVATION LOAN	IMPACT GAP LOAN ¹
PREPAYMENT PROVISIONS	Yield Maintenance or defeasance	5-year lockout; no prepayment penalty following lockout
NON-RECOURSE AND/OR GUARANTY	Per Freddie Mac Commitment	Borrower agrees to guaranty: <ul style="list-style-type: none"> • 100% interest debt service • 10% top loss of outstanding UPB at default required until the combined LTV is 85%
MODERATE REHABILITATION	Subject to underwriting approval	Permitted, subject to Impact Investor approval

¹ Indicative terms – may vary by Investor

² Underwriting parameters are maximum allowed by the program. Transactions will be screened on a deal-by-deal basis and parameters may be adjusted at the Freddie Mac Underwriting team's discretion.

³ Surplus Cash: Cash flow after payment of debt service, impositions and reserves on the Senior Loan, any other amount owed to Senior Lender, and reasonable operating expenses.