

VALUE ADD

Loan 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
- 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 is in place

- Maximum loan-to-purchase (LTPP) / loan-to-value (LTV) ratio: 85%
- Minimum amortizing debt service coverage (DCR) ratios: 1.10x – 1.15x depending on market
- Sizing based on the 7-year fixed-rate equivalent
- 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
- Rehabilitation must commence within 90 days of loan origination and be completed within 33 months
- Budget can be adjusted by as much as 20% without additional approval; 50% of the budget should be spent on unit interiors

Fees

- 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 0.5% extension fee, assuming no event of default
- Additional Freddie Mac extension option is available thereafter with 1% extension fee

Standard fees apply, including application fee and good faith deposit

- Offers short-term, cost-effective financing for modest property upgrades
- Enhanced to improve property financing for rehabilitation work
- Competitive pricing; lower execution costs
- Interest-only and uncapped floating-rate loan
- Non-recourse and “one-stop shopping” for upgrade and permanent financing

VALUE ADD