



Moderate Rehab Best Practices: Seller Sizing and Submission

The purpose of this document is to provide Optigo Lenders of Moderate Rehabilitation Loans best practices and guidance to ensure successful loan sizing and submission. This document is not all-inclusive of all details required.

Moderate Rehabilitation Loans require correct sizing and specific documents to be submitted to ensure timely delivery. The below guidelines are in addition to all standard requirements related to quote and underwriting package submissions.

Loan Sizing

Initial Funding at origination (Initial UPB):

- Minimum Debt Coverage Ratio (DCR) of 1.20x Interest-Only based on As-Is net operating income (NOI)
 - If the loan is amortizing during Interim Phase, then sizing will be based on minimum of 1.20x amortizing DCR at origination.
 - For floating-rate loans during Interim Phase, the loan will be sized using the sizing note rate.
- Maximum loan-to-value (LTV) of 80% based on the lesser of total acquisition costs, or As-Is Value as supported by the Appraisal Report

Total Draws:

- Limited to 80% of Total Renovation Costs

Initial Funding Plus Draws (Fully Funded UPB):

- Minimum DCR of 1.30x amortizing based on As-If Stabilized Today NOI
 - For floating-rate loans during Permanent Phase, the loan will be sized using the sizing note rate and maximum note rate.
- Maximum LTV of 80% based on the As-If Stabilized Today Value as supported by the Appraisal Report

*Please reach out to your Freddie Mac contact for guidance on sizing note rates.

Quote Submission Package

In addition to all standard requirements, please ensure submission of the following:

Narrative inclusive of:

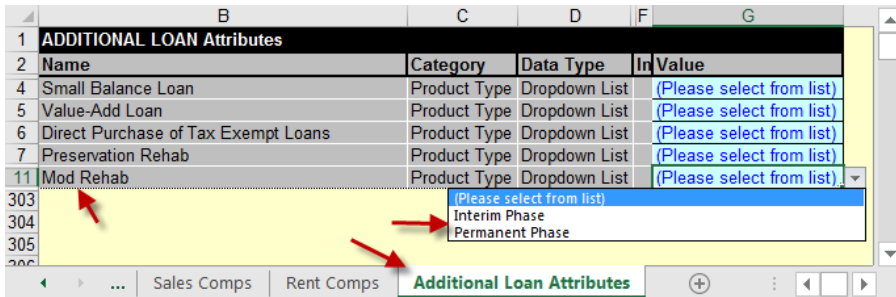
- Summary of Renovation Scope, Budget, and Renovation and Lease Up schedule.
- Tax analysis for both As-Is Value and As-If Stabilized Today Value with support tailored to the property's jurisdiction.
- Sponsor's experience and success with other moderate rehabilitation or value-add projects in recent history with detailed explanation of the extent of the renovations and rent appreciation post renovations.
- Analysis of any anticipated rent increases or expense savings as a result of the planned renovations at the subject property.

1. LST Set Up - Two LSTs (v. 2.9 or latest available)

2. Two Loan Numbers: Both the Interim Phase and Permanent Phase LSTs must be uploaded to OUS/NorthShore to create two loan numbers.

- i **DMS:** The Underwriting Package must be submitted into DMS under the Interim Phase loan record.

Interim Phase LST	Permanent Phase LST																				
<table border="1"> <tr><td>LOAN PURPOSE</td><td>Acquisition</td></tr> <tr><td>PRODUCT TYPE</td><td>Conventional Mortgage</td></tr> <tr><td>Supplemental</td><td>N/A</td></tr> <tr><td colspan="2">A. PROPERTY DATA</td></tr> <tr><td>Property Name</td><td>Property Name Interim</td></tr> </table> <p>Input Tab:</p> <p>Product Type: Conventional Mortgage Property Name: Property Name Interim</p>	LOAN PURPOSE	Acquisition	PRODUCT TYPE	Conventional Mortgage	Supplemental	N/A	A. PROPERTY DATA		Property Name	Property Name Interim	<table border="1"> <tr><td>LOAN PURPOSE</td><td>Acquisition</td></tr> <tr><td>PRODUCT TYPE</td><td>Conventional Mortgage</td></tr> <tr><td>Supplemental</td><td>N/A</td></tr> <tr><td colspan="2">A. PROPERTY DATA</td></tr> <tr><td>Property Name</td><td>Property Name Permanent</td></tr> </table> <p>Input Tab:</p> <p>Product Type: Conventional Mortgage Property Name: Property Name Permanent</p>	LOAN PURPOSE	Acquisition	PRODUCT TYPE	Conventional Mortgage	Supplemental	N/A	A. PROPERTY DATA		Property Name	Property Name Permanent
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Additional Loan Attributes Tab: Interim Phase	Additional Loan Attributes Tab: Permanent Phase																				



**Interim AND Permanent Phase LSTs
Both filled in the same way**

Input Sheet:

Interim Phase (1st Mortgage): Fill in Initial UPB and applicable loan terms
Permanent Phase (B Piece): Fill in Full UPB (Initial UPB + Draws) and applicable loan terms

B. LOAN TERMS	QUOTE SCENARIO #1 (MAIN)	
	1st Mortgage	B Piece (if applicable)
Loan Amount:	\$25,125,000	\$26,350,000
Note Type	Variable	Fixed
Hedge Protection	N/A	N/A
Final Float	N/A	N/A
Lien position	1	(Please select from list)
Total Term (mos)	36	120
Final Float Term (mos)	0	0
Amortization Schedule(mos)	0	360
Interest-Only Term (in mos)	36	60
Amort. Schedule after IO Term (mos)	360	360
Prepay Term (mos)	36	0
Prepay Type (if "Other", elaborate in narrative)	Standard Yield Maintenance	Standard Defeasance
Yield Maintenance with Treasuries Plus:	N/A	N/A
	1st Mortgage	B Piece (if applicable)
Applicable Index Type	30-day LIBOR	10-yr UST
Index Rate (%)	3.170%	3.140%
Net Spread to Freddie Mac (%)	1.630%	2.010%
Servicing fee (%)	0.090%	0.090%
Gross spread (%)	1.720%	2.100%
Underwritten Note Rate (%)	4.890%	5.240%
Max Capped Note Rate (%)	0.000%	0.000%
Interest Calculation:	Actual/360	Actual/360
Delivery Type	Standard Delivery	Standard Delivery
ERL Funding Timing	N/A	N/A
Buy-Down (Fees In) in Dollars	\$0	\$0
Buy-Up (Fees Out) in Percentage	N/A	N/A

I&E Tab:

As-Is Columns show As-Is underwriting

As-Stabilized Columns show As-If Stabilized Today underwriting

Applicable for the following proformas:

- Borrower Budget
- Appraisal
- Seller Servicer

Historical Financials must be filled in including T-12 and 3 years back.

Sizing: Interim > IO DCR (FM 1st Mtg Debt) [row 85]; Perm > Amort DCR (FM 2nd Debt) [row 94]

- *If row 94 is hidden, scroll down to the unprotected area (row 129 and below) and type =AG94 (S/S As-Stab).

IO DCR (FM 1st Mtg Debt)	1.200			1.480	
IO Combined DCR	0.625			0.771	
FM 1st Debt Service	(\$874,020)			(\$874,020)	
Subordinated Debt Service - B Piece	(\$811,273)			(\$811,273)	
Total Debt Service	(\$1,685,293)	(\$16,205)		(\$1,685,293)	(\$16,205)
Cash Flow After Debt Service	(\$829,745)	(\$7,978)		(\$630,590)	(\$6,063)
Amortizing DCR (FM 1st Mtg Debt)	0.979			1.207	
Amortizing DCR (FM 2nd Mtg Debt)	1.055			1.300	
Amortizing Combined DCR	0.508			0.626	

Rent and Sale Comparables: If available at quote, fill in 5 As-Is Comparables and 5 As-Stabilized Comparables, and label them accordingly.

- ii The As-If Stabilized Today Rent Comparables should be properties that have gone through similar rehabilitation. Uninflated rent premiums achieved by these properties should be used to support the property's exit value.

Comparable 5	AS-IS Provenza at Windhaven	4900 Windhaven Parkway	Lewisville	TX	75056	324	96.00%	2015	1	10	648	874	924-1170
									1	15	586	586	1424-1424
									2	2.0	968	1303	1359-1624
									Please select number of Unit Types				
Comparable 6	AS-STAB The Bristol	4777 Memorial Drive	The Colony	TX	75056	304	94.00%	1997	1	10	655	854	1033-1123
									2	10	922	922	\$1,291,000
									2	2.0	1047	1224	1387-1584
									3	2.0	1281	1370	1628-1686

***With the above requirements in mind, both LSTs need to have the following tabs filled out: Input Sheet, Rent Roll (current for both), I&E, Collections (current for both), Sales Comps, Rent Comps. This is important for downstream system impacts.**

*Please reach out the Multifamily Service Desk at MF_Service_Desk@freddiemac.com or 1-866-685-8436 with any issues.

Underwriting Submission Package

In addition to all standard requirements, please ensure submission of the following:

- Updated Narrative (see page 1 for specific Mod Rehab requirements)
- Updated LST –only one LST is necessary inclusive of both As-Is and As-Stab Underwriting in the I&E Tab
- Appraisal with Two Values (As-Is and As-If Stabilized Today)
- Pre-Construction Analysis Report (inclusive of As-Is and As-Stabilized Replacement Reserve Tables)

Renovation Documentation to be provided to Freddie Mac and Architectural Consultant at Full Underwriting:

- Construction Budget - hard costs renovation budget with quantities and itemized costs
- Development Budget - total project budget; often reflected in Sources and Uses
- Construction Schedule - timeline of all renovations
- Lease up Schedule - timeline of lease up
- Final Plans and Specifications - for all renovations
- Construction Contract - for all renovations
- Development Team's Qualifications - resumes and summary of experience
- Servicing Team's Qualifications - resumes and summary of experience for those responsible for administration and physical inspections of all renovations

- Additional Documentation Required if Work is in Progress prior to Full Underwriting Submission:
 - o Sponsor Certification regarding all work completed and costs expended
 - o All executed Change Orders
 - o All Construction Monitoring Reports

DMS: The Underwriting Package must be submitted into DMS under the Interim Phase loan record.

See the following *Moderate Rehab Best Practices* for further details:

- Moderate Rehab Best Practices: Appraisal
- Moderate Rehab Best Practices: Property Condition Due Diligence
- Moderate Rehab Best Practices: Servicing, Renovation Monitoring and Draws
- Moderate Rehab Best Practices: Conversion