



Moderate Rehab Best Practices: Seller Sizing and Submission

The purpose of this document is to provide Sellers 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.

Two LSTs (v. 2.8 or latest available)

- As-Is LST representing Initial UPB, As-Is NOI and value, and Interim Phase loan terms
- As-If Stabilized Today LST representing Fully Funded UPB (Initial UPB + Draws), As-If Stabilized Today NOI and value, and Permanent Phase loan terms

Input Tab > Product Type: Conventional Mortgage

Naming Convention: To easily identify the two uploaded LSTs, use the following naming convention for property names:

As-Is LST: *Property Name Interim*
As-If Stabilized Today LST: *Property Name Permanent*

Additional Loan Attributes Tab > Mod Rehab: choose Interim Phase or Permanent Phase

***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 and Rent Comps (if available at quote).**

Rent and Sale Comparables: If available at quote, fill in 5 As-Is Comparables and 5 As-Stabilized Comparables, and label them accordingly. [Same data on both LSTs]

BEST PRACTICE: The As-Stabilized 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.

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|------------------------------------|-----------------------------|------------------------|------------|----|-------|-----|--------|------|---|-----|------|------|-------------|
| Comparable 5 | AS-IS Provenza at Windhaven | 4900 Windhaven Parkway | Lewisville | TX | 75056 | 324 | 96.00% | 2015 | 1 | 1.0 | 648 | 874 | 924-1170 |
| | | | | | | | | | 1 | 1.5 | 986 | 986 | 1424-1424 |
| | | | | | | | | | 2 | 2.0 | 968 | 1303 | 1353-1624 |
| Please select number of Unit Types | | | | | | | | | 5 | | | | |
| Comparable 6 | AS-STAB The Bristol | 4777 Memorial Drive | The Colony | TX | 75056 | 304 | 94.00% | 1997 | 1 | 1.0 | 655 | 854 | 1033-1123 |
| | | | | | | | | | 2 | 1.0 | 322 | 322 | \$1,231,000 |
| | | | | | | | | | 2 | 2.0 | 1047 | 1224 | 1387-1584 |
| | | | | | | | | | 3 | 2.0 | 1281 | 1370 | 1623-1685 |

Two Loan Numbers: Both the As-Is and As-If Stabilized Today LSTs must be uploaded to OUS/NorthShore to create two loan numbers. One for the Interim Phase (As-Is) and one for the Permanent Phase (As-Stabilized).

***Please reach out the [Multifamily Service Desk](#) 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 above for specific Mod Rehab requirements)
- Updated LSTs – As-Is LST and As-If Stabilized Today LST
- 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](#)