

Transitional Line of Credit



Success in managing multifamily property portfolios depends on having the right funding — **attractive spreads**, highly customizable terms and **certainty of execution**. That's why Freddie Mac Multifamily created the **Transitional Line of Credit (TLC)**.

Our TLC is a highly flexible, **non-recourse**, 3- or 5-year **interest-only** real estate secured line of credit tailored to meet your specific needs, from short-term repositioning of transitional assets to portfolio acquisitions.

The TLC lets you **lock in credit and pricing terms before identifying properties** and then, once locked, spreads remain set for the initial term of the TLC. The TLC allows you to borrow up based on portfolio performance, extend the facility term up to two additional years, and expand the available proceeds under the facility. Extensions and expansions may be subject to repricing.

Plus, the TLC offers options to **accommodate assets with or without common ownership**, allowing for different equity structures.

The Freddie Mac Difference

When it comes to multifamily finance, Freddie Mac gets it done. We work closely with our Optigo® lenders to tackle complicated transactions, provide certainty of execution and fund quickly. Contact your Freddie Mac Multifamily representative today — we're here to help.

Borrowers Who Want to Know More

Contact one of our Optigo lenders at mf.freddie.mac.com/borrowers/.

Product Snapshot

- A borrower can move assets in and out of the facility without having to substitute assets
- Asset types can be comingled within separate sub pools of the same facility
- With a cross-collateralized and cross-defaulted facility, stronger assets can carry weaker ones with no maximum LTV, minimum DSCR, or occupancy requirements at the property level
- Assets can be released without an asset release fee when a borrower refinances with a Freddie Mac securitized product
- A borrower may be either a Single Asset Entity or a Single Purpose Entity

► Conventional and Targeted Affordable

Standard Terms	
Terms	<ul style="list-style-type: none"> • 3- or 5-year interest only • Two conditional 1-year extension options
Commitment Amount	<ul style="list-style-type: none"> • \$100 million preferred minimum • Up to 50% of initial commitment amount in expansion rights
Borrowers	Seasoned and well-capitalized multifamily owner/operators with strong credit performance; preferably with prior credit facility borrowing experience
Guarantor Financial Covenants	10% liquidity and 30% net worth
Interest Rate Type	Floating rate
Collateral	First-lien mortgages of mission-based workforce housing (not available for Small Balance Loans)
Crossed TLC	<ul style="list-style-type: none"> • LTV/DSCR sublimits measured at the TLC level with no limits at the property level • No minimum occupancy requirement
Uncrossed TLC	<ul style="list-style-type: none"> • Each property is evaluated individually and must meet the sublimit requirements individually • No minimum occupancy requirement
Typical Loan-to-Value (LTV) Ratio Range	50% – 75%
Minimum Interest-Only Debt Service Coverage Ratio (DSCR; Full-term Interest Only)	<p>Minimum DSCR varies by product type:</p> <ul style="list-style-type: none"> • Conventional multifamily: 1.45x • Manufactured housing communities: 1.45x-1.50x • TAH: 1.40x* • Uncrossed pools adder: +0.10x <p>*Subject to Freddie Mac review/approval</p>
Underwriting Rate (for most markets)	<ul style="list-style-type: none"> • Without interest rate cap: index floor + stress rate (100 bps) + gross spread • With interest rate cap: cap strike rate + gross spread
Interest Rate Caps	Third-party caps are recommended

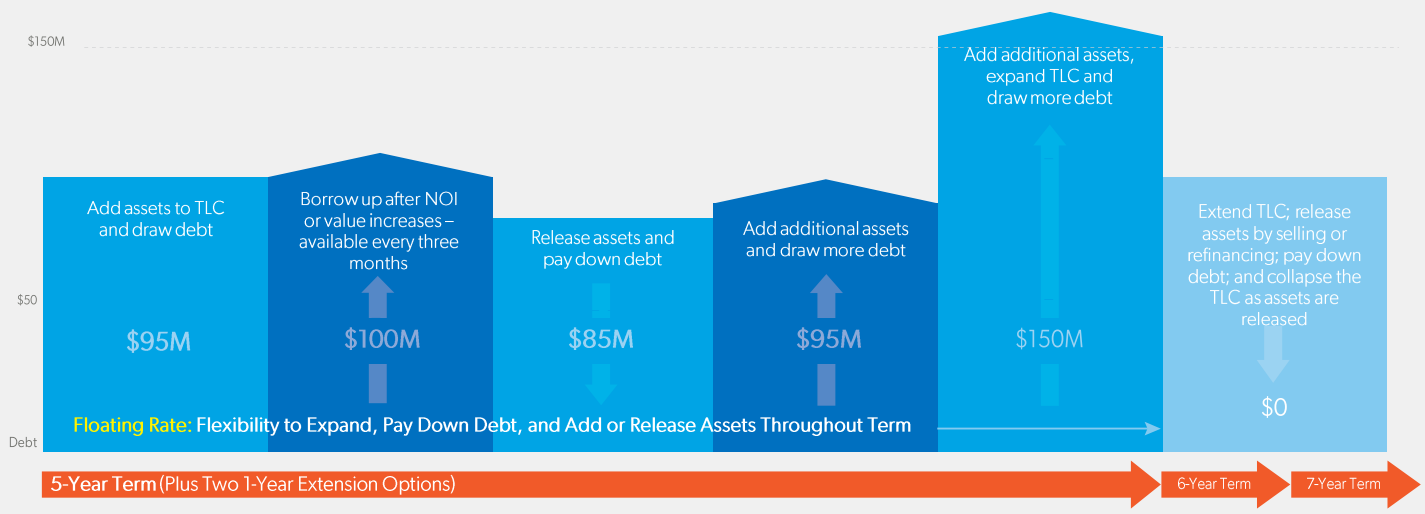
► Conventional and Targeted Affordable

Freddie Mac Fees		
Commitment Fee and Property Addition Fee	<ul style="list-style-type: none"> • Commitment fee: 5 bps • Property Addition fee: 10 bps 	
Extension Fee	\$50,000 for each extension year	
Unused Commitment Fee	20 bps charged annually on the difference between the commitment amount and unpaid principal balance drawn	
Seasoning Fee	50 bps charged annually (paid monthly) at the asset level beginning in the fourth year the asset is in the TLC	
Asset Release Fee/Early Termination Fee	Securitized Product Exit <ul style="list-style-type: none"> • No release fee • If exit into floating-rate securitized product, increased call protection may be required on new Freddie Mac securitized loan 	
	Property Sale	1% of the allocated loan amount; waived if new buyer finances with a Freddie Mac securitized product
	All Other Exits	<ul style="list-style-type: none"> • Years 1 to 3 of TLC: 2% of the allocated loan amount • After Year 3 of TLC: 1% of the allocated loan amount

The Structure: Build it Your Way

Here's an example of how Freddie Mac's TLC can work.

The borrower is using the TLC to grow its portfolio and chooses a \$100 million TLC with a \$50 million expansion option.



Lock Your Spreads for 5 Years
The TLC lets you lock credit terms and spreads prior to identifying properties



Borrow Up
With improved NOI or value, you may borrow up for additional proceeds at first-mortgage pricing



Assets Can Be Released without an Asset Release Fee
When property is refinanced with a Freddie Mac Multifamily securitized product



No Substitution Requirements
Add or release assets without having to substitute assets



Expand the TLC
The TLC allows you to expand your debt as needed



No Need to Identify Maturities Upfront
Partially contract the TLC upon assets' exit



For More Information

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