

Additional Information About B-Piece Purchases

Examples of Features¹

Example	Description	Benefits
Cross-Collateralized Pool and Substitution	A Sponsor executes a cross-collateralization agreement whereby each property in the pool secures all of the loans in the pool; with low leverage, this can serve as a borrowing base giving the Sponsor the ability to substitute collateral that meets the debt service coverage ratio (DSCR) and Loan-to-Value (LTV) ratio requirements, subject to Real Estate Mortgage Investment Conduit (REMIC) requirements	Cross-collateralization comes with substantial flexibility regarding substitution of assets out of the pool
Subordinated Bond Purchase	<ul style="list-style-type: none"> A Sponsor of a loan portfolio purchases a bond totaling approximately 10% of the total pool amount; bond is subordinate, first loss, non-guaranteed and unrated; bond's coupon can be a fixed- or floating-rate based on underlying loans Yield on subordinate bond based on current coupon and discounted purchase price, yield and discounted payoff; calculated using standard bond equivalent yield assuming no loans default and no prepayments 	Cash flow from the subordinate bond offsets debt service payments, effectively lowering the borrowing cost of the underlying mortgage loans; see the example below
Releases from Cross-Collateralization	<p>Acquisition of a large portfolio could require a diverse disposition strategy; crossed pools can be a mix of fixed- and floating-rate loans to suit different exit scenarios; below a pool-wide 65% LTV, any property can be released from the crossed pool upon an assumption, if permitted, or loan payoff</p> <ul style="list-style-type: none"> Release of property out of a crossed pool permitted after related loan is paid off, including any prepayment premium, provided remaining assets support minimum LTV/DSCR thresholds Legal and other applicable fees will apply 	Provides the Sponsor with freedom to implement a variety of buy/hold strategies in a pooled securitization context, subject to REMIC requirements

¹ Any one facility may have various combinations of features, including but not limited to the above.

Example²

Scenario: \$300 million crossed portfolio of 10 assets located in four regions with an average LTV of 75% and a DSCR of 1.25x.

Substitution: only available for crossed pools if the Sponsor buys the B-piece

On Pool		Subordinate Bond	
Pool Size (\$)	300,000,000	Pricing Yield (BEY)	10%
Term	10 year	Size (% of pool)	10%
Amortization	30 year	Sub Bond Face Value (\$)	30,000,000
LTV / DSCR	75% / 1.25X	Price (disc. from 100)	63.49
Gross Coupon (\$)	4.84%	Purchase Price (\$)	19,047,000
Annual Debt Service (\$)	18,975,091	Annual Coupon Income (\$)	1,430,250
Annual Debt Service Net of Coupon Income	\$17,544,841		
Implied Loan Cost (IRR)	4.91%		
Implied Loan Cost w/ Sub Bond Yield (IRR)	4.37%		
Implied Benefit (IRR)	0.53%		

² Rates and yields are for illustrative purposes only.

Securitization Deal Parties: Roles and Responsibilities

Primary Servicer(s)	Freddie Mac Approved Seller/Servicer who originates the loans and may service them until maturity
Master Servicer	<ul style="list-style-type: none"> To be selected by Freddie Mac; may also be Freddie Mac Steps into role of Lender. Collects loan payments from Primary Servicer(s) and remits funds to Trustee. Approves performing loan modifications, insurance waivers, assumptions, etc.
Special Servicer	<ul style="list-style-type: none"> To be selected by the B-piece buyer and must be approved by Freddie Mac; may also be Freddie Mac Services defaulted loans and resolves defaulted loan issues Special Servicer cannot be economically affiliated with the Sponsor



Trustee	<ul style="list-style-type: none"> To be selected by Freddie Mac Enforces securitization documentation and remits payments to all bondholders
Operating Trust Advisor	<ul style="list-style-type: none"> To be selected by Freddie Mac; may also be Freddie Mac Responsible for certain loan approvals and periodic review of the Special Servicer. May recommend removal of the Special Servicer for failure to perform its duties
Broker/Dealer	<ul style="list-style-type: none"> To be selected by Freddie Mac Responsible for underwriting the securitization transaction and placing bonds with investors
Guarantor	Freddie Mac guarantees principal and interest security payments on the senior part of the capital structure (the guaranteed underlying certificates and the Guaranteed Certificates), monitors loan performance and retains certain consent rights on the underlying loans

For More Information

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