PRODUCT SNAPSHOT

SMART Credit Enhancement

Secondary Market Credit Risk Transfer for Small Financial Institutions and CDFIs

Our SMART Credit Enhancement is a streamlined version of our secondary market credit enhancement offerings, designed to help small financial institutions and Community Development Financial Institutions (CDFIs) transfer credit risk, so they can continue to grow and support affordable housing through new lending.

The Freddie Mac Difference

When it comes to multifamily finance, Freddie Mac gets it done.

We work closely with our customers to tackle complex transactions and provide certainty of execution.

Contact your Freddie Mac Multifamily representative today — we're here to help.

- Structuring tool to add credit enhancement for customers with mission-accretive collateral.
- More efficient and more cost-effective than a securitization.
- Can be used for taxable loans or tax-exempt bonds.
- Freddie Mac underwrites the pool and provides a guaranty for a senior position in the pool.

DUTY TO SERVE

OPTIGO
Freddie Mac Multifamily

mf.freddiemac.com/product/

Freddie Mac Guarantee/Structure	Depositor/Sponsor transfers assets to a custodian in exchange for custodial receipts representing beneficial ownership of the assets as wrapped by Freddie Mac's standby-credit enhancement. Unpaid principal balance (UPB) of custodial receipts adds up to 100% of collateral UPB.
Collateral	Taxable multifamily mortgage loans, 9% LIHTC loans or tax-exempt bonds. Can be a single asset or a pool of assets.
Advantages	Not a securitization so material cost savings compared with a pool securitization.
Intended Customers	Small financial institutions, community banks and CDFIs with $10 billion or less in assets.
Pool/Deal Size	Optimal pool or asset size of $75 million or greater.
First-Loss Obligation	The Depositor/Sponsor is required to maintain a first-loss position in the pool. Freddie Mac credit enhances either: ▪ 100% of assets/custodial receipts with a separate reimbursement obligation for the first-loss amount, or ▪ Less than 100% of assets represented by a senior class, with a subordinate class retained by the Depositor/Sponsor representing the first-loss amount (using typical senior/sub percentages).
Collateral Characteristics	▪ Taxable multifamily loans: min DCR of 1.20x / max LTV of 80% ▪ Tax-exempt bonds and 9% LIHTC loans: min DCR of 1.05x / max LTV of 95% All loans underwritten based on a 30-year amortization.
Collateral Due Diligence	Freddie Mac will conduct a full underwriting and legal due diligence review of all the loans, including interior and exterior physical inspections, borrower and guarantor credit, property financials and rent rolls, environmental, compliance, valuation, and collateral files and servicing files.
Servicing	Servicing of the Collateral will be performed by servicer in accordance with the *Freddie Mac Multifamily Seller/Servicer Guide*. The servicer must be an Optigo servicer acceptable to Freddie Mac.

October 2021