



## Value-Add Loan

### Does Your Multifamily Property Need a Light Renovation?

Our Value-Add Loan offers short-term, cost-effective financing for modest property upgrades. (For more extensive rehabilitation projects, look into our Moderate Rehab loan product.) Borrowers receive competitive pricing and lower execution costs. Both interest-only and uncapped floating-rate loans are available. And, with all Freddie Mac financing, this loan is non-recourse and provides “one-stop shopping” for upgrade and permanent financing.

#### The Freddie Mac Difference

When it comes to multifamily finance, Freddie Mac gets it done. We work closely with our Sellers 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 approved Seller/Service providers at:  
<https://mf.freddie.com/borrowers/>

#### PRODUCT SNAPSHOT

Short-term, negotiable financing for upgrades of \$10,000 to \$25,000 per unit

- Allows for a wide variation in borrower term and structure needs
- Funds up to 50% should be spent on unit interiors
- Budget can be adjusted up to 20% without additional approval
- Interest-only and uncapped floating-rate loan
- We support eligible mixed-use properties

Freddie Mac Multifamily  
**Green Advantage**<sup>®</sup>

Our Freddie Mac Multifamily **Green Advantage**<sup>®</sup> initiative rewards Borrowers who improve their properties to save energy or water.

<p><b>Eligible Borrowers</b></p>	<ul style="list-style-type: none"> <li>▪ Developers/operators with experience in multifamily property rehabilitation and in the local market with sufficient financial capacity</li> <li>▪ 1.5x the standard minimum net worth and liquidity requirements for guarantors</li> </ul>
<p><b>Eligible Property Types</b></p>	<ul style="list-style-type: none"> <li>▪ Properties with no more than 500 total units in good locations</li> <li>▪ Well-constructed properties requiring modest repairs</li> <li>▪ Market laggards that require capital infusion and new/improved management</li> <li>▪ Real-estate owned properties in receivership that are capable of improved performance</li> <li>▪ Seniors housing, student housing and manufactured housing communities are not eligible</li> </ul>
<p><b>Terms</b></p>	<ul style="list-style-type: none"> <li>▪ Three years with one 12-month extension based on the borrower's request and one optional 12-month extension based on Freddie Mac's discretion</li> <li>▪ Floating-rate loan with full-term interest-only; no cap required</li> <li>▪ No lock out; borrower may pay off the loan at any time but must remit an exit fee of 1%; the exit fee will be waived if the loan is refinanced with Freddie Mac</li> <li>▪ Acquisitions and refinances; not assumable</li> <li>▪ Loan documentation at origination will include the Value-Add Rider, which will detail the terms/requirements of the rehabilitation</li> <li>▪ Escrows will include real estate taxes, insurance and replacement reserves</li> <li>▪ 15% cash equity generally required</li> <li>▪ For longer term ownership, cash-out is available provided a completion guaranty on budgeted improvements in an amount at least equal to the cash-out in place</li> </ul>

<p><b>Amount</b></p>	<ul style="list-style-type: none"> <li>▪ Maximum loan-to-purchase / loan-to-value (LTV) ratio: 85%</li> <li>▪ Minimum amortizing debt coverage ratios (DCR): 1.10x – 1.15x depending on market</li> <li>▪ Sizing based on a 7-year sizing note rate</li> <li>▪ Appraisal must include as-is and as-stabilized values; underwriting must support a 1.30x DCR and 75% LTV based on as-stabilized value supported by the appraisal</li> <li>▪ Standard Freddie Mac underwriting based on as-is income and expense</li> <li>▪ Refinance Test not required</li> <li>▪ No pro-forma underwriting of future performance</li> </ul>
<p><b>Rehabilitation</b></p>	<ul style="list-style-type: none"> <li>▪ Rehabilitation must commence within 90 days of loan origination and be completed within 33 months</li> <li>▪ Acceptable budget of \$10,000 per unit to \$25,000 per unit</li> <li>▪ Budget can be adjusted by as much as 20% without additional approval; 50% of the budget should be spent on unit interiors</li> <li>▪ Completion Guaranty or rehabilitation escrow required</li> <li>▪ Borrower/Service reporting required</li> </ul>
<p><b>At Loan Maturity/Refinance</b></p>	<ul style="list-style-type: none"> <li>▪ Final engineer review of work completion and quality is required</li> <li>▪ Refinance with Freddie Mac with no exit fee; otherwise 1% applies</li> <li>▪ Freddie Mac will re-underwrite the loan according to then-current credit policy parameters</li> <li>▪ One-year borrower extension option is available for a 0.5% extension fee, assuming no event of default</li> <li>▪ Additional Freddie Mac extension option is available thereafter with 1% extension fee</li> </ul>
<p><b>Fees</b></p>	<p>Standard fees apply, including application fee and good faith deposit</p>

