

Value-Add Loans



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 Optigo® lender network 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

- 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

Green Advantage®

Our Freddie Mac Multifamily [Green Advantage](#) initiative rewards borrowers who improve their properties to save energy or water.

► Conventional, Targeted Affordable: Value-Add Loans

Eligible Borrowers	<ul style="list-style-type: none"> • Developers/operators with experience in multifamily property rehabilitation and in the local market with sufficient financial capacity • 1.5x the standard minimum net worth and liquidity requirements for guarantors
Eligible Property Types	<ul style="list-style-type: none"> • Properties with no more than 500 total units in good locations • Well-constructed properties requiring modest repairs • Market laggards that require capital infusion and new/improved management • Real estate owned properties in receivership that are capable of improved performance • Seniors housing, student housing and manufactured housing communities are not eligible
Terms	<ul style="list-style-type: none"> • 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 • Floating-rate loan with full-term interest-only; no cap required • Standard 12-month lock out with option for longer or shorter lock out based on borrower's preference; borrower may pay off the loan at any time after the expiration of the lock-out period but must remit an exit fee of 1%; the exit fee will be waived if the loan is refinanced with Freddie Mac • Acquisitions and refinances; not assumable • Loan documentation at origination will include the Value-Add Rider, which will detail the terms/requirements of the rehabilitation • Escrows will include real estate taxes, insurance and replacement reserves • 15% cash equity generally required • 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
Upfront Fee	Standard 0.5% of loan amount nonrefundable upfront fee subject to adjustment depending on loan terms
Amount	<ul style="list-style-type: none"> • Maximum loan-to-purchase / loan-to-value (LTV) ratio: 85% • Minimum amortizing debt coverage ratios (DCR): 1.10x – 1.15x depending on market • Sizing based on a 7-year sizing note rate • 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 • Standard Freddie Mac underwriting based on as-is income and expense • Refinance Test not required • No pro forma underwriting of future performance

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Rehabilitation	<ul style="list-style-type: none">• Rehabilitation must commence within 90 days of loan origination and be completed within 33 months• Acceptable budget of \$10,000 per unit to \$25,000 per unit• Budget can be adjusted by as much as 20% without additional approval; 50% of the budget should be spent on unit interiors• Completion Guaranty or rehabilitation escrow required• Borrower/Service reporting required
At Loan Maturity/Refinance	<ul style="list-style-type: none">• Final engineer review of work completion and quality is required• Refinance with Freddie Mac with no exit fee; otherwise 1% applies• Freddie Mac will re-underwrite the loan according to then-current credit policy parameters• One-year borrower extension option is available for a 0.5% extension fee, assuming no event of default• Additional Freddie Mac extension option is available thereafter with 1% extension fee
Fees	Standard fees apply, including application fee and good faith deposit

For More Information

Contact your Freddie Mac representative.