



Credit Policy Updates

2018 Targeted Affordable Housing Seller Workshop

June 7, 2018



All Multifamily

- Streamlined execution (loans \leq \$15M)
- Streamlined problematic materials approach
- Green Advantage[®] update
- Crowdfunding requirements
- Preferred Equity requirements

TAH Only

- TAH Express
- Preservation Rehab update
- Third-Party Subordinate Debt update
- LIHTC Syndicator requirements update

- 25% consumption reduction requirement
 - » Water and sewer or energy
 - » Calculation based on whole-building consumption only
- Removed property age requirement
- Removed \$350/unit spend requirement



Preservation Rehabilitation Changes

- Renovation Cost
 - » Increased to \$60,000/unit
- Renovation Scope
 - » Major building systems may be included
- Long-Term Section 8
 - » Tenant displacement permitted if evidence that HUD continues Section 8 payments
- Escrows
 - » Separate escrows for Priority Repairs or Green Improvements may be waived if included in renovation budget



Lender Type

Subordinate Liens Permitted?

Governmental Entity

Yes

Nonprofit Entity

Yes

Note

- An affiliate of a Nonprofit Entity or a JV that includes and is controlled by the Nonprofit Entity may place a subordinate lien if the debt is used to purchase, renovate or operate the property.

Not a Governmental Entity or Nonprofit Entity

No, unless all of the following are met

- Property awarded LIHTC and in benefit period during part of Freddie Mac senior mortgage
- Subordinate lender is property seller and/or has a connection to a Borrower Principal or Sponsor
- Subordinate loan increases amount of eligible basis and generates additional LIHTC

- Soft debt
 - » No preset maximum combined LTV requirement
 - » **No preset minimum combined DCR requirement**
 - » Must mature at least 6 months after maturity date of last maturing Freddie Mac senior mortgage
 - » **Must agree to resubordinate their positions to any future lender refinancing the senior mortgages**
 - » **Cash**
 - **Interest may accrue on a simple basis**
 - » **Tax Exempt Loans/Bonds**
 - **Interest may accrue on a simple or compound basis at Freddie Mac's discretion**
 - » Freddie Mac Subordination Agreement required
 - » Payment may not exceed 75% of surplus cash flow

- Hard debt
 - » **Governmental Entity or a Nonprofit Entity**
 - **Maximum combined LTV of 100%**
 - » Not a Governmental Entity or a Nonprofit Entity
 - Maximum combined LTV of 90%
 - » Minimum combined DCR of 1.10x
 - » Must mature at least 6 months after maturity date of last maturing Freddie Mac senior mortgage
 - » **Must agree to resubordinate their positions to any future lender refinancing the senior mortgages**
 - » Interest may not accrue
 - » Freddie Mac Subordination Agreement required