



# HUD 223(f)

## Acquisition and Refinancing of Multifamily Properties

### Eligible Properties

Market rate properties of any class, cooperatives, affordable or subsidized housing. Construction or any substantial rehabilitation must have been completed at least three years before application to HUD. Student housing is allowable, but cash flows cannot assume multiple rents from one unit and rents must be in line with market rate multifamily comparables.

### Commercial Space Limitation

Limited to 25% of net rentable area and 20% of effective gross income.

### Borrower

Single asset, special purpose entity, either for profit or non-profit.

### Recourse

**Non-recourse**

### Interest Rate

Fixed for term of loan, determined by market conditions at time of rate lock. Rate lock deposit is 0.5% and refunded at closing.

### Loan Parameters

For loan amounts up to \$75 Million:

Subsidized <sup>1</sup>	<b>Max. LTV 90%</b>	Min. DSC 1.11x	90%	80%
Affordable <sup>2</sup>	<b>Max. LTV 87%</b>	Min. DSC 1.15x	87%	80%
Market Rate	<b>Max. LTV 85%</b>	Min. DSC 1.18x	85%	80%

For loan amounts \$75 million and above, although HUD may impose more restrictive limits on loan amounts over \$100 Million:

Subsidized <sup>1</sup> and Affordable <sup>2</sup>	<b>Max. LTV 80%</b>	Min. DSC 1.25x	80%	70%
Market Rate	<b>Max. LTV 75%</b>	Min. DSC 1.30x	75%	70%

<sup>1</sup> At least 90% of the units covered by a project-based Section 8 contract.

<sup>2</sup> Regulatory Agreement in place with minimum set-aside (e.g., 40% of units at 60% AMI, or 20% of units at 50% AMI) in effect for at least 15 years after the new loan closes.

<sup>3</sup> Refinance cost includes satisfaction of existing debt (including penalties), any needed repairs, an initial deposit to capital needs reserve, due diligence and closing costs.

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<b>Repair and Rehab Limitations</b>	Up to \$15,000 per unit times a local cost factor (typically 190%-270%); additionally, repairs may not replace more than 50% of any two building systems: electrical, plumbing, mechanical, building envelope, structural.
<b>Term and Amortization</b>	A maximum term of 35 years, fully amortizing.
<b>Prepayment and Assumption</b>	Negotiable with best pricing for 10 years of call protection (can be a combination of lockout and/or penalty); loan is fully assumable subject to HUD approval.
<b>Escrows</b>	a. Taxes, insurance and mortgage insurance premium are escrowed monthly; b. Capital needs reserve will be maintained with monthly deposits in accordance with HUD guidelines on a propertyspecific basis (minimum \$250/unit/year).
<b>Mortgage Insurance Premium</b>	1% due to HUD at closing and 0.6% annually thereafter (0.25%-0.35% for affordable and subsidized properties, 0.25% for Energy Star certified properties).
<b>HUD Application Fee</b>	0.30% of estimated loan amount due with submission of application.
<b>Lender Application Fee</b>	Generally \$25,000 to cover third-party reports and due diligence.
<b>Rate-Lock Deposit</b>	Typically 0.5% of the loan amount, paid at the time of commitment and refunded at closing.
<b>Other Costs</b>	Lender's legal, title, and other standard borrower closing costs.
<b>Third Party Reports</b>	Appraisal, Environmental and Capital Needs Assessment
<b>Timing</b>	Typical application is submitted within 45-60 days of engagement, followed by 60-90 days to issuance of HUD's commitment and 30-45 days to closing.



# Freddie Mac Small Balance Loans

## Acquisition or Refinancing of Multifamily Properties

<b>Loan Amount</b>	Up to \$7.5 million in all markets. Deals greater than \$6 million and up to \$7.5 million in Small and Very Small Markets may be permitted subject to Freddie's approval of an exception request.
<b>Unit Limitations</b>	<ul style="list-style-type: none"> <li>• Loan amount ≤ \$6 million: no unit limitations.</li> <li>• Loan amount &gt; \$6 million and ≤ \$7.5 million: up to 100 units (exceptions permitted above 100 units).</li> </ul>
<b>Loan Purpose</b>	Acquisition or refinance.
<b>Loan Terms</b>	<ul style="list-style-type: none"> <li>• 20-year hybrid ARM with initial 5-, 7-, or 10-year fixed-rate period.</li> <li>• 5-, 7-, or 10-year fixed-rate loan.</li> </ul>
<b>Amortization</b>	Up to 30 years.
<b>Interest-Only</b>	Partial-term interest-only; full-term interest-only may be available.
<b>Prepayments</b>	Declining schedules and yield maintenance available for all loan types — please refer to the chart on page 5.
<b>Eligible Borrowers/ Borrowing Entities</b>	<ul style="list-style-type: none"> <li>• Up to \$6 million — Individuals who are U.S. citizens; limited partnerships; limited liability companies; Single Asset Entities; Special Purpose Entities; tenancy in common with up to five unrelated members; and Trusts (irrevocable trusts and revocable trusts with an individual guarantor).</li> <li>• Between \$6 million and \$7.5 million – Single Asset Entities.</li> </ul>
<b>Recourse</b>	<b>Non-recourse</b> with standard carveout provisions required.
<b>Subordinate Debt</b>	Not permitted.

# Freddie Mac Small Balance Loans

## Acquisition or Refinancing of Multifamily Properties

### Net Worth and Liquidity

- Minimum Net Worth: Equal to the loan amount.
- Minimum Liquidity: Equal to 9 months of principal and interest.

### Eligible Properties

Multifamily housing with five residential units or more, including:

- Cooperatives in the five boroughs of New York City and Long Island.
- Properties with tax abatements.
- Seniors housing with no resident services.
- Properties with space for certain commercial (non-residential) uses<sup>2</sup>.
- Properties with tenant-based housing vouchers.
- Low-Income Housing Tax Credit (LIHTC) properties with Land Use Restriction Agreements (LURAs) that are in either the final 24 months of the initial compliance period or the extended use period (investor must have exited)<sup>3</sup>.
- Properties with local rent subsidies for 10% or fewer units where the subsidy is not contingent on the owner's initial or ongoing certification of tenant eligibility<sup>3</sup>.
- Properties with certain regulatory agreements that impose income and/or rent restrictions, provided all related funds have been disbursed<sup>3</sup>.

<sup>1</sup> Entity borrower required for properties in New Jersey with less than seven units.

<sup>2</sup> Contact your Freddie Mac representative for details.

<sup>3</sup> Available for properties with 75 units or less; requires pre-screen approval from Freddie Mac SBL Production.

### Ineligible Properties

- Seniors housing with senior care services.
- Student housing (greater than 50% concentration).
- Military housing (greater than 50% concentration).
- Properties with project-based housing assistance payment contracts (including project-based Section 8 HAP contracts).
- LIHTC properties with LURAs in compliance years 1 through 12.
- Historic Tax Credit (HTC) properties with a master lease structure.
- Tax-exempt bonds Interest Reduction Payments (IRPs).

# Freddie Mac Small Balance Loans

## Acquisition or Refinancing of Multifamily Properties

LTV and DCR requirements vary based on the market tier in which the property resides: Top Market, Standard Market, Small Market, or Very Small Market. To determine market tier, please consult the SBL Market Tiering list on Freddie Mac's Originate and Underwrite page.

### Fixed-Rate/Hybrid ARM LTV Ratios and Amortizing DCRs

Fixed-Rate/Hybrid ARM LTV Ratios and Amortizing DCRs

Top SBL Markets	Min. DCR 1.20x <sup>1</sup>	<b>Max. 80% LTV</b>
Standard SBL Markets	Min. DCR 1.25x	<b>Max. 80% LTV</b>
Small SBL Markets	Min. DCR 1.30x	<b>Max. 75% LTV<sup>2</sup></b>
Very Small SBL Markets	Min. DCR 1.40x	<b>Max. 75% LTV<sup>2</sup></b>

<sup>1</sup> Minimum 1.25x Amortizing DCR for loans greater than \$6 million.

<sup>2</sup> Max. 70% LTV for Refinances.

### Full-Term IO or Full-Term IO during Fixed-Rate Period of Hybrid ARM

Full-Term Interest-Only (IO) Adjustments

Top and Standard SBL Markets	Add to the Baseline 0.15x	<b>Max. 65% LTV</b>
Small and Very Small SBL Markets	Add to the Baseline 0.10x	<b>Max. 60% LTV</b>

Maximum available Partial IO Period for Small and Very Small SBL Markets is limited to:

- 0 years on 5-year term.
- 1 year for a 7-year term.
- 2 years for a 10-year term/20-year hybrid.

# Freddie Mac Small Balance Loans

## Acquisition or Refinancing of Multifamily Properties

### Occupancy

Property must be stabilized at:

- 90% physical occupancy for the trailing 3-month average prior to Underwriting, or
- 85% physical occupancy for the trailing 3-month average prior to Underwriting if the subject property has any of the following characteristics:
  - i. Property is recently built or renovated in a Top Market.
  - ii. Property is under 30 units.
  - iii. Acquisition with all the following:
    1. Sophisticated acquiring sponsorship and management relative to current ownership.
    2. Appraised occupancy and/or rents materially higher than subject's current operations.
    3. Subject property has not experienced volatile historical occupancy swings.
    4. No history of serious crime at the subject property.

### Replacement Reserves

Underwritten replacement reserves will be determined based on a rating established in the streamlined PNA. The rating will estimate the level of improvements needed over the life of the loan. The rating scale will be similar to below:

- Amount: \$200, Level: Low
- Amount: \$250, Level: Moderate
- Amount: \$300, Level: High

### Escrows

- Real estate tax escrow deferred for deals with an LTV ratio of 65% or less.
- Insurance escrow deferred.
- Replacement reserve escrow deferred.

### Rate-Lock

60- to 120-day rate-lock period available.



# Fannie Mae Small

## Acquisition or Refinancing of Multifamily Properties Up to \$6 Million Nationwide

<b>Eligibility</b>	<ul style="list-style-type: none"> <li>• Conventional properties; Multifamily Affordable Housing Properties; Cooperative Properties (market rate); and Manufactured Housing Communities.</li> <li>• Existing, stabilized multifamily properties.</li> <li>• Properties with 5 or more units.</li> <li>• Loans for acquisition or refinance.</li> </ul>
<b>Loan Amount</b>	Up to \$6 million nationwide.
<b>Term</b>	5 – 30 years.
<b>Amortization</b>	Up to 30 years.
<b>Interest Rate</b>	Fixed- and variable-rate options available.
<b>Leverage</b>	<b>Max. 80% LTV</b>
<b>Minimum DSCR</b>	1.25x.
<b>Supplemental Financing</b>	Supplemental Mortgage Loans are available.
<b>Prepayment Availability</b>	Flexible prepayment options available, including yield maintenance and declining prepayment premium.
<b>Rate Lock</b>	30- to 180-day commitments. Borrowers may lock a rate with the Streamlined Rate Lock option.
<b>Accrual</b>	30/360 and Actual/360.

# Fannie Mae Small

## Acquisition or Refinancing of Multifamily Properties Up to \$6 Million Nationwide

<b>Recourse</b>	Non-recourse execution is available with standard carve-outs for "bad acts" such as fraud and bankruptcy.
<b>Escrows</b>	Replacement reserves may be waived for certain transactions. Replacement Reserve, tax, and insurance escrows are typically required for higher leverage transactions.
<b>Third-Party Reports</b>	Streamlined inspection and Environmental Screening.
<b>Assumption</b>	Non-recourse loans are typically assumable, subject to review and approval of the new borrower's financial capacity and experience.