

FREDDIE MAC OPTIGO®

Value-Add Loan

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.

DOES YOUR MULTIFAMILY PROPERTY NEED A LIGHT RENOVATION?

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. 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. 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 cashout in place.
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.
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.

For important disclosures about Lument and the information found in this term sheet [click here](#).

AT LOAN MATURITY/REFINANCE

- 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.
