

Moderate Rehabilitation (Mod Rehab) Supplemental Mortgage Loan

Arbor offers supplemental financing options for multifamily properties that have completed moderate rehabilitation.

Benefits

- The Mod Rehab Supplemental Mortgage Loan is excluded from the one supplemental loan rule
- The loan sizing and pricing is comparable to the first lien mortgage loan
- Lower pricing than generally available on other Supplemental Mortgage Loans
- Lower cost than refinancing
- Access to additional capital
- Certainty of execution
- Speed in processing and underwriting

Eligibility

- Stabilized Conventional, Multifamily Affordable Housing, Seniors Housing, Student Housing Properties, and Manufactured Housing Communities
- First mortgage loan identified as Mod Rehab
- Existing Fannie Mae fixed-rate or adjustable-rate mortgage loans
- Lender must be the servicer of the existing Fannie Mae mortgage loan
- Fannie Mae must be the only debt holder on the property

Term

5-30 years; must be coterminous with the senior mortgage loan.

Amortization

Up to 30 years.

Interest Rate

Fixed- and variable-rate options available.

Maximum LTV

As high as 75%, depending upon asset class and use of proceeds. May be higher for Multifamily Affordable Housing properties and assumptions.

Minimum DSCR

As low as 1.25x, depending upon asset class and use of proceeds. May be lower for Multifamily Affordable Housing properties.

Mod Rehab Supplemental Mortgage Loan Timing

Within 36 months of origination of the Mod Rehab first mortgage loan. No one-year waiting period.

Rate Lock

30- to 180-day commitments. Borrowers may lock a rate with the Streamlined Rate Lock option.

Accrual

30/360 and Actual/360.

Recourse	Non-recourse execution with standard carve-outs required for “bad acts” such as fraud and bankruptcy
Escrows	Replacement reserve, tax, and insurance escrows are typically required, based on the resulting tier of the combined pre-existing mortgage loan and Mod Rehab Supplemental Mortgage Loan.
Third-Party Reports	Standard third-party reports, including Phase I Environmental Site Assessment, and a Property Condition Assessment, may not be required if certain conditions are met.
Assumption	Loans are typically assumable, subject to review and approval of the new borrower’s financial capacity and experience.
Tier-dropping	Permitted for fixed-rate Mod Rehab Supplemental Mortgage Loans.
Rehabilitation Requirements	Completed at least \$8,000/unit of property improvements. As a best practice, at least 60% of the renovation budget allocated to interior unit improvements.
Verification of Property Improvements	Lender must document all completed rehabilitation work and verify its completion through a site inspection if the work is not performed pursuant to a Completion/Repair Agreement or a Rehabilitation Reserve Agreement.