

Arbor's Freddie Mac Lease-Up Loan product allows newly constructed properties to lock in a rate and fund a loan before the collateral is fully stabilized.

Product Description

Refinance Lease-Up: Refinancing for newly constructed properties

Acquisition Lease-Up: Acquisition financing for newly constructed properties

Eligible Borrowers

Borrowers must have experience with new construction and/or lease-up properties, and generally have strong financial capacity and real estate management expertise with good performance and credit history.

- For Targeted Affordable Lease-up, borrowers must have experience in the development and/or ownership of multifamily properties financed with credit-enhanced tax-exempt bonds, state and local affordable programs, Section 8, and/or Low-income Housing Tax Credits (LIHTC), and/or work with an experienced LIHTC Syndicator, as applicable
- For Seniors Housing Lease-Ups, borrowers must have experience owning and operating properties in similar service levels and size

Eligible Property Types

- Well-constructed properties exhibiting strong lease-up trends in good locations and strong markets
- Student housing and manufactured housing community transactions are not eligible
- Stabilization expected within 12 months of closing

Loan Types

- Fixed-and floating-rate loans
- Interest-only (I/O) available during the lease-up period

Maximum Loan-to Value (LTV) Ratio (as-stabilized)

- 75% (Conventional and Targeted Affordable)
- 70% (Seniors Housing with independents living and/or assisted living)

Minimum Debt Coverage Ratio (DCR)

- 1.30x (Conventional and Targeted Affordable)
- 1.35x (Seniors Housing with independent living)
- 1.45x (Seniors Housing with assisted living)

Minimum Cash Equity Requirement

Refinance Lease-Up:

- 15% (Conventional and Targeted Affordable)
- 20% (Seniors Housing with independent living and/ or assisted living)

Acquisition Lease-Up:

- 25% (Conventional and Targeted Affordable)
- 25% (Seniors Housing with independent living and/ or assisted living)

Lease-Up Credit Enhancement

- A Lease-Up Credit Enhancement is required for all Lease-Up transactions
- The form of the Lease-Up Credit Enhancement will be determined by Freddie Mac
- The Lease-Up Credit Enhancement must be at least 5% of the unpaid principal balance (10% if the Lease-Up Credit Enhancement is a guaranty, subject to additional conditions)
- Release of Lease-Up Credit Enhancement will occur once the property has achieved the required amortizing DCR based on average performance of the past 3 months, net rental income for the past 1 month meets or exceeds the level necessary to reach the

required amortizing DCR, and has met other standard conditions as set forth by Freddie Mac

- If the required DCR is not reached within 12 months, the Lease-Up Credit Enhancement will be used to resize the loan and recast the payments

Closing Debt Service Escrow

- An additional three-month debt service escrow may be required based on the property's actual operations at underwriting

Rate Lock

- 50% occupied
- 60% leased
- 60% or more Certificates of Occupancy issued

Closing

Refinance Lease-Up:

- 1.05x DCR
- 100% of Certificates of Occupancy issued (Conventional and Targeted Affordable)
- Assisted living properties must have all required licenses authorizing operations.

Acquisition Lease-Up:

- 1.0x DCR
- 100% of Certificates of Occupancy issued (Conventional and Targeted Affordable)
- Assisted living properties must have all required licenses authorizing operations

Appraisal Report

The appraisal report must provide the as-is and as-stabilized values for the property

Markets

Except for Seniors Housing, additional flexibility available on a case-by-case basis through an assessment of the market as determined by Freddie Mac