

# Moderate Rehab Loan

Arbor provides the capital you need to renovate your property at the lowest cost possible. During renovation, the loan can be an interest-only, floating-rate debt, and loan proceeds are advanced monthly as requested rather than accruing interest on unused funds. The terms are highly negotiable, allowing for variation in borrower terms and structure needs.

## Eligible Borrowers

Experienced and well-capitalized sponsors who have successfully completed rehabilitation projects of similar scope and who are familiar with the Freddie Mac loan process

## Eligible Property Types

- \$25,000 - \$60,000 in renovations per unit with a minimum of \$7,500 per unit designated for interior work
- Minimum occupancy: Rehabilitation plan may not take DCR below 1.0x on an interest-only basis
- Not eligible – seniors housing, student housing, MHC, targeted affordable housing, and small balance loans

## Terms

- Deal specific/negotiated (see structure below)
- Interest-only during the Interim Phase
- Hedge: Uncapped during the Interim Phase; cap required if converted to a floating rate Permanent Phase

## Amount

- LTV ratio:
  - Fund up to 80% of the as-is value, supported by the property acquisition price if applicable
  - Periodic draws of unfunded loan proceeds (as opposed to an escrow) to reimburse the sponsor for up to 80% of the renovation costs on a monthly or quarterly basis, as work is completed, similar to construction financing
  - Appraisal must demonstrate 80% as improved LTV (with fully funded renovation proceeds)
- DCR:
  - Initial sizing - 1.20x interest-only "as-is"
  - As improved underwritten net operating income per appraisal must reflect no less than 1.30x amortizing DCR and will be subject to appraisal support

## Rehabilitation

- Additional documents: Freddie Mac Disbursement Agreement, Disbursement Servicing Agreement, Operating Deficit Agreement & Completion Guaranty for 80% of approved budget and all work initiated, construction scope, budget and schedule
- Pre-Construction Analysis Report: Must provide opinion as to whether construction plan can reasonably be completed within the budget and schedule
- Draws: released upon request, but no more than once a month; first draw will be based on a certificate from the Servicer to Freddie Mac confirming that the request complies with the requirements set forth in the Disbursement Agreement (including but not limited to inspections, lien waivers and standard documentation); subsequent draws will require additional certifications as well as Freddie Mac's independent confirmation of the information/documents supporting the prior certification. 5% retainage of draws are held and released

once satisfactory confirmation of completion of all budgeted work has been received

- **Monitoring:** In addition to the draw certificates noted above, monitoring to reflect quarterly progress reports and inspections including rent rolls and operating statements
- **Timing:** All units must be habitable by six months prior to conversion to the Permanent Phase, and all renovation work is expected to be completed by three months prior to conversion to the Permanent Phase

## Structure

- **Loan type:** Float-to-float or float-to-fixed
- **Conversion:** Interim Phase is floating, followed by either floating or fixed Permanent Phase; note rate to be determined at loan origination

## Prepayment

- **Float-to-Float:** 2% prepayment premium during Interim Phase; standard Freddie Mac prepay structures available thereafter
- **Float-to-Fixed:** Yield Maintenance during Interim Phase; standard Freddie Mac prepay structures available thereafter

## Fees

Standard fees apply, including application fee based on fully funded loan and good faith deposit