

Small Balance Loan Program

Arbor's Freddie Mac® Small Balance Loan program streamlines the entire loan process for multifamily acquisition and refinancing loans ranging from \$1 million to \$7.5 million.

Loan Amount	\$1 million - \$7.5 million in all markets
Loan Purpose	Acquisition or refinance
Loan Terms	<ul style="list-style-type: none"> • Hybrid ARM: initial 5-, 7- or 10-year fixed-rate period followed by a floating-rate period up to 10 years • Fixed: 5-, 7- or 10-year loan term
Amortization	Up to 30 years
Interest-Only	Partial-term and full-term interest-only available
Prepayments	Declining schedules and yield maintenance available for all loan types
Eligible Borrowers/Borrowing Entities	Limited partnerships; limited liability companies; Single Asset Entities; Special Purpose Entities; tenancy-in-common with up to five unrelated members; and irrevocable trusts with an individual guarantor
Recourse	Non-recourse, with standard carveout provisions required
Subordinate Debt	Not Permitted
Net Worth and Liquidity	<ul style="list-style-type: none"> • Minimum Net worth: Equal to the loan amount • Minimum liquidity: Equal to nine months of principal and interest
Eligible Properties	<p>Multifamily housing with five residential units or more including:</p> <ul style="list-style-type: none"> • Properties with tax abatements • Age-restricted properties with no resident services • Properties with space for certain commercial (non-residential) uses • Properties with tenant-based housing vouchers • Low-Income Housing Tax Credit (LIHTC) properties with Land Use Restriction Agreements (LURAs) that are within the final 24 months of the initial compliance period or in the extended use period (investor must have existed) • 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 • Properties with certain regulatory agreements that impose income and/or rent restrictions, provided all related funds have been disbursed <p>Loans secured by groups of contiguous and non-contiguous duplexes, triplexes and fourplexes may be permitted as part of a larger loan configuration, subject to additional restrictions.</p>

Ineligible Properties

- Seniors housing with senior care services
- Students 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 one through 12
- Historic Tax Credit (HTC) properties with a master lease structure
- Tax-exempt bonds Interest Reduction Payments (IRPs)

Occupancy

Stabilized property with minimum of 90% physical occupancy

Replacement Reserves

Underwritten replacement reserves will be determined based on a rating established in the streamlined Physical Risk Report. The rating will estimate the level of improvements needed over the life of the loan. The rating scale will be similar to the following¹:

Amount	Level
\$200/unit	Low
\$250/unit	Moderate
\$300/unit	High

¹Certain loans containing non-contiguous buildings will require an additional \$50/unit in replacement reserves over the base amounts included above.

Escrows

- Real estate tax escrows deferred for deals with an LTV ratio of 65% or less
- Insurance escrow deferred
- Replacement reserve escrow may qualify for deferral for certain loans

Fixed-Rate/Hybrid ARM LTV Ratios and Amortizing DSCRs*

LTV and DSCR requirements vary based on the market tier in which the property resides: Top, Standard, Small or Very Small.

	Minimum Amortizing DCR	Maximum LTV
Top SBL Markets	1.20x	80%
Standard SBL Markets	1.25x	80%
Small SBL Markets	1.30x	75% ¹
Very Small SBL Markets	1.40x	75% ¹

¹Maximum 70% LTV for Refinances
* Temporary adjustments may be made to the above thresholds based on changes in market environment

Partial-Term Interest-Only (IO) Options

	Partial Interest-Only Term
Top and Standard SBL Markets	<ul style="list-style-type: none">• 1 year on 5-year term• 2 years for a 7-year term• 3 years for a 10-year term
Small and Very Small SBL Markets	<ul style="list-style-type: none">• 0 years on 5-year term• 1 year for a 7-year term• 2 years for a 10-year term

Full-Term IO Adjustment

	Add to the Baseline	Maximum LTV
Top and Standard SBL Markets	0.15x	65%
Small and Very Small SBL Markets	0.10x	60%

Prepayment Provisions

Fixed-Rate

	5-Year	7-Year	10-Year
Option 1	54321	5544321	5544332211
Option 2 ²	32111	3322111	3332221111
Option 3 ³	(YM or 1%)	(YM or 1%)	(YM or 1%)
Option 4	31000	N/A	N/A

Hybrid ARMs¹

	5-Year	7-Year	10-Year
Option 1	54321, 1%	5544321, 1%	5544332211, 1%
Option 2 ²	32111, 1%	3322111, 1%	3332221111, 1%
Option 3 ⁴	(YM or 1%), 1%	(YM or 1%), 1%	(YM or 1%), 1%
Option 4	31000, 0%	N/A	N/A

¹Hybrid ARM consists of an initial fixed-rate period followed by a floating-rate period. During the float-rate period the coupon is based on the 30-day Average SOFR + 325 bps margin. Every six months, the floating rate may increase or decrease by up to 1%, never be less than a floor of the initial fixed interest rate and never be greater than a maximum lifetime cap of the initial fixed interest rate + 5%.

²Prepay description: For example, for a Hybrid ARM "32111, 1%" refers to 3% for year 1 of the fixed-rate period, 2% for year 2, 1% for the next 3 years, then 1% during the remaining floating-rate period.

³Higher yield maintenance (YM) or 1% during the YM period. See Fixed Rate notes for details.

⁴With respect to Hybrid ARM, mortgage loans with yield maintenance, for any prepayment made during the yield maintenance period, the prepayment charge will initially be the greater of (i) 1.0% of the unpaid principal balance or (ii) yield maintenance. If prepayment is made after the yield maintenance period, then the prepayment charge will be 1% of the unpaid principal balance. See Hybrid ARM notes for details.