ARBOR

Freddie Mac® | Student Housing Value-Add Loan

- Offers short-term, negotiable financing for upgrades of $10,000 to $25,000 per unit
- Allows for a wide variation in borrower term and structure needs
- Up to 50% of funds may be spent on unit interiors
- Up to 75% of funds can be spent on exteriors
- Budget can be adjusted up to 20% without additional approval
- Interest-only and uncapped floating-rate loan
- Eligible mixed-use properties are supported

Eligible Borrowers

- Experienced borrowers who have successfully demonstrated expertise with comparable student deals
- 1.5x the standard minimum net worth and liquidity requirements for guarantors

Eligible Property Types

- Properties with no more than 250 total units or 625 beds
- 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

School Size

15,000 student enrollment minimum. This standard is greater than the student housing policy minimum of 8,000. Properties must be within two miles of campus and have convenient access to campus by either public transit, shuttle or pedestrian access.

Terms

- 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 taxes, insurance, and replacement reserves and Priority Repairs must be escrowed. A three-month debt service escrow is required for all transactions during the renovation phase. Upon completion of 40% of the renovation work, 50% of the escrow may be released. Upon completion of 80% of the renovation work, the remaining amount of escrow may be released. In addition to the completion requirements, the DSCR must be 1.25x or higher to qualify for release of escrow
- For longer-term ownership, cash-out is available provided a completion guaranty on budgeted improvements in an amount at least equal to the cash-out in place

Amount

- Maximum loan-to-purchase/loan-to-value (LTV) ratio: 85%
- Minimum amortizing debt service coverage ratio (DSCR: 1.20x)
- Sizing based on a seven-year sizing note rate
- Appraisal must include as-is and as-stabilized values; underwriting must support a 1.35x DSCR 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

- Rehabilitation must commence within 90 days of loan origination and be completed within 33 months
- A scope of work is required. Budget may range from $10,000 - $25,000 per unit or $4,000 - $10,000 per bed. The budget must allocate at least 25% to interior improvements
- Budget can be adjusted by as much as 20% without additional approval; up to 50% of the budget may be spent on unit interiors
- Completion guaranty or rehabilitation escrow required
- Borrower/Servicer reporting required

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 to then-current property performance
- 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 a 1% extension fee

Fees

Standard fees apply, including application fee and good faith deposit