



Freddie Mac Standard and Capped Adjustable Rate Mortgage (ARM)

DESCRIPTION

Deutsche Bank Berkshire Mortgage offers very competitive, convertible, adjustable rates under the Freddie Mac Program Plus[®] loan program. Rates can be set over LIBOR or the Freddie Mac Reference Bill. The loan documents allow for a simple conversion process to a fixed rate loan, utilizing the streamline refinance program.

Standard ARM: Borrowers who choose Freddie Mac's Standard ARM must purchase an interest-rate cap from a third-party cap provider.

Capped ARM allows for a floating-rate for the full term with an established maximum interest rate. The cost of purchasing the cap is financed by Freddie Mac as part of the spread. Since Freddie Mac provides the cap protection, the purchase of a third-party interest-rate cap is not required, which eliminates third-party transaction fees, agreements and negotiations.

BENEFITS / FEATURES

- Choice of indices: 1-month or 3-month Freddie Mac Reference Bill[®] index or a 1-month or 3-month London Interbank Offered Rate (LIBOR) index.
- **Built-in Interest rate Cap available.**
- Convertible to a Freddie Mac fixed-rate loan at any time.
- Streamlined underwriting with only minor changes to loan documents at fixed-rate conversion.
- Additional proceeds may be available at conversion.

LOAN STRUCTURE

LOAN AMOUNT	\$3 million (minimum).
LOAN TO VALUE	80% for amortizing loans with terms of 7 years or longer utilizing the embedded cap structure; 75% for loans with terms of less than 7 years; 65% for interest-only loans.
DEBT SERVICE COVERAGE.....	1.25x underwritten at the stressed rate of 100 basis points over the LIBOR or Reference Bill at the time of interest rate lock; 1.15x underwritten at the capped interest rate.
LOAN TERMS	3, 5, 7, or 10 year loan terms.
AMORTIZATION	30-year amortization for most properties, interest-only option is available.
RECOURSE	Loans are non-recourse except for standard carve-out provisions.
RATES.....	Competitive rates priced daily. Call for quote.
RATE ADJUSTMENT.....	1 or 3 months.
PAYMENT ADJUSTMENT	1 or 3 months.
INTEREST RATE CAP	If built-in interest rate cap option is not chosen, Borrower must purchase an interest rate cap at no less than 300 basis points above the underwritten interest rate. The cap must be assigned to Freddie Mac and the cap term must be equal to the loan term. The third party cap provider must be approved by Freddie Mac.

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OPTIONAL FEATURES

SUPPLEMENTAL FINANCING Fixed or variable rate supplemental mortgage available after one year, subject to Lender’s approval.

ASSUMABILITY Standard ARM: Generally not Assumable
..... Capped ARM: Fully assumable with Lender’s consent and upon payment of 1% fee.

EARLY SPREAD LOCK Available for qualified transactions.

PREPAYMENT Option One-

- 1-year lockout period.
- 1% prepayment premium if paid off after the lockout period.
- No prepayment premium for last 90 days of loan term.
- Starting in year two, Freddie Mac will waive the 1% prepayment premium if the loan is converted to a Freddie Mac fixed-rate loan.

..... Option Two-

<u>Year</u>	<u>Prepayment Premium</u>
1	3%
2	2%
3 and beyond	1%

- No prepayment premium for last 90 days of loan term.
- Starting in year 4, Freddie Mac will waive the 1% prepayment premium if the loan is converted to a Freddie Mac fixed rate loan.

..... Option Three-

<u>Year</u>	<u>Prepayment Premium</u>
1	5%
2	4%
3	3%
4	2%
5 and beyond	1%

- No prepayment premium for last 90 days of loan term.
- Starting in year 6, Freddie Mac will waive the 1% prepayment premium if the loan is converted to a Freddie Mac fixed rate loan.

..... Pricing - Loans using prepayment option two or three will have substantially lower spreads than option one.