



# Freddie Mac Bond Credit Enhancement

## DESCRIPTION

Deutsche Bank Berkshire Mortgage offers AAA/Aaa rated credit enhancement facilities for tax-exempt bonds for the refunding, acquisition, and acquisition/rehabilitation (minimum rehabilitation only) of multifamily properties.

## BENEFITS / FEATURES

- Fixed and variable rate direct-pay letter of credit substitution available, usually without overhauling original bond documents.
- Easy, convenient approval process for fixed-rate or floating-rate bonds.

## LOAN STRUCTURE

LOAN AMOUNT .....	\$4 million (minimum).
LOAN TO VALUE .....	85% of market value (90% for HUD risk sharing).
DEBT SERVICE COVERAGE.....	(i) 1.25x; (ii) 1.20x if low-income tax credit is in place for 40% or more of the units (tax credit benefits must extend seven or more years beyond closing); (iii) 1.15x with HUD Risk Sharing.
LOAN TERMS .....	10 to 30 years.
AMORTIZATION .....	30-year amortization (maximum).
RECOURSE .....	Non-recourse except for standard exculpation carve-outs.
RATES.....	Based on tax-exempt bond rates. Call for estimate. <u>Variable Rate</u> - Floor is 2.5%.
INTEREST RATE CAP .....	<u>Variable Rate</u> - Required from acceptable provider. Consecutive five-year caps with funds for each five-year cap escrowed over the term of the current five-year cap, adjusted annually. Typical interest rate cap must be 300 basis points over the Index Rate. Swap option may also be available.

## OPTIONAL FEATURES

TAXABLE TAILS .....	Permitted with Lender's approval.
SUBORDINATE FINANCING.....	Permitted, subject to Freddie Mac's approval, with combined LTV of 90% and DSC of 1.15x. First mortgage LTV may not exceed 85% and minimum DSC must be 1.25x.

## REQUIREMENTS

- Principal Reserve Fund required for variable-rate transactions. Typically based on a 30-year amortization.
- Freddie Mac legal fees apply – (i) Fixed Rate - Maximum of \$20,000 (\$5,000 deposit at application); (ii) Variable Rate - Maximum of \$40,000 (\$7,500 deposit at application). The fees may exceed the maximum for transactions involving multiple properties, other property related issues, additional documents required, etc.