



Freddie Mac

Funded and Unfunded Forward Commitment Market Rate Properties

DESCRIPTION

Deutsche Bank Berkshire Mortgage provides conventional permanent financing to build or substantially rehabilitate non-subsidized garden, mid-rise, or high-rise properties (special underwriting criteria apply to buildings with more than nine stories). Borrowers must have a proven track record in new construction or substantial rehabilitation with (i) sufficient liquidity – minimum of 5% to 10% of project value and net worth of at least one time the loan amount and (ii) minimum cash equity of at least 10% of the project cost.

BENEFITS / FEATURES

- Elimination of interest rate risk, since the interest rate is locked before construction begins.
- Easy coordination of the permanent loan commitment with construction financing.
- Certainty of the availability of permanent financing, as long as performance targets are achieved.
- Flexible terms including the option to borrow additional proceeds at maturity.

FINANCING OPTIONS

FORWARD RATE LOCK.....Permanent mortgage rate is locked prior to construction start. Funds are advanced to the Borrower when the mortgage is converted to a permanent loan.

FUNDED FORWARDPermanent interest rate is locked prior to construction start and funds are advanced prior to construction to the Construction Lender. Collateral must be provided during the forward term in the form of a letter of credit from Construction Lender.

- Construction phase interest rate is a floating rate based on the one-month Freddie Mac Reference Bill, with payments based on interest-only.
- An interest rate cap is not required during the construction phase.
- Single or multiple draw options available.

LOAN STRUCTURE

LOAN AMOUNT\$5 million to \$20 million; larger loans considered on a case-by-case basis.

LOAN TO VALUE80% maximum LTV; 90% maximum loan to cost.

DEBT SERVICE COVERAGE.....1.25x (minimum).

LOAN TERMSForward Commitment - 12, 18, 24 or 36 months, interest-only. Two six-month extensions may be available during the construction loan period with Lender approval.

Permanent Loan - 10 to 30 years, principal and interest.

AMORTIZATION30-year maximum, interest-only option may be available.

RECOURSELoans are nonrecourse except for standard carveout provisions.

RATES.....Competitive rates priced daily. Call for quote.

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OPTIONAL FEATURES

SUBORDINATE FINANCING.....Eligible following conversion to permanent loan. After conversion, requests are limited to once per year and are subject to Lender's approval.

REQUIREMENTS

- Approved Construction Lender must enter into a master financing agreement with Freddie Mac. Supplements to the master financing agreement will document individual transactions.
- Deutsche Bank Berkshire Mortgage will monitor construction progress periodically based on third-party reports generated by an approved architectural/engineering consultant. Construction Lender and Berkshire may use the same consultant as long as the consultant is not employed by the Construction Lender.
- Full third-party reports (appraisal, environmental, feasibility and pre-construction assessment).
- 2% Refundable Commitment Fee required at acceptance of commitment and refunded at conversion. (Letter of Credit may be acceptable in lieu of cash.)
- 5% Refundable Delivery Assurance Note secured by subject property. Returnable at conversion.
- Substantial rehabilitation requires a minimum cost of at least \$15,000 per unit, or based on underwriting projections at the time of loan commitment, the project's DSC will fall below 1.10 during the rehab or stabilization phase.

CONVERSION REQUIREMENTS

- Completion of construction in accordance with final plans and specifications.
- Stabilized occupancy of a minimum of 90% for 90 days and achievement of underwritten debt service coverage.