



Multifamily Developments

June 2008

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Freddie Mac Launches Student Housing MortgageSM July 1

Starting July 1, we will be offering you the [Freddie Mac Student Housing MortgageSM](#), which provides financing for the acquisition or refinance of purpose-built student housing. The product also serves traditional garden, mid-, or high-rise multifamily properties that are more than 50 percent occupied by students.

The Student Housing Mortgage product is structured with flexible terms to include both 30-year amortization and the potential for full or partial interest only based upon Freddie Mac's existing credit parameters for Freddie Mac Interest-Only Fixed-Rate Mortgages.

Other advantages include:

- 80 percent loan-to-value and 1.25x amortizing debt coverage ratio.
- Nine-month leases allowed (12-month leases preferred).
- Consideration given to student housing properties located within close proximity to multiple schools that have a combined student body of 8,000 students or more.
- Student housing properties located less than two miles from a college/university or on a public transportation route are eligible.
- Ground lease for college- or university-owned land may be permitted.
- Master leases with college/university may be permitted.

"The new Freddie Mac Student Housing Mortgage is structured using terms obtained through feedback from our Seller/Servicers and student housing owners and operators," said Patti Saylor, Freddie Mac vice president of Offerings and Customer Management. "We continue to search for ways to expand our breadth of products in response to the demand in the marketplace and the needs voiced by our customers."

"The new Freddie Mac Student Housing Mortgage is structured using terms obtained through feedback from our Seller/Servicers and student housing owners and operators." – Patti Saylor, Freddie Mac vice president of Offerings and Customer Management

View the [term sheet](#) and [abstract](#) for this new product.

Also, please see the article in this month's newsletter about a student housing transaction that helped set the stage for the launch of our Student Housing Mortgage.

Freddie Mac Offers Unique Pilot for New York City

Recognizing the unique attributes and challenges of New York City and in response to customer feedback, Freddie Mac is now offering a pilot designed to help our Seller/Servicers located in the five boroughs of New York. Seller/Servicers authorized to conduct business in these locations are eligible to participate (no geographic waivers will be permitted).

The pilot was crafted in response to the rent control/rent stabilization laws in New York, the high percentage of renters in the market, barriers to entry for new multifamily development, and the stability of multifamily property performance in this market over many decades. We want to be transparent with you about these differences, but we also want to reinforce that the features of this pilot are unique and limited to this pilot. View the term sheet on the [New York City Pilot](#).

The terms of the pilot may be applied to eligible loans of up to \$12 million. Please contact your Freddie Mac Northeast Region representative for more information about how you can benefit from this opportunity.

Enhancements to Freddie Mac Adjustable-Rate Mortgage Products Coming Soon

Please look for a summary of these enhancements coming soon.

New Seniors Housing Team Lead Reaffirms Freddie Mac's Commitment to Financing Seniors Housing

Last month, we announced the Freddie Mac seniors housing team has a new leader, Steve Schmidt, director of Seniors Housing within the Production and Sales Department. Steve brings with him 20 years of experience in income property finance and with that, an in-depth understanding of the seniors housing market.

According to Steve, the operating fundamentals of the seniors housing market are still very strong, but the credit crunch has caused many other lenders to scale back their seniors housing lending. As a result Freddie Mac seniors housing financing is in demand more than ever. This increased demand has been offset somewhat by a slower market for acquisitions and refinancings. He anticipates volume will pick up steam in the fourth quarter as seniors housing property sellers and borrowers adjust to the new environment.

As team lead, Steve's plans include upholding Freddie Mac's already strong reputation as "one of the most attractive permanent debt financing sources for seniors housing in the market today." He expects Freddie Mac and its Seller/Service providers to do more volume in seniors housing in the coming months. "We're adding and dedicating greater resources to achieve that," he said. "Expect us to be more visible in helping you do more business. We'll be listening to you closely and adjusting our product to better meet the market need."

"Joining me on the seniors housing team are our seniors housing manager, Shailini Nehra, and our seniors housing associate director, Wendy Lord. Consider us your advocates for seniors housing within Freddie Mac Multifamily. Don't hesitate to contact us or your regional Freddie Mac representative about your seniors housing financing needs."

Steve is a longtime resident of Chicago and will continue to live in Chicago. He is working out of our Central Region office on Wacker Drive. You can reach Steve at steven_schmidt@freddiemac.com or in the Central Region office at (312) 407-7508. Wendy can be reached at wendy_lord@freddiemac.com or (703) 714-2755, and Shailini at shailini_nehra@freddiemac.com or (703) 714-2774.

Featured Deals

Freddie Mac Goes to School, Funding Acquisition on Pool of Five Student Housing Properties

Freddie Mac recently provided PNC MultiFamily Capital with \$116 million to help fund LaSalle Investment Management's acquisition of five student housing properties in five states. This transaction helped set the stage for the launch of the [Freddie Mac Student Housing Mortgage](#).

"Freddie Mac has been formulating a financing product for the purpose-built student housing segment of the market, which is now available," said Michael Meers, Southeast Region managing director at Freddie Mac (See the article "Freddie Mac Launches



Student Housing Mortgage July 1"). "The opportunity to work with PNC, who did a quality job sourcing, underwriting with us, and closing the business on this transaction, with best of class sponsorship at some of America's finest universities, furthered our understanding of the business."

While three of the five properties were newly built and not yet stabilized, the transaction closed in part due to the experience of the national student management companies, confidence that the properties had signed leases in place, the good financial strength of the borrower, and the geographic diversity of the properties.

"Freddie Mac did a fantastic job of committing to these transactions under a very tight timeframe, and coordinating the underwriting process between regions," said Mark Ragsdale, senior vice president, PNC MultiFamily Capital. "We ended up meeting our borrower's needs and giving them a very positive introduction to Freddie Mac's capabilities."

"We are thrilled at the successful funding in such a challenging debt-capital market." – Allan Swaringen, managing director at LaSalle Investment Management

The Campus Lodge, Cabana Beach, and Campus Edge properties, respectively located in Florida, Texas, Georgia, Missouri, and Louisiana, comprise a total of 1,380 units representing 4,005 beds.

"We are thrilled at the successful funding in such a challenging debt-capital market," said Allan Swaringen, managing director at LaSalle Investment

Management. "Freddie Mac's competitive pricing and the responsiveness of both Freddie Mac and PNC accomplished that. We can be confident of another funding source in the student housing market."

This transaction utilized our conventional fixed-rate mortgage and the [Freddie Mac Fixed-to-Float Option](#) with a [Freddie Mac Early Rate-Lock](#) delivery option. Early Rate-Lock lets you lock the interest rate, establish the mortgage amount and set other key provisions of a proposed mortgage after Freddie Mac's preliminary underwriting review, but before you submit the final underwriting package (including third-party reports). With the Freddie Mac Fixed-to-Float Option, borrowers agree to a yield maintenance provision that applies to the full fixed-rate loan term and in return, they can extend the term of the loan one year on a floating rate, allowing for additional time to seek refinancing or pay off the loan at par.

Underwriting and Credit News

Adjustments to Freddie Mac Credit and Underwriting Policy on Minimum Debt Coverage Ratio

Here is a recap of a communication you received recently about adjustments to the minimum debt coverage ratio:

You've heard us say in past communications how we must periodically revisit our underwriting and credit standards to align ourselves with current market conditions. And as Freddie Mac Senior Vice President Mike May mentioned late last year, this includes taking financially prudent actions across our business lines, such as tightening credit standards for our portfolio executions to manage increased risks.

We are adjusting our underwriting terms relating to debt coverage ratio (DCR) and the Freddie Mac Interest-Only Fixed-Rate Mortgage product effective July 15, 2008.*

The adjustments involve the following:

- Taking a more conservative approach to loan terms shorter than seven years
- Recognizing the value of cash equity in an acquisition, such as 30 percent cash equity, which provides less risk, and adjusting our terms to reflect this
- Reducing interest-only periods for certain loans

- Tightening the Freddie Mac Acquisition Rehabilitation MortgageSM and Freddie Mac Acquisition Upgrade MortgageSM products so that they are consistent with the DCR adjustments indicated in the attached Summary of Adjustments document

These adjustments do not affect Freddie Mac policies relating to our Targeted Affordable Housing products or the Freddie Mac Seniors Housing product.

For more details on these changes, please see our [Summary of Adjustments](#) document. Also, view the updated [abstract](#) and term sheets for the [Acquisition Rehabilitation Mortgage](#) and the [Acquisition Upgrade Mortgage](#) products.

Going forward, we will communicate subsequent changes to our credit and underwriting policy in this manner with a recap of the changes in the *Developments* newsletter.

*The following loans will be grandfathered and excluded from these adjustments: (i) loans that have been rate-locked on or prior to July 15, 2008, and (ii) loans that are under application with the Seller/Servicer provided that (a) the Seller/Servicer receives a deposit for legal fees, third-party report fees, and/or other underwriting fees prior to July 15, 2008, and (b) these loans are rate-locked by August 15, 2008.

Process News

Data Delivery Deadline Just Ahead and Important Milestone Reached

We're pleased to have achieved an important milestone. Thanks to many of you, more than 1,000 transactions have now been submitted through the Freddie Mac Data Delivery system and the Freddie Mac loan submission template. Adopters are seeing the benefits (See the article "More Proof of the Benefits of Adopting Data Delivery").

We want to remind those of you who aren't using the system yet or have not fully implemented it that the July 1 deadline for mandatory implementation is fast approaching. Beginning on that date, we will no longer accept preliminary loan packages that aren't submitted through Data Delivery via the loan submission template (unless your company received a waiver).

We are continuing our work to improve the template and expect to be releasing a new improved version. In particular, improvements are being made to correct problems associated with submitting fixed-to-float and third supplemental mortgages. Until these fixes are in place, please work with your Freddie Mac representative on fixed-to-float submissions, and for third supplemental mortgages, e-mail the template directly to your contact rather than submitting via Data Delivery. Please continue to give us feedback on how we can make the system better, and thank you for taking the necessary steps to implement the Data Delivery system.

Here is a recap of resources to help you with Data Delivery:

- A dedicated customer implementation manager, Gina Celli-Marlow, is available to answer any questions you may have about implementing the system. You can reach Gina at gina_celli-marlow@freddiemac.com or by calling her at (703) 903-4019.
- A two-part recorded webinar available on the MultiSuite[®] Training and Events Web page, located at https://multifamily.freddiemac.com/multisuite/training/main_training.html. Training for using the Loan Submission Template can be found there as well.
- A detailed user manual for the system, and a Data Dictionary for the Freddie Mac loan submission template, available from the MultiSuite Information section, located at https://multifamily.freddiemac.com/multisuite/tools/main_msoti_info.html

- Answers to your frequently asked questions at https://multifamily.freddie.com/multisuite/tools/main_msoti_info.html

Also, if you experience any problems with completing the loan submission template or your data delivery upload, you can call our toll-free number, (800) FREDDIE (373-3343), from 8 a.m. until 6 p.m. EST. The shortcut through the menu options is as follows:

- You will be asked if you have your Seller/Service number. Press 1 and enter your Seller/Service number.
- Next, the prompt will ask, "Please tell me how we can assist you. Please say the word or phrase of the topic in which you need assistance, or press # for menu of choices."
- If you say "Multifamily" or press 7 for Multifamily, you will be routed to the next available technical support representative.



Crescent Ridge Apartments, Crescent Springs, Ky.

More Proof of the Benefits of Adopting Data Delivery

In our other article about the Freddie Mac Data Delivery system, you heard how more than 1,000 transactions have been submitted through the system. Adopters like Capstone Realty Advisors are finding that they will typically receive a quote more quickly when they submit data through the Data Delivery system via the Freddie Mac loan submission template. Other benefits include timelier loan approvals and the certainty that they've provided the information Freddie Mac needs to receive a Freddie Mac quote.

"We used the Freddie Mac Data Delivery system for a transaction in which we requested \$6.3 million in financing to help our borrower refinance a 144-unit property in Crescent

Spring, Kentucky," said Scott Williams, senior vice president, Capstone Realty Advisors. "The system delivered benefits that greatly facilitated the transaction, such as faster processing in terms of quotes and approvals."

"What we like most about the new system is the uniformity of the data presentation and the ease of transmitting data to Freddie Mac. We also like the ability to track the timing of our submissions and quotes. Going forward, we look forward to delivering our deals through the Data Delivery system."

Freddie Mac Delegated Underwriting for Targeted Affordable HousingSM Guide Available on *AllRegs* in July

On July 7, you will be able to access on *AllRegs* the new Freddie Mac Delegated Underwriting for Targeted Affordable HousingSM Guide.

"This Delegated Guide contains the underwriting standards and all other requirements for our Delegated Underwriting business model and is a significant milestone in our implementation of that model," said Kimball Griffith, Freddie Mac vice president of Affordable Sales and Investments.

"The Targeted Affordable Seller/Service providers who have been approved to participate in a Delegated Underwriting relationship with us will now be able to access from one online source not only our Delegated Underwriting standards but all requirements of the *Freddie Mac Multifamily Seller/Service Guide* that are applicable to the Delegated Underwriting for Targeted Affordable Housing model."

From the beginning, our Targeted Affordable Housing Seller/Servicers have been our valued partners in this undertaking. This new Delegated Guide is the result of many months of work on both sides to document our credit policies, obtain and respond to their feedback, and improve the preliminary versions of this guide.

The online Delegated Guide does the following:

- Through one online entry point, it gives you access to all our requirements for your Targeted Affordable Housing transactions if you are approved to participate in Delegated Underwriting.
- Lets you link back to the parts of the *Freddie Mac Multifamily Seller/Servicer Guide* that this Delegated Guide has incorporated.
- Tells you which parts of the *Freddie Mac Multifamily Seller/Servicer Guide* do not apply to Delegated Underwriting.
- Like the *Freddie Mac Multifamily Seller/Servicer Guide*, the Delegated Guide contains links from one section to all other relevant sections.
- Lets you easily bookmark pages, and lets you link through MultiSuite® to forms referenced by the Delegated Guide.

Through the Freddie Mac Delegated Underwriting for Targeted Affordable Housing model, processing time is reduced, because approved lenders in full delegation no longer have to screen targeted affordable loans with Freddie Mac before underwriting each loan. Instead, they can tell us which loans they're processing on our behalf, and then underwrite them in accordance with the Delegated Guide.

Conference News

Why You Can "Expect More" at the 2008 Freddie Mac Multifamily Seller/Servicer Conference

Just in case you missed it, we're once again providing the schedule for our Multifamily Seller/Servicer Conference, which will take place at the JW Marriott in Washington, D.C., from September 24 - 26. You'll receive an invitation with more details soon.

Tuesday, September 23

Seller/Servicer Advisory Council Dinner (Advisory Council members only)

Wednesday, September 24

2 – 4:30 p.m.	Opening General Session
4:30 – 5:30 p.m.	Open House (Meet and Greet)
7 p.m.	Dinner/Reception at the National Portrait Gallery Atrium

Thursday, September 25

8 a.m. – 5 p.m.	General Session and educational breakout sessions
7 p.m.	Reception at Nationals Stadium (Includes Nationals vs. Marlins baseball game. This will be the last game of the season!)

Friday, September 26

Grab-and-Go breakfast

For the first time, in addition to our usual wide array of educational offerings, we plan to offer a Freddie Mac 101 breakout session for people new to originating Freddie Mac loans. We'll provide newcomers with tips and information on how to get up to speed and do more Freddie Mac business. We're in the process of finalizing our other breakout sessions. Please contact Evelyn Mercantini at evelyn_mercantini@freddiemac.com or at (703) 714-2591 if you have ideas for these sessions. We welcome your input.

Third *Expect More* Ad Makes Its Debut

The third ad in our new marketing campaign, *Expect More*, is scheduled to make its debut in the July editions of *Multifamily Executive*, *Multi-Housing News*, and *Apartment Finance Today*. This ad highlights how Freddie Mac is in the market at all times providing liquidity to our multifamily lenders no matter how complex the deal. Readers are referred to our *Expect More* Web site at <http://www.freddie.com/expectmore> to learn more about the featured deal as well as other deals that showcase the Freddie Mac attributes that both borrowers and you say are important.

Please visit our *Expect More* Web site at www.freddie.com/expectmore for more details about this latest ad and additional transactions and quotes from other Program Plus® Seller/Serviceicers that highlight valuable Freddie Mac attributes.



Staff Announcements

Elizabeth McMahon has transferred to Freddie Mac Multifamily where she is now a project manager for the Offerings and Customer Management team. Elizabeth joins us from the Single-Family Customer Outreach and Customer Deployment group.

Karu Arulanandam has returned to Freddie Mac as an associate director in the Home Office Underwriting Group. Karu will be responsible for managing the Freddie Mac Delegated Underwriting execution for several of our Targeted Affordable Seller/Serviceicers. Prior to his return, Karu was a senior underwriter for a well-known multifamily lender. He has over 20 years of commercial real estate experience and a wealth of multifamily industry knowledge.

Kendra Muraya has joined Freddie Mac as a senior asset transactions analyst. Most recently, she worked for a major lender in Washington, D.C. She will be handling post-closing transaction requests for conventional transactions.

Jane Sang, senior underwriter, has left Freddie Mac. The Freddie Mac contact in her place is Leah Tedla at (703) 714- 2889.

Multifamily Developments Newsletter

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