



PRODUCT SNAPSHOT

Small Balance Loans for Cooperatives

Fast, Flexible and Cost-Effective

As a leader in multifamily financing, we're blazing a new path for small apartment loans. We offer financing targeted to the needs of smaller cooperatives that delivers better terms and flexibility, plus a faster, simpler loan process.

Benefit from a combination of features not available anywhere else and get personal service from in-market experts who specialize in creative solutions for loans to housing cooperatives. Plus, we'll get you to the closing table on time. Whether your goal is to refinance your existing debt, fund capital improvements or replenish reserves, we have the strength, expertise and reliability to get you there.

The Freddie Mac Difference

When it comes to multifamily finance, Freddie Mac gets it done. We work closely with our Sellers to tackle complicated transactions, provide certainty of execution and fund quickly. Contact your Freddie Mac Multifamily representative today — we're here to help.

Borrowers Who Want to Know More

Contact one of our approved Seller/Service providers at:
FreddieMac.com/multifamily/lenders



- Six hybrid ARM and fixed-rate options
- Non-recourse
- Interest-only available
- Cooperative borrowers receive an additional discount on the 10-year fixed-rate option
- Up to 50% LTV
- Bank credit line of up to 15% of mortgage amount permitted
- 30-year amortization
- Declining prepayment options
- Coupon pricing
- Certainty of execution
- Your servicing partner for the life of your loan

FreddieMac.com/multifamily/product/

Small Balance Loans for Cooperatives ▶ Small Balance

Eligible Sellers/ Servicers	Freddie Mac-approved Small Balance Loan Seller/Servicers
Loan Amount	\$1 million to \$5 million
Loan Purpose	Refinance of underlying loans; loan proceeds can be used to refinance existing debt, fund capital improvements and/or replenish reserves
Loan Terms	10-year fixed-rate mortgage
Amortization	<ul style="list-style-type: none"> Up to 30 years
Interest Only	<ul style="list-style-type: none"> 3 years on 10-year term at no cost Full-term interest-only may be available
Prepayments	Declining schedules and yield maintenance available for all loan types
Eligible Borrowers/ Borrowing Entities	Single-asset cooperative corporations
Recourse	Non-recourse with standard carve-outs required, including fraud and misrepresentation
Maximum Loan-to-Value (LTV) Ratio	<ul style="list-style-type: none"> When underwritten as a market rate rental: 50% When underwritten as a cooperative: 40% See "Investor/Sponsor Units" below for more detail
Minimum Debt Service Coverage Ratio (DCR)	<ul style="list-style-type: none"> 1.70x as rental 1.05x as cooperative See "Investor/Sponsor Units" below for more detail
Eligible Properties	<ul style="list-style-type: none"> Multifamily housing with seven residential units or more At least 75% of the units must have been sold (through sales of shares) to owner-occupants; a property with at least 65% of units sold to owner-occupants may be permitted in limited circumstances Property must be located in an area evidencing strong market acceptance of cooperative housing The property must be designed and used primarily for residential purposes, with minimal subletting of units; a commercial component is acceptable as detailed below Targeted Affordable Housing, including properties with regulatory agreements, may be permitted in limited circumstance The cooperative must not be involved in any material legal disputes
Ineligible Properties	<ul style="list-style-type: none"> Timeshares, resorts, hotels, rental pools Student housing, seniors housing, military housing

Market	The five boroughs of New York City and Long Island								
Ineligible Financing Structures	<p>Cooperative end loans – loans made to individual shareholders, whether occupants or investors, for the purpose of acquiring shares in a cooperative; these loans are not real-estate financed since no lien is created on the property.</p> <p>Wrap financing – a subordinate loan made to a borrower in an acquisition for the difference between an existing loan and the purchase price. The existing loan remains in place, with the property seller retaining an interest in the property. If the acquiring borrower fails to make the monthly loan payment on both of the two loans, the property seller reclaims the property.</p>								
Occupancy	85% physical occupancy and 80% economic occupancy for 90 days prior to commitment date, including both investor and sold units.								
Investor/Sponsor Units	<p>The total number of investor or sponsor units is limited to 25 percent of the total number of units. Any single investor/ sponsor owning more than 20 percent of the units in the cooperative must submit financial statements.</p> <p>Units sold by the investor/sponsor in bulk, or transferred to investors of the investor/sponsor as a form of distribution, are considered investor/sponsor units for the purposes of this limit.</p>								
Replacement Reserves	<p>Underwritten replacement reserves will be based on the property condition per the SBL Physical Risk Report (Form 1104). The rating will estimate the level of improvements needed over the life of the loan. The rating scale will be similar to below:</p> <table border="1"> <thead> <tr> <th>Amount</th> <th>Level</th> </tr> </thead> <tbody> <tr> <td>\$300</td> <td>Below Average</td> </tr> <tr> <td>\$250</td> <td>Average and Above Average</td> </tr> <tr> <td>\$200</td> <td>Excellent</td> </tr> </tbody> </table>	Amount	Level	\$300	Below Average	\$250	Average and Above Average	\$200	Excellent
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Physical Condition	<ul style="list-style-type: none"> Stable, operating properties only Critical repairs must be addressed prior to closing All other repairs should be addressed within 12 months post-closing. Borrower must escrow 100% of the cost of those repairs if the cost exceeds \$25,000 for loans of \$2.5 million or less or 1% of the loan amount for loans greater than \$2.5 million 								
Maturity LTV Test	For loans with amortization term of less than 15 years: minimum 70% LTV required based on amortized maturity unpaid principal balance (UPB) and initial value								

Definition of Cooperative	<p>The cooperative must meet one or more of the following requirements for the most recent taxable year:</p> <ul style="list-style-type: none"> ■ 80% or more of the co-op's gross income for the taxable year is derived from residential-shareholders; or ■ At all times during the taxable year, 80% or more of the total square footage of the property is used or available for use by the residential shareholders for residential purposes or purposes ancillary to resident use; or ■ 90% or more of the expenditures of the cooperative paid or incurred during the taxable year are paid or incurred for the acquisition, construction, management, maintenance, or care of the cooperative for the benefit of the shareholders
Income and Expense	<p>The income and expenses must be underwritten using two methods:</p> <ul style="list-style-type: none"> ■ As a conventional rental property operation; and ■ As a primary owner-occupied cooperative (current state)
Cash Reserves	<p>As of the loan origination date, the cooperative's reserves must be at least 20 percent of the annual maintenance fee collection. The cooperative's reserves (which are in addition to replacement reserves) may be funded from loan proceeds. This fund, which is typically held with the cooperative's bank, is established to cover unexpected expenses and underlying mortgage shortfalls.</p>
Escrows	<ul style="list-style-type: none"> ■ Real estate tax escrow deferred ■ Insurance escrow deferred ■ Replacement reserve escrow deferred
Maintenance Charges	<p>Maintenance fee charges may not increase more than 20% as a result of the loan</p>
Valuation	<p>The property must be valued by the appraiser both as a conventional rental property and as an owner-occupied cooperative</p>
Unsecured Line of Credit	<p>Unsecured line of credit of up to 15% of the UPB allowed from a nationally chartered bank for repairs and maintenance of improvements</p>

SBL Loan-to-Value (LTV) and Debt Service Coverage Ratios¹ (DCR)

Amortizing	Partial-Term Interest-Only ²
40% / 1.05 x	40% / 1.05x
50% / 1.70x (rental)	50% / 1.70x (rental)

¹ Minimum DCR threshold.

² The DCR calculated for partial-term interest-only uses an amortizing payment at the fixed interest rate.

For More Information

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