



Freddie Mac Multifamily Manufactured Housing Community (MHC)

Seller Training

July 15, 2014



Agenda



- MHC Program Overview and Background
- Program Plus Seller Eligibility
- MHC Product Definition
- Deal Delivery
- Questions and Contact Information

Program Overview and Background



A Manufactured Housing Community (MHC) is a residential real estate development consisting of sites for manufactured homes, related amenities, utility services, landscaping, roads and other infrastructure. The security for a MHC loan consists primarily of the community's land and infrastructure. The primary income securing the mortgage is from home site rental income.

On April 30th, 2014, Freddie Mac announced it would begin purchasing MHC loans and eventually securitize them via Multifamily K-deals along with conventional loans.

Broad roll-out of the program occurred on July 1st, 2014 via a Guide Bulletin and a new MHC Guide chapter 22. The program is open to all qualified Program Plus Sellers.

Why is Freddie Mac Multifamily Purchasing MHCs:

1. Supports Freddie Mac's commitment and mission to provide liquidity, stability and affordability to the U.S. mortgage markets.
2. Provides an alternative affordable housing option for many low-income and very low-income persons.
3. Enables Freddie Mac Multifamily to provide affordable housing to underserved populations, especially such populations residing in non-metro, rural, and exurban areas, where manufactured housing is predominant.
4. Increases liquidity in a space with limited capital providers which directly impacts the ability to create and maintain communities.

Program Plus Seller Eligibility



MHC loan offerings will be open to all **qualified** Program Plus Sellers. To become qualified, individual producers and underwriters within the Seller organization must be experienced in the MHC market and complete Freddie Mac training.

Upon training completion, these **individual** producers and underwriters will be allowed to source MHC business **nationwide**. These qualified individuals will be involved in all contact and submissions regarding MHC loans from the Program Plus Seller/Service to Freddie Mac.

Application for Seller Qualification

1. Individual Producers and Underwriters relevant years of experience
2. Individual Producers and Underwriters number of loans and production volume for 2011, 2012, 2013 and year to date 2014
3. Individual Producers and Underwriters redacted MHC credit write-ups
4. Individual Producers Borrower relationships
5. Program Plus Seller/Service established relationships with third party professionals experienced in evaluating MHC assets
6. Program Plus Seller/Service servicing track record for similar risk MHC properties

MHC Product Definition



The goal of Freddie Mac's MHC team is to be a flexible and innovative partner to our Program Plus Sellers and their borrowers. MHCs are a specialty product with unique situations. The team's goal is to consider and solve for most situations when the details and story are provided. We aim to provide our customers with reliable delivery and commitment.

General MHC Product Requirements:

- The property must have a minimum of five pad sites
- Homes must conform to the requirements of the federal Manufactured Home Construction and Safety Standards Act of 1974 (HUD Code Standards)
- All Homes must be professionally skirted, well-maintained, and have hitches/jackposts concealed
- Each pad site must have concrete or asphalt, off-street parking space(s) adjoining each Home
- Monument signage and separate management/leasing office
- Homes must be supported by concrete block or steel piers and meet all state/local requirements
- Roads must be paved and have no dead-end or one-way streets (cul-de-sacs are acceptable)
- Amenities must be comparable with competing MHCs

Additional Considerations:

- The percentage of homes owned by the borrower, a borrower-affiliate, or a third-party investor cannot exceed 25% in aggregate
- Private wells and septic systems are allowed with considerations
- MHCs within Flood Zones are allowed with considerations
- Leases cannot contain options to purchase pad site, or borrower-owned manufactured homes
- Retail sales or financing by borrowing entity of any manufactured homes is not allowed
- RV resorts and broken condominiums are not permitted

MHC Product Definition



Eligible properties will be stabilized, high quality, professionally-managed communities owned by experienced operators

MHC Loan Requirements

Sponsorship	Generally, at least one borrower key principal must have experience in operating MHCs with a minimum of 2 years of MHC experience and must currently own at least one other MHC property
Loan Term	Up to 10-year terms
Loan Size	\$1 million or larger
Amortization	Up to 30 years
Interest Rate	Fixed- and floating-rate options are available
Interest-Only (IO)	Full IO and Partial IO loans available
Early Rate and Spread Lock Options	Early rate and spread lock options available, typically ranging from 60 days to 120 days, including our early rate-lock , Fast Track Early Rate-Lock and Index Lock options
Recourse Requirements	Non-recourse except for standard carve-out provisions
Supplemental Financing	Available, subject to the Supplemental Loan offering requirements
Tax & Insurance Escrows	Generally, required
Replacement Reserve Escrow	Minimum \$50/site/year and \$250/borrower-owned manufactured home/year (if included in the collateral)

MHC Product Definition



Fixed-Rate/Floating-Rate Loan-to-Value (LTV) Ratios and Amortizing Debt Service Coverage Ratios (DSCRs)

Acquisitions and Refinances	Amortizing	Partial-Term Interest-Only	Full-Term Interest-Only
≥ 5-Year and < 7-Year Term	70% / 1.30x	70% / 1.30x	60% / 1.40x
7-Year Term	75% / 1.25x	75% / 1.25x	65% / 1.35x
> 7-Year Term	75% / 1.25x	75% / 1.25x	65% / 1.35x

- Floating-rate proceeds are calculated based on the comparable fixed note rate.
- The DSCR calculated for the partial-term interest-only and full-term interest-only period uses an amortizing payment.
- For partial-term interest-only loans, there must be a minimum amortization period of 5 years. Acquisition loans with a minimum of a 5-year term may have up to 1 year of partial-term interest-only. For terms of 10 years or more, no more than 5 years of interest-only is permitted.
- Adjustments may be required depending on the property, product, and/or market.

Freddie Mac will manage production and underwriting via a dedicated, centralized team led by **Peter Giles** (Production) and **Kelly Brady** (Underwriting)

- Each region will have one MHC dedicated Producer that will review each quote with **Amanda Nunnink** (Chicago) and Underwriting.
- All underwriting will be processed in McLean by a dedicated underwriting staff lead by **Dan Din** and **Agnes Kucharski**.
 - » With future expansion to the regions, as determined by volume

Underwriting and processing of MHC loans will follow conventional multifamily loan requirements including the same underwriting systems, document requirements and securitization path

- Package submissions are via LST 2.2 with the Property Type Manufactured Housing selected
- Loans will be purchased by Freddie Mac and securitized as part of our typical K-deal, therefore will have follow the same processes and procedures as conventional K-deal loans.

Questions?



Contact Information:

Production	Title	Location (Coverage)	E-Mail	Phone
Peter Giles	Senior Director	Chicago (National)	Peter_Giles@freddiemac.com	(312)407-7404
Amanda Nunnink	Associate Director	Chicago (National & CE Region)	Amanda_Nunnink@freddiemac.com	(312)407-7510
John Egan	Associate Director	New York (NE Region)	John_Egan@freddiemac.com	(212)418-8920
Sharon Plattner	Associate Director	McLean (SE Region)	Sharon_Plattner@freddiemac.com	(703)714-3032
Jim McArthur	Senior Producer	Los Angeles (WE Region)	James_McArthur@freddiemac.com	(213)337-4207
Underwriting				
Kelly Brady	Vice President	McLean (National)	Kelly_Brady@freddiemac.com	(703)714-2686
Dan Din	Senior Underwriter	McLean (National)	Daniel_Din@freddiemac.com	(703)714-4989
Agnes Kucharski	Analyst	McLean (National)	Agnes_Kucharski@freddiemac.com	(703)714-3352