



Freddie Mac Multifamily Supplemental Mortgages

Freddie Mac is one of the few investors that offers a Supplemental Mortgage product. With our Supplemental Mortgage product, we can purchase supplemental mortgages on seasoned Freddie Mac first mortgages. We also offer a split mortgage option, where the borrower simultaneously takes out a first and supplemental mortgage. Advantages of our Supplemental Mortgage product include:

- Reduced documentation at full application for most loans.
- Additional financing without the prepayment premium that a refinancing would trigger.
- Both fixed- and adjustable-rate supplemental loans available.
- The ability to maximize proceeds at settlement of a split loan without subjecting the entire debt to a full yield maintenance period.

Supplemental Mortgage Options

We offer three types of supplemental mortgage options:

1. **Coterminous** - A supplemental mortgage on an existing Freddie Mac multifamily mortgage with a term that matures at the same time as the first mortgage.
2. **Noncoterminous** - A supplemental mortgage on an existing Freddie Mac mortgage with a term that exceeds the remaining term of the first mortgage.
3. **Split Mortgage** - A supplemental mortgage placed at the same time as a newly originated Freddie Mac first mortgage.

Eligible Loans

- Existing first mortgages in good standing with satisfactory payment history
- Individual mortgages purchased through our Conventional Mortgage Program (including streamlined refinances), adjustable-rate mortgages, seniors housing mortgages and mortgages financed by tax-exempt bonds
- Some pools of mortgages purchased or securitized through our Multifamily Affordable Sales and Investments department

Eligible Properties

Well-maintained multifamily properties that exhibit sound financial performance

Eligible Borrowers

Original borrower or Freddie Mac-approved transferee of existing loan

Eligible Seller/Service

For a supplemental mortgage, the Program Plus® Seller/Service, in good standing, presently servicing the first mortgage. For split mortgages, any Program Plus Seller/Service approved for the property's location.

Maximum Loan-to-Value (LTV)

Loan Years Remaining	Combined LTV
0 – 2	No supplemental mortgage
3 – 4	70%
5	75%
6+	80%

Minimum Debt Coverage Ratio (DCR)

- 1.30x on a combined basis
- 1.40x if the remaining term of the first mortgage is 3 to 5 years
- 1.25x for a split mortgage

Minimum New Loan Amount

\$1 million (may not exceed 50% of the original UPB of combined previous mortgage amounts)

Maximum New Loan Amount

The supplemental mortgage amount may not exceed 50% of the combined previous mortgage amounts. Loan proceeds will generally be based on increases in NOI growth rather than on decreases in cap rates and interest rates from original underwriting.

Maximum Loan Term

30 years

Maximum Amortization

The greater of 25 years or the remaining amortization of the first mortgage

Prepayment Provisions

The yield maintenance period for the supplemental mortgage cannot exceed the maturity of the first mortgage.

Loan Maturity

May be coterminous with remaining term of the first mortgage or may exceed the remaining term of the first mortgage by up to 24 months. Split mortgages must be conterminous.

Loan Seasoning

The first mortgage must have a seasoning period of at least 12 months, except in the case of the split mortgage option.

Minimum Remaining Term of First Mortgage

2 years from the date of supplemental mortgage loan closing

Maximum Number of Requests

Requests are limited to once per year

Base Recourse

Requirements of first mortgage will apply to the supplemental mortgage

Minimum Occupancy

92% for three consecutive months before the sale of supplemental mortgage

Property Performance Requirement

Sustained positive economic performance from originally underwritten first mortgage

Appraisal

Generally not required except for supplemental mortgages.

- With combined LTVs of 65% or more
- With a combined first and supplemental mortgage UPB over \$15 million
- On co-ops

Replacement Reserves

Requirements of the first mortgage will continue

Real Estate Tax Escrow

Real estate tax escrows will be required on all supplemental mortgages

Property Insurance Escrows

Requirements of the first mortgage will continue

Transfers/Assumptions

Transfers/assumptions allowed during the life of loan with Freddie Mac approval

Application Fee

Greater of \$5,000 or 0.1% of proposed supplemental mortgage loan amount. For a split mortgage, application fee is equal to 0.1% of the combined first and supplemental mortgage amounts.

Servicing Fee

Sliding scale based upon loan amount

Pricing

Risk-based pricing

Early Rate-Lock Option*

Available for all but Multifamily Affordable Sales and Investments transactions

Security/Documentation

- Amendment to first mortgage
- Supplemental mortgage deed of trust
- Supplemental mortgage note

Co-op Requirements

May adjust on a case-by-case basis for mortgages secured by properties owned by co-ops.

* See our term sheet on the [Early Rate-Lock](#) delivery option for details.