



Freddie Mac Small Balance Loans

Acquisition or Refinancing of Multifamily Properties

Loan Amount	Up to \$7.5 million in all markets. Deals greater than \$6 million and up to \$7.5 million in Small and Very Small Markets may be permitted subject to Freddie’s approval of an exception request.
Unit Limitations	<ul style="list-style-type: none"> • Loan amount ≤ \$6 million: no unit limitations. • Loan amount > \$6 million and ≤ \$7.5 million: up to 100 units (exceptions permitted above 100 units).
Loan Purpose	Acquisition or refinance.
Loan Terms	<ul style="list-style-type: none"> • 20-year hybrid ARM with initial 5-, 7-, or 10-year fixed-rate period. • 5-, 7-, or 10-year fixed-rate loan.
Amortization	Up to 30 years.
Interest-Only	Partial-term interest-only; full-term interest-only may be available.
Prepayments	Declining schedules and yield maintenance available for all loan types — please refer to the chart on page 5.
Eligible Borrowers/ Borrowing Entities	<ul style="list-style-type: none"> • Up to \$6 million — Individuals who are U.S. citizens; limited partnerships; limited liability companies; Single Asset Entities; Special Purpose Entities; tenancy in common with up to five unrelated members; and Trusts (irrevocable trusts and revocable trusts with an individual guarantor). • Between \$6 million and \$7.5 million – Single Asset Entities.
Recourse	Non-recourse with standard carveout provisions required.
Subordinate Debt	Not permitted.

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Net Worth and Liquidity

- Minimum Net Worth: Equal to the loan amount.
- Minimum Liquidity: Equal to 9 months of principal and interest.

Eligible Properties

Multifamily housing with five residential units or more, including:

- Cooperatives in the five boroughs of New York City and Long Island.
- Properties with tax abatements.
- Seniors housing with no resident services.
- Properties with space for certain commercial (non-residential) uses².
- Properties with tenant-based housing vouchers.
- Low-Income Housing Tax Credit (LIHTC) properties with Land Use Restriction Agreements (LURAs) that are in either the final 24 months of the initial compliance period or the extended use period (investor must have exited)³.
- Properties with local rent subsidies for 10% or fewer units where the subsidy is not contingent on the owner's initial or ongoing certification of tenant eligibility³.
- Properties with certain regulatory agreements that impose income and/or rent restrictions, provided all related funds have been disbursed³.

¹ Entity borrower required for properties in New Jersey with less than seven units.

² Contact your Freddie Mac representative for details.

³ Available for properties with 75 units or less; requires pre-screen approval from Freddie Mac SBL Production.

Ineligible Properties

- Seniors housing with senior care services.
- Student housing (greater than 50% concentration).
- Military housing (greater than 50% concentration).
- Properties with project-based housing assistance payment contracts (including project-based Section 8 HAP contracts).
- LIHTC properties with LURAs in compliance years 1 through 12.
- Historic Tax Credit (HTC) properties with a master lease structure.
- Tax-exempt bonds Interest Reduction Payments (IRPs).

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Occupancy

Property must be stabilized at:

- 90% physical occupancy for the trailing 3-month average prior to Underwriting, or
- 85% physical occupancy for the trailing 3-month average prior to Underwriting if the subject property has any of the following characteristics:
 - i. Property is recently built or renovated in a Top Market.
 - ii. Property is under 30 units.
 - iii. Acquisition with all the following:
 1. Sophisticated acquiring sponsorship and management relative to current ownership.
 2. Appraised occupancy and/or rents materially higher than subject's current operations.
 3. Subject property has not experienced volatile historical occupancy swings.
 4. No history of serious crime at the subject property.

Replacement Reserves

Underwritten replacement reserves will be determined based on a rating established in the streamlined PNA. The rating will estimate the level of improvements needed over the life of the loan. The rating scale will be similar to below:

- Amount: \$200, Level: Low
- Amount: \$250, Level: Moderate
- Amount: \$300, Level: High

Escrows

- Real estate tax escrow deferred for deals with an LTV ratio of 65% or less.
- Insurance escrow deferred.
- Replacement reserve escrow deferred.

Rate-Lock

60- to 120-day rate-lock period available.

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LTV and DCR requirements vary based on the market tier in which the property resides: Top Market, Standard Market, Small Market, or Very Small Market. To determine market tier, please consult the SBL Market Tiering list on Freddie Mac’s Originate and Underwrite page.

Fixed-Rate/Hybrid ARM LTV Ratios and Amortizing DCRs

Fixed-Rate/Hybrid ARM LTV Ratios and Amortizing DCRs

Top SBL Markets	Min. DCR 1.20x ¹	Max. 80% LTV
Standard SBL Markets	Min. DCR 1.25x	Max. 80% LTV
Small SBL Markets	Min. DCR 1.30x	Max. 75% LTV²
Very Small SBL Markets	Min. DCR 1.40x	Max. 75% LTV²

¹ Minimum 1.25x Amortizing DCR for loans greater than \$6 million.

² Max. 70% LTV for Refinances.

Full-Term IO or Full-Term IO during Fixed-Rate Period of Hybrid ARM

Full-Term Interest-Only (IO) Adjustments

Top and Standard SBL Markets	Add to the Baseline 0.15x	Max. 65% LTV
Small and Very Small SBL Markets	Add to the Baseline 0.10x	Max. 60% LTV

Maximum available Partial IO Period for Small and Very Small SBL Markets is limited to:

- 0 years on 5-year term.
- 1 year for a 7-year term.
- 2 years for a 10-year term/20-year hybrid.

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Prepayment Provisions

		5-Year	7-Year	10-Year
Fixed Rate	Option 1	54321	5544321	5544332211
	Option 2 ²	321(3)	3(2)2(2)1(3)	3(3)2(3)1(4)
	Option 3 ³	(YM or 1%)	(YM or 1%)	(YM or 1%)
	Option 4 ⁵	310(3)	N/A	N/A
		5+15 Year	7+13 Year	10+10 Year
Hybrid ARMs ¹	Option 1	54321, 1%	5544321, 1%	5544332211, 1%
	Option 2 ²	321(3), 1%	3(2)2(2)1(3), 1%	3(3)2(3)1(4), 1%
	Option 3 ⁴	(YM or 1%), 1%	(YM or 1%), 1%	(YM or 1%), 1%
	Option 4 ⁵	310(3), 0%	N/A	N/A

¹ Hybrid ARM consists of an initial fixed-rate period followed by a floating-rate period. During the floating-rate period the coupon is based on 6-month LIBOR + 325 margin. Every six months, the floating-rate may increase or decrease by 1%, never be less than a floor of the initial fixed interest rate and never be greater than a maximum lifetime cap of the initial fixed interest rate + 5%.

² Prepay description: For example, for a Hybrid ARM "321(3), 1%" refers to 3% for year 1 of the fixed-rate period, 2% for year 2, 1% for the next 3 years, then 1% during the remaining floating-rate period.

³ Higher of yield maintenance (YM) or 1% during the YM period. See Fixed Rate notes for details.

⁴ With respect to Hybrid ARM mortgage loans with yield maintenance, for any prepayment made during the yield maintenance period, the prepayment charge will initially be the greater of (i) 1.0% of the unpaid principal balance or (ii) yield maintenance. Any prepayment made after the yield maintenance period, the prepayment charge will be 1.0% of the unpaid principal balance. See Hybrid ARM notes for details.

⁵ Top Markets only on 5-year fixed and Hybrid ARMs.

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Pricing

Right now, interest rates for Freddie Mac Small Balance Loans vary based on factors including:

- **Market Size:** Top Markets generally receive premium rates. Among Standard, Small, and Very Small Markets, loans in Standard Markets are typically priced lowest, while loans in Small and Very Small Markets are priced the highest.
- **Loan Term:** 10-year loans are priced the highest, followed by 7-year and 5-year loans; rates are generally based on the corresponding Treasury for that term. Fixed-rate loans are generally priced higher than hybrid ARMs.
- **Region:** Freddie Mac has divided the U.S. into 5 distinct regions for the purposes of SBL pricing: Northeast, Southeast, North Central, South Central, and Western, each which receive slightly different pricing based on market factors. States in each SBL region include:
 - » **Northeast:** Delaware, Pennsylvania, New Jersey, New York, Rhode Island, Connecticut, Massachusetts, Vermont, New Hampshire, Maine.
 - » **Southeast:** Arkansas, Louisiana, Mississippi, Tennessee, Alabama, Georgia, Florida, South Carolina, North Carolina, Virginia, West Virginia, Maryland.
 - » **North Central:** North Dakota, South Dakota, Nebraska, Kansas, Missouri, Iowa, Minnesota, Wisconsin, Michigan, Illinois, Missouri, Indiana, Ohio, Kentucky.
 - » **South Central:** Montana, Wyoming, Colorado, New Mexico, Texas, Oklahoma.
 - » **Western:** Washington, Oregon, Idaho, California, Nevada, Utah, Arizona, Alaska.