Freddie Mac Multifamily

Small Balance Loans

Streamlined non-recourse financing for smaller multifamily properties with five or more units

MULTIFAMILY, SMALL BALANCE

High-leverage financing

You can borrow up to 80 percent of the property's value.

Non-recourse debt

The loan is secured by the property, so personal guarantees are not required.

Rate held at application

Your rate won't fluctuate as the loan closes, allowing you to make informed financial decisions.

Term	5, 7 or 10 years fixed rate or 20 years hybrid ARM
Loan Amount	$1–7.5 million
Property Type	Stabilized multifamily, including affordable housing
Purpose	Refinance or acquisition, cash-out permitted
Loan-to-Value	Up to 80%
DSCR	Minimum 1.20x
Amortization	30 years
Interest Only	Partial-term and full-term interest-only available
Rate Lock	Coupon pricing held at application
Sponsor/Borrower	Experienced multifamily investors
Recourse	Non-recourse with standard carve-outs
Prepayment	Declining schedules and yield maintenance available
Occupancy	Minimum 90% physical occupancy
Closing Timeline	Typically 60–75 days

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Eligible Optigo Lenders	12 Freddie Mac Multifamily Optigo Small Balance Loan lenders
Loan Amount	$1 million - $7.5 million in all markets* **$6 million - $7.5 million in Small and Very Small Markets may be permitted subject to Freddie Mac's approval*
Unit Limitations	Loan amount > $6 million and ≤ $7.5 million: up to 100 units (above 100 units may be permitted subject to Freddie Mac's approval)
Loan Purpose	Acquisition or refinance
Loan Terms	▪ **Hybrid ARM**: initial 5-, 7- or 10-year fixed-rate period followed by a floating-rate period up to 10 years ▪ **Fixed**: 5-, 7- or 10-year loan term
Amortization	Up to 30 years
Interest-Only	Partial-term and full-term interest-only available
Prepayments	Declining schedules and yield maintenance available for all loan types — please refer to the chart on page 5
Eligible Borrowers/ Borrowing Entities	Limited partnerships; limited liability companies; Single Asset Entities; Special Purpose Entities; tenancy-in-common with up to five unrelated members; and irrevocable trusts with an individual guarantor
Recourse	Non-recourse, with standard carveout provisions required
Subordinate Debt	Not Permitted
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[1] or more, including: ▪ Properties with tax abatements ▪ Age-restricted properties with no resident services ▪ Properties with space for certain commercial (non-residential) uses[2] ▪ 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) ▪ 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 eligibility ▪ Properties with certain regulatory agreements that impose income and/or rent restrictions, provided all related funds have been disbursed[2] [1] Loans secured by groups of contiguous and non-contiguous duplexes, triplexes and fourplexes may be permitted as part of a larger loan configuration, subject to additional restrictions. Contact an Optigo lender for details. [2] Contact your Freddie Mac representative for details
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)
Occupancy	Stabilized property with a minimum of 90% physical occupancy
Replacement Reserves	Underwritten replacement reserves will be determined based on a rating established in the streamlined Physical Risk Report. The rating will estimate the level of improvements needed over the life of the loan. The rating scale will be similar to the following[1]: Amount / Level: $200/unit – Low $250/unit – Moderate $300/unit – High [1] Certain loans containing non-contiguous buildings will require an additional $50/unit in replacement reserves over the base amounts included above.
Escrows	▪ Real estate tax escrows deferred for deals with an LTV ratio of 65% or less ▪ Insurance escrows deferred ▪ Replacement reserve escrows may qualify for deferral for certain loans

Replacement reserves rating scale:

Amount	Level
$200/unit	Low
$250/unit	Moderate
$300/unit	High

Fixed-Rate/Hybrid ARM LTV Ratios and Amortizing DSCRs*

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

	Minimum Amortizing DCR	Maximum LTV
Top SBL Markets	1.20x	80%
Standard SBL Markets	1.25x	80%
Small SBL Markets	1.30x	75%[1]
Very Small SBL Markets	1.40x	75%[1]

[1]Maximum 70% LTV for Refinances

**Temporary adjustments may be made to the above thresholds based on changes in market environment*

Partial-Term Interest-Only (IO) Options

	Partial Interest-Only Term
Top and Standard SBL Markets	▪ 1 year on 5-year term ▪ 2 years for a 7-year term ▪ 3 years for a 10-year term
Small and Very Small SBL Markets	▪ 0 years on 5-year term ▪ 1 year for a 7-year term ▪ 2 years for a 10-year term

Full-Term IO Adjustments

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

Prepayment Provisions

Fixed Rate

	5-Year	7-Year	10-Year
Option 1	54321	5544321	5544332211
Option 2[2]	32111	3322111	3332221111
Option 3[3]	(YM or 1%)	(YM or 1%)	(YM or 1%)
Option 4	31000	N/A	N/A

Hybrid ARMs[1]

	5+5 Year	7+3 Year	10+10 Year
Option 1	54321, 1%	5544321, 1%	5544332211, 1%
Option 2[2]	32111, 1%	3322111, 1%	3332221111, 1%
Option 3[4]	(YM or 1%), 1%	(YM or 1%), 1%	(YM or 1%), 1%
Option 4	31000, 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 the 30-day Average SOFR + 325 bps margin. Every six months, the floating rate may increase or decrease by up to 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 "32111, 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. If a prepayment is made after the yield maintenance period, then the prepayment charge will be 1% of the unpaid principal balance. See Hybrid ARM notes for details.