

*Walker & Dunlop Presents*

# FREDDIE MAC SMALL BALANCE PROGRAM



WALKER & DUNLOP

*Guidance as of May 2024*



# SMALL BALANCE LOANS

## PRODUCT SNAPSHOT



\$1 MILLION  
-\$7.5 MILLION



HYBRID ARM AND FIXED RATE  
OPTIONS AVAILABLE



NON-RECOURSE



INTEREST-ONLY  
AVAILABLE



FLEXIBLE PREPAYMENT  
OPTIONS



RATE HELD AT  
APPLICATION



STREAMLINED LOAN  
DOCUMENTS AND THIRD  
PARTY REPORTS



CERTAINTY  
OF EXECUTION



YOUR SERVICING PARTNER  
FOR THE LIFE OF YOUR LOAN



# SMALL BALANCE LOANS

<b>LOAN AMOUNT</b>	\$1 million - \$7.5 million
<b>UNIT LIMITATIONS</b>	Multifamily housing with 5+ residential units. <i>Loans secured by groups of contiguous and non-contiguous 2-4 unit properties may be permitted as part of a larger loan configuration, subject to additional restrictions.</i>
<b>LOAN PURPOSE</b>	Acquisition or refinance
<b>LOAN TERMS</b>	Hybrid ARM: 20-year term with initial 10-year fixed rate period, or 10-year term with initial 5 or 7-year fixed rate period  Fixed: 5, 7, or 10-year term
<b>AMORTIZATION</b>	Up to 30 years
<b>INTEREST-ONLY</b>	Partial-term and full-term interest-only available
<b>PREPAYMENTS</b>	Declining schedules and yield maintenance available for all loan types — please refer to the chart on page 6
<b>ELIGIBLE BORROWERS/ BORROWING ENTITIES</b>	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
<b>RECOURSE</b>	Non-recourse, with standard carveout provisions
<b>SUBORDINATE DEBT</b>	Not Permitted
<b>NET WORTH AND LIQUIDITY</b>	Minimum Net Worth: Equal to the loan amount  Minimum Liquidity: Equal to 9 months of principal and interest

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ELIGIBLE PROPERTIES	<p>Multifamily housing with 5<sup>1</sup> residential units or more, including:</p> <ul style="list-style-type: none"><li>• Properties with tax abatements</li><li>• Age-restricted properties with no resident services</li><li>• Properties with space for certain commercial (non-residential) uses<sup>2</sup></li><li>• Properties with tenant-based housing vouchers</li><li>• 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)</li><li>• 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</li><li>• Properties with certain regulatory agreements that impose income and/or rent restrictions, provided all related funds have been disbursed<sup>2</sup></li></ul> <p><sup>1</sup>Loans secured by groups of contiguous and non-contiguous 2-4-unit properties may be permitted as part of a larger loan configuration. Contact a Walker &amp; Dunlop expert for details.</p> <p><sup>2</sup>Contact a Walker &amp; Dunlop expert for details</p>								
INELIGIBLE PROPERTIES	<ul style="list-style-type: none"><li>• Seniors housing with senior care services</li><li>• Student housing (greater than 50% concentration)</li><li>• Military housing (greater than 50% concentration)</li><li>• Properties with project-based housing assistance payment contracts (including project-based Section 8 HAP contracts)</li><li>• LIHTC properties with LURAs in compliance years 1 through 12</li><li>• Historic Tax Credit (HTC) properties with a master lease structure</li><li>• Tax-exempt bonds Interest Reduction Payments (IRPs)</li></ul>								
OCCUPANCY	Stabilized properties with a minimum of 90% physical occupancy								
REPLACEMENT RESERVES	<p>Underwritten replacement reserves will be evaluated based on an estimate of the level of improvements needed over the life of the loan. The rating scale will be similar to:</p> <table><tr><th>AMOUNT</th><th>LEVEL</th></tr><tr><td>\$200</td><td>Low</td></tr><tr><td>\$250</td><td>Moderate</td></tr><tr><td>\$300</td><td>High</td></tr></table>	AMOUNT	LEVEL	\$200	Low	\$250	Moderate	\$300	High
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# SMALL BALANCE LOANS

ESCROWS	<ul style="list-style-type: none"><li>• Real estate tax escrows deferred for deals with an LTV of 65% or less</li><li>• Insurance escrows deferred</li><li>• Replacement reserve escrow deferral evaluated on a loan-by-loan basis</li></ul>															
FIXED-RATE/HYBRID ARM LTV RATIOS AND AMORTIZING DSCRs*	<p>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 a Walker &amp; Dunlop expert.</p> <table><tr><th></th><th>MINIMUM AMORTIZING DCR</th><th>MAXIMUM LTV</th></tr><tr><td>Top SBL Markets</td><td>1.20x</td><td>80%</td></tr><tr><td>Standard SBL Markets</td><td>1.25x</td><td>80%</td></tr><tr><td>Small SBL Markets</td><td>1.30x</td><td>75%<sup>1</sup></td></tr><tr><td>Very Small SBL Markets</td><td>1.40x</td><td>75%<sup>1</sup></td></tr></table> <p><sup>1</sup>Maximum 70% LTV for Refinances *Temporary adjustments may be made to the above thresholds based on changes in market environment</p>		MINIMUM AMORTIZING DCR	MAXIMUM LTV	Top SBL Markets	1.20x	80%	Standard SBL Markets	1.25x	80%	Small SBL Markets	1.30x	75% <sup>1</sup>	Very Small SBL Markets	1.40x	75% <sup>1</sup>
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## PREPAYMENT PROVISIONS

### FIXED RATE

	5-YEAR	7-YEAR	10-YEAR
<b>Option 1</b>	54321	5544321	5544332211
<b>Option 2<sup>2</sup></b>	321(3)	3(2)2(2)1(3)	3(3)2(3)1(4)
<b>Option 3<sup>3</sup></b>	(YM or 1%)	(YM or 1%)	(YM or 1%)
<b>Option 4</b>	310(3)	N/A	N/A

### HYBRID ARM<sup>1</sup>

	5-YEAR	7-YEAR	10-YEAR
<b>Option 1</b>	54321, 1%	5544321, 1%	5544332211, 1%
<b>Option 2<sup>2</sup></b>	321(3), 1%	3(2)2(2)1(3), 1%	3(3)2(3)1(4), 1%
<b>Option 3<sup>3</sup></b>	(YM or 1%), 1%	(YM or 1%), 1%	(YM or 1%), 1%
<b>Option 4</b>	310(3), 0%	N/A	N/A

<sup>1</sup>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%.

<sup>2</sup>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.

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

<sup>4</sup>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% of the unpaid principal balance. See Hybrid ARM notes for details.