Freddie Mac MULTIFAMILY

We are committed to providing stability and liquidity to the multifamily finance market. In light of COVID-19, we have been adapting to keep business moving in a safe and sound manner while maintaining the safety of our staff, customers, borrowers and their renters.

At last Friday's Optigo® lender call, we went over these adjustments and addressed some of the questions we've been hearing from you. Given the range of updates, we'd like to provide you a summary:

FORBEARANCE

Last week we issued a press release regarding our approach to dealing with affected properties and associated loans. Since then, Congress passed the CARES Act and we are adjusting to make sure we're in full compliance with those regulations.

- We are encouraging borrowers to only enter into a forbearance agreement if it is needed to continue their business operations.
- To align with the CARES Act, the latest date to enter into a Forbearance Agreement will be the earlier of the termination of the National Emergency declared by the President of the United States and December 31, 2020.

- Borrowers will repay forborne amounts over a period of 12 months, but they have the option to pay it back sooner. No late fees or interest charges will be applied during the forbearance period.
- We have developed a standard forbearance form/agreement that is non-negotiable. Borrowers also must submit a hardship letter explaining their circumstances and attach a tenant delinquency and forbearance report demonstrating the effect of the national COVID-19 emergency on the property's operation and performance.
- Borrowers must agree to a moratorium on evictions during the forbearance period. This includes a prohibition on initiating the eviction process or pursuing current evictions already in process.
- Borrower must remain in compliance with all other terms and conditions of the Loan Documents and at all times comply with all laws (including the CARES Act), ordinances, rules, regulations and requirements of any governmental authority having jurisdiction over the property.

DEBT SERVICE RESERVE

Freddie Mac is fully committed to maintaining liquidity in the market despite the challenges of COVID-19. We realize that performing full due diligence in the current environment is challenging so we are offering an option that provides certainty of execution, despite those obstacles. We are now accepting deals with modified due diligence but will require a minimum six-month Debt Service Reserve (DSR). The reserve will be released once the COVID-19 crisis is over, full due diligence is confirmed and the property is shown to be performing.

- For a loan sized to a minimum 1.40x amortizing DCR or greater, irrespective of the actual interest-only period of the loan, the DSR amount will be sized to six months amortizing debt service.
- For a loan sized to an amortizing DCR below 1.40x, irrespective of the actual interest-only period of the loan, the DSR amount will be sized to nine months of amortizing debt service.

There will also be a DSR requirement for all loans that are not yet committed for the offerings below:

- **Student** – A 12- to 18-month DSR is required to cover through the start of the 2021/2022 school year.
- **Seniors** – A minimum 12-month DSR is required.
- **TAH** – Cash preservation follows Conventional guidelines above; other products will be structured as appropriate for that individual deal.
- **SBL** – 12-months DSR is required for all loans. We have extended the lender repurchase period to at least 18 months.
- **Supplementals** – A 12-month DSR for the entire debt stack will be required.

PRODUCTION UPDATE

Unstabilized Offerings

Until our view of the market is clearer, we are narrowing our focus on unstabilized offerings such as Lease-Up, Value-add and Moderate Rehab.

Student Housing

We are narrowing our focus for student housing property refinances until fall of 2020. This will give us time to see what impacts COVID-19 ultimately has on the student housing sector. We will consider student housing acquisitions on a very limited basis but have seen that pipeline organically diminish with the uncertainty in this space.

Seniors Housing

We are narrowing our focus on refinances for seniors housing properties until we see how this market recovers from the pandemic.

Supplementals

Supplementals will not be considered for properties that have elected for forbearance.

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UNDERWRITING UPDATE

Credit changes will be different by product, market and individual properties but our goal is to continue to deliver liquidity in a safe and sound manner.

- We are taking a more conservative approach for cash-out loans at this time.
- We have adjusted market tiers for cities with a high reliance on oil or tourism — specifically, Houston, Las Vegas, New Orleans and Orlando. These cities have been moved to Tier 6, resulting in a starting point of -5% LTV and +.05x DCR.
- Commercial Income – We are taking a more critical and limited view of commercial income in consideration of long-term viability.

RATE-LOCKS

- Index Locks and early-rate locks (ERL) are suspended for all products. We have permanently removed Index Locks for supplementals, seniors, student loans and specialty products.
- Standard Rate-lock Agreements will be modified and, once they resume, ERLAs and Index Lock Agreements will be modified to remove 2% breakage cap on all locks (i.e., ERL, standard, index).

TREASURY FLOORS

- Treasury floors are now the greater of 0.75% or 0.15% below current Treasury at the time of quote for all products, except supplementals.
- We've also added a Treasury floor of 0.75% on all supplementals, regardless of loan term.

QUOTES

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- First quotes issued are valid for five business days instead of 10, and subsequent quotes will remain unchanged at five business days.
- We are no longer waiving good faith deposits for Select Sponsors.

CAPITAL MARKETS UPDATE

Despite high levels of volatility across all markets in the last few weeks, we are feeling encouraged by some recent improvements and rebounds. We continue to issue new securitizations across all major products (K-fixed, K-floating, and SBL) and continue to maintain an active calendar throughout April.

We remain committed to transparency with our Optigo network. We recently launched a COVID-19 webpage to keep you up to date on the latest changes. Please bookmark and refer to it regularly for the latest information.

Thank you for your continued partnership with us during this challenging time.