

Multifamily Minute



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Improved Floating-Rate Options

Given increased interest in floating-rate loan options, we're making some improvements to make these structures more attractive. These changes will allow for higher proceeds on floating-rate loans, and in many cases will be equal to proceeds available under comparable fixed-rate options.

Effective immediately, the following will apply to all new quotes for non-Small Balance Loan (SBL) floating-rate loans:

- The Actual SOFR Pay Rate test will no longer be applicable.
- Loan proceeds will be determined based upon two tests:
 1. Minimum programmatic DCR at the Fixed-Rate Equivalent and
 2. Minimum 1.15x DCR at the Maximum Note Rate.

In addition, we'll offer flexibility on the monthly escrow amount for the first replacement cap based upon the term of the initial interest rate cap.

Initial Interest-Rate Cap Term	Initial Deposit for Replacement Cap	Monthly Escrow for Replacement Cap
2 years	50% of the estimated cost of the replacement cap	125%
3 years	Not Required	125%
At least 4 years	Not Required	100%

Lenders May Now Retain Servicing for Preferred Equity

Preferred equity plays an important role in expanding funding options for your borrowers and increasing rental housing supply.

To help address this need for additional sources of capital, last year [we announced](#) that Optigo® lenders can make [Preferred Equity Investments](#) in a borrower. However, we required that servicing of those mortgages be transferred to another seller/servicer before we would purchase the mortgage.

Now, I'm pleased to announce that we will allow lenders to retain servicing rights on these mortgages, AND such loans are eligible for 2 bps in enhanced servicing spread.

How it Works

Optigo lenders may now make a Preferred Equity Investment and retain servicing of the mortgage, subject to satisfaction of the following:

- Freddie Mac must approve the lender's investment structure, including any joint venture (JV) investment vehicle. The JV should be established with the intention of providing programmatic preferred equity investments in multiple transactions.
- The lender must have a minimum equity investment of 5% in the JV.

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- The lender must have the right to exercise a control takeover of a borrower; investors in the JV other than the Optigo lender may not have the unilateral right to exercise a control takeover right.
- The lender must transfer the servicing of the mortgage upon exercising of a control takeover right of borrower.
- The Preferred Equity Investment must be in full compliance with the Preferred Equity requirements set forth in the Freddie Mac *Multifamily Seller/Servicer Guide*.
- Preferred Equity Investments are only permitted in connection with non-SBL mortgages.

These refinements to floating-rate loans and Preferred Equity are a part of our continual commitment to expanding funding options for borrowers and supporting rental housing supply across the nation.

Please reach out to your Freddie Mac representative with any questions.

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