

ARM 7-6™ Program

A variable-rate financing option with embedded caps and an option to convert to a fixed-rate mortgage loan.

Benefits:

- Low-cost financing with initial interest rates lower than fixed rates
- Maximum interest rate is set at loan origination
- Ability to convert to fixed rate financing
- Provides flexibility for various exit strategies while managing interest rate risk

Eligibility:

- Mortgage Loan for the acquisition or refinance of Multifamily properties
- Up to 80% LTV

Description	Non-recourse, assumable adjustable rate financing for the acquisition or refinance of most multifamily property types
Loan Amount	Minimum \$1,000,000
Loan Terms	7-year term
Amortization	Up to 30 years, based on property condition; interest-only financing is available subject to meeting eligibility criteria
Loan to Value Maximum	Maximum 80% of appraised value, or if property has been purchased within the past 12 months, 80% or lower of: a) purchase price, plus value added renovation, plus 3% closing costs or b) appraisal
Coverage Minimum	1.00x minimum at maximum lifetime cap interest rate
Index	One month LIBOR
Adjustment Period	One month, 15 day look-back
Prepayment Terms	One year lockout with 1% of unpaid principal balance thereafter; No prepayment penalty is due during the last 90 days of the loan; prepayment fee is waived if loan converts to fixed rate
Conversion Option	Conversion option is available years 2-5; at the time of conversion, the loan can convert to either a 7- or 10-year fixed loan <ul style="list-style-type: none"> • Conversion requires minimal re-underwriting; Lender determines that the current NOI can support the new fixed rate • There is no increase in the loan amount, however, the borrower may request a supplemental
Interest Accrual	Actual/360 accrual basis
Interest Rate	Interest rate charges monthly and is equal to the Index plus a margin <ul style="list-style-type: none"> • Maximum monthly interest rate adjustment of 1% up or down • Maximum lifetime interest rate ceiling established at rate lock
Borrower	Domestic single asset borrowing entity is required for DUS; Flexible for Small Loans (\$1-\$3 million and up to \$5 million in certain markets)
Third Party Reports	MAI Appraisal, Physical Needs Assessment, and Environmental Phase 1 Assessment are required, plus Seismic Report may be required for properties in Seismic Zones 3 and 4
Supplemental Loans	Supplemental financing is allowed only if the mortgage has converted to a fixed rate, subject to meeting eligibility requirements
Application Fee	\$8,500-\$15,000; covers 3 rd party reports and underwriting costs
Origination Fee	Fannie Mae requires minimum origination fees predicated on loan amount
Legal Fees	DUS: +/- \$10,000 varying with characteristics of the deal; Small Loan: none
Timing	45-60 days from application to commitment; dependent on 3 rd party report timing and borrower's submission of due diligence
Rate Lock	Typically, the spread over the relevant LIBOR Index is locked after commitment is issued; Early Rate Lock option is available, allowing rate lock within 3-4 weeks of application