FREDDIE MAC OPTIGO®

HUD Section 8 Financing

FINANCING SOLUTION FOR HUD SECTION 8 PROPERTIES

CASH LOANS

ELIGIBLE BORROWERS	Must have demonstrated experience in owning and managing similar Section 8 properties.
ELIGIBLE PROPERTY TYPES	Garden, mid-rise, or high-rise multifamily properties with Section 8 project-based contracts or vouchers.
LOAN TERMS	5-year minimum, 15-year maximum.
PRODUCT DESCRIPTION	Financing for multifamily properties supported by Section 8 project-based contracts or tenant-based vouchers through credit enhancements and/or cash loan purchases.
TYPE OF SECTION 8	• Project-based subsidy: This form of subsidy refers to rental assistance that is associated with a specific property rather than specific tenants. The property receives a cash payment based on the number of qualifying tenants living in qualifying units; the contractual basis for the subsidy is known as a Housing Assistance Payments (HAP) or Section 8 contract. • Tenant-based subsidy: This form of subsidy is rental assistance that is associated with a specific tenant rather than a specific property. The property receives a cash payment based on the number of qualifying occupants. The written authorization provided to the tenant for this subsidy is known as a voucher, of which there are two types: – Regular vouchers: The original and most common form of vouchers, in which the payment is generally capped at the applicable HUD Fair Market Rent, which is a HUD-established rent ceiling for a geographic area. – Enhanced vouchers: Special vouchers that are given to tenants in a property that formerly had been receiving a project-based subsidy but will no longer. Typically, this is because the owner has opted out of the Section 8 program or prepaid an FHA or HUD Mortgage. Tenants in such a property may receive enhanced vouchers to enable them to pay the new higher rent for their unit. The payment standard is typically set at the actual rent to be charged at the property after the Section 8 subsidy terminates.
MAXIMUM AMORTIZATION	Up to 35 years, depending on the market. Please contact your Relationship Manager to discuss.
OTHER TERMS	• For underwriting purposes, the subsidy is characterized as one of the following: • Long-term Section 8 contract, which is a new 20-year contract or an existing contract that has a remaining term equal to or greater than the term of the mortgage, or • Short-term Section 8 contract, which has a remaining term of less than the term of the mortgage. • Other definitions pertinent to the Section 8 subsidy are as follows: • Above Market, which refers to Section 8 rents that are higher than the achievable market rent (rents above market are excess rent). • At or Below Market, which refers to Section 8 rents that are equal to or lower than the achievable market rent.
MINIMUM DEBT COVERAGE RATIO (DCR)	• For a property with at least 50% of units covered by a Project Based Section 8 HAP Contract: 1.20x. • When new Low-Income Housing Tax Credit (LIHTC) is present: 1.15x. • For an Above Market Long-term Section 8 contract, some excess rent may be underwritten. • For an Above Market Short-term Section 8 contract, the stabilized net operating income must not include the excess Section 8 rent and the mortgage is underwritten according to Freddie Mac's other requirements for a Short-term Section 8 contract.

MAXIMUM LOAN-TO-VALUE (LTV) RATIO	80% without LIHTCs.	90% with LIHTCs.
PREPAYMENT PROVISIONS	Defeasance.	Yield Maintenance.
SUBORDINATE FINANCING	Permitted, subject to additional requirements and analysis.	
TAX AND INSURANCE ESCROWS	Required.	
FEES	Application fee, commitment fee, plus other fees as applicable.	
APPRAISAL	The appraiser must include the following values:	

APPRAISAL — The appraiser must include the following values:

- The value using the project-based Section 8 contract rents, and
- The value using the lower of market, Section 8, or achievable net LIHTC rents (if applicable) for each type of unit.