

FREDDIE MAC OPTIGO®

Float-to-Fixed-rate Loan (Two-Plus-Seven)

We call the float-to-fixed-rate loan a “two-plus-seven” because payments during the first two years of the loan are floating-rate and interest-only and the following seven years of the loan are fixed-rate. The Borrower receives superior cash-on-cash returns through the first two years and can lock a coupon for the life of the loan at the initial closing.

MORE CASH UPFRONT, WHEN YOU NEED IT

ELIGIBLE BORROWERS	Must be well-qualified.
FLOATING-RATE PERIOD	<ul style="list-style-type: none"> • 2 years. • IO, no cap required, locked-out/no prepayments. • No supplemental loans during floating-rate period.
FIXED-RATE PERIOD	<ul style="list-style-type: none"> • 7 years. • IO subject to 7-year fixed-rate IO credit parameters with defeasance. • Amortizing loan with defeasance. • Securitization-ready.
UNDERWRITING	<ul style="list-style-type: none"> • Compliant with current credit parameters. • Sized based on fixed-rate. • Must pass Refinance Test using aggregated term (2 years floating plus 7 years fixed) with 2 years of IO.
PRICING	<ul style="list-style-type: none"> • Terms (subject to revisions due to market fluctuations): <ul style="list-style-type: none"> - Floating-rate: 30-day Average SOFR + 20 bps. - Fixed-rate: 7-year UST + 7-year fixed pricing + 20 bps. - Fixed-rate is locked when the floating-rate spread is locked; index locks also available during underwriting. - No future rate adjustments.
PROCESS AND CONVERSION TO FIXED-RATE	<ul style="list-style-type: none"> • Conversion of floating-rate to fixed-rate is automatic. • Permits additional loan proceeds via a supplemental mortgage (pari passu); any additional proceeds will be priced at then first-mortgage pricing. • Freddie Mac must receive request for additional proceeds no less than 150 days prior to conversion. • For securitization purposes, updated third-party reports required prior to fixed-rate period conversion; third-party reports paid by Freddie Mac unless additional proceeds are requested. • If original loan fails to meet Freddie Mac’s credit parameters at conversion, Freddie Mac retains the right to restructure the transaction via a split note at time of securitization. • Supplemental loans are allowed beginning the second year of the fixed-rate period.