

FREDDIE MAC OPTIGO®**Lender Preferred Equity Investments****PERMITTING LENDERS TO MAKE EQUITY INVESTMENTS HELPS MEET MULTIFAMILY CAPITAL NEEDS**

ABOUT

Preferred Equity investments can be a useful alternative funding source for borrowers seeking to enhance the capital stack for a project. Freddie Mac now allows lenders to make a Preferred Equity investment in a borrower under a mortgage the lender sells to Freddie Mac – while also permitting the lender to retain the right to service the mortgage. These types of Preferred Equity investments allow Freddie Mac to further support capital needs to help supply rental housing across the country.

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.
- The lender must have the right to exercise a control takeover of a borrower; investors in the JV other than the lender may not have the unilateral right to exercise a control takeover right.
- The lender must transfer the servicing of the mortgage upon exercising a control takeover of borrower.
- The Preferred Equity investment must be in full compliance with the Preferred Equity requirements set forth in Section 9.9 of Freddie Mac's Multifamily Seller/Service Guide (Guide).
- All transactions must meet the requirements of Section 2.25 of the Guide related to Equity Conflicts of Interest.