



WORKFORCE HOUSING MEZZANINE LOAN

An Innovative Solution to Preserve Affordability

Borrowers who want to preserve affordable housing will find our Workforce Housing Mezzanine Loan the ideal solution for supporting their communities.

The Mezzanine Loan is originated with our Conventional Freddie Mac Loan in a streamlined single-source process. And, in exchange for maintaining affordable rents for the life of the loan, the Borrower receives favorable financing terms. We also offer a Targeted Affordable Mezzanine Loan.

The Hunt Real Estate Capital and Freddie Mac Difference

When it comes to multifamily finance, Hunt Real Estate Capital and Freddie Mac get it done. We work closely together to tackle complicated transactions, provide certainty of execution and fund quickly. Contact your Hunt Real Estate Capital representative today.

PRODUCT SNAPSHOT

- Best-in-class mezzanine financing for Borrowers who preserve affordable housing
- Up to 90% leverage for eligible properties
- Combined DCR as low as 1.05x
- Streamlined simultaneous origination with a 10-year Conventional Freddie Mac Loan
- Straightforward annual monitoring of rents ensures continued affordability

<p>Product Description</p>	<ul style="list-style-type: none"> ■ Our Workforce Housing Mezzanine Loan empowers Borrowers to preserve more affordable housing and impact their communities ■ Borrowers obtain both senior debt and a mezzanine loan through a streamlined single-source process with favorable pricing on the mezzanine loan ■ In exchange for favorable pricing, Borrowers agree to limit rent growth on 80% of units in the property (Minimum Set-Aside Units) through our Preservation of Affordable Rents Covenant (PARC) — with allowances made for certain uncontrollable expenses and one-time capital expenditures that extend the useful life and marketability of the property ■ Straightforward annual monitoring of rents ensures the units stay affordable to the nation’s workforce
<p>Borrower Requirements</p>	<ul style="list-style-type: none"> ■ Mezzanine Borrower: A single-purpose, bankruptcy remote Delaware single-member limited liability company, owned and controlled, directly or indirectly, by the project Sponsor ■ Senior Borrower: A single-purpose, bankruptcy remote Delaware single-member limited liability company, owned and controlled directly by the Mezzanine Borrower and indirectly by the project Sponsor
<p>Eligible Properties/ Affordable Units</p>	<ul style="list-style-type: none"> ■ Properties must have at least 50% of the rents affordable to households making 100% Area Median Income (AMI) or below, or ■ Properties must be in relatively affordable census tracts and have at least 50% of units with rents less than or equal to median rent

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Term	10 years; the Conventional Freddie Mac Loan (Senior Loan) and Mezzanine Loan must be coterminous
Interest Rate	Fixed or floating options are available with best-in-market pricing. Floating-rate Mezzanine Loans will not require the purchase of an interest rate cap
Amortization	Interest-only payments throughout the term of the Mezzanine Loan
Maximum Combined Loan-to-Value (LTV) Ratio	10% above the LTV of the Senior Loan, not to exceed 90%
Minimum Combined Debt Coverage Ratio (DCR)	0.20 below the DCR for the Senior Loan, but no less than 1.05x based on amortizing debt service on the Senior Loan and interest-only on the Mezzanine Loan
Collateral for Mezzanine Loan	A first-priority pledge by the Mezzanine Borrower of 100% of the equity interests in Senior Borrower
Recourse/Guarantees	Consistent with the Senior Loan, provided that the Mezzanine Loan also becomes full recourse to the Borrower if the Senior Borrower grants a deed in lieu of foreclosure to the Senior Lender or fails to comply with the PARC for two consecutive years
Prepayment Structure and Limitations	<p>The Mezzanine Loan may <u>not</u> be prepaid except as follows:</p> <ul style="list-style-type: none"> • In whole, if the Mezzanine Loan is refinanced under a Freddie Mac loan program and the preservation of affordability is maintained for a period not less than the original term of the Mezzanine Loan or • In part, provided that any prepayment in part must reduce the unpaid principal balance on the Mezzanine Loan to \$1.00, thereby preserving the affordability • During the last 3 months, the Mezzanine Loan may be prepaid in full at par <p>Note that prepayment in above scenarios will still be subject to prepayment fees and a lockout period (24 months).</p>
PARC	Per annum rent growth for the Minimum Set-Aside Units (including the

<p>Permitted Expense Pass-Throughs</p>	<ul style="list-style-type: none"> ■ Uncontrollable expenses: defined as real estate taxes, property insurance, and utilities, may be partially passed through. To qualify for a pass-through, the uncontrollable expense growth in a given calendar year must exceed the CPI by 5%. May not begin until the third loan year. <ul style="list-style-type: none"> • Example: If uncontrollable expenses increase by 10%, and the CPI increases by 3.2%, then the expense increase is greater than the CPI plus 5%, so a partial pass-through of 6.8% is allowed. ■ Capital Expenditures: Not to exceed \$10,000 per unit, may be passed through if approved at, and completed within 2 years of, origination. Return on investment is limited to 10% and must be amortized over 10 years. <p>Pass-throughs will not be considered "rent" for purposes of determining subsequent permitted annual rent increases but will continue as a pass through of Qualified Expenses or Capital Expenditures for the remaining term of the Mezzanine Loan.</p>
<p>Monitoring and Enforcement</p>	<ul style="list-style-type: none"> ■ Borrowers must certify PARC compliance on an annual basis. The Servicer will be required to validate compliance with the PARC ■ Borrowers out of compliance will be given a one-time, 30-day period to cure PARC noncompliance. Absent the one-time cure period, Borrowers will be assessed an affordability penalty fee of 5% of the original Mezzanine Loan UPB every 6 months until they return rents to compliant levels. Any assessed noncompliance fee will be immediately due and payable ■ Two consecutive years of non-compliance will trigger a default of the Mezzanine Loan
<p>Origination Fee</p>	<p>1% of the principal amount of the Mezzanine Loan</p>
<p>Transfers and Assumptions</p>	<ul style="list-style-type: none"> ■ Transfer of ownership provisions for the Mezzanine Loan will follow the Senior Loan provisions ■ Assumptions of the Mezzanine Loan may be permitted with the payment of a \$5,000 transfer review fee and a transfer fee equal to 1% of the outstanding principal balance of the Mezzanine Loan
<p>Cross Default</p>	<p>An event of default under the Senior Loan shall constitute an event of default under the Mezzanine Loan</p>

FOR MORE INFORMATION, PLEASE CONTACT YOUR HUNT REAL ESTATE CAPITAL REPRESENTATIVE.