

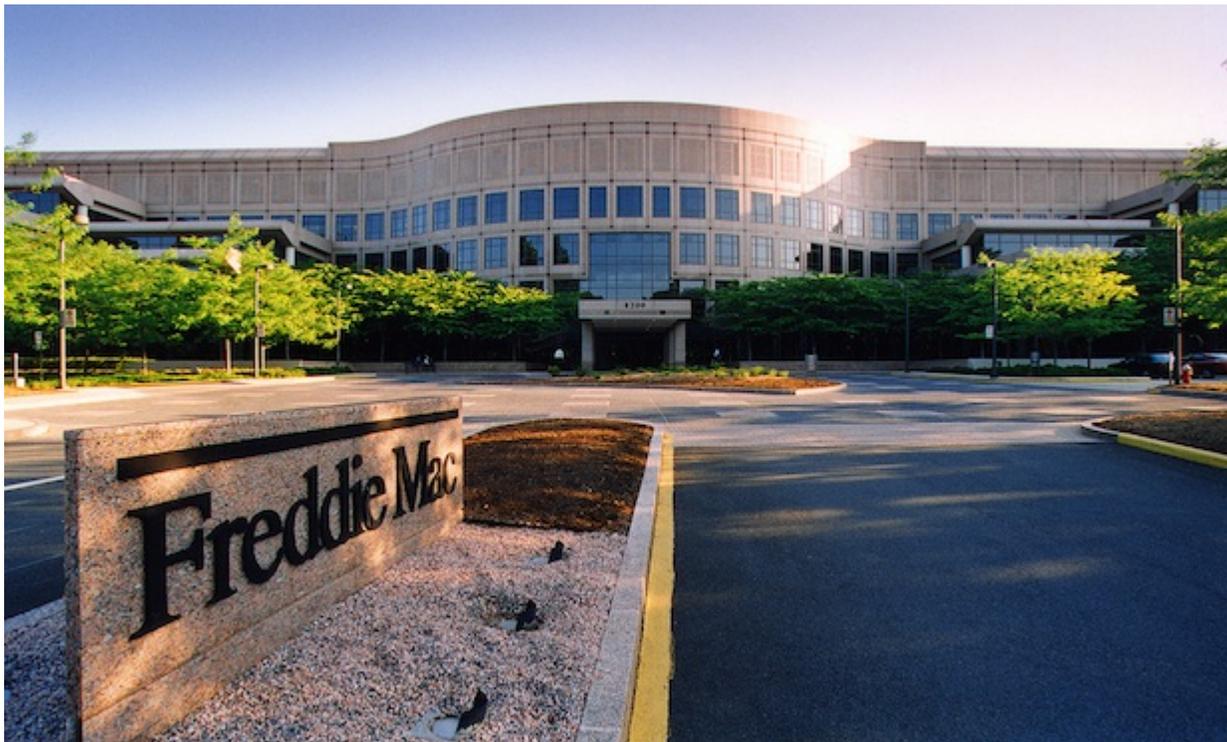
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## Freddie Mac Offers Cheap Mezz Loan In Exchange For Rent Caps

| By [Erika Morphy](#)

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Freddie Mac headquarters

WASHINGTON, DC—Freddie Mac has launched a new mezzanine loan pilot for multifamily borrowers that provides favorable pricing and additional debt capital in exchange for keeping the majority of rents in the property at levels affordable to low- and moderate-income families.

The mezz loan provides the borrower an additional 10% of the loan amount for up to 90% LTV at a below-market interest rate. Currently mezz debt is pricing above 9% so the program will provide financing under that rate, according to Amanda Nunnink, senior director of Production and Sales at Freddie Mac Multifamily. The larger the loan — and hence the more units that will have fixed rents — the more aggressive the pricing will be, she said.

The average loan size will likely range from \$2 million to \$3 million.

The point of the program is to make it worth the while of property owners not to raise workforce housing rents, Nunnink told GlobeSt.com. “This program allows the property owner to achieve the same returns via the workforce housing mezz loan as they would through a standard rent increase.”

The program has safeguards to ensure that the property owner doesn’t raise the rates after securing the financing including a penalty of 5% of the mezz loan amount for noncompliance.

The loan is available through Freddie Mac Multifamily’s Conventional platform for workforce and affordable housing in traditional financings. It is also available through its Targeted Affordable Housing platform for refinancing or acquiring Section 8 properties and year 11 or later Low-Income Housing Tax Credit properties, or repositioning any affordable property for resyndication with a new allocation of LIHTCs.

