



## Acquisition Rehabilitation Mortgages

### ELIGIBLE PROPERTIES:

Garden, mid-rise and high-rise market-rate apartments, with the exception of seniors housing and manufactured home communities.

The scope of rehabilitation must be moderate, non-invasive to the building's structure, and not involve major building systems or structural components. The total repair cost must be a minimum of \$10,000 per unit but must not exceed the lesser of \$30,000 per unit or 30% of the acquisition cost.

Tenant displacement during rehabilitation must be minimal.

### LOAN TERMS:

5 – 30 years. The rehab period will be included in the loan term and cannot exceed 36 months.

### PREFERRED LOAN SIZE:

\$3 million and larger.

### MAXIMUM LTV:

90% of purchase cost  
 80% of total cost (inclusive of rehab)  
 80% of appraised as-stabilized value

### MINIMUM DSCR:

1.10x "as is," based on an interest-only constant; 1.15x "as stabilized," based on a 30-year amortizing constant.

### AMORTIZATION:

Up to 30 years. Partial interest-only periods may be available.

### COLLATERAL OF REHABILITATION PROCEEDS:

One of the following

1. A rehabilitation escrow account funded at closing from a holdback of loan proceeds. The account must be sufficient to cover all hard and soft costs of the upgrade work.
2. A letter of credit, in an amount sufficient to cover all hard and soft costs of the rehabilitation work.
3. For a qualified borrower, with 25% cash equity in the transaction (based on the total cost), a completion (performance) guaranty may be accepted.

**COLLATERALIZATION OF DEBT SERVICE  
COVERAGE SHORTFALL:**

Six times the difference between the property's net operating income at loan origination and the net operating income at the time of stabilization must be collateralized by cash, letter of credit or guaranty.

This collateral will be released when:

1. The rehabilitation is certified to be complete, lien free, in accordance with the scope of work and all applicable building and accessibility codes;
2. The property has achieved 90% occupancy for 90 days, and has also achieved the required underwritten "as-stabilized" DSCR for 3 consecutive months; and
3. The rehabilitation is completed within 36 months after the origination date. If the work is not completed on time, either a one 12-month extension or two 6-month extensions may be granted to the rehabilitation period. If an extension is granted, the debt service coverage shortfall collateral will be resized. At the time of the first extension, a partial release of the cash, letter of credit or guaranty may be permitted, or an increase may be required.

**INTEREST RATES:**

Determined by market rates at the time of rate lock. Rates vary by loan-to-value ratio, debt service coverage and property quality.

**TRANSFERS/ASSUMPTIONS:**

Transfers/assumptions allowed during the life of the loan subject to CWCapital approval.

**PREPAYMENT:**

Prepayable in full subject to yield maintenance.

**SUPPLEMENTAL MORTGAGES:**

Available for qualifying properties.

**ESCROWS:**

Monthly escrows for real estate taxes, property insurance, and replacement reserves are generally required.

**APPLICATION FEE:**

Greater of \$2,000 or 0.1% of the loan amount.

**FINANCING FEE:**

Typically 1% of the loan amount.

**CLOSING EXPENSES:**

Standard transaction costs, including legal, title insurance, survey, and appraisal, environmental, engineering and other third party reports as required.