

AFFORDABLE HOUSING DEBT FINANCING

Acquisition/Refinance vs.
New Construction/ Sub
Rehabilitation

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Affordable Housing Debt Players

- Government Agencies:



- Funds: **Boston Capital**

- Housing and Finance Authorities:



- National Banks: **KeyBank**



- Agencies:



Acquisition & Refinance





General Loan Terms Acquisition & Refinance

- DSCR: 1.11-1.15x
- LTV: 87-90%
- Amortization: 35 years
- Loan Term: 15-35 years

- Positives:
 - Applies to both 9% and 4% LIHTC
 - Great for tenant-in-place rehabilitation of existing affordable housing stock
 - Works well with long term HAP contract
 - 60-75 day processing time
 - Low interest rate
 - Lender serves as direct underwriter
- Negatives:
 - Strict MBS guidelines
 - Short term bond structure has high cost of issuance

- Positives:
 - Great for tenant-in-place rehabilitation of existing affordable housing stock
 - Works well with long term HAP contact
 - Lower cost of issuance with no bond underwriter, rating agency fee, etc.
 - 75-90 day processing time
 - High renovation per unit
- Negatives:
 - To date, pricing is less competitive than Fannie Mae's MBS structure & HUD's 223f

- **Positives:**
 - LTV increases to 90% for properties with 90%+ section 8
 - Low interest rate
 - 35 year loan term
 - High renovation per unit
- **Negatives:**
 - Time to close
 - Higher reserve requirements

New Construction & Substantial Rehabilitation



General Loan Terms: New Construction & Sub Rehab

- DSCR: 1.11-1.15x
- LTV: 90%
 - HUD 221(d)4 LTC: 87-90%
- Amortization: 35-40 years
- Loan Term: 15-40 years

- **Positives:**
 - 90-day Processing: Application to Closing
 - Very low rate
 - Lender serves as direct underwriter
 - No Davis Bacon wage requirement
 - No Bridge Loan
- **Negatives:**
 - Need separate construction loan
 - Strict MBS guidelines
 - Short term bond structure has higher cost of issuance, including short term bond interest
 - Must have LIHTC
 - More participants: Investment banker & rating agency

- Positives:
 - Fewer participants: No Investment banker or rating agency
 - Lower cost: 40% or more savings with Bond Issuance Costs
 - 90-Day Processing: Application to Closing
 - Low replacement reserves
 - No bridge loan
 - No Davis Bacon wage requirement
- Negatives:
 - Need separate construction loan
 - Not approached in every state
 - Must have 4% LIHTC
 - High legal costs

- Positives:
 - Completion requirement, but no conversion DSC test
 - Single execution construction & permanent loan
 - Long term & Amortization
 - Cost based program
 - Lower rate
 - LIHTC not required
 - Currently, no negative arbitrage
- Negatives:
 - Davis Bacon wages
 - Time to close
 - Higher cost of issuance
 - Will likely need bridge loan

Comparison of the Freddie TEL, Fannie M.TEB & HUD 221(d)4

	Fannie Mae M-TEB - 24 Month Forward	Freddie Mac Tax Exempt - 24 Month Unfunded Forward	HUD 221(d)(4) New Construction
	15 Year Term / 35 Year 90% LTV/1.15x DSCR	15 Year Term / 35 Year 90% LTV/1.15x DSCR	40 Year Term / 40 Year 87% LTC/1.15x DSCR
Mortgage Amount	\$ 15,403,000	\$ 14,261,000	\$ 14,384,600
Term	15 Years	15 Years	40 Years
Amortization	40 Years	35 Years	40 Years
Indicative Interest Rate Spread (includes servicing & MIP)	1.75%	1.97%	2.20%
Index Rate	2.68%	2.65%	2.65%
All In Rate	4.43%	4.62%	4.85%
Annual Payment	\$ 822,655	\$ 822,658	\$ 858,262