AFFORDABLE HOUSING DEBT FINANCING

Acquisition/Refinance vs. New Construction/ Sub Rehabilitation

Anthea Martin
Senior Vice President
Affordable Housing Debt Players

- Government Agencies:
- Funds: Boston Capital
- Housing and Finance Authorities:
- National Banks: KeyBank, Wells Fargo, Citibank
- Agencies: Fannie Mae, Freddie Mac
• DSCR: 1.11-1.15x

• LTV: 87-90%

• Amortization: 35 years

• Loan Term: 15-35 years
Fannie Mae Preservation (MBS)

- **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
Freddie Mac Moderate Rehab

• 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
HUD 223(f)

• 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
Fannie Mae M.TEB (Forward)

• 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
Freddie Mac Tax Exempt Loan Program (Forward)

• 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

<table>
<thead>
<tr>
<th></th>
<th>Fannie Mae M-TEB - 24 Month Forward</th>
<th>Freddie Mac Tax Exempt - 24 Month Unfunded Forward</th>
<th>HUD 221(d)(4) New Construction</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mortgage Amount</strong></td>
<td>$15,403,000</td>
<td>$14,261,000</td>
<td>$14,384,600</td>
</tr>
<tr>
<td><strong>Term</strong></td>
<td>15 Years</td>
<td>15 Years</td>
<td>40 Years</td>
</tr>
<tr>
<td><strong>Amortization</strong></td>
<td>40 Years</td>
<td>35 Years</td>
<td>40 Years</td>
</tr>
<tr>
<td><strong>Indicative Interest Rate Spread (includes servicing &amp; MIP)</strong></td>
<td>1.75%</td>
<td>1.97%</td>
<td>2.20%</td>
</tr>
<tr>
<td><strong>Index Rate</strong></td>
<td>2.68%</td>
<td>2.65%</td>
<td>2.65%</td>
</tr>
<tr>
<td><strong>All In Rate</strong></td>
<td>4.43%</td>
<td>4.62%</td>
<td>4.85%</td>
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<tr>
<td><strong>Annual Payment</strong></td>
<td>$822,655</td>
<td>$822,658</td>
<td>$858,262</td>
</tr>
</tbody>
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