Multifamily Affordable Housing

Business Update Meeting
&
Gram-MAH Awards 2015

November 18, 2015
Multifamily Affordable Housing Strategy and Overview

Angela Kelcher
Director of Production
Multifamily Affordable

Brian Wolf
Director of Credit
Multifamily Affordable
## Agenda

<table>
<thead>
<tr>
<th>Time</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>7:30 a.m. - 8:00 a.m.</td>
<td>Registration and Breakfast</td>
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<tr>
<td>8:00 a.m. - 12:00 p.m.</td>
<td>Affordable Rocks</td>
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<tr>
<td></td>
<td>Vision of the Future</td>
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<tr>
<td></td>
<td>Pricing and Capital Markets Update</td>
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<td>Market Dynamics Subcommittee Report Out</td>
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<td></td>
<td>Product Innovation Panel</td>
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<td>The Sponsor’s Perspective Panel</td>
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<tr>
<td></td>
<td>AWARDS!</td>
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</tbody>
</table>
Fannie Mae is Committed to Affordable Multifamily

MAH Production

<table>
<thead>
<tr>
<th>In Billions</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total MF</td>
<td>$24</td>
<td>$34</td>
<td>$29</td>
<td>$29</td>
</tr>
<tr>
<td>MAH</td>
<td>$2.3</td>
<td>$3.8</td>
<td>$2.3</td>
<td>$2.6</td>
</tr>
</tbody>
</table>

October 2015 YTD volume for all Multifamily is $34.8 billion
You Talked – We Listened and Executed

<table>
<thead>
<tr>
<th>Lenders Said…</th>
<th>We Responded…</th>
</tr>
</thead>
<tbody>
<tr>
<td>More Communication</td>
<td>• Created Market Dynamics Subcommittee</td>
</tr>
<tr>
<td></td>
<td>• Competitive Advantage Product Sheets</td>
</tr>
<tr>
<td></td>
<td>• New MAH Website</td>
</tr>
<tr>
<td></td>
<td>• Email Blasts</td>
</tr>
<tr>
<td>Product Enhancements</td>
<td>• Flexible Choice Bridge (ARM 7-4)</td>
</tr>
<tr>
<td></td>
<td>• MBS as Tax-Exempt Bond Collateral (M.TEB)</td>
</tr>
<tr>
<td></td>
<td>• Index Bonds</td>
</tr>
<tr>
<td></td>
<td>• Reduced Occupancy Affordable Rehab (ROAR; fka Preservation Rehab)</td>
</tr>
<tr>
<td></td>
<td>• MAH Credit Facilities</td>
</tr>
<tr>
<td>Pricing</td>
<td>• Aggressive Pricing Strategy to Win Business</td>
</tr>
<tr>
<td>Improve Turnaround Times</td>
<td>• Better triage</td>
</tr>
<tr>
<td></td>
<td>• Moved Transfers to asset management</td>
</tr>
<tr>
<td></td>
<td>• DUS Gateway</td>
</tr>
<tr>
<td></td>
<td>• Better communication of expectations</td>
</tr>
<tr>
<td></td>
<td>• Updated Annotated Loan Agreement</td>
</tr>
</tbody>
</table>
MAH Strategy – The 6P Framework

- Getting the Business Done
- Getting the Word Out
- Promotion, Marketing & Communications
- People & Process
- Partners, Products & Pricing

AFFORDABLE ROCKS

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# MAH Strategy – The 6P Framework

## Getting the Business

### Partners
Grow relationships with lenders & provide stronger outreach to Priority Borrowers

### Products
Continuously strive to improve and enhance products in response to market need

### Pricing
Aggressively pursue quality business utilizing a competitive pricing strategy

## Getting the Business Done

### Process
Drive for efficiency both through increased delegation and process improvement

### People
Continually evaluate resources and invest in staff development and training

## Getting the Word Out

### Promotion, Marketing and Communications
Provide the tools needed to train and support origination and underwriting, frame competitive advantages, and respond to changing market needs.
Promotion, Marketing and Communication

www.fanniemae.com/multifamily/affordable-loans
People: Your Dedicated MAH Deal Team

Fannie Mae Cares About Affordable Housing

We have dedicated the resources needed to ensure we meet the needs of the customer.

Customer Engagement | Credit Underwriting

Pricing | Product Development | Legal
Show Us That Deal!!!

The Fannie Mae DUS model and the MAH Deal Team work with Lenders to develop creative, customized solutions. Never assume we can’t or won’t – Ask Your CAM or Credit!

- Seasoned Loans???
- Voluntary LURA???
- Credit Facility with MAH and non-MAH???
- SRO Conversion to Micro Units???
- Option 4 Exception Rents Above Market???
- Hybrid MAH-Seniors???
Market Leadership

Bob Simpson
Vice President of Customer Engagement
Affordable, Green & Small
Commitment to Innovation

Paul Lewis
Vice President & Chief Underwriter
Borrower Relationships & Specialty Products
Pricing and Capital Markets

Dan Dresser
Vice President
Multifamily Pricing
Affordable Market Dynamics Subcommittee

Sarah Garland  
Chairperson  
PNC Real Estate

Jeff Englund  
Greystone Servicing Corp

Tim Leonhard  
Jones Lang LaSalle  
Multifamily, LLC

Andy Weill  
Pillar Financial

Greg Calvert  
Hunt Mortgage Group

Rachel Grossman  
Wells Fargo Multifamily Capital

John Powell  
Bellwether Enterprise Capital

Tony Cinquini  
Berkadia

Mike Hemmens  
Citibank Community Capital

Alex Viorst  
Prudential Mortgage Capital Company
Affordable MDS Subcommittees

**ARMs**
- Andy Weill
- Tim Leonhard

**M.TEB / Index Bonds / Declining Prepay**
- Rachel Grossman
- Sarah Garland
- Andy Weill
- Tony Cinquini
- Mike Hemmens

**Small Loans**
- Jeff Englund
- John Powell

**FHA Working Group**
- Sarah Garland
- Alex Viorst
- John Powell

**Preservation / PreStabilization / Green**
- Greg Calvert
- Rachel Grossman
- Tim Leonhard
Panel: Product Innovation

Helen Feinberg
RBC Capital Markets

Masood Sohaili
DLA Piper

Angela Kelcher
Fannie Mae

Brian Wolf
Fannie Mae
Credit Facilities for MAH

Customized, flexible structures for a group of properties on a cross-collateralized and cross-defaulted basis.

**Benefits**
- Laddered debt maturities
- Multiple interest rate options (fixed, floating)
- Interest-only available
- Borrow-Ups (supplementals at 1st lien pricing)
- Releases and additions
- Loan terms up to 15 years (longer terms may be available)

**Competitive Advantage**
- BCE and/or MBS loans
- MAH and non-MAH Properties
- MBS execution that permits substitutions with no prepayment
- Yield maintenance and other graduated prepayment options are available
- Dedicated Credit Facility and MAH Deal Teams
MAH Credit Facilities: Potential Uses

- Buy or Refi a Portfolio
  - Buy Property at Tier 2 using Flexible Choice Bridge (ARM 7-4)

- Active Portfolio Management
  - Borrow Up and Rehab (First Lien Pricing; Tier Dropping Available)
  - Sell and Substitute (No Pre-Payment)
  - Add or Release

- Hold Long Term
  - Add to Facility at Tier 3 Pricing (24 bps lower; Facility Test)
## Flexible Choice Bridge (ARM 7-4™)

Variable-rate bridge loan with 4.00% embedded cap to maximize flexibility for owners to re-syndicate or re-position assets.

### Benefits
- Interest only is available.
- One year lock-out for voluntary prepayments, pre-payable any time thereafter with a 1% premium payment.
- Prepayment waivers available upon fixed-rate refinance with Fannie Mae.
- Convertible to fixed-rate after one year with no prepayment premium due at conversion, no change to the guaranty and servicing fees, and minimal re-underwriting.

### Competitive Advantage
- Product delegated to Lenders for faster execution
- No minimum or maximum loan amount
- No holdback
- Available for all types of MAH Properties
- Competitive pricing
- No purchase of third-party interest rate cap
- Avoid risk of increasing replacement cap costs
Flexible Choice Bridge (ARM 7-4™) Potential Uses

- Buy
- Hold and Refinance
- Sell

Potential Uses:
- Resyndicate
- Rehab, Reposition, & Re-Leverage
- Credit Facility or Fixed Long Term
# Flexible Choice Bridge (ARM 7-4™) vs. SARM Terms

<table>
<thead>
<tr>
<th></th>
<th>Flexible Bridge (ARM 7-4)</th>
<th>SARM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum loan amount</td>
<td>None</td>
<td>$20 million</td>
</tr>
<tr>
<td>Eligible Sponsors</td>
<td>All</td>
<td>Strong financial capacity and experience in external hedges</td>
</tr>
<tr>
<td>Markets</td>
<td>All</td>
<td>Strong Markets, plus Chicago, Los Angeles, and Washington, D.C.</td>
</tr>
<tr>
<td>Term</td>
<td>7 years</td>
<td>5, 7 or 10 years</td>
</tr>
<tr>
<td>LTV</td>
<td>Up to 80%</td>
<td>Up to 75%</td>
</tr>
<tr>
<td>Minimum DSCR (amortizing)</td>
<td>1.00x at maximum lifetime interest rate (4.00% + G&amp;S)</td>
<td>1.00x at Stressed Underwriting Rate (3.00% + LIBOR + Investor Spread + G&amp;S + Cap Cost Factor)</td>
</tr>
<tr>
<td>Initial Cap Term</td>
<td>Embedded</td>
<td>5 years</td>
</tr>
<tr>
<td>Prepayment</td>
<td>None in first year; 1% thereafter</td>
<td>None in first year; 1% thereafter</td>
</tr>
</tbody>
</table>
Reduced Occupancy Affordable Rehab (ROAR)

Immediate, permanent financing for major rehab allowing tenant displacement; no separate construction loan.

Benefits
- Interest-only payments during the renovation period
- Proceeds are fully funded at closing
- Up to 90% of “as stabilized” LTV during the rehab period
- During rehab:
  - Minimum occupancy of 50%
  - Minimum DSCR of 1.0x (interest-only basis)
  - Rehab costs up to $120,000 per unit
  - Increased leverage opportunities when underwritten to as-improved rents.

Competitive Advantage
- One loan solution for construction and permanent financing
- Initial cash execution and our single asset security allow for flexible loan terms and prepayment structures that can be tailored for any transaction
- Competitive pricing and terms
- Experienced, dedicated affordable team partners with you to provide expert solutions
Reduced Occupancy Affordable Rehab (ROAR) Key Terms

<table>
<thead>
<tr>
<th>Terms</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligible Properties</td>
<td>Stabilized MAH; rehab range typically $40K-$120K/unit</td>
</tr>
<tr>
<td>Eligible Sponsors</td>
<td>Strong sponsors with demonstrated tenant-in-place rehab track record</td>
</tr>
<tr>
<td>LTV</td>
<td>Up to 90% “as stabilized”</td>
</tr>
<tr>
<td>Term</td>
<td>5-30 years</td>
</tr>
<tr>
<td>Amortization</td>
<td>Up to 35 years</td>
</tr>
<tr>
<td>Rehab Period</td>
<td>12-18 months</td>
</tr>
<tr>
<td>Minimum Loan Size</td>
<td>$5 million</td>
</tr>
<tr>
<td>Loan Disbursement</td>
<td>Fully funded at closing; rehab funds escrowed by Lender</td>
</tr>
</tbody>
</table>
Reduced Occupancy Affordable Rehab (ROAR)

Before Loan Closing

90% Occupancy

During Rehab Period

50% Occupancy

At Stabilization

90% Occupancy

12-18 months

ASSET

LOAN

Cash B/S Immediate Funding

Rehab Escrow; Holdback (or LOC)

Terms:

Interest Only 1.00x (IO); 0.75x (amortizing)

MBS Securitized

Amortization 1.15-1.20x
Letter of Credit Standards

**THEN**  
Previous minimum rating was “AA-” by S&P or “Aa3” by Moody’s

**AND**

**NOW**  
New minimum rating is “A” by S&P or “A2” by Moody’s, with no negative outlook

### LOC Providers

<table>
<thead>
<tr>
<th>LOC Providers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank New York</td>
</tr>
<tr>
<td>HSBC Bank USA N.A.</td>
</tr>
<tr>
<td>TD Bank</td>
</tr>
<tr>
<td>US Bank</td>
</tr>
<tr>
<td>Wells Fargo</td>
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**+**

### 15 New Potential LOC Providers

<table>
<thead>
<tr>
<th>LOC Providers</th>
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</thead>
<tbody>
<tr>
<td>Bank of America, NA</td>
</tr>
<tr>
<td>Citibank, NA</td>
</tr>
<tr>
<td>HSBC Bank USA N.A.</td>
</tr>
<tr>
<td>JPMorgan Chase Bank, NA</td>
</tr>
<tr>
<td>Northern Trust Corp.</td>
</tr>
<tr>
<td>PNC Bank, NA</td>
</tr>
<tr>
<td>State Street Bank and Trust Co.</td>
</tr>
<tr>
<td>Federal Home Loan Banks (8)</td>
</tr>
</tbody>
</table>

Applicable any time an LOC is required
Choose the Fannie Mae Tax Exempt Bond Financing Solution that Works for You!

Fannie Mae offers very competitive pricing with the most flexibility, as well as the fastest and most reliable execution.

<table>
<thead>
<tr>
<th>MBS as Tax Exempt Bond Collateral (M.TEB)</th>
<th>MBS Side-by-Side</th>
<th>Bond Credit Enhancement (BCE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage-Backed Securities (MBS) issued to be used as collateral for Tax-Exempt Bonds</td>
<td>Immediate funding Mortgage-Backed Securities (MBS) issued simultaneously with Short Term Tax-Exempt Bonds</td>
<td>Credit Enhancement for Tax Exempt Bonds</td>
</tr>
</tbody>
</table>

Purpose: Finance the acquisition, new construction, refinancing, or moderate to substantial rehabilitation of MAH properties.

Execution: Immediate delivery or standby forward commitments available.

Eligibility: Can be used for either:
  i) new tax exempt bonds issued in conjunction with 4% LIHTC or
  ii) refundings of existing tax-exempt bonds.
MBS as Tax Exempt Bond Collateral (M.TEB)

Obtain a lower interest rate and significant savings over the life of the loan when combining the ease of our MBS execution with the benefit of tax exempt bonds.

Benefits
- Close faster with our unique delegated model
- Available for fixed-rate and variable-rate bonds
- 20-25 bps better pricing than traditional bond credit enhancement
- Interest-only is available
- Fannie Mae guaranteed direct pass through of principal and interest is more attractive to bond buyers
- No minimum or maximum loan size

Competitive Advantage
- Loan terms up to 30 years
- Declining prepayment options OR yield maintenance
- LTV’s up to 90%
- Available for taxable as well as tax-exempt bonds
- No master or special servicer with Life-of-loan servicing
- Delegated underwriting model provides certainty of execution
- Wide investor base offering attractive pricing due to the appeal of the MBS
- The industry’s most experienced Affordable Housing experts
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Taxable vs. Tax-Exempt Pricing

15 YR MMD vs 10 YR TREASURY

10 year history

Source: Municipal Market Data and U.S. Department of the Treasury
M.TEB Market

- M.TEB is designed to match a conventional MBS in all aspects, except that it is a municipal security – which can have tax exempt status.
- As innovators of the structure, RBCCM is the leading underwriter in the Single Family M.TEB market.
- Coming out of the credit crisis, the challenge was to bring nontraditional mortgage investors into the municipal bond market to support state HFAs, to widen the investor base.
- Because of our corporate structure, RBCCM was able to tap into the taxable fixed income desk and work closely with our mortgage and CMO distribution teams to identify new investors. Therefore, since executing our first single family MBS Pass-Through for Minnesota HFA in July of 2012, the Firm has senior managed 28 offerings totaling over $1billion in par value. This is more than double that our next competitor.

### Table: M.TEB Market

<table>
<thead>
<tr>
<th>State</th>
<th>Aggregate Par</th>
<th>Aggregate # of Series</th>
<th>Cumulative # of Institutional Orders</th>
<th>Total Orders as % of Aggregate Par</th>
<th># of Institutional Investors</th>
<th>Repeat Investors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colorado HFA</td>
<td>$53,030,000</td>
<td>1</td>
<td>$53,030,000</td>
<td>100.00%</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Florida HFC</td>
<td>$110,910,000</td>
<td>2</td>
<td>$385,850,000</td>
<td>323.66%</td>
<td>17</td>
<td>6</td>
</tr>
<tr>
<td>Iowa FA</td>
<td>$95,186,000</td>
<td>3</td>
<td>$242,122,000</td>
<td>254.37%</td>
<td>16</td>
<td>11</td>
</tr>
<tr>
<td>Illinois HDA</td>
<td>$140,883,000</td>
<td>3</td>
<td>$290,113,097</td>
<td>163.36%</td>
<td>13</td>
<td>10</td>
</tr>
<tr>
<td>Maryland CDA</td>
<td>$55,988,000</td>
<td>1</td>
<td>$85,700,000</td>
<td>117.35%</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Minnesota HFA</td>
<td>$462,910,000</td>
<td>10</td>
<td>$933,755,541</td>
<td>201.71%</td>
<td>25</td>
<td>18</td>
</tr>
<tr>
<td>New Mexico MFA</td>
<td>$80,984,000</td>
<td>5</td>
<td>$182,478,014</td>
<td>225.32%</td>
<td>12</td>
<td>10</td>
</tr>
<tr>
<td>Washington HFC</td>
<td>$393,700,000</td>
<td>1</td>
<td>$393,700,000</td>
<td>134.59%</td>
<td>4</td>
<td>4</td>
</tr>
</tbody>
</table>

Source: RBC Capital Markets

*RBC CM has additionally senior managed a single MBS Pass-Through offering for Pinellas County and Orange County not listed above*
Get the benefit of the lower of taxable or tax-exempt with the M.TEB

15 Year AAA MMD vs. 10 Year Treasury: September 26, 2014 to January 26, 2015

Source: Municipal Market Data and U.S. Department of the Treasury
Inaugural Fannie Mae M. TEB Structure

- $21,750,000 Illinois Housing Development Authority – Fullerton Court Apartments
- Development Type: Acq/Rehab
- Closing Date: January 26, 2015
- Bond Rating: Moody’s “Aaa”
- Term: Single 16 year Bond Maturity
- Bond Rate: 3.00%
- Bond Security: Fannie Mae MBS
- Underwriter: RBC Capital Markets
- Investors: CRA Investors, Insurance Companies and Money Managers
- Redemption: “Yield Maintenance” 1st 10 years; Par Call Thereafter
- Structure Savings:
  - Estimated Savings of 25-30 BP over traditional Fannie Mae Credit Enhancement Structure
  - Estimated Savings of 5 Basis Points over Taxable Conventional Fannie Mae MBS

Source: RBC Capital Markets
# Pricing Comparables

## Fannie Mae Tax Exempt MBS Pass Through Pricing Comparisons

<table>
<thead>
<tr>
<th>Issuer</th>
<th>Florida Housing Finance Corp</th>
<th><strong>Illinois Housing Dev Authority</strong> Fullerton Apartments</th>
<th>Bexar County Hsg Finance Corp</th>
<th>RBC Underwriter Pricing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development</td>
<td>Single Family</td>
<td>Fullerton Apartments</td>
<td>Park Ridge Apartments</td>
<td>Multifamily Development</td>
</tr>
<tr>
<td>Rating</td>
<td>Aaa</td>
<td>Aaa</td>
<td>Aaa</td>
<td>Aaa</td>
</tr>
<tr>
<td>Pricing Date</td>
<td>1/20/2015</td>
<td>1/21/2015</td>
<td>1/22/2015</td>
<td>1/21/2015</td>
</tr>
<tr>
<td>Credit Enhancement</td>
<td>MBS Open Resolution</td>
<td>Fannie Mae MBS Pass Through</td>
<td>Fannie Mae Credit Facility</td>
<td>Fannie Mae Credit Facility</td>
</tr>
<tr>
<td>Par Amount</td>
<td>$ 8,165,000</td>
<td>$ 21,750,000</td>
<td>$ 3,535,000</td>
<td>$ 20,000,000</td>
</tr>
<tr>
<td>Bond Maturity</td>
<td>7/1/2030</td>
<td>2/1/2031</td>
<td>2/1/2035</td>
<td>2/1/2031</td>
</tr>
<tr>
<td>Bond Interest Rate</td>
<td>3.200%</td>
<td>3.000%</td>
<td>3.500%</td>
<td>3.300%</td>
</tr>
<tr>
<td>Average Life</td>
<td>Varies</td>
<td>14.65 Years</td>
<td>11.765 Years</td>
<td>14.65 Years</td>
</tr>
<tr>
<td>MMD 15 Year Aaa Rate</td>
<td>2.15%</td>
<td>2.21%</td>
<td>2.25%</td>
<td>2.21%</td>
</tr>
<tr>
<td>Spread to 15 Yr MMD</td>
<td>1.050%</td>
<td>0.790%</td>
<td>1.250%</td>
<td>1.090%</td>
</tr>
<tr>
<td>Estimated Annual Savings of</td>
<td></td>
<td></td>
<td>0.300%</td>
<td></td>
</tr>
</tbody>
</table>

Fannie Mae Tax Exempt Pass Through over Traditional Fannie Mae Credit Enhancement:

Source: RBC Capital Markets and EMMA
M.TEB Structure

Step One: Lender makes loan to borrower and Bonds are sold publicly

- Lender makes loan to borrower and Bonds are sold publicly
- Bond proceeds used to fund Loans by Issuer to the Borrower for payment of qualified Project costs
- Bond Sale Proceeds
- Loan Proceeds deposited by lender, on behalf of borrower, with bond trustee
- Mortgage Loan assigned to Lender
- Proceeds to purchase the loan originated by Issuer; used to collateralize the Bonds until the MBS is delivered
- Bond proceeds used to fund Loans by Issuer to the Borrower for payment of qualified Project costs
- Bond Purchasers
- Bond Trustee/Bond Issuer
- Mortgage Loan, Note and Mortgage
- Bond Sale Proceeds

Lender

Borrower
M.TEB Structure

Step Two: Securitization

Trustee holds the MBS on behalf of the tax-exempt bond holders.

Lender/DUS Servicer

Fannie Mae

Delivery of Note and Mortgage

Delivery of MBS

Proceeds of the Loan used to pay for the purchase of the MBS

Transfer of MBS

Trustee
M.TEB
Cash Flows

Fannie Mae

Net 3.0%
(guaranty and servicing fees deducted)

DUS Servicer

4.5% less servicing fee

Issuer and Trustee fees

Issuer fees

Tax Exempt Bond Holders

Issuer

Borrower

Issuer fees

4.5% (Bond Rate plus G&S fees)

M.TEB

Trustee

Net 3.0%
# M.TEB: Items of Note

## Issuer Requirements
- State Law Requirements
- Issuer Fee Considerations

## Bond Team Participants
- Experience and legal interpretations of Bond Counsel
- Underwriter Selection Policies
- Rating Agency
  - [Moody’s has rated initial transactions (Aaa rating); S&P maximum rating would be AA+] (Moody’s has rated initial transactions (Aaa rating); S&P maximum rating would be AA+)

## Issuance Process
- Discuss overall transaction structure with bond team – Issuer, counsel, tax credit investor
- Fannie Mae requirements to post a preliminary official statement and requirements to price bonds
- Preliminary Official Statement components
  - (Summary of bond terms, summary of MBS terms, Lender Term Sheet, MBS Supplement)
# Flexible Application of M.TEB Structure

<table>
<thead>
<tr>
<th><strong>New Construction</strong></th>
<th><strong>Reduced Occupancy Affordable Rehabilitation (ROAR)</strong></th>
<th><strong>M.TEB – Variable Rate with Structured ARM</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction loan or letter of credit required</td>
<td>No Construction loan needed; rehab costs of up to $120,000 /unit</td>
<td>Term of 10 years (up to 18 years); LTV of 75%</td>
</tr>
<tr>
<td>Permanent bond pricing locked at issuance</td>
<td>Minimum occupancy of 50% and minimum DSC of 1.0% (interest-only)</td>
<td>Interest rate is established as the applicable index of 1 or 3 month LIBOR plus the Margin</td>
</tr>
<tr>
<td>Monthly payment of interest during construction phase</td>
<td>MBS Structure modified to provide Fannie Mae direct credit enhancement during rehab period which will convert to MBS upon completion of rehab</td>
<td>Interest Rate Cap Required for a minimum of 5 years</td>
</tr>
<tr>
<td>Upon Conversion, MBS will be delivered to the Trustee and secure the Bonds</td>
<td>Increased leverage opportunities when underwritten to as-improved rents</td>
<td>Varying Prepayment Options – One year lock-out followed by prepayment premiums starting at 1-4%</td>
</tr>
<tr>
<td>During the Construction phase, Borrower will pay debt service on the bonds and construction loan or letter of credit</td>
<td>Interest rate savings similar to full MBS Tax Exempt Pass Through Bond execution</td>
<td></td>
</tr>
</tbody>
</table>
Index Bonds

Credit Enhancement of variable rate tax-exempt Index Bonds or Floating Rate Notes (FRNs) with no put option, liquidity support or remarketing costs.

Key Terms and Benefits
- 10-30 year terms
- Amortization up to 35 years
- LTV up to 85%
- Minimum DSCR of 1.00x at the Underwriting Rate
- Interest rate cap period – 5 years
- New money issues, refundings or credit substitutions

<table>
<thead>
<tr>
<th>Marshall Field Garden Apartments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 Illinois Housing Development Authority – Variable Rate Issue</td>
</tr>
<tr>
<td>$102,000,000</td>
</tr>
<tr>
<td>10 year term</td>
</tr>
<tr>
<td>SIFMA Index + 100 bps</td>
</tr>
<tr>
<td>4% LIHTC – Acquisition &amp; Rehab</td>
</tr>
</tbody>
</table>
Index Bonds: Pricing Considerations

- Pricing of Floating Rate Notes is structured as a “spread” to the SIFMA or LIBOR index
- Pricing spreads change over time similar to the way credit spreads change
- In the current environment, investors generally do not want maturities beyond seven years
  - Current pricing is approximately SIFMA + 85-90 basis points in high demand states and SIFMA + 90-100 basis points in other states

<table>
<thead>
<tr>
<th>High Demand States</th>
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</thead>
<tbody>
<tr>
<td>New York</td>
</tr>
<tr>
<td>California</td>
</tr>
<tr>
<td>Connecticut</td>
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<tr>
<td>New Jersey</td>
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<tr>
<td>Maryland</td>
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<tr>
<td>Virginia</td>
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<tr>
<td>North Carolina</td>
</tr>
<tr>
<td>Georgia</td>
</tr>
</tbody>
</table>
Panel: The Sponsor’s Perspective

Tim Leonhard
Jones Lang LaSalle
Multifamily, LLC
Moderator

Robert Shephard
Marcus & Millichap
Tax Credit Group

Dave Pearson
Related

Mark Moorhouse
Dominium
Gram-MAH Awards
Greystone

Product Innovation – First Mover

Flexible Choice Bridge (ARM 7-4)
PNC

Product Innovation - First Mover

MBS as Tax-Exempt Bond Collateral (M.TEB)
Wells Fargo

Product Innovation – First Mover

Index Bonds
Dougherty

Product Innovation – First Mover

Reduced Occupancy Affordable Rehab (ROAR)
Citibank

Product Innovation – First Mover

Streamlined Rate Lock (SRL)
Arbor
5th most MAH Production in 2014
Pillar

4th most MAH Production in 2014
Wells Fargo

3rd most MAH Production in 2014
PNC

2nd most MAH Production in 2014
Capital One

Most MAH Production in 2014
Tim Leonard
Jones Lang LaSalle Multifamily, LLC
Top Originator
PNC
Best Dedicated MAH Underwriting Team