Affordable Housing Update

Concurrent Session

Tuesday, May 23, 2017
The MAH Standard

May 23, 2017

Six Month Lockout Now Available!
The Flexible Choice Bridge is even more flexible with this feature targeting deals that are pursuing resyndication.

FORWARD THINKING
Fannie Mae offers new options for 4% and 9% LIHTC Deals

MAH Expands Definition!
20% at 80% AMI qualifies under the Special Public Purpose Definition of MAH and volume has increased!
Why do we CARE about AFFORDABLE?

How do we WIN this BUSINESS?
Why do we care about affordable?

- Credit Strengths
- Book Performance
- Housing Goals
- Market Opportunity
- Cap Exemption

MAH
The Easy Path from Conventional to Affordable

Conventional

Workforce Housing & Naturally Occurring Affordable Housing

Special Public Purpose

Affordable

Vouchers

Tax Abatements / Sub Debt / Inclusionary Zoning

Regulatory Agreement

LIHTC / HAP
The Affordable Market Opportunity is BIG

Sources: National Low Income Housing Preservation Database, American Community Survey (2015)
Note that conventional figures are estimates.
New Supply of Affordable Diminishing

Low Income Housing Tax Credit Units (LIHTC) Projects placed in Service since 2000

Source: HUD Low Income Tax Credit Database as of October 2000-2012; Integratec Tax Credit Central estimates 2013-2016 based on HFA allocations.

* Estimates only based on HFA allocations. Integratec assumed 15% of the current year allocations, 60% of the prior year allocations and 25% of two years prior allocations would be placed in service. For example, 2014 reflects 15% of the 2014 allocations, 60% of the 2013 allocations, and 25% of the 2012 allocations.
Affordable Vacancy Rates are Very Low

Vacancies for Affordable properties are typically lower than market rate properties by approximately 150 – 300 bps, depending on the property type.

Sources: LIHTC – Integratec Tax Credit Central. Reis, Inc. for all other. Note that Subsidized based on vacancies at LIHTC and Project Based Section 8 Properties. *Projected
Affordable Rent Growth is Very Stable

Rent growth for Affordable properties is forecast around 2% over the next few years.

Source: Reis, Inc. Subsidized based on vacancies at LIHTC and Project Based Section 8 Units. * Projected
Why do Sponsors pursue MAH business?

**Market- Level Rents**
- Project-Based Housing Assistance Payment (HAP) Contracts
- Section 8 Vouchers

**Subsidies**
- Tax Abatements and Exemptions
- Subordinate Debt and Grants
- Low Income Housing Tax Credits
Strong Credit and a Growing Book of Business

**Book of Business**
- $32.4B as of 1Q 2017
- 12.8% of Total Multifamily BoB
- BoB growth of 13% since 2014

**Credit Quality**
- Credit Losses in 2014 - 1Q 2017: ($5M) (Gain)
- SDQ: 0.05% as of 3/31/2017

**Business Mix**
- Fixed Rate vs. Variable Rate
- New Products (M.TEB, DPP, Small)
- Loan Terms > 10 years
MAH’s Contribution to Housing Goals

Very Low Income Units (50% AMI or less)
- ~28,000 units
- 42% of total VLI units for MF

Low Income Units (80% AMI or less)
- ~52,000 units
- 15% of total LI units for MF

Housing Goals

Very Low Income (MAH %) - ~28,000 units
Low Income (MAH %) - ~52,000 units
Which Types of Business are Cap Exempt?

Deals with affordability restrictions are at least 50% cap exempt
How do we WIN this BUSINESS?
MAH Strategy

Getting the Business Done

Getting the Business Done

Getting the Word Out

Promotion, Marketing & Communications

Partners, Products & Pricing

People & Process

Fannie Mae Multifamily Affordable Housing
MAH Production 2013 – 1Q 2017 ($Billions)

87% Growth!

- 2013: $2.3
- 2014: $2.6
- 2015: $3.0
- 2016: $4.3
- 1Q 17: $1.8

Through 1Q 2017
Top MAH Lenders of 2016

1st: Wells Fargo Multifamily Capital
2nd: Pillar Multifamily, a division of SunTrust Bank
3rd: Greystone Servicing Corporation, Inc.
4th: Jones Lang LaSalle Multifamily, LLC
5th: Berkeley Point Capital, LLC
Great Products For Every Need – & More with MAH!

New Construction
- Near-Stab
- MBS Forward Commitment for LIHTC

Moderate Rehab
- Mod-Rehab
- Mod-Rehab Supplemental
- ROAR M.TEB

Other
- Credit Facility
- Green Small
- ARM 7-6 SARM
- DPP
- ARM 7-4
- SARM 80% LTV
- 6 month Lockout
- Index Bonds

Available for Conventional and MAH!

Additional products for MAH! – & More with MAH!
What is Special Public Purpose?

Special Public Purpose Eligibility:

- 3rd party restrictions
- Monitored by Public Entity
- Minimum 20% of the units affordable at 80% AMI
- Automatic 10 bps pricing discount

Use Conventional 4660 Underwriting Standards for Special Public Purpose deals
Special Public Purpose – Two Deal Examples

Property Characteristics #1
- 354 unit property in a California town.
- Tier 4 Refinance from bank bridge loan
- 20.3% of units affordable at 80% AMI
- Municipal Sponsorship, Tax abatement

Features Used #1
- Special Public Purpose Waiver
- 10 year full Interest Only loan
- 10 bps pricing waiver
- Underwritten as Conventional loan

Property Characteristics #2
- 285 units in High Cost East Coast Market
- Tier 2 Acquisition
- 28% at 80% AMI & 63% at 100% AMI
- 50% of UPB excluded from the FHFA cap

Features Used #2
- Special Public Purpose Waiver
- 40 bps Waiver off Conventional Grid
- 7 year fixed rate loan with 3 years IO
- Underwritten as Conventional loan
Flexible Choice Bridge: You Decide!

- ARM 7-6
- ARM 7-4
- SARM

Bridge Loan to Resyndication
Rehab, Reposition, & Re-Leverage
Convert Any Option to Fixed Long Term

New 6-month Lockout Option

• Up to 80% LTV
• Embedded or Third-Party Cap

• 7 and 10 year terms
• 1 year Lock Out, 1% thereafter
Flexible Choice Bridge to Resyndication Example

Property Characteristics

120 units in Strong West Coast Market
Tier 2 Acquisition
Existing HAP Contract in place
Property Built in 1984 and in need of Rehabilitation
Borrower intention to use LIHTC to pursue the rehab

Features Used

7-4 ARM Option chosen
20 bps pricing waiver to meet competition
80% LTV
Bridge to Resyndication Takeout to M.TEB
Fully Cap-Exempt and Housing Goal Rich
MBS as Tax-Exempt Bond Collateral (M.TEB)

Fannie Mae’s Mortgage-Backed Security (MBS) issued as collateral for bonds in lieu of our traditional Bond Credit Enhancement. M.TEB is designed to match a conventional MBS in all aspects, except that it secures a municipal security – which can have tax-exempt status.

The MBS has wide appeal in the taxable investor community, and the M.TEB brings those investors to the municipal bond market.
WOW! Low M.TEB Spreads and Pass Through Rates!

Pass-Through Rate | Spread to 10 year Treasury | Spread to 10 year
---|---|---
Fullerton | 3.00% | 1.13%
*Williamsburg | 3.45% | 1.15%
Woodland Towers | 2.85% | 1.17%
Crossing of East Ravenwood | 2.80% | 1.11%
Gates Manor | 2.63% | 1.08%
Skyline Place | 2.60% | 0.93%
Timberwood Trace | 3.40% | 0.88%
Watts Arms | 3.10% | 0.70%
Avaire Apartments | 2.89% | 0.63%

*Williamsburg bonds were marketed at a 101% premium to generate additional proceeds with a slightly higher interest rate.
### M.TEB Example: Avaire Apartments

**Property Characteristics**

<table>
<thead>
<tr>
<th>Feature</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lender:</td>
<td>Bellwether</td>
</tr>
<tr>
<td>Sponsor:</td>
<td>Shelter Resources</td>
</tr>
<tr>
<td>Property:</td>
<td>96 units</td>
</tr>
<tr>
<td>Location:</td>
<td>Everett, WA</td>
</tr>
<tr>
<td>Affordability:</td>
<td>100% at 60% AMI</td>
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<tr>
<td>Total Costs:</td>
<td>$17.4 million</td>
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<tr>
<td>Bond Issuance:</td>
<td>$11.0 million</td>
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</table>

**Features Used**

<table>
<thead>
<tr>
<th>Feature</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Term/Amort:</td>
<td>17 / 35 Years</td>
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<tr>
<td>Interest Only:</td>
<td>Two Years</td>
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<tr>
<td>Minimum DSCR:</td>
<td>1.15X</td>
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<tr>
<td>Maximum LTV:</td>
<td>90%</td>
</tr>
<tr>
<td>Interest Rate:</td>
<td>3.89%</td>
</tr>
<tr>
<td>COI Reimbursement:</td>
<td>75 bps</td>
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</tbody>
</table>
Choose Fannie Mae and the M.TEB

**Very Low Rates**
- No hidden costs
- **Wide investor base offering attractive pricing due to the appeal of the MBS**
- Declining prepayment options OR yield maintenance
- Pricing, credit and legal transparency

**Superior Execution**
- Well defined process
- Uniform communication across lender platform
- Consistent response times
- Available for taxable as well as tax-exempt bonds

**The DUS® Advantage**
- Predictable execution
- The industry’s most experienced Affordable Housing experts
- No other master or special servicer with life-of-loan servicing
- Delegated underwriting model provides certainty of execution

Very Low Rates
Superior Execution
The DUS® Advantage

Fannie Mae Multifamily Affordable Housing

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Getting the Word Out

Affordable Housing Finance recognizes Angela Kelcher as industry catalyst
Six individuals 30 and younger named AHP's 2016 Young Leaders
Read more >

Fannie Mae Multifamily Affordable Housing

Multifamily Affordable Housing Market Conditions & Trends
Economic and Strategic Analysis

Multifamily Affordable Housing Market Conditions & Trends
Preservation Database Helps Identify Subsidized Affordable Transactions
The advent of the National Low Income Housing Coalition Preservation Database helps identify subsidized affordable transactions. For instance, by matching the Freddie Mac (FMHC) database of multifamily transactions, sales of properties with subsidized apartment sales may be broken down into various subsidy types at the Luxury High Price

www.fanniemaemultifamilyaffordable.com

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