



# Fannie Mae Affordable Lender Meeting MAH Madness

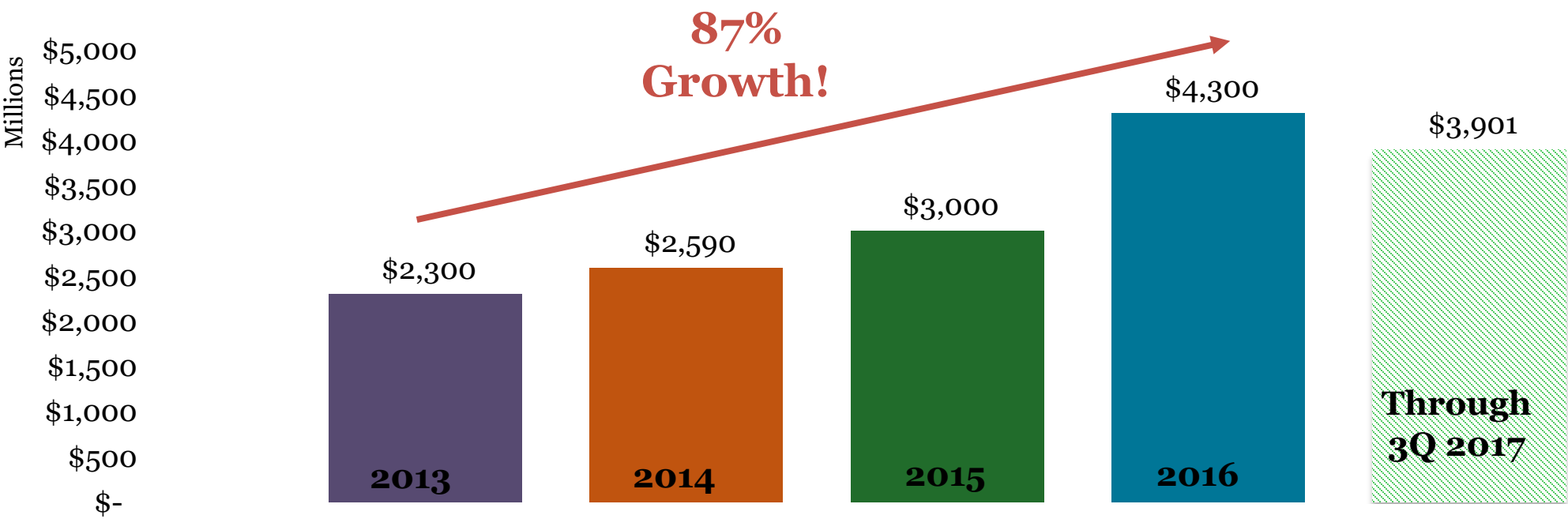
November 13, 2017

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# Our Stat Sheet

Team Name: **Multifamily Affordable Housing (MAH)**



**Q3 2017 Book Size: \$32.7B**  
**Q3 2017 SDQ: 0.02%**  
**Q3 2017 Credit Losses: \$1M**



## Multifamily Affordable Loans

We are committed to financing affordable housing sustainably and for the long term



[HUD Multifamily Data](#)  
[HUD LIHTC Database](#)  
[Tax Credit Central](#)  
[Affordable Housing Data Guidance Job Aid](#)

### Third Party Research

[Housing Research Repository](#)  
[The State of the Nation's Housing](#)  
[MBA Report Mind the Gap: A High-level Review of the Need for — and Supply of — Affordable Multifamily Rental Housing](#) **NEW name and link**

# Full-court “press”



#### Lender Updates

Multifamily MAH DUS Meeting 2017

#### Related Links

[Healthy Housing Rewards](#)  
[Green Financing](#)

#### The Affordable Loans Wire



Fannie Mae Continues Efforts in Affordable Housing with Rental Assistance Demonstration (RAD) Program

[Read More »](#)

#### Our Products

##### Affordable Financing Solutions

[Moderate Rehabilitation \(Mod Rehab\)](#)  
[Supplemental Mortgage Loan for Affordable Properties](#)  
[Affordable Housing Preservation Credit Facility](#)

##### M.TEB

[MBS as Tax-Exempt Bond Collateral \(M.TEB\) - Fixed Rate](#)  
[MBS as Tax-Exempt Bond Collateral \(M.TEB\) Competitive Advantage](#)  
[M.TEB Lender Job Aid: Register, Price, Commit, Close and Deliver an M.TEB Mortgage Loan](#)  
[FAQs: Mortgage-Backed Security as Tax-Exempt Bond Collateral \(M.TEB\)](#)

##### Bond Credit Enhancement

[Tax-Exempt Bond Credit Enhancement](#)  
[Credit Enhancement of Variable-Rate Tax-Exempt Bonds \(Index Bonds\)](#)

##### Bridge Financing Solutions

[Flexible Choice Bridge](#)  
[Flexible Choice Bridge Marketing Sheet](#)  
[FAQs: Flexible Choice Bridge: Six-Month Lock-Out Option](#)

#### Fannie Mae Research

[Sales of LIHTC and Section 8 Properties Slowed in First Half 2017](#)  
[Cities Strengthen Inclusionary Zoning Programs | Video](#)  
[Changing Zoning Laws Target Affordability, With Debt Financing Following](#)  
[Duty to Serve Attempts to Tackle Public Housing](#)

#### Affordable Housing Videos

Learn more about how we support affordable housing in communities across the United States



#### Stay Current

[Affordable Housing Finance — Industry News](#)  
[HUD Affordable Housing Publication "The Edge"](#)  
[Novogradac & Company Affordable Housing Resource Center](#)  
[The Office of the Controller of the Currency \(OCC\) Community Affairs Publications](#)

#### Useful Data Sites

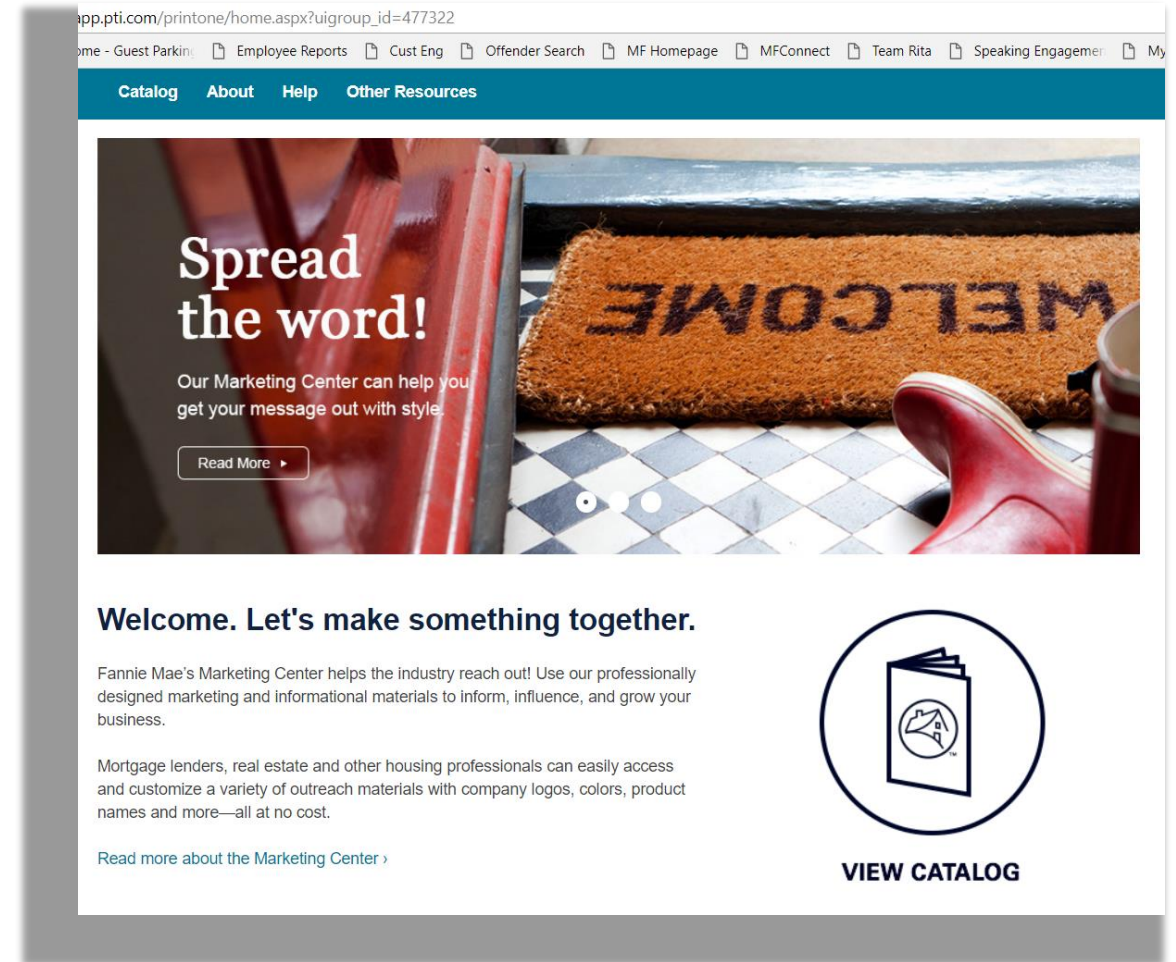
[National Housing Preservation Database](#)  
[State and City Funded Rental Housing Programs](#)  
[HUD Multifamily Data](#)





# Marketing Center: Customize, download, and go!

- Customized marketing sheets at your fingertips
- Choose which products to customize:
  - M.TEB
  - ROAR
  - Small Loans
  - SRL
  - SARM
  - ...more to come!



# A simple, intuitive interface

- Navigate from the Multifamily home page at [Fanniemae.com/multifamily](http://Fanniemae.com/multifamily)
- Create an account
- Choose which product sheet to customize
- Add your contact info and photo
- Print, send, save, and go!
- Your download history is always available in your account

The screenshot shows a web browser window with the URL `/marcomcentral.app.pti.com/bk/FannieMae/signup.aspx?uigroup_id=477322`. The browser's address bar and tabs are visible at the top. The page header features the Fannie Mae logo and the text "Marketing Center". The main heading is "Marketing Center Account Setup", followed by a descriptive paragraph. The "Create an Account" section includes instructions and a form with the following fields: First Name (filled with "Cara"), Last Name (filled with "For"), Company Name (filled with "Fannie Mae"), Email (User name) (filled with "multifamily\_communications@fanniemae.com" and marked as "Invalid Email"), Password (filled with "\*\*\*\*\*"), Confirm Password (filled with "\*\*\*\*\*"), a dropdown menu for "Select Single-Family or Multifamily" (with "2 - Multifamily" selected), a dropdown for "Select a Security Question" (filled with "What city were you born in?"), and a Security Question Answer (filled with "\*\*\*\*\*"). A red asterisk indicates a required field.



# Marketing Center: Customized marketing sheet example



## MBS as Tax-Exempt Bond Collateral

Fannie Mae's MBS as Tax-Exempt Bond Collateral (M.TEB) is your one-size-fits-all bond solution.

Fannie Mae is bringing the reliability and flexibility of our renowned MBS to the bond world with our M.TEB execution. By combining the ease of our MBS execution with all the benefits of tax-exempt bonds, borrowers get a lower interest rate and significant savings over the life of the loan.

This execution can be used to finance the rehabilitation of Multifamily Affordable Housing (MAH) properties. Fannie Mae issues MBS that can be used as collateral for either existing bond refunding or new bond issues in conjunction with 4% Low-Income Housing Tax Credits (LIHTC). Options are available for taxable or tax-exempt and fixed- and variable-rate bonds.

**Fannie Mae Multifamily works with its lenders to provide borrowers with the financing solutions they need.**

For more information, please contact:



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Fannie Mae  
(972) 773-7486  
angela\_kelcher@fanniemae.com  
fanniemae.com/multifamily  
Dallas, TX

### Fast and competitive


- Interest-only is available
- Fannie Mae guaranteed direct pass-through of principal and interest is more attractive to bond buyers
- Declining prepayment options or yield maintenance
- LTV ratios up to 90%
- Wide investor base offers attractive pricing due to the appeal of the MBS

### Rely on us

- Single-asset security allows for customized loan structures
- Delegated risk-sharing model provides certainty of execution, faster decisions and quicker loan closings
- Experts who know the business and understand complex transactions
- Life-of-loan servicing means no other master or special servicer and seamless post-closing activities

[fanniemae.com/multifamilyaffordable](https://fanniemae.com/multifamilyaffordable)

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## Our terms at a glance

**Fannie Mae M.TEB**

Eligible properties	4% LIHTC, 80-20s and refunding of existing bonds
LTV	Up to 90%
Funding options	Immediate or standby forward commitment
Amortization	Up to 35 years
Term	10-30 years
Minimum DSCR	1.00x for Structured ARM 1.15x for fixed
Interest only	Partial- and full-term interest-only loans are available
Taxable or tax-exempt interest	Tax-exempt or taxable
Prepayment terms	Yield maintenance or declining prepayment options tailored to transaction requirements





# Healthy Housing Rewards



“When we strengthen the connection between affordable housing and the long-term health and stability of the people and families who live there, we help create more sustainable communities across the country.”

”

Jeffery Hayward, Executive Vice President, Multifamily, Fannie Mae





# Rewards for Healthy Design

Rewards multifamily affordable borrowers whose properties incorporate **health-promoting design elements**.



Fannie Mae affordable borrowers benefit from a **pricing incentive & reimbursement of the cost of certification**.

Multifamily Affordable Housing properties where at least **60% of the units are serving tenants at 60% of AMI** or less are eligible.



- For more information visit the Fannie Mae website <https://www.fanniemae.com/multifamily/healthy-housing-rewards>
- Download the **Fitwel<sup>SM</sup> Residential Scorecard** @ [www.fitwel.org](http://www.fitwel.org)
- Mark your calendars for **Lender Training** on December 11<sup>th</sup>





# Top Ten Trends Affecting Multifamily Affordable Housing

Tanya Zahalak  
Multifamily Economist

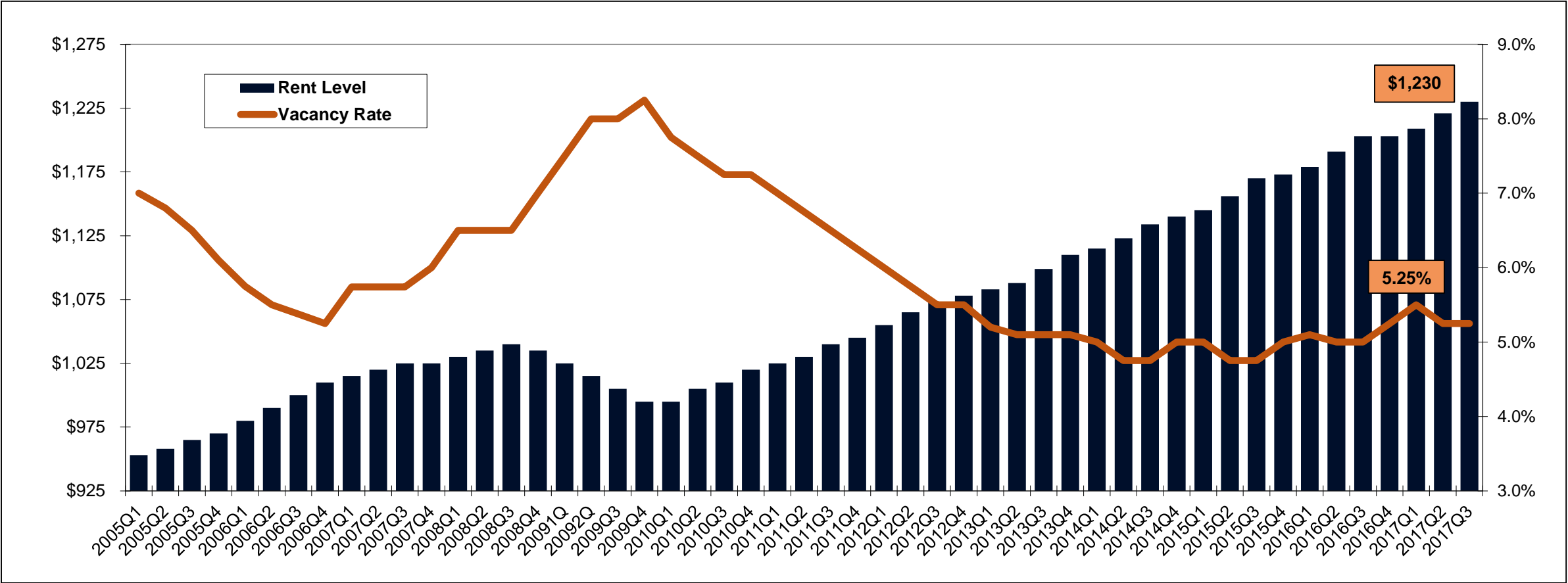




# Trend 1: The Conventional Market Remains Tight

Multifamily vacancy remains at historic lows, coupled with 30 quarters of stable or growing rents...

Estimated National Rent Level and Vacancy Rate

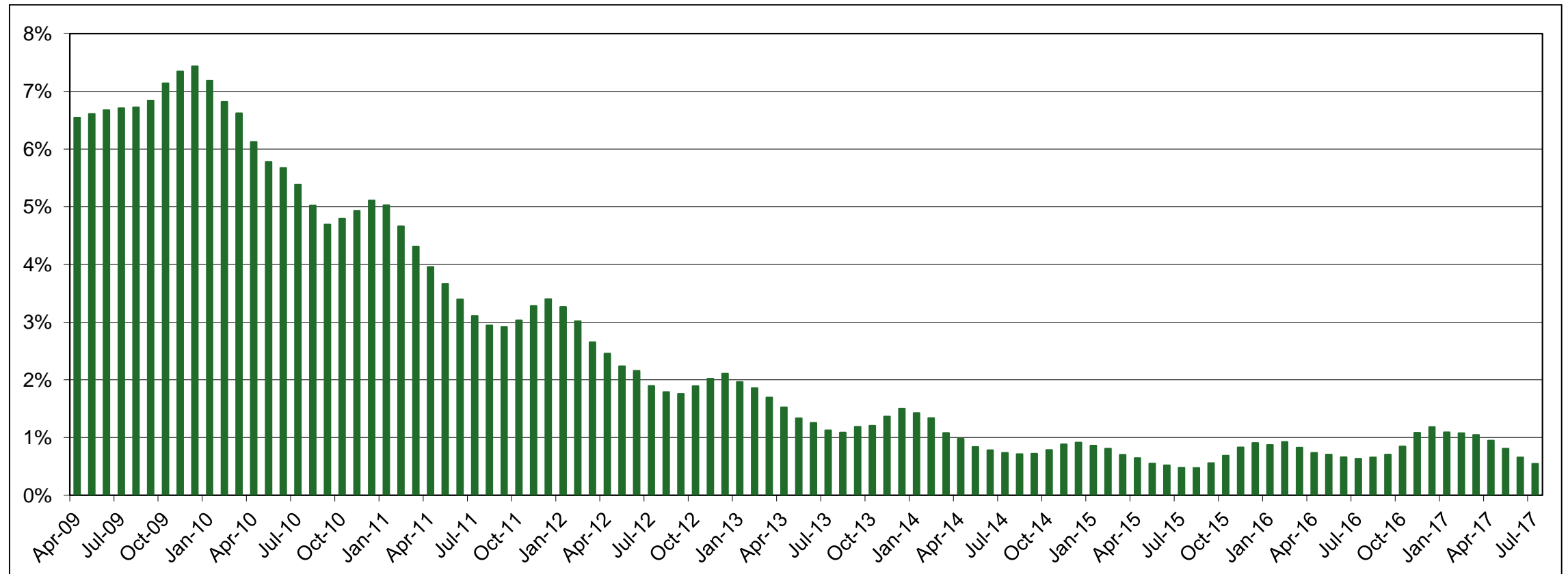


Source: Fannie Mae Multifamily Economics and Market Research Estimates



...and concessions have returned to the lowest rates seen in a decade.

## National Concession Rate



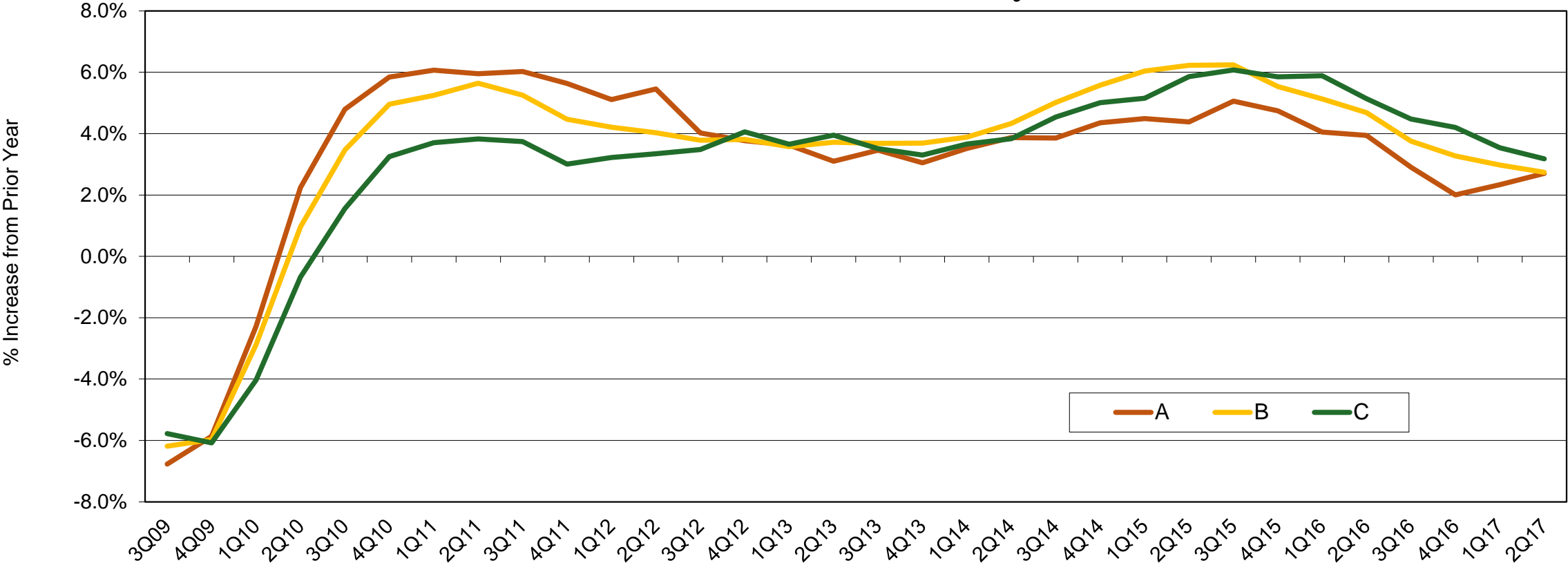
Source: Axiometrics



# Trend 2: Class B/C Remains At Least As Strong As Class A

While rent growth is slowing, class B/C rent growth remains at or above levels seen for Class A rent growth...

National Effective Rent Growth by Class



Source: Axiometrics

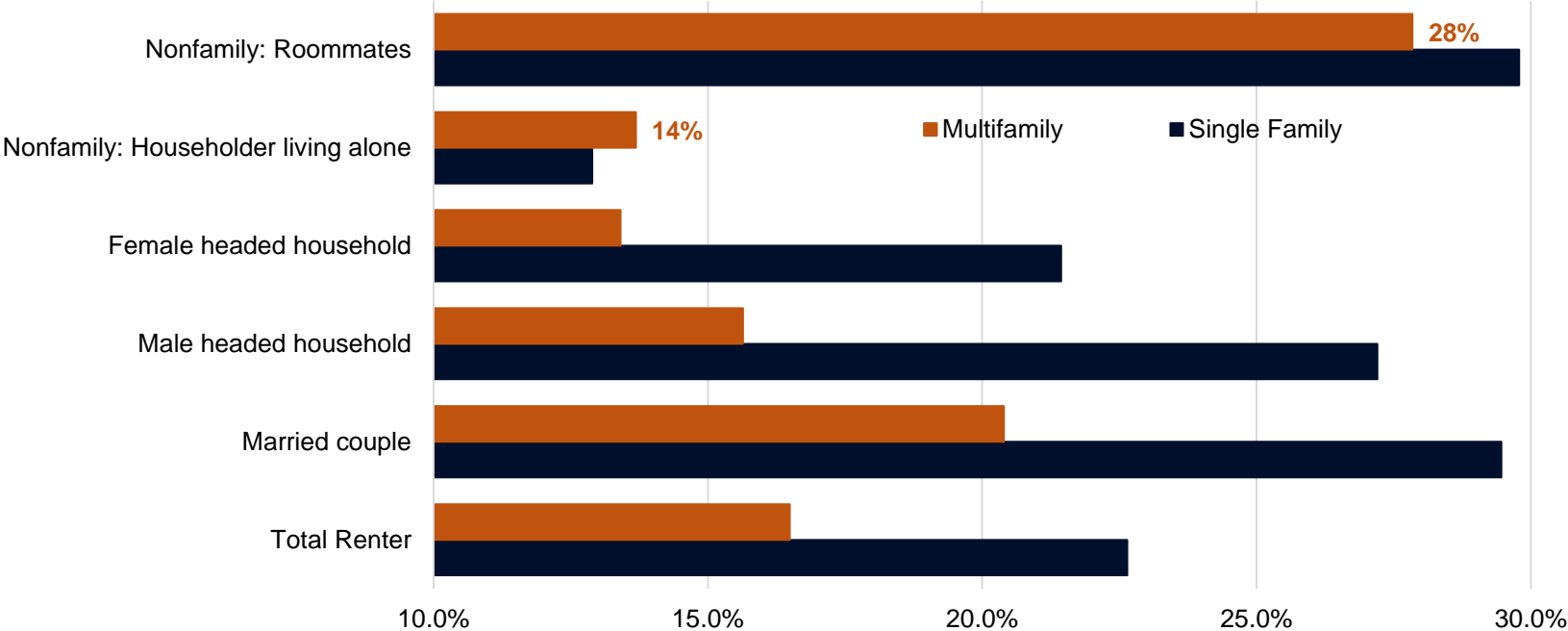




# Trend 3: Roommates Doubling Up to Afford Rents

...supported by rapidly growing roommate renter households. Roommate households grew at the fastest pace over the last decade supporting occupancy and rent growth.

Change in Renter Households by Type 2006-2015 (%)



Source: American Community Survey

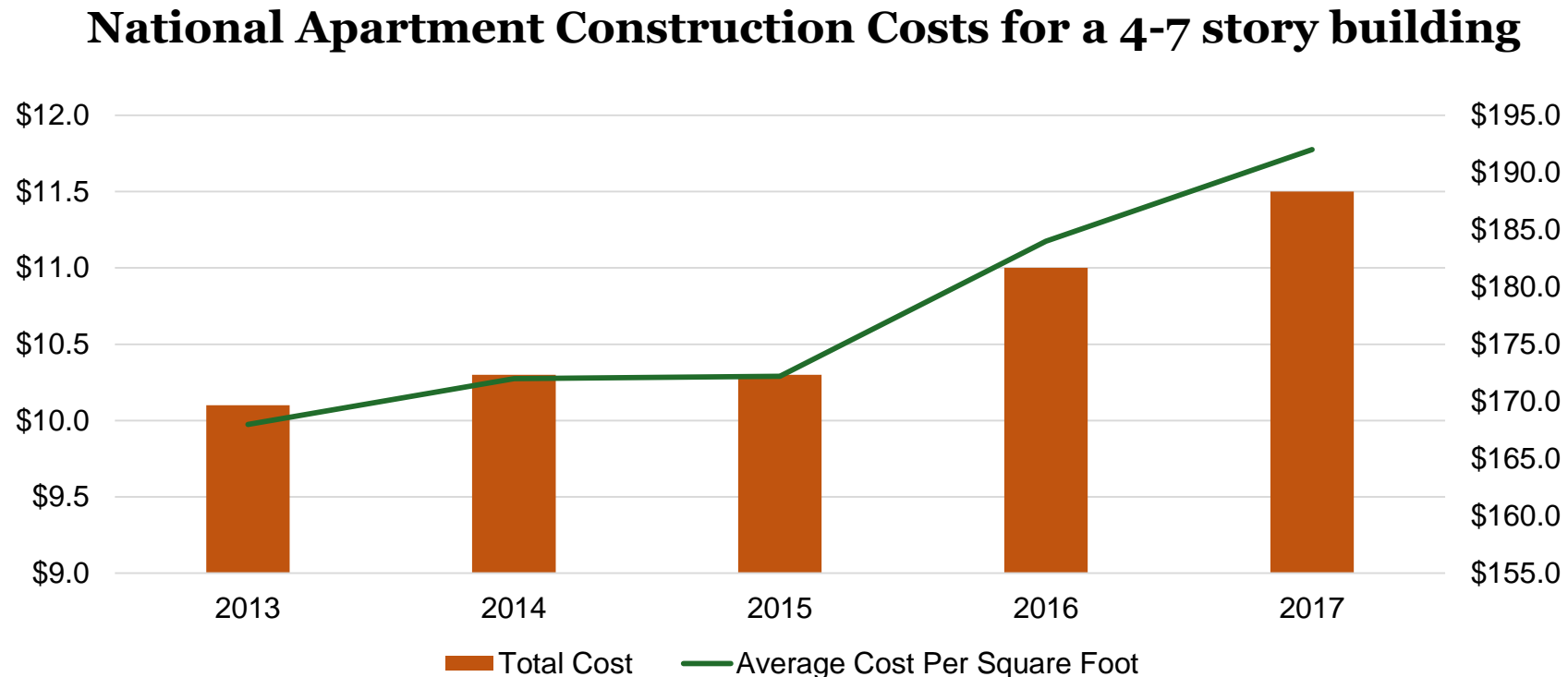


# **Trends in Subsidized Affordable Multifamily (MF)**



# Trend 4: Construction Costs Keep Rising

Construction costs keep rising making preservation of existing affordable apartments even more important.



Source: RSMeans

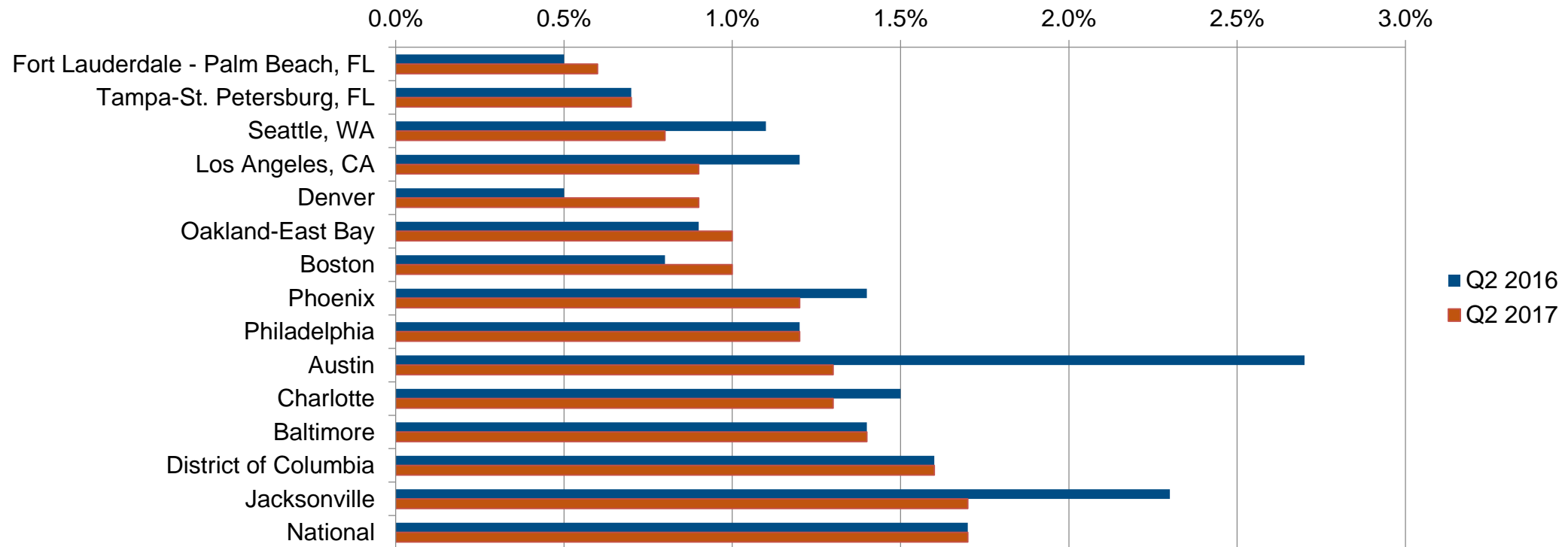




# Trend 5: Vacancies Fell or Remained Unchanged in 65 Metros

While vacancies for subsidized properties are just 1.7% nationally, major metro areas have much tighter vacancies which also continue to decline...

## Trends in Median Vacancy Rates for Largest Metropolitan Areas (%)

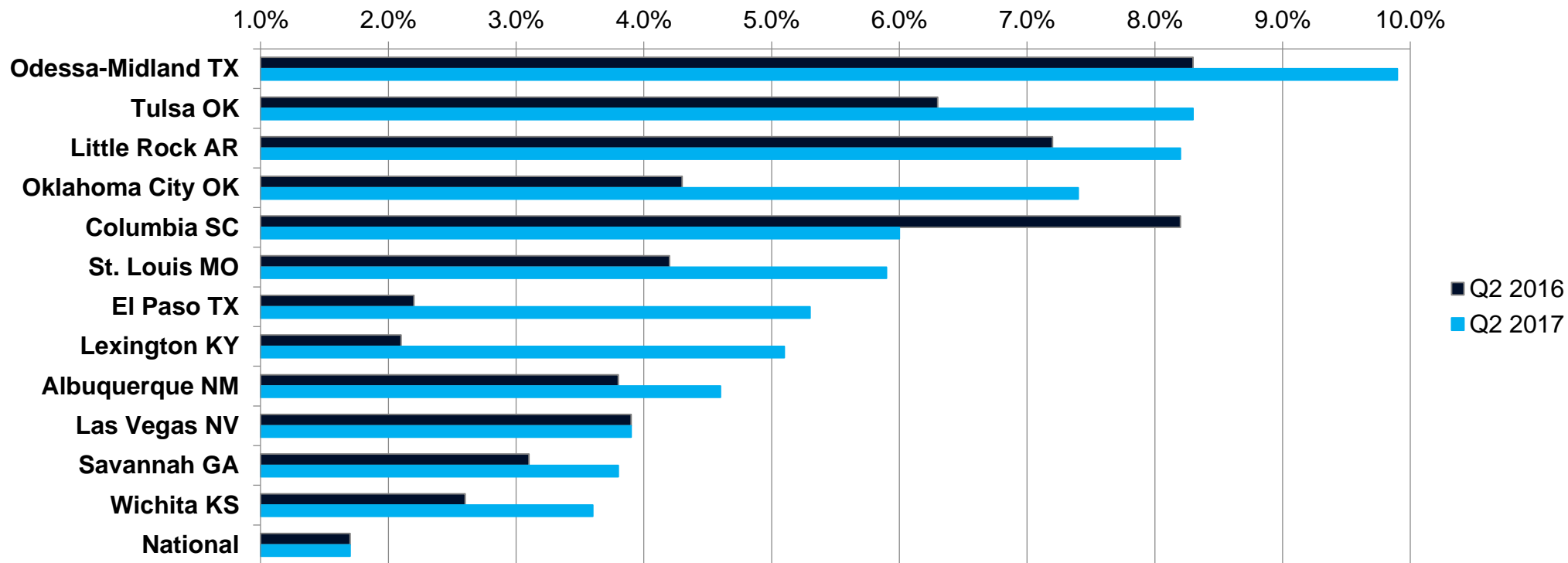


Source: Reis, Inc.



...only a handful of metros now have vacancy rates above 3.5% and they are the smaller metros. Oil and gas metros showed some of the biggest increases in vacancy.

### Select Metros with the Highest Median Vacancy Rate as of Q2 2017 (%)



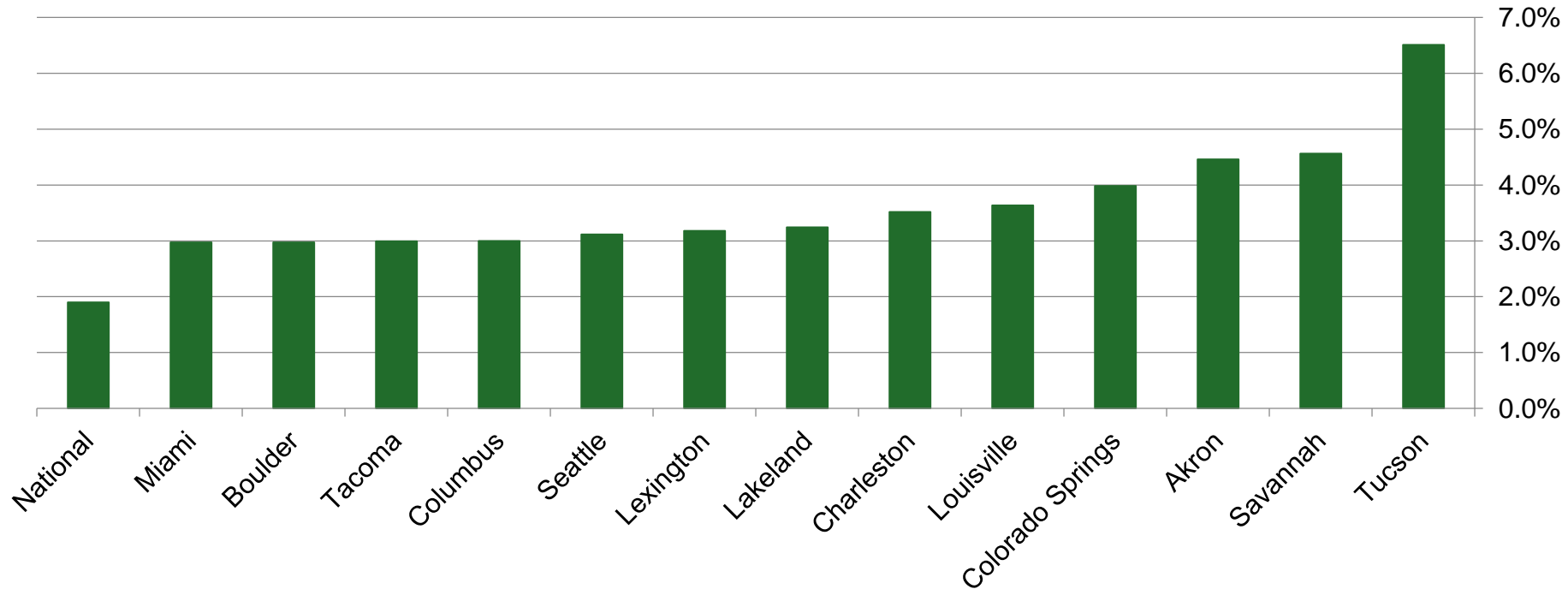
Source: Reis, Inc.



# Trend 6: Rents At Subsidized Affordable MF Properties Rose by a Healthy 1.9%

Rents grew by 3.0 percent or more in 13 metros...

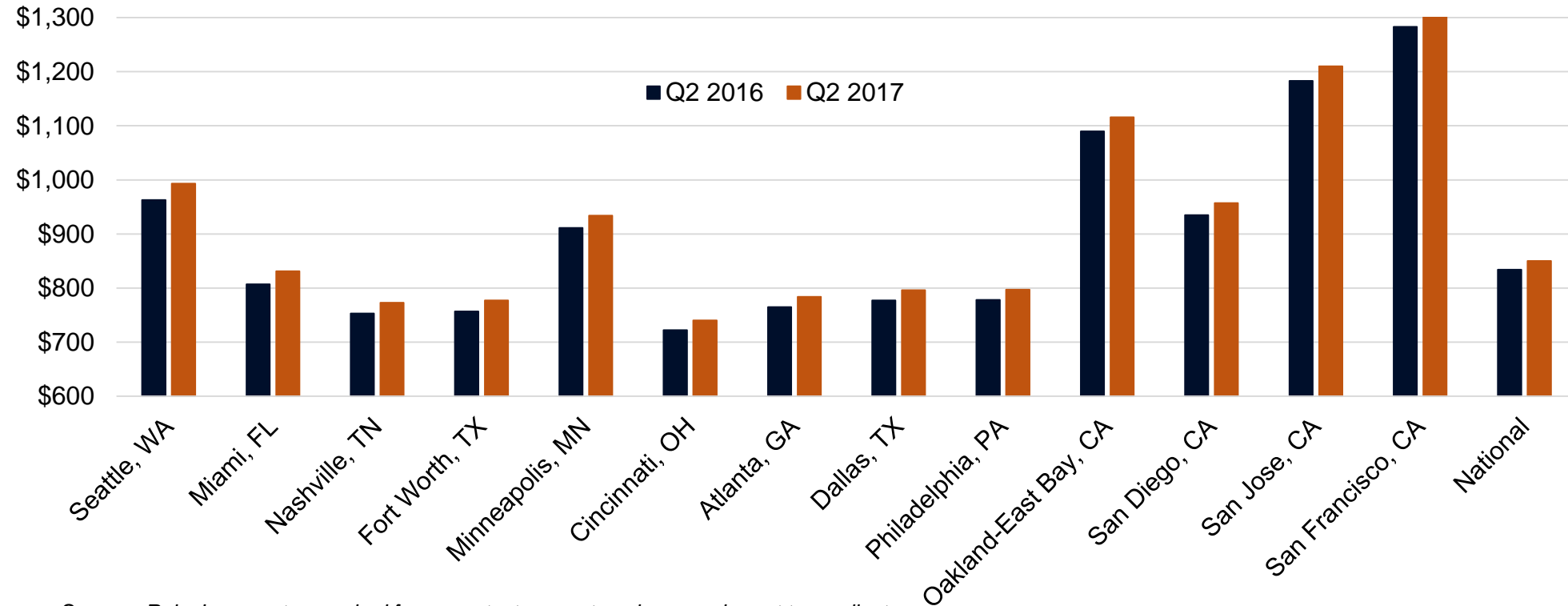
**Metro Areas with the Fastest Growing Rents (%)**  
(year over year as Q2 2017)



Source: Reis, Inc.

... and large metros in the south and west showed even stronger rent growth.

### Median Asking Rents for LIHTC & Section 8 Units – Largest Metros (\$)



Source: Reis, Inc. ; metros ranked from greatest percentage increase in rent to smallest.

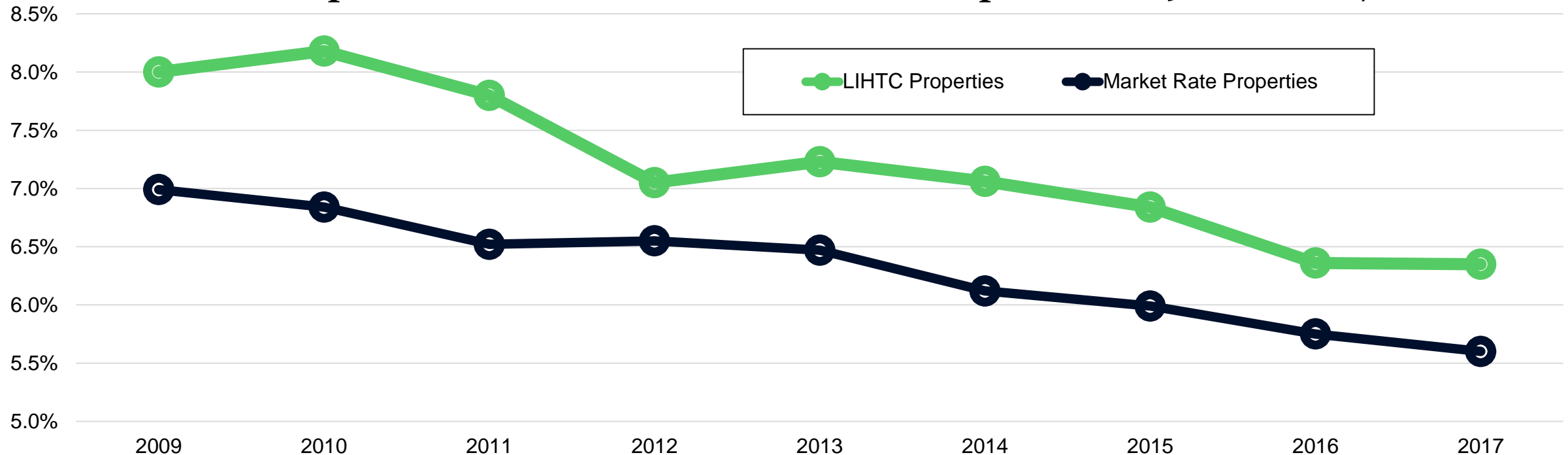




# Trend 7: Cap Rates for Subsidized Affordable MF Properties Continue to Fall

Cap rates for investment-grade properties subsidized with LIHTC fell to 6.4%, just above the 5.6% rate for conventional properties.

**Median Cap Rates for LIHTC and Conventional Properties 2009 – YTD 2017**



Source: CoStar Group, YTD 2017 represents transactions through October 23, 2017

Note: Cap rates for LIHTC properties approximated by Affordable Rent-Restricted Category; Cap rates for market rate properties exclude any properties identified as having an affordable component.

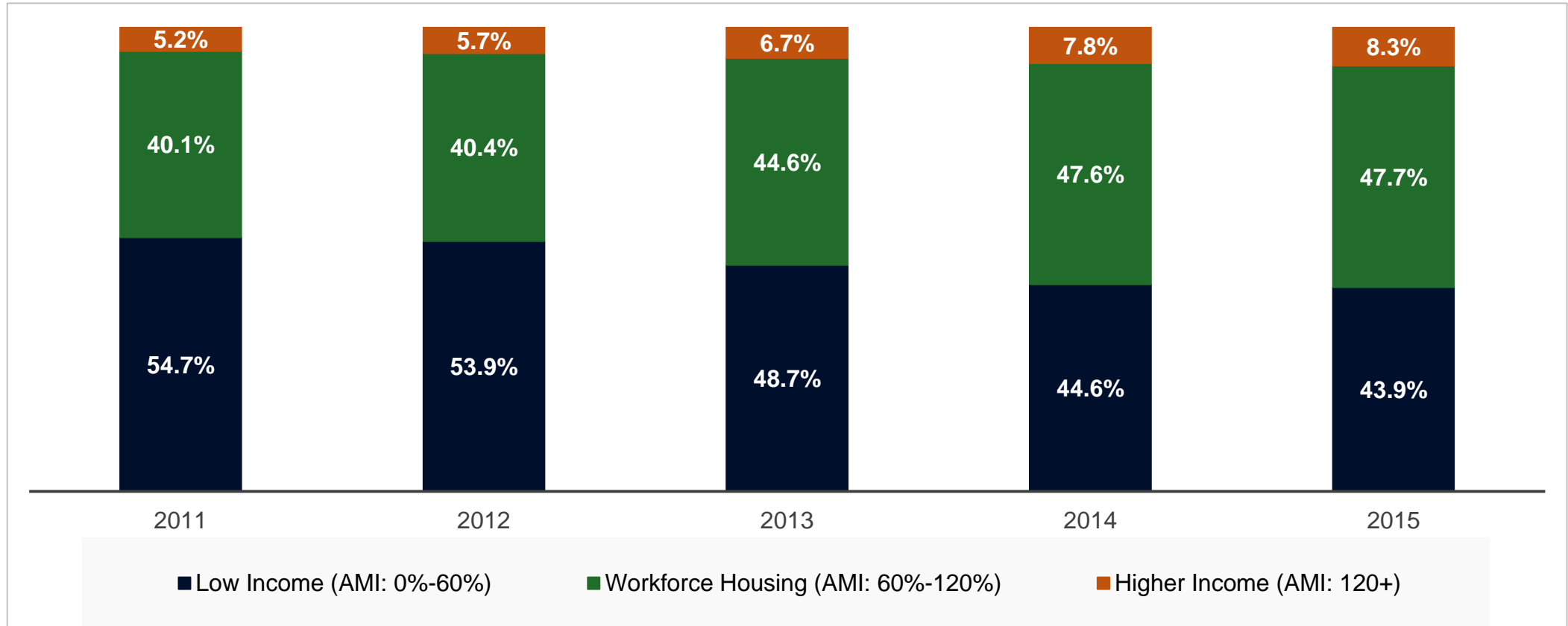


# **Keep in Mind...**



# Trend 8: There has been a substantial decline in affordability of MF rental housing...

## Breakout of Multifamily Rental Housing Supply by Affordability Category



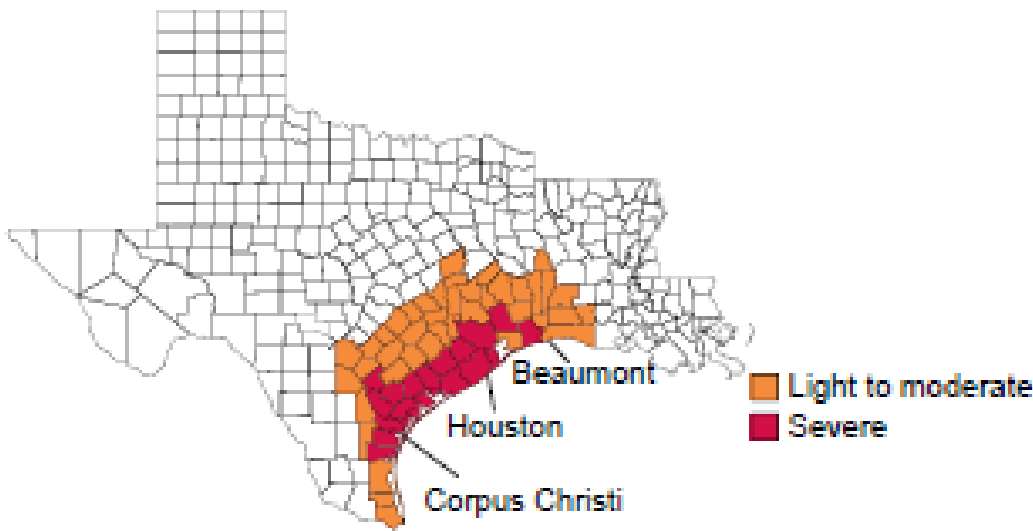
Source: Fannie Mae, American Community Survey (ACS)

ACS data is provided at the PUMA level (which has minimum population of 100k). This tool rolls up from PUMA to CBSA level. When CBSA boundaries do not match PUMA boundaries, whichever CBSA represents the largest share of the PUMA population will be assigned the whole PUMA population.



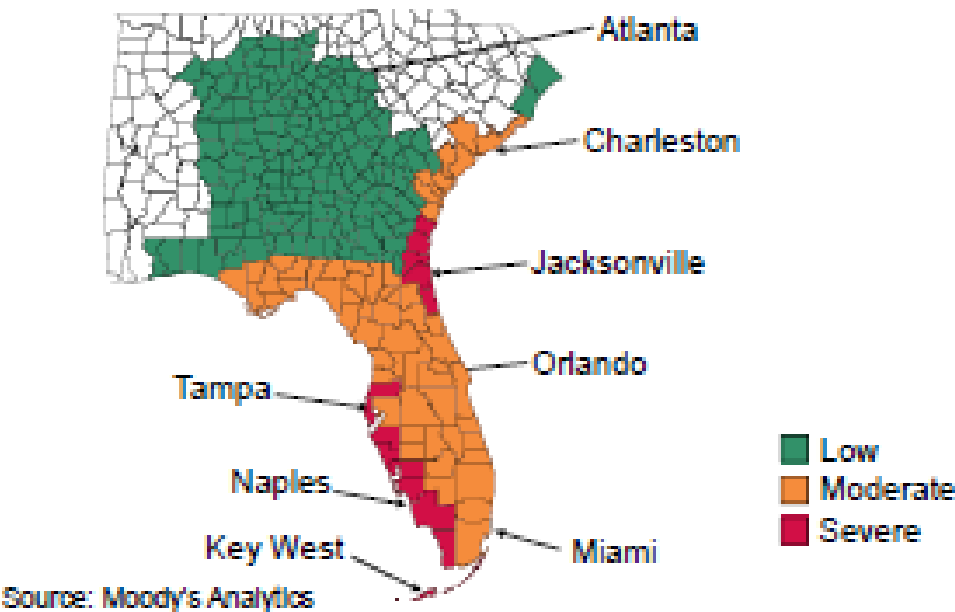
...and Hurricanes Harvey, Irma and Maria affected the housing stock in some of the most affordable areas of the country.

**Texas Economic Impact by County**



Source: Moody's Analytics

**Florida Economic Impact by County**

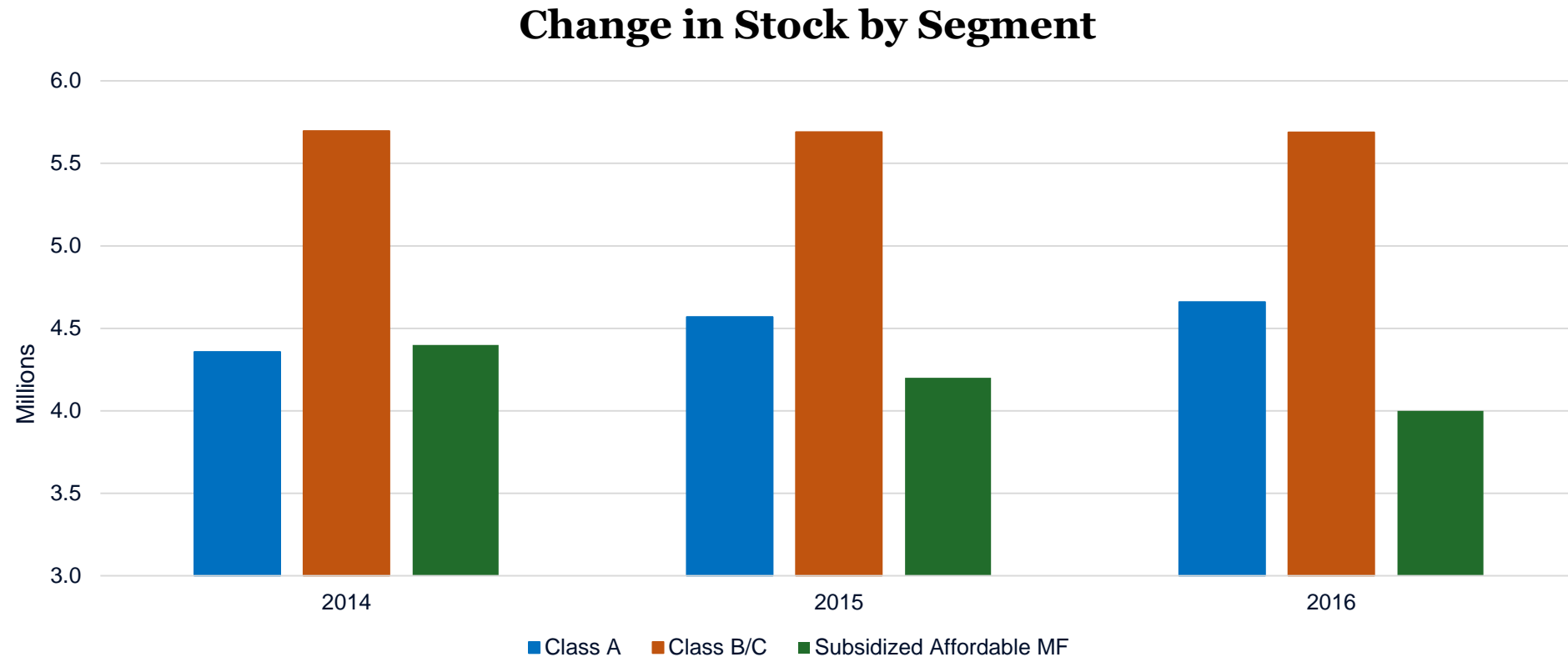


Source: Moody's Analytics



# Trend 9: There is Still More Naturally Occurring Affordable MF Than Subsidized Affordable MF

The majority of investment grade rental stock continues to fall in the Class B/C segment.



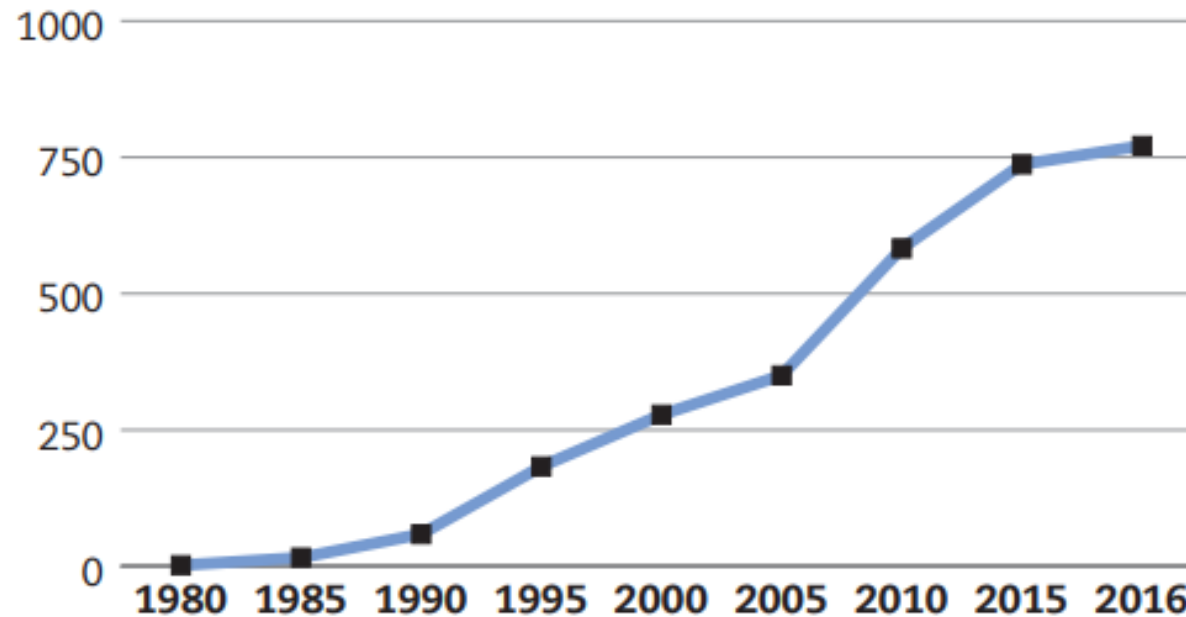
Source: REIS, Inc.; Class B/C based on investment grade properties. National Low Income Housing Preservation Database for Subsidized Affordable Properties, excludes public housing. Note that the Preservation Database presents a snapshot in time. 2015 Data is an average of the data presented in 2014 and 2016. Subsidized Affordable MF excludes public housing and units where there are tenant-based vouchers.



# Trend 10: The Number of Funds Able to Provide Gap Financing Has Been Rising.

The number of City, State and Local Housing Trust Funds has been rising since the end of the recession and now totals about 770 funds, many of which provide gap financing.

**Number of City, State and Local Housing Trust Funds**



Source: *The 2016 Housing Trust Fund Report*

