



Fannie Mae



# Affordable Housing Update

Concurrent Session

Tuesday, May 23, 2017



# Fannie Mae

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# The MAH Standard

May 23, 2017

Issue: WOW2017ROCKS

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!



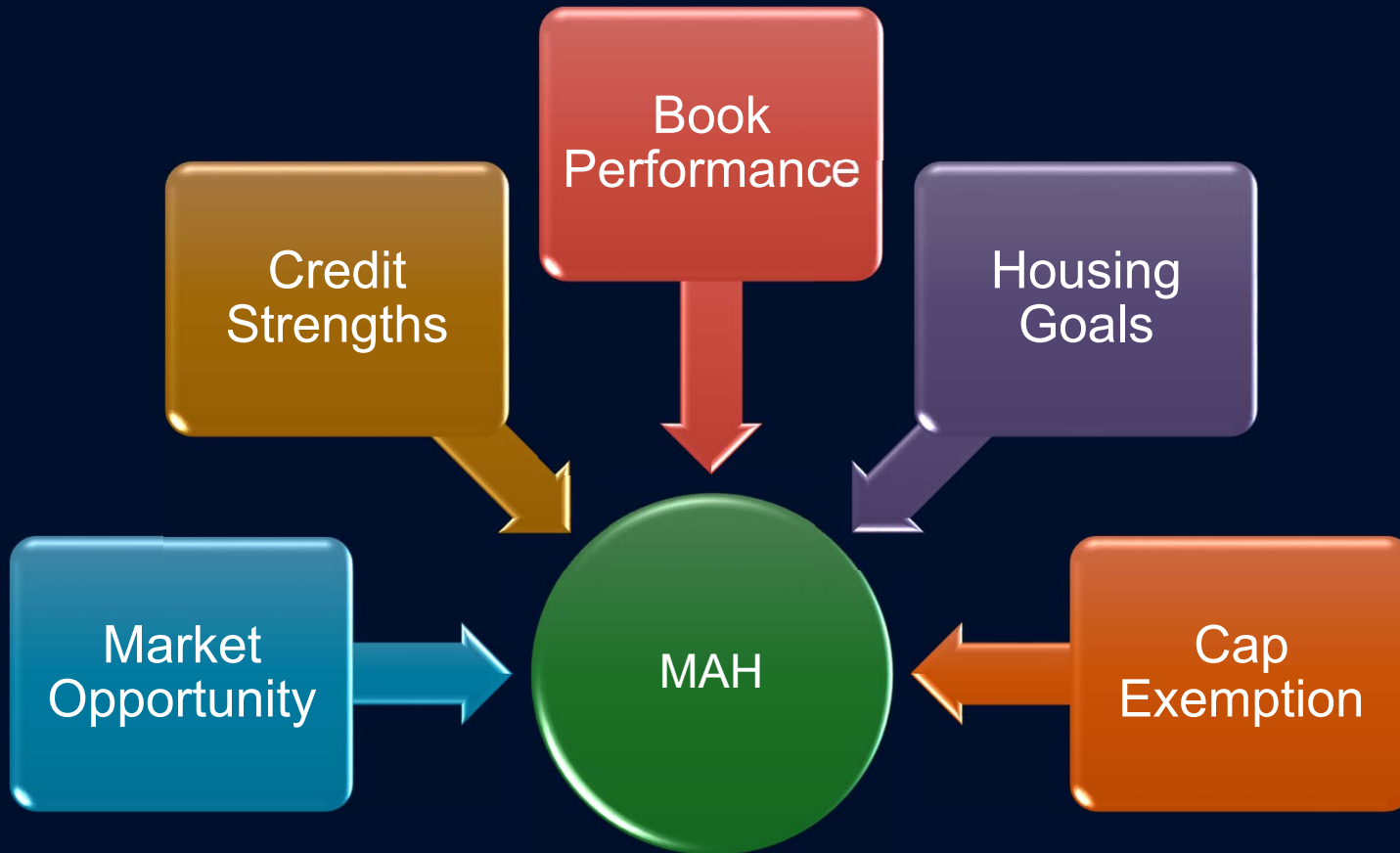
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Why do we  
**CARE** about **AFFORDABLE**?

How do we  
**WIN** this **BUSINESS**?

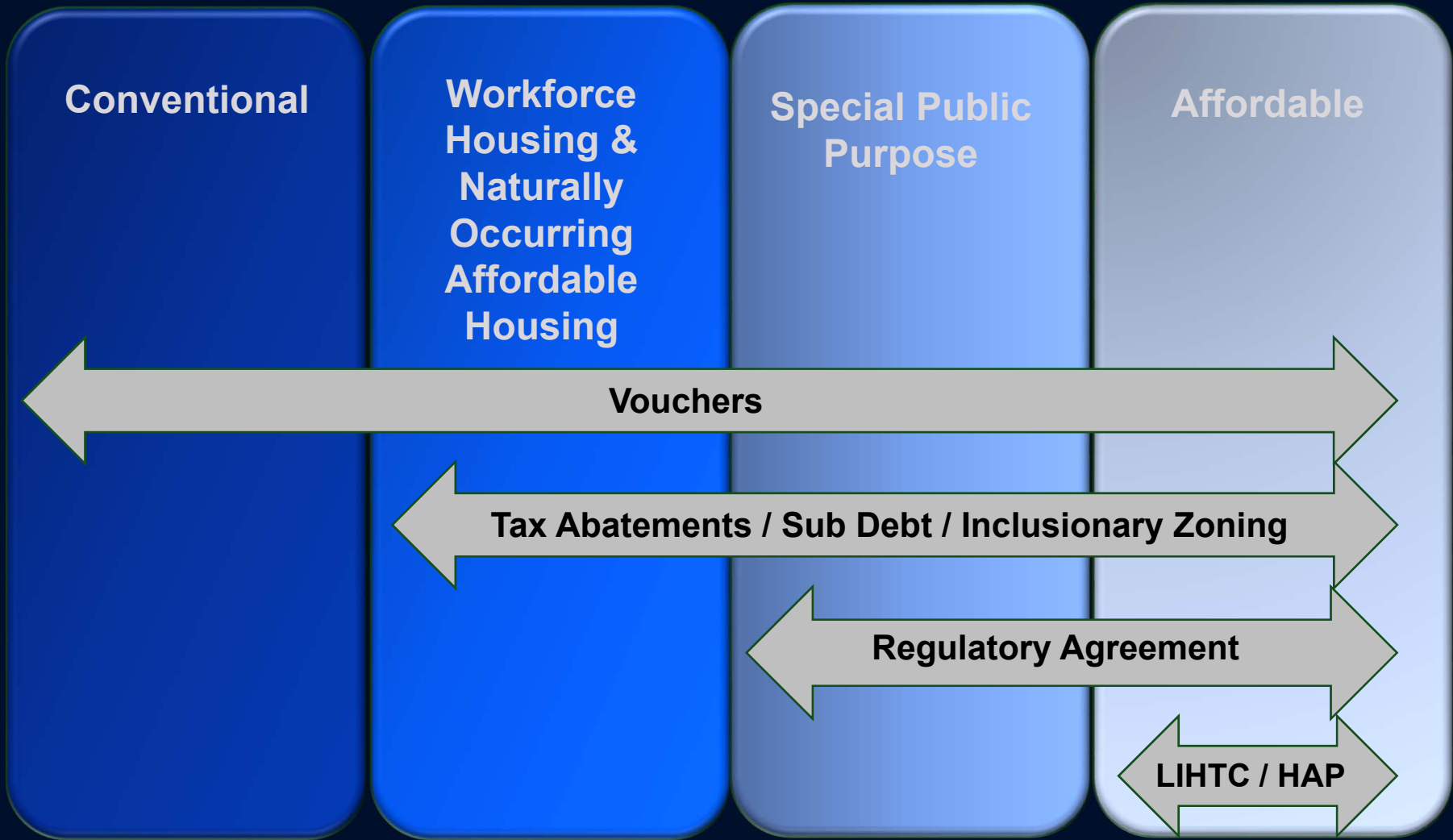


## Why do we care about affordable?



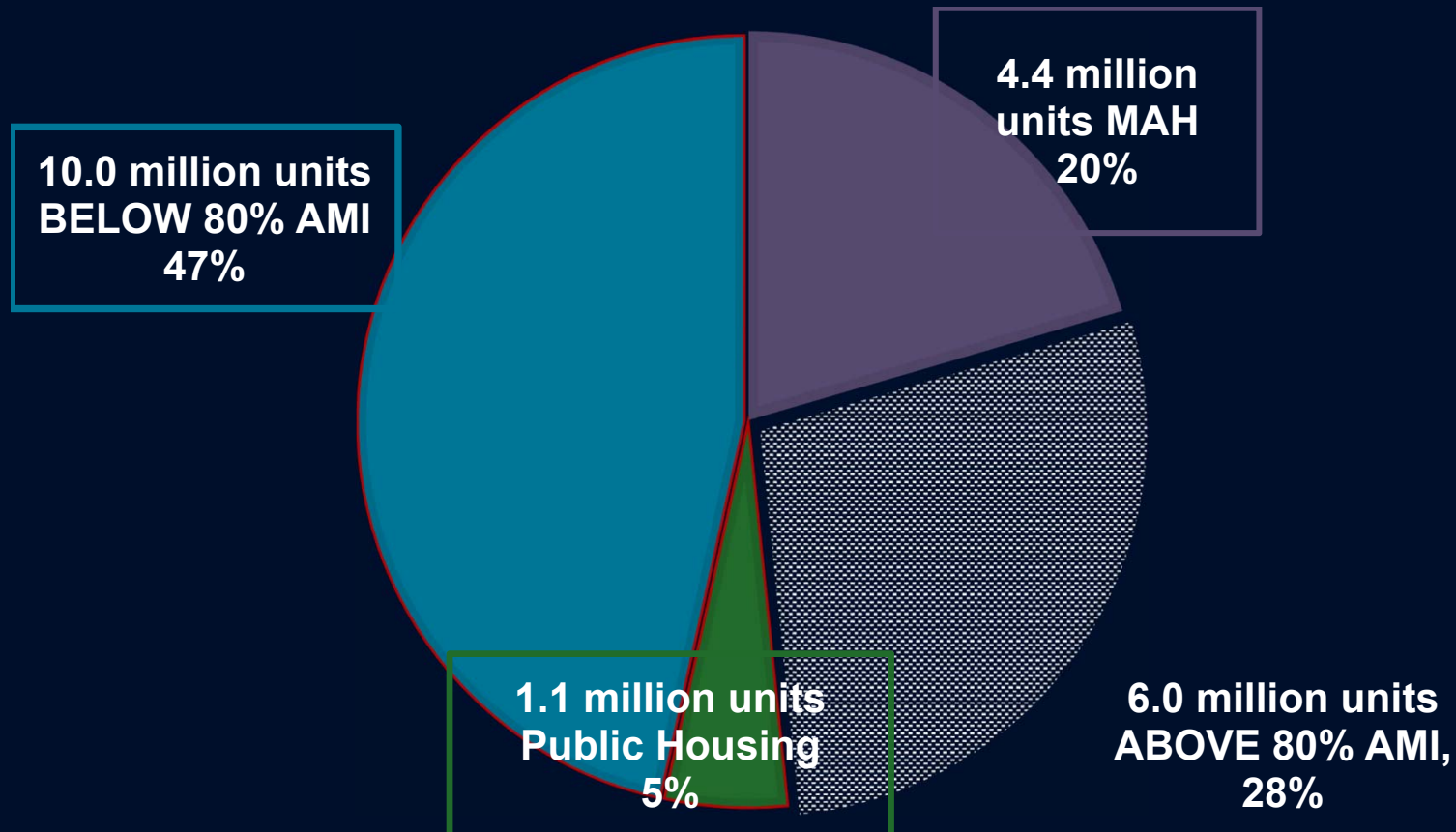


# The Easy Path from Conventional to Affordable





# The Affordable Market Opportunity is BIG

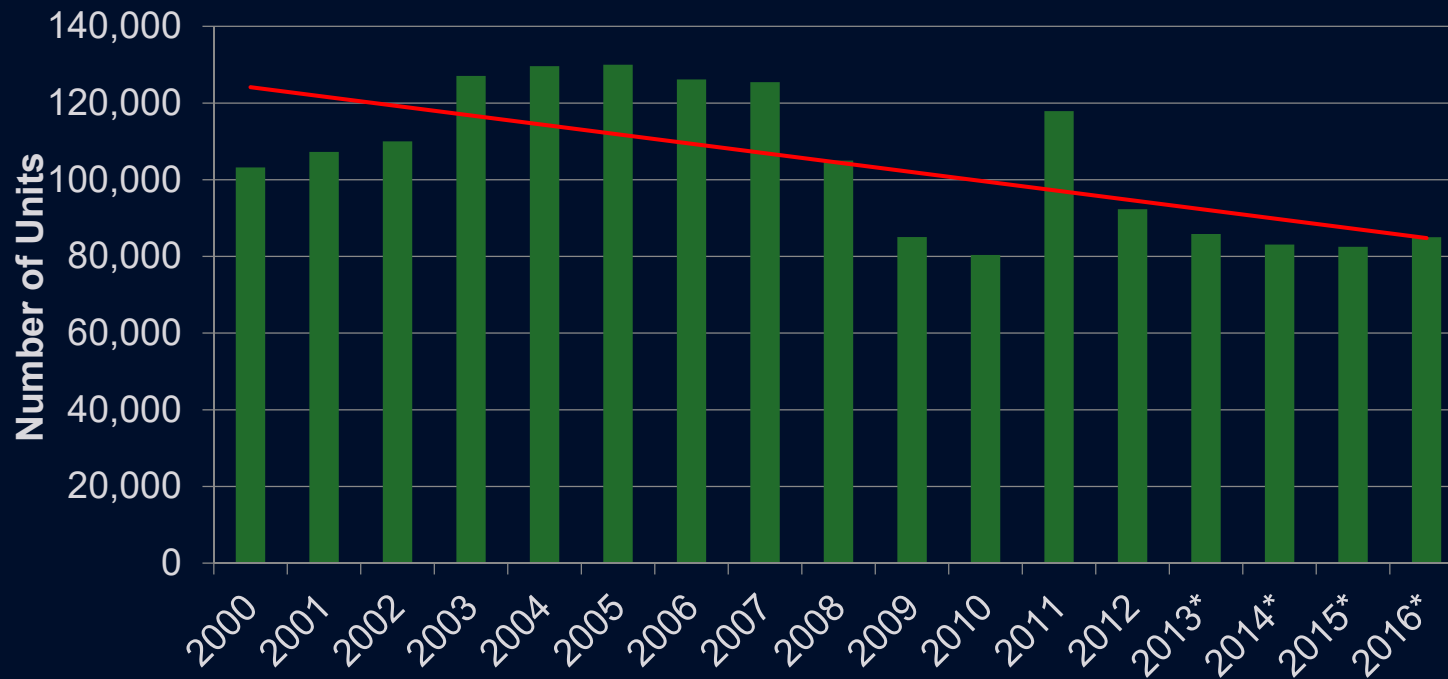


Sources: National Low Income Housing Preservation Database, American Community Survey (2015)  
Note that conventional figures are estimates.



# New Supply of Affordable Diminishing

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



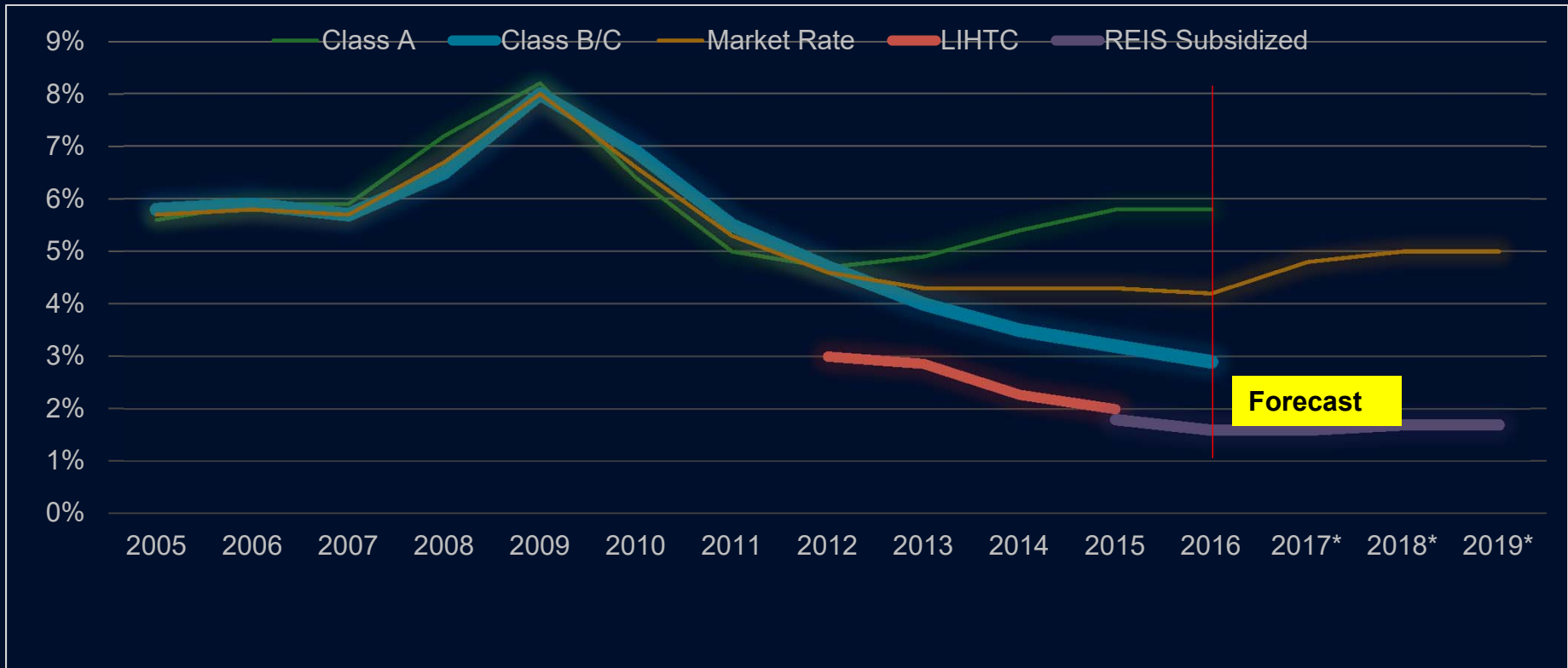
Source: HUD Low Income Tax Credit Database as of October 2000-2012; Integratetec Tax Credit Central estimates 2013-2016 based on HFA allocations.

\* Estimates only based on HFA allocations. Integratetec 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



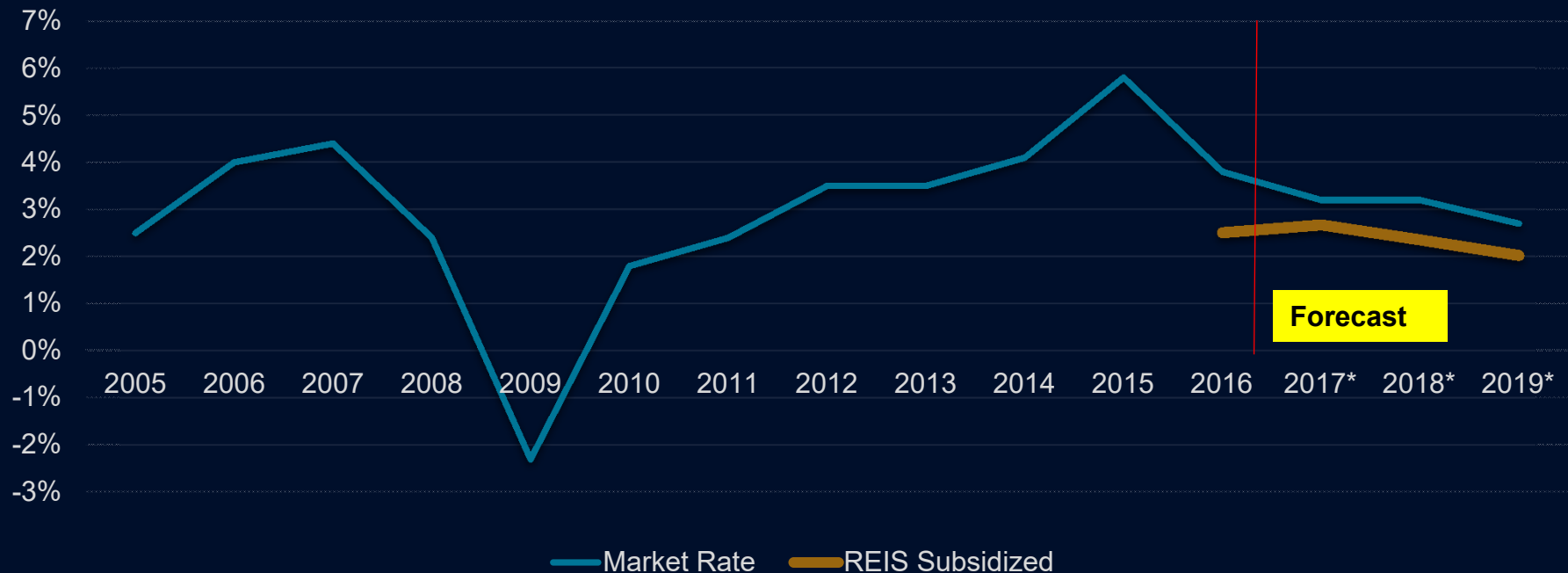
Sources: LIHTC – Integratec Tax Credit Central. Reis, Inc. for all other. Note that Subsidized based on vacancies at LIHTC and Project Based Section 8 Properties. \* Projected

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



Credit Strengths

## Affordable Rent Growth is Very Stable



Source: Reis, Inc. Subsidized based on vacancies at LIHTC and Project Based Section 8 Units. \* Projected

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



## 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

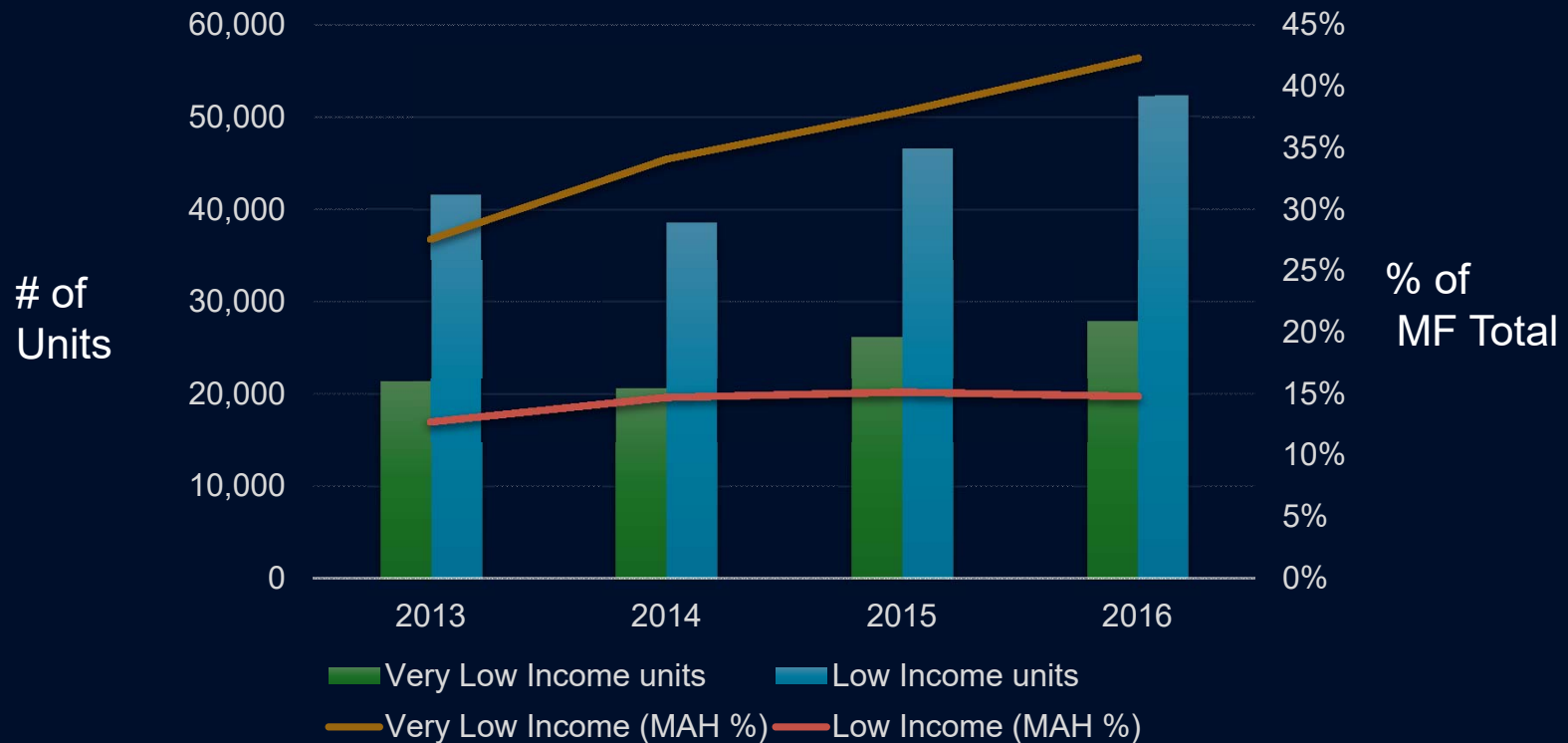


# Housing Goals

## 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





Cap  
Exemption

## Which Types of Business are Cap Exempt?

**Manufactured  
Housing  
Communities**

**Green  
Rewards**

**Multifamily  
Affordable  
Housing (MAH)**

**Workforce  
Housing,  
including  
Special Public  
Purpose**



**Deals with affordability restrictions are at  
least 50% cap exempt**

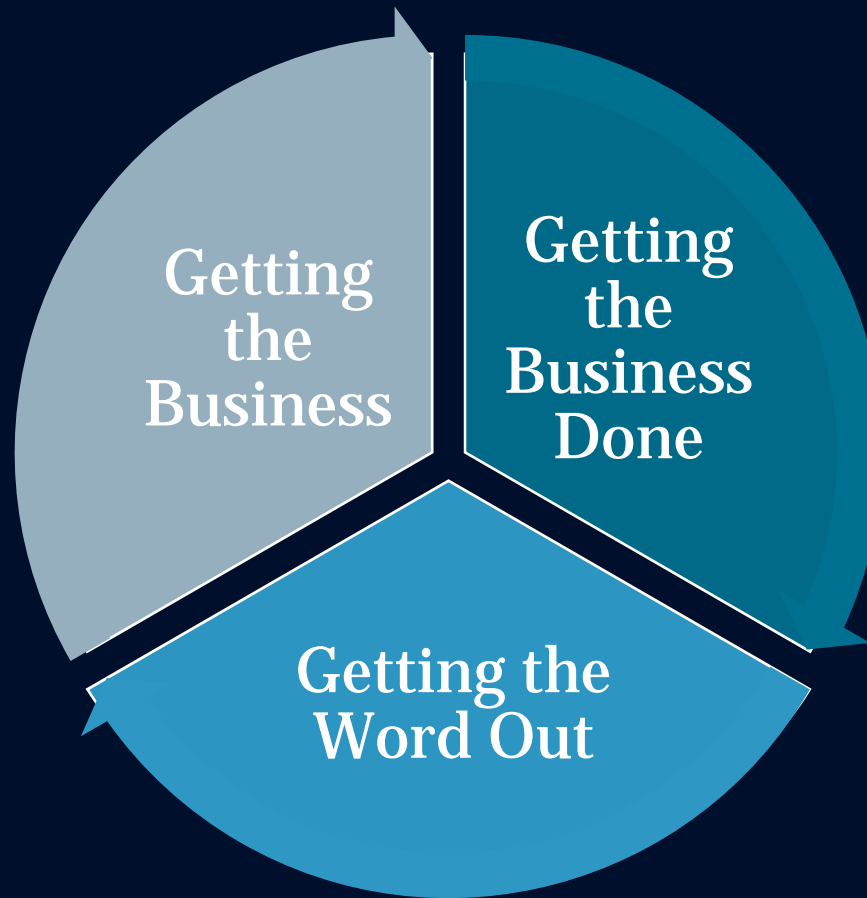


# How do we **WIN** this **BUSINESS?**



# MAH Strategy

**Partners,  
Products  
&  
Pricing**



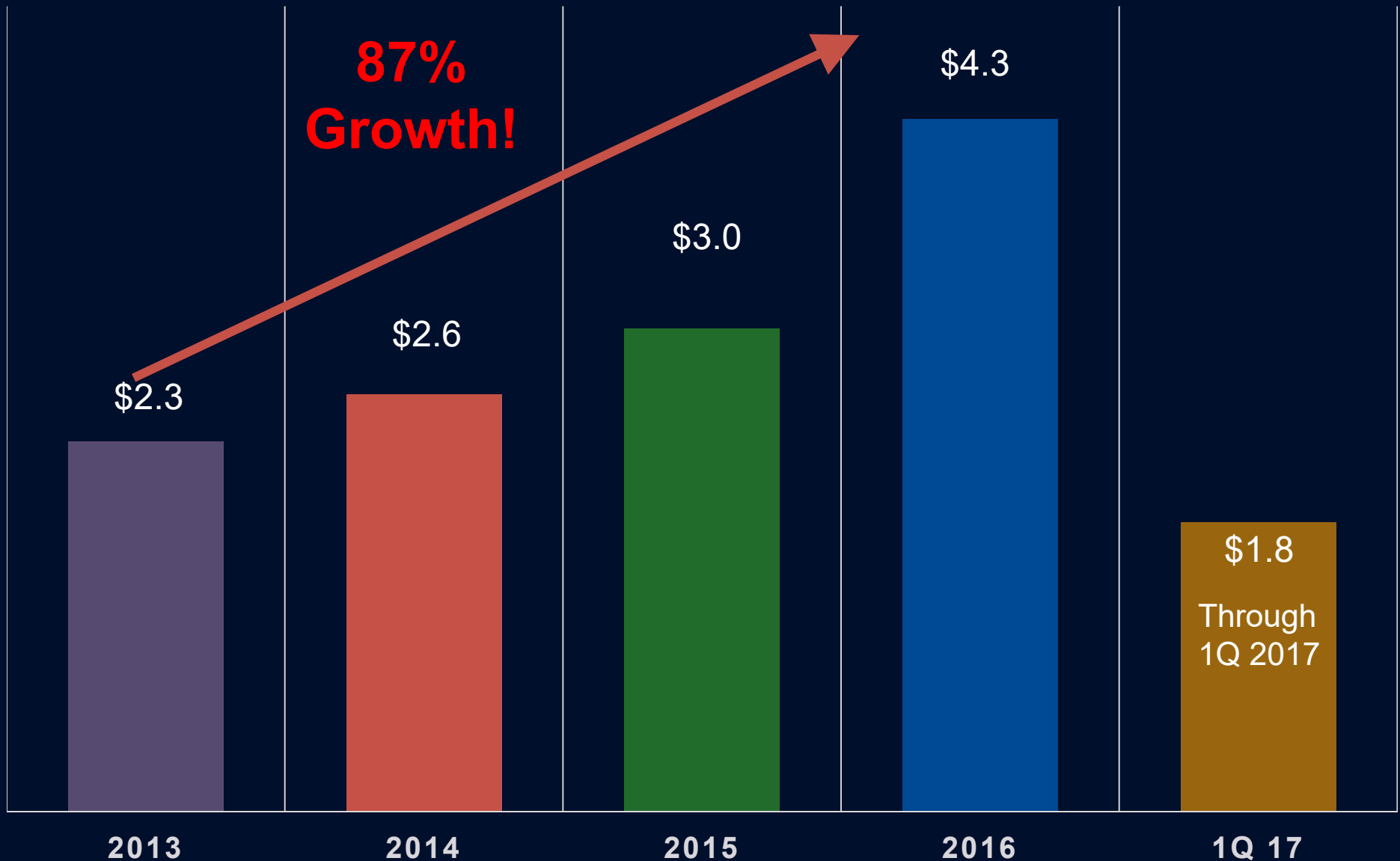
**People  
&  
Process**

**Promotion, Marketing  
& Communications**






## MAH Production 2013 – 1Q 2017 (\$Billions)



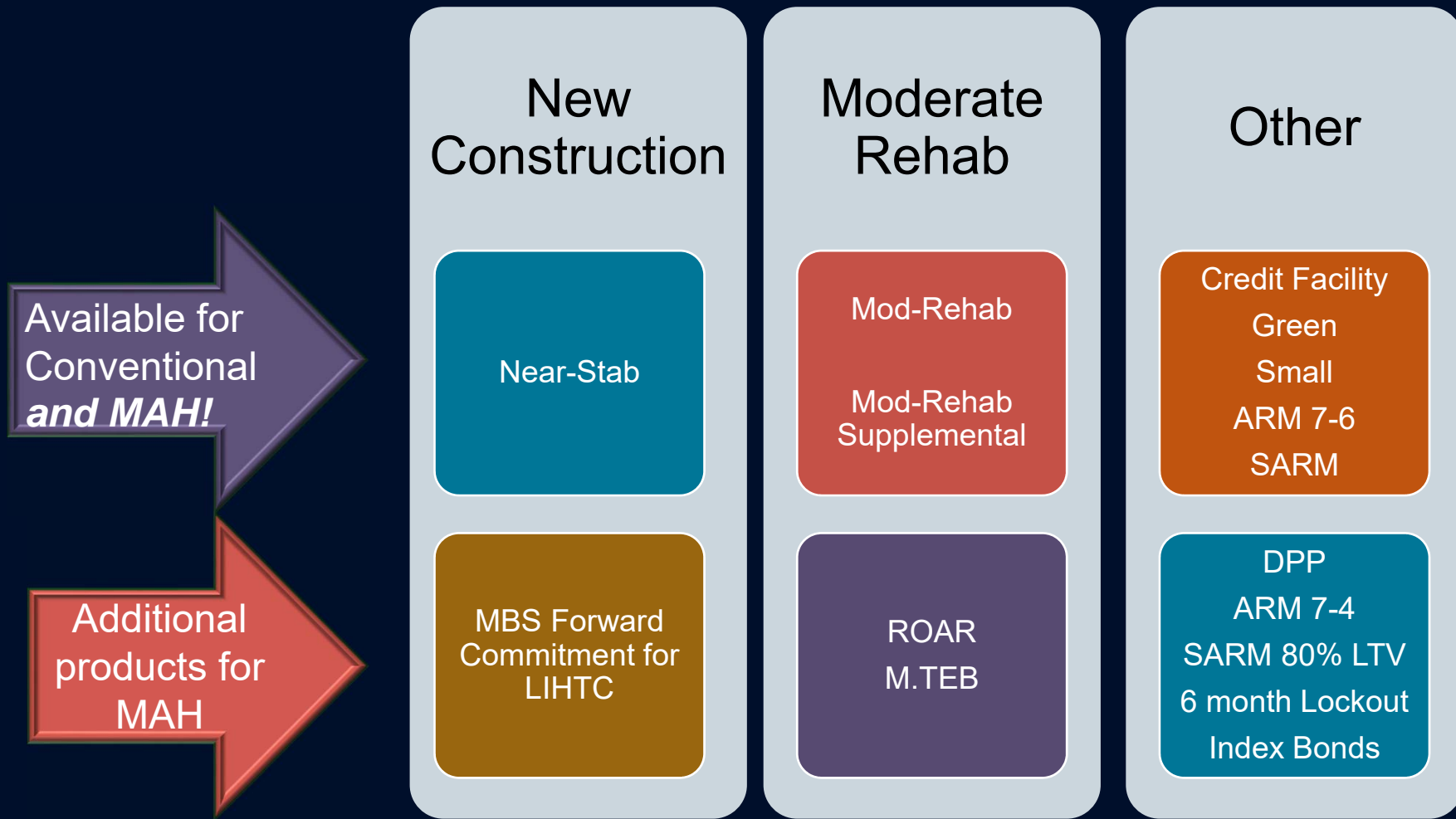


## Top MAH Lenders of 2016

- 
- A large, light blue pyramid graphic is centered on the slide, with its apex pointing upwards. The pyramid is divided into five horizontal sections, each corresponding to a rank in the list below. The pyramid's base is wider than its top, and it has a slight 3D effect with a darker blue shadow on the right side.
- 1<sup>st</sup> Wells Fargo Multifamily Capital
  - 2<sup>nd</sup> Pillar Multifamily, a division of SunTrust Bank
  - 3<sup>rd</sup> Greystone Servicing Corporation, Inc.
  - 4<sup>th</sup> Jones Lang LaSalle Multifamily, LLC
  - 5<sup>th</sup> Berkeley Point Capital, LLC



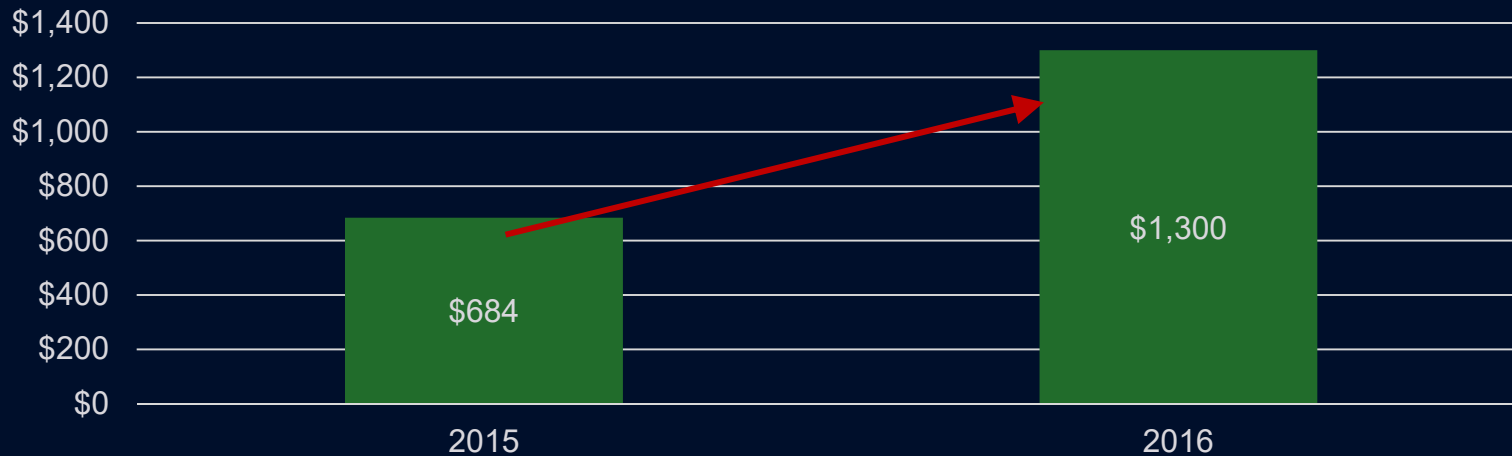
# Great Products For Every Need – *& More with MAH!*





# What is Special Public Purpose?

Special Public Purpose Production, in \$ millions



## Special Public Purpose Eligibility:

- ✓ 3<sup>rd</sup> 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

## 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



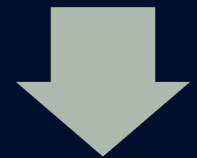
## Features Used #1

Special Public Purpose Waiver  
10 year full Interest Only loan  
10 bps pricing waiver  
Underwritten as Conventional loan



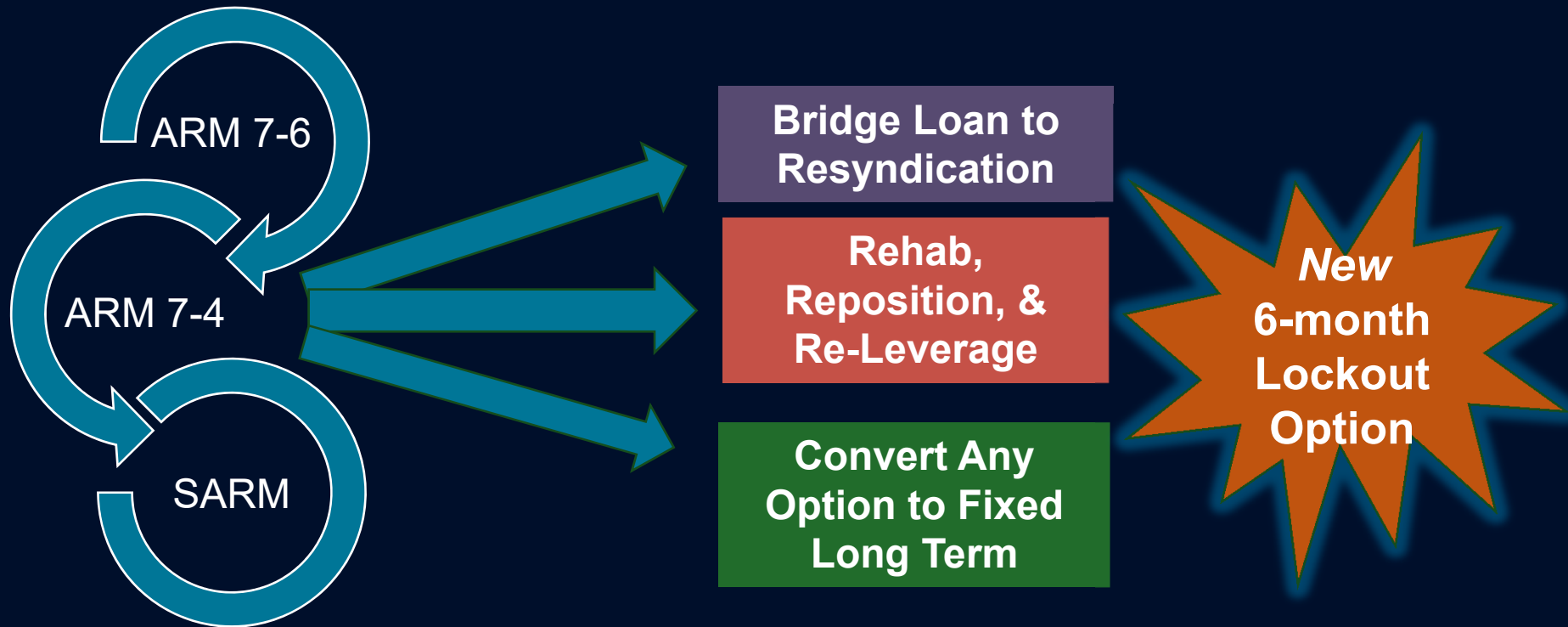
## Features Used #2

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!



- 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

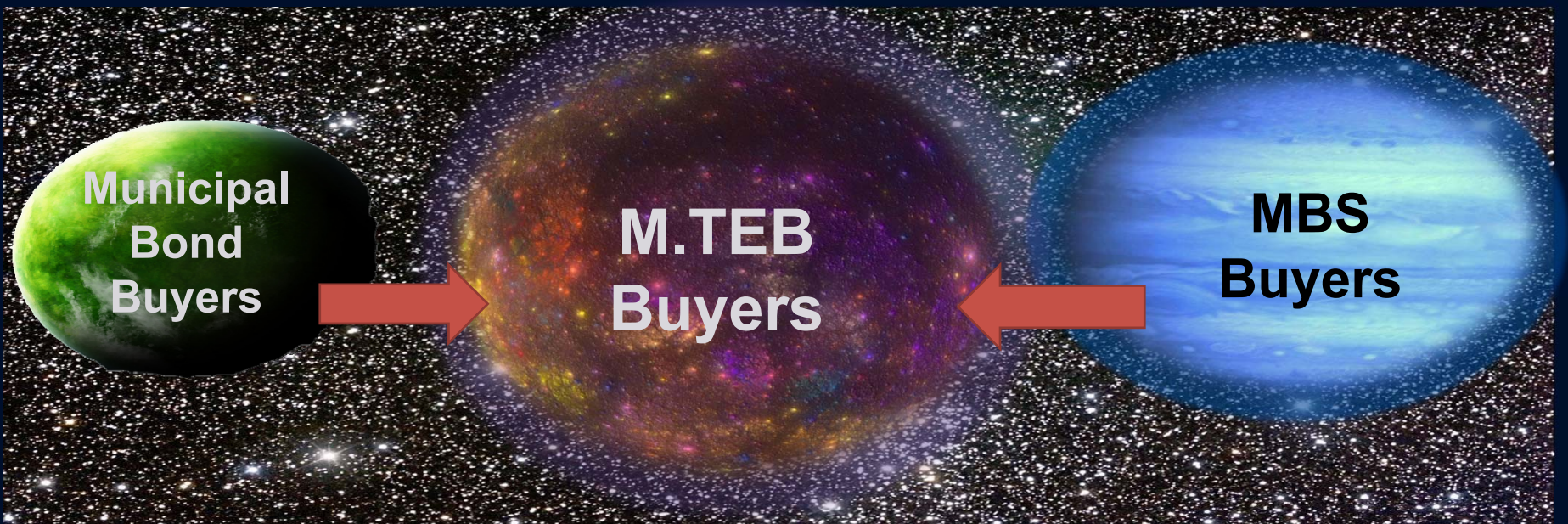
Fully Cap-Exempt and Housing Goal Rich





## 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.*

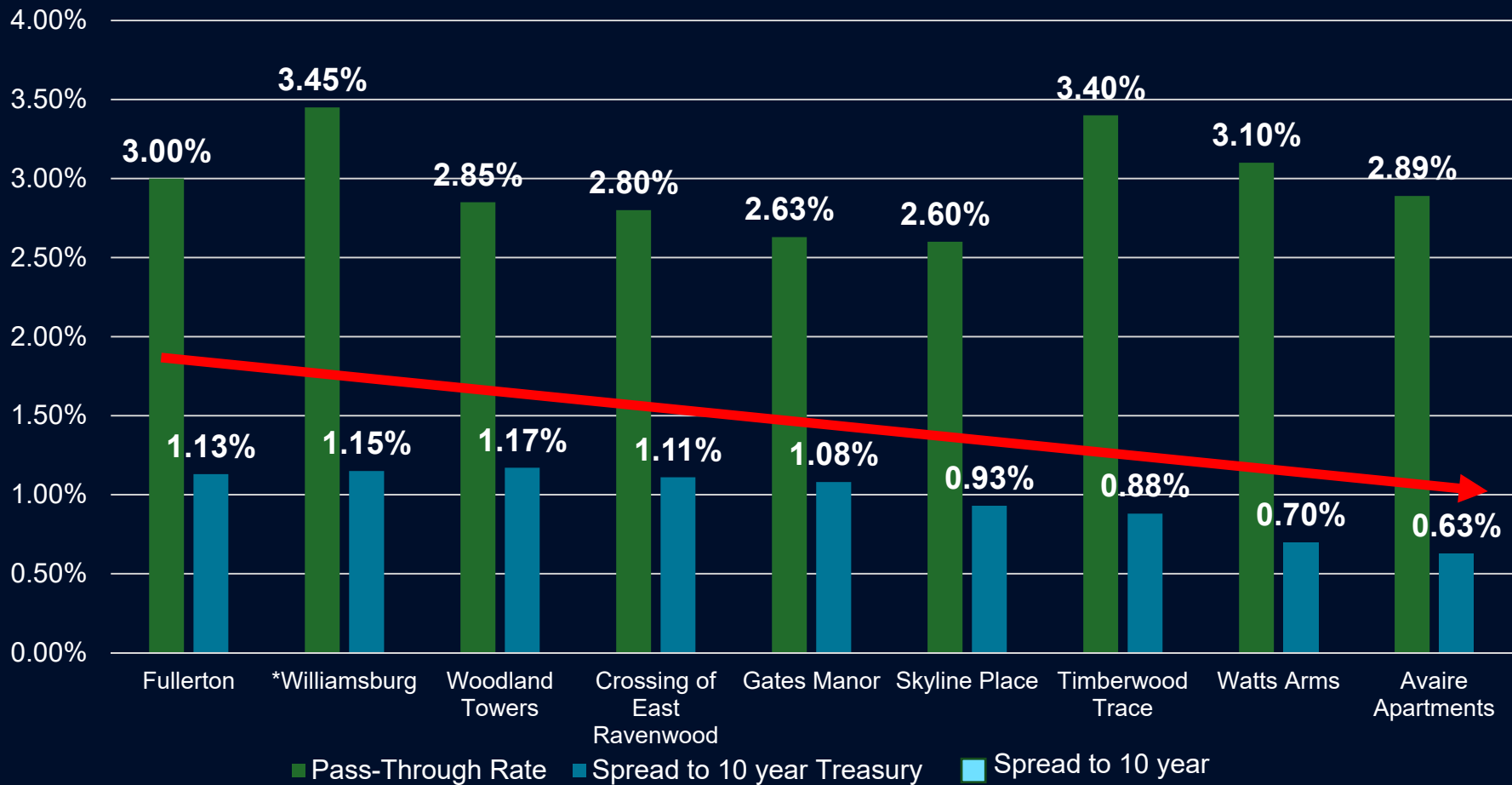


The MBS has wide appeal in the taxable investor community, and the M.TEB brings those investors to the municipal bond market.





# WOW! Low M.TEB Spreads and Pass Through Rates!



\*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

Lender:	Bellwether
Sponsor:	Shelter Resources
Property:	96 units
Location:	Everett, WA
Affordability:	100% at 60% AMI
Total Costs:	\$17.4 million
Bond Issuance:	\$11.0 million

## Features Used

Term/Amort:	17 / 35 Years
Interest Only:	Two Years
Minimum DSCR:	1.15X
Maximum LTV:	90%
Interest Rate:	3.89%
COI Reimbursement:	75 bps



## 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



# Getting the Word Out

The collage features several overlapping screenshots of the Fannie Mae website. Key elements include:

- Navigation Menus:** Top navigation includes "Underwriting", "Delivery", "Servicing", "Asset Management", "Learning Center", "MBS", and "About Us". A secondary menu includes "Search forms, documents, site content, etc.".
- Article 1:** "Affordable Housing Finance recognizes Angela Kelcher as industry catalyst". Subtext: "Six individuals 40 and younger named AHF's 2016 Young Leaders". Includes a photo of Angela Kelcher and a "Read more >" link.
- Article 2:** "Continues Efforts in Affordable Housing with Rental Assistance Demonstration (RAD) Program". Subtext: "Public Housing is a vital component of our nation's affordable housing policy. Subsidized by federal government resources and managed by local public housing authorities, RAD provides over one million renters across the country with an affordable place to call home." Includes a photo of a man and a "Read More" link.
- Article 3:** "Multifamily Affordable Loans". Subtext: "We are committed to financing affordable housing sustainably and for the long term." Includes a "Read More" link.
- Article 4:** "Multifamily Affordable Housing Market Conditions". Subtext: "The advent of the National Low Income Housing Coalition Preservation Database helps identify subsidized affordable properties. For instance, by matching the Preservation Database with the National Multifamily Affordable Lender group." Includes a "Read More" link.
- Article 5:** "Confirmed Sales Totaled at Least \$5.4 Billion in 2014". Subtext: "As shown in the chart below, confirmed sales of subsidized affordable apartment properties totaled at least \$5.4 billion in 2014, more than double the confirmed sales of \$2.6 billion in 2013. Sales volume involved properties with active Low Income Housing Tax Credit (LIHTC) and on properties with active Department of Housing and Urban Development (HUD) Section 8 subsidies. In some instances, properties may have both LIHTC and Section 8 subsidies to keep rents affordable." Includes a "Read More" link.
- Other Content:** A "Fannie Mae Research" section with a "Read More" link, and a "Unique Affordable Housing for Seniors at Hotel Oakland" article with a "Learn More about Our Products" link.

[www.fanniemae-multifamilyaffordable.com](http://www.fanniemae-multifamilyaffordable.com)



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