

AUG 18-19,

**09**

# Today's Real Estate Market

**The Changing Landscape for Affordable, Commercial  
and Green Financing**

The InterContinental Hotel Buckhead, Atlanta, GA

2009 CONFERENCE SERIES



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**... The Good,  
the Bad, and  
the Ugly ...**



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# **The Affordable Debt Market Today**

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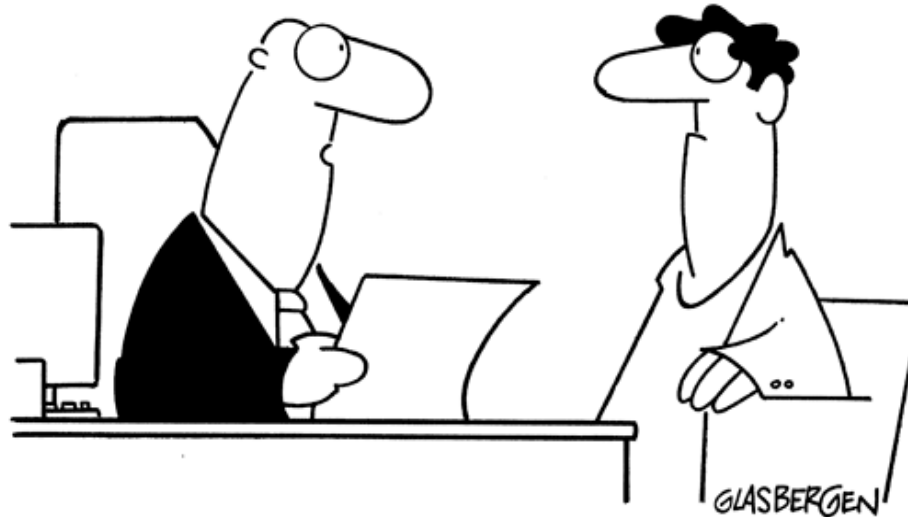
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**"Banks are being more cautious these days.  
For mortgages, we require 300% down-payment to  
cover whatever crisis may show up in tomorrow's news."**

## I. The Pricing – 9% LIHTC

- Forward commitments – Freddie Mac and Fannie Mae
  - Freddie Mac
    - Funded & unfunded @ 490-510 bps over 10-year treasury
  - Fannie Mae
    - Funded @ 480-490 bps over 10-year treasury but negative arb.
    - Unfunded @ 550-560 bps over 10-year treasury
  - FHA 221(d)(4)
    - Construction/permanent loan with fixed rates currently @ 6.25%-6.50% plus .45% MIP

## I. The Pricing – 9% LIHTC (continued)

- Immediate delivery (preservation, section 8, 9% LIHTC)
  - Freddie Mac      - 10-year term: 260-270 bps over 10-year treasury
  - Fannie Mae        - 10-year term: 250-260 bps over 10-year treasury
  - FHA 223(f)        - 35-year term: 5.25% to 5.75% + .45% MIP

## II. The Pricing – Bonds/4% LIHTC

- Immediate and Forward Bond Credit Enhancement

- Freddie Mac - Fixed Rate Bonds

- Fannie Mae - Fixed Rate and Variable with Cap/Swap

- FHA - Fixed Rate

- General Underwriting

- Freddie Mac - 1.15-1.25 DCR; 80-90% LTV; up to 35-year amort.

- Fannie Mae - 1.15-1.25 DCR; 80-90% LTV; 30-year amortization

- FHA - 1.11 DCR; 40 years – up to 90% of cost

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UNDERWRITING COMPARISON	Fannie Mae	Freddie Mac	Freddie Mac	Freddie Mac	FHA
	Fixed	Fixed	Variable	Swap	Fixed
	T/E Bonds	T/E Bonds	T/E Bonds @ Cap Strike Rate	T/E Bonds	T/E Bonds
	18 yr Hard Maturity	18 yr Hard Maturity		18 yr spot swap	40 yr
Index	Bond Rate	Bond Rate	52 week SIFMA Avg	Swap Rate	Bond Rate
Rate	4.8500%	4.8500%	1.2500%	3.4700%	5.4500%
Guaranty/Servicing	1.3400%	1.4000%	1.5600%	1.5600%	0.3500%
Liquidity Fee	n/a	n/a	1.0000%	1.0000%	N/A
Remarketing Fee	n/a	n/a	0.1000%	0.1000%	N/A
Issuer/Trustee Fee	0.1700%	0.1700%	0.1700%	0.1700%	0.1700%
Cap/Swap Factor	n/a	n/a	0.2800%	0.2500%	N/A
<b>Aggregate Interest Rate</b>	<b>6.3600%</b>	<b>6.4200%</b>	<b>4.3600%</b>	<b>6.5500%</b>	<b>5.9700%</b>
					MIP
Add: Underwriting Spread	0.0000%	0.0000%	2.0000%	0.0000%	0.4500%
<b>UW Interest Rate</b>	<b>6.3600%</b>	<b>6.4200%</b>	<b>6.3600%</b>	<b>6.5500%</b>	<b>6.4200%</b>

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### III. The Challenges

- Pre-review markets/economically under-performing markets
  - Freddie Mac
    - Increase DCR by 5 bps and lower LTV by 5%
  - Fannie Mae
    - Start with tier 3 pricing of 65% LTV and 1.35 DC
  - FHA 221(d)(4)
    - No change but EMAD scrutiny

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### III. The Challenges (continued)

- Syndicator and equity investor underwriting
  - FHA: Acceptable pay-in schedule with tax credit equity
  - Subordinate debt/subsidies: grant or cash flow only
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### IV. The Opportunities

- Taxable bonds with 9% LIHTC
  - Short Term tax exempt bonds with taxable 221(d)(4)
  - 80/20 transactions with no LIHTC
    - acquisition financing
      - immediate funding
      - mod/rehab with gap LOC
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