

NH & RA Panel

FHA - where are we heading?

Target and Tighten

Existing Challenges

- **Affordable Housing**
- **Stabilize Capital Markets**

Affordable Housing - Solutions

- Preservation**
- Production**
- Prospective Programs**

Stabilize Capital Markets - Solutions

- Reliable source of liquidity**
- Support production**
- Manage our risk**

Multifamily Pipeline

<i>Firm Commitment Pipeline</i>		
	Projects	\$ (in millions)
Apartment Refinances/ Purchase	340	\$3,453
Apartments NC/SR	335	\$7,844
All Other Programs	61	\$1,021
<i>Total</i>	736	\$12,318

- Pipeline for Firm Commitments currently exceeds \$12 billion

Multifamily Production

FY 2010 YTD

	<i>Projects</i>	<i>\$ (in millions)</i>
Commitments	503	\$5,339
Closings	429	\$4,488

- Multifamily Commitments are averaging close to \$900 million a month in FY10.

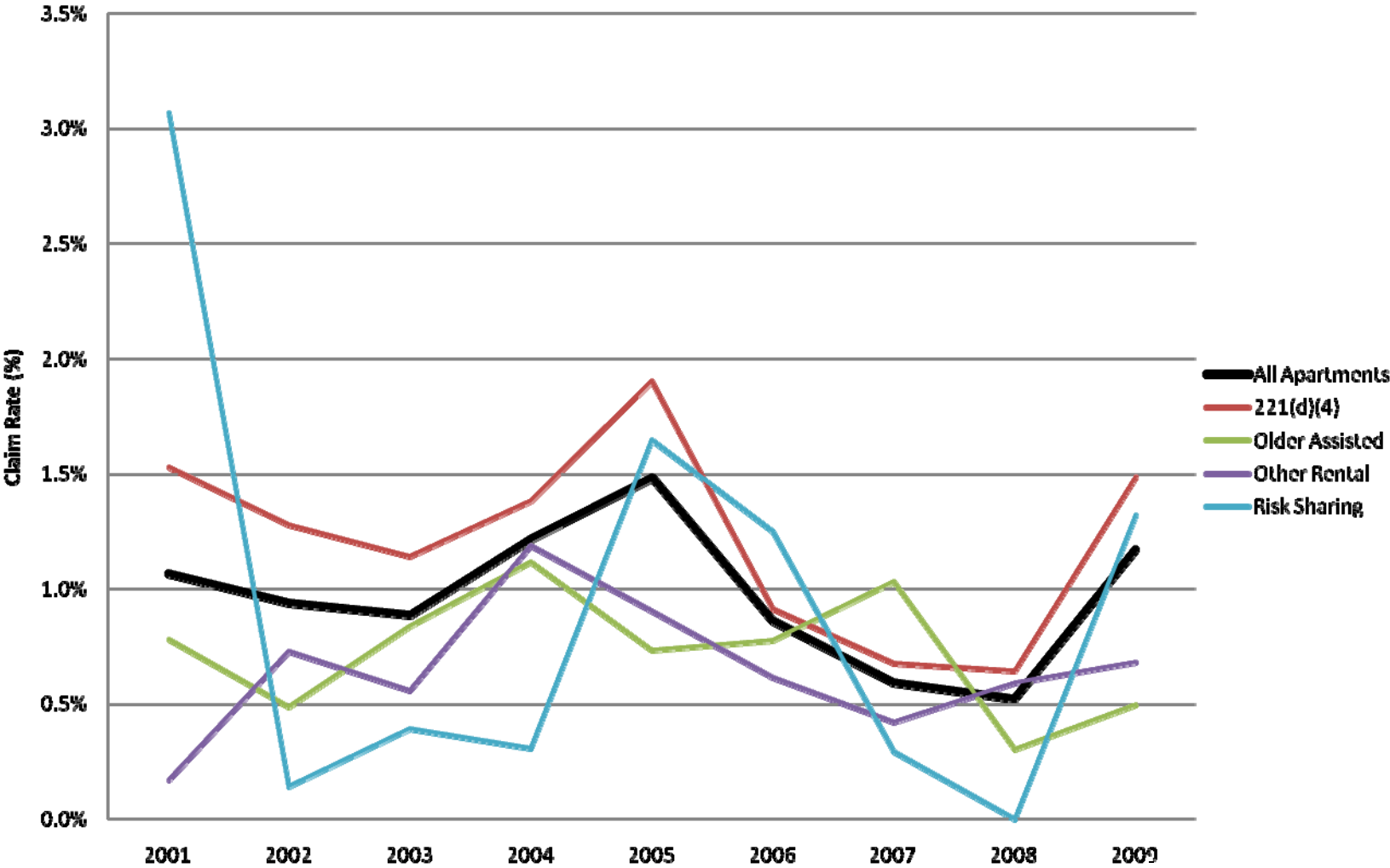
Risk Management

- I. Improve counterparty oversight and credit risk management
- II. Improve processing

Improve Counterparty Oversight

- Lender Capitalization, Monitoring
- Borrower concentration and exposure to stress in the markets
 - Schedule of REO and Maturing Debt for Key Principals
 - Preliminary Review if FHA exposure > \$250 million

FHA MF Apartment Loan Claim Rates by UPB



Underwriting Requirements

- Definition of Affordability
- Definition around Occupancy Standards
- Tighten D.S. coverage and LTV ratios

Underwriting Requirements

- Higher escrow requirements:
 - Operating deficit
 - Working capital
 - Sub-rehab construction contingency
- Tax credit deals get credit for partnership-funded working capital and operating deficit reserves

D4: Underwriting and Processing Requirements

- Separate market studies and appraisals required for new construction and sub-rehab, unless waived for strong markets
- Market rate projects must have 2 stage processing (no more direct to firm); 15 bp fee due at pre-app; 15 bp fee due at firm
- Affordable can still go direct to firm; no fee due if pre-app; 30 bp fee due at firm

D4: Underwriting and Processing Requirements

- Retainage reduced: 10% retainage to 50% completion, 5% to 75% completion, 2.5% to 100% completion
- FF&E can be included in project costs
- \$250 RFR min, or higher amount per current formula; 10 year PCNA required; waiver of % based RFR available for high cost urban projects

Improve Execution

- Standardize applications
- Standardize reviews
- Underwrite rather than Process
- Develop Expertise in Tax Credits

Questions?

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