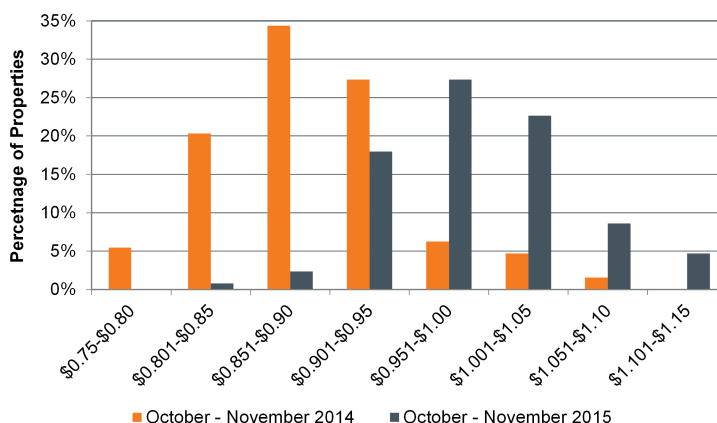


### First: Soaring Prices and Plummeting Yields, Next: Deal Term Erosion

- For more than a year, we have used this space to report upon sliding yields and increasing housing credit pricing. To anyone active in the market this is not "news". However, we are beginning to see the first signs of deal term erosion on current deals being negotiated.
- Deal term erosion occurs when demand for housing credits are sky high. Beyond negotiating tax credit pricing higher and higher, parties eager to secure an investment may be inclined to compromise on certain aspects of a deal - the term of operating deficit guarantee, the size and terms of release of the operating reserve and the timing of the equity pay-in, for example.
- We compiled data from the closing projections of lower tier properties we have received this calendar year. Understanding that the lack of soft financing has to some degree necessitated that more equity paid in earlier in the development process, median equity withheld through construction completion has dropped to 70% from 80% in Q3 2014. Median equity withheld through stabilization has fallen to less than 20% from 36% in Q4 2014.
- Additionally, where five year operating deficit guarantees and 12-months of combined operating reserve and guarantee coverage have been the norm in recent years, we are now seeing guarantees increasingly being written with three and four year terms, and combined coverage sized at nine months or less.

### Housing Credit Pricing Update

- Credit pricing continues to increase and investor yields on national funds has dipped below 5.00%, a yield range that has not been witnessed since 2006/2007. A portion of the reduction in yields is attributable to the fact that many national funds are being offered with some form of tiered pricing to accommodate the CRA needs of bank investors.
- The following graph represents the distribution of lower tier pricing for participating syndicators in the last 60 days based on 108 properties, presented in comparison to survey data from a year ago.
- The average housing credit price reported by syndicators in the last 60 days is \$0.98. Compared to the same period last year, there is a clear shift toward properties priced north of \$0.95.



### Current National Multi-Investor Funds

Syndicator/ Fund Name	Estimated Fund Size (millions)	Projected After- Tax Cash Needs IRR	Net Equity Price	Target Closing
Alden Capital Partners - Fund 14	\$112	5.50%	TBD	9/15
BFIM - Institutional 43	\$167	5.00%	TBD	10/15
BFIM - Institutional 44	\$105	4.50% - 5.50%	TBD	12/15
Boston Capital - Fund 41	\$188	4.50% - 4.75%	\$1.01	11/15
CREA - Corporate Fund 45	\$121	Tiered	\$1.01	12/15
NDC - Corporate Fund XII	\$65	5.75%	TBD	1/16
R4 - Housing Partners V	\$225	Tiered	TBD	12/15
Raymond James - Fund 42	\$150	TBD	TBD	Q2/16
Richman - USA Institutional Fund CVII	\$98	4.25% - 5.00%	TBD	Q4/15
WNC - Institutional Fund 41	\$100	5.00%	\$0.99	Q4/15
<b>Equity-weighted Average</b>	<b>Net Equity Price</b>	<b>Projected After Tax IRR</b>		
<b>All National Funds</b>	<b>\$1.00</b>	<b>5.06%</b>		

### Current State & Regional Multi-Investor Funds

Syndicator/ Fund Name	Regions	Estimated Fund Size (millions)	Projected After-Tax Cash Needs IRR	Net Equity Price	Target Closing
Great Lakes - DCIC Fund 2	DE, MD, PA, NJ	\$35	4.50%	\$1.01	11/15
MHEG - Fund 44	Midwest	\$150	6.00%	TBD	10/15
MHIC - MHEF XXII	MA	\$83	5.50%	\$1.01	11/15
R4 - California Housing Partners II	CA	\$75	TBD	TBD	12/15
Richman - USA Institutional Fund CVI	NYC	\$58.5	4.25%	TBD	11/15
Sterling - Corporate Fund 54	New England and Mid-Atlantic	\$100	Tiered	\$0.97	11/15
<b>Equity-Weighted Average</b>	<b>Net Equity Price</b>	<b>Projected After Tax IRR</b>			
<b>State / Regional Funds Excluding CA</b>	<b>\$1.00</b>	<b>5.40%</b>			
<b>California Funds</b>	<b>NA</b>	<b>NA</b>			

Note: All fund data was provided by fund sponsors and compiled by CohnReznick. Neither CohnReznick nor the Tax Credit Advisor takes responsibility for the accuracy of the data represented by the sponsors. If you would like a fund included in the next Housing Tax Credit Monitor, please contact TCIS@cohnreznick.com or (617) 648-1414 to speak with a professional with CohnReznick's Tax Credit Investment Services practice. Visit CohnReznick's website at [www.cohnreznick.com](http://www.cohnreznick.com).