

National Housing & Rehabilitation Association

Annual Meeting

February 27 – March 2 Miami, FL



Sponsors:





Freddie Mac Bridge to Resyndication Tax-Exempt Loan (TEL)



Bridge Loan Financing Structure:

- Offers high leverage Bridge Loan up to 30 months at low cost and rapid execution
 - (+/- 1.75% over 30-day LIBOR, as of 2/26/19)
- Interest Only
- Bridge Loan sized to 1.15 DSCR/85% LTV
- No rate cap required
- Forward rate lock on permanent loan available (not required)



Freddie Mac Bridge to Resyndication Tax-Exempt Loan (TEL)

Permanent TEL Financing Structure:

- 1.15 DSCR/90% LTV/35-year amortization
 - *(40 year amortization in select markets)*
- Immediate or Forward commitment financing
- Partial Interest Only available
- Direct tax exempt loan with no public offering costs
- Customized prepayment structures available



Freddie Mac Bridge to Resyndication Tax-Exempt Loan (TEL)



The Property:

- Heatherstone Apartments, Kennewick, WA
- 455 Units; 100% at 60% AMI or less
- Constructed 1995 with 4% LIHTC and tax exempt bonds
- Generally well-maintained but in need of substantial rehab to facilitate long term preservation



Freddie Mac Bridge to Resyndication Tax-Exempt Loan (TEL)



Financing Challenges:

- Seller in need of quick close
- Property highly sought after by conventional (cash-on-cash) buyers so LIHTC buyer must have a quick close
- 10-year ownership chain broken – LIHTC Buyer purchased partnership interest and needed 24 months of additional seasoning to exceed 10-year hold
- Immediate resyndication transaction not possible for 24+ months thus exposing buyer to interest rate risk
- In order to compete with conventional buyers the Buyer had to value the Property assuming a successful resyndication



Freddie Mac Bridge to Resyndication Tax-Exempt Loan (TEL)



Financing Specifics:

- Bridge Loan sized to 1.15 DSCR/85% LTV
- \$34,000,000 Permanent Tax Exempt Loan (TEL) amount at Bridge Loan closing with a 30-month forward rate lock
 - 17 year term; 1.15 DSCR; 35 year amortization; 2 years interest only; 4.63% fixed rate
 - Final Loan amount \$36,430,000 at initial rate
- \$2,430,000 “Earn Out” Loan for pending AMI increase
- \$25,410,000 of LIHTC equity
- \$5,650,000 Seller Note



Freddie Mac Bridge to Resyndication Tax-Exempt Loan (TEL)



Unique Aspects of Financing:

- The Bridge Loan allowed a quick close (60 days) to compete with conventional buyers while the forward rate lock eliminated interest rate risk for the Buyer who intended to resyndicate 24+ months from initial acquisition date
- Freddie Mac approved a Seller Note which generated over \$1.8 million of additional LIHTC equity
- Freddie Mac allowed expansion of the permanent TEL amount based on final underwriting. End result was an 8% increase (\$2.43MM) in proceeds vs. initial lock
- Freddie Mac approved any shortfall in resyndication sources to be structured as a Seller Note



Fannie Mae MTEB

Immediate MBS Delivery



MTEB Financing Structure:

- Up to 1.15 DSCR/90% LTV/35-year amortization
- 35 to 50 basis point savings over traditional Tax-Exempt Structure
- Supplemental taxable or tax exempt loan available post rehab at initial closing DSCR, LTV, and G/S Fees. Second supplemental over life of loan available at market terms
- Up to 3 years of Interest Only available
- Very competitive low rate regardless of loan size and CRA market
- Customized prepayment structures available



Fannie Mae MTEB

Immediate MBS Delivery



The Property:

- Timberwood Trace Apartments, Jacksonville, FL
- 224 Units; 100% at 60% AMI or less
- Constructed 1994 with 4% LIHTC and tax exempt bonds
- Generally well-maintained but in need of substantial rehab to facilitate long term preservation



Fannie Mae MTEB

Immediate MBS Delivery



Financing Specifics:

- \$16,000,000 Initial Loan amount
 - 1.15 DSCR/90% LTV/35-year amortization (LIHTC acquisition/Rehab)
- \$10,800,000 of LIHTC equity
- \$500,000 GP Loan
- Supplemental taxable loan of up to \$3MM committed at initial closing DSCR, LTV, and G/S Fees within 24 months of MTEB closing. Second supplemental over life of loan available at market terms
- Supplemental loan underwritten based on new UAs being achieved, new AMIs being implemented, stabilized occupancy



Fannie Mae MTEB

Immediate MBS Delivery



Unique Aspects of Financing:

- Transaction closed after LIHTC post tax bill pricing reduction causing shortfall in anticipated equity
- Property was sure to achieve lower UAs, higher rents based on new AMI, and stabilized occupancy upon completion of rehab
- GP made a capital contribution to balance sources and uses at closing
- Fannie Mae approved 2 Supplemental Loans. First was a taxable loan of up to \$3MM committed at initial closing DSCR, LTV, and G/S Fees within 24 months of MTEB closing. Second supplemental over life of loan available at market terms