

National Housing & Rehabilitation Association

Annual Meeting & Symposium

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FHA/HUD Section 221(d)4 & 223(f) Program Overview

221(d)4 – New Construction / Sub-Rehab Transactions

- Nonrecourse
- Term: 40 Years
- Amortization: 40 Years
- Rate: Approx. Low 4%'s
- MIP: 0.25% for affordable; 0.25% if built green; 0.65% market rate
- Loan to Cost: Up to 90%
- Min Debt Service Coverage Ratio: As low as 1.11x

223(f) – Mod-Rehab / Acquisition

- Nonrecourse
- Term: 35 Years
- Amortization: 35 Years
- Rate: Approx. High 3%'s
- MIP: 0.25% for affordable; 0.25% if built green; 0.65% market rate
- Loan to Cost/Value: Up to 90%
- Min Debt Service Coverage Ratio: As low as 1.11x

FHA/HUD Multifamily Program Production

2017 vs 2016

Multifamily FHA Program Type	2016 - # of loans	2017 - # of loans	% change	2016 - \$ Volume (millions)	2017 - \$ Volume (millions)	% change
New Construction / Sub Rehab Programs	202	240	19%	\$3,724.3	\$5,420.4	46%
Refinancing – Sections 223(f) and 223(a)(7)	603	720	19	\$7,200.0	\$9,365.2	30%
Risk Share	93	86	-8%	\$881.1	\$986.7	12%
Totals	898	1046	16%	\$11,805.4	\$15,772.3	34%

Source: U.S. Department of Housing and Urban Development

FHA/HUD Multifamily Program Production

of applications in active Pipeline

Program	1/18/18	1/11/17
New Constr/Sub Rehab	266	222
223(f)	204	275
223(a)(7)	44	77
TOTAL	514	574

Source: U.S. Department of Housing and Urban Development

FHA/HUD Multifamily Program Production LIHTC – 2017 Commitments & Initial Endorsements

Firm Commitments (Issued / Reissued):

- 356 Projects; 51,444 units
- \$3,501,235,531

Initial Endorsements

- 323 Projects; 42,073 units
- \$3,079,545,834

31% of 2017 MF FHA/HUD is affordable based on project count.

Source: U.S. Department of Housing and Urban Development

FHA/HUD Multifamily Program Recent Developments

Recent Developments

- Post Transformation
 - Increased timing in issuance of Firm Commitment
 - More Consistency (51 to 12 FHA/HUD offices)
- Equity Bridge on LIHTC Deals
 - Promising development to come
- 221(d)4 PILOT for LIHTC deals
- Green MIP / Energy
- CNA eTool
 - Main goal of HUD is to automate process which increase review time
- More need for FHA/HUD 221(d)4 & 223(f) programs due to market conditions in LIHTC
 - General Contracting costs on the rise
 - Tax Credit equity decrease due to tax reform
 - Attractive 40 year amortization, low interest rates , low min DSCR (as low as 1.11x), and high loan to cost (up to 90%), helps max out loan proceeds to make deals work in this environment.

USDA Rural Development 538 Loan Program Overview

USDA RD 538 Option 3

- Nonrecourse Construction / Perm Loan
- Term: 40 Years
- Amortization: 40 Years
- Rate: Approx. Mid 4%'s
- Guarantee Fee: 0.50%
- Loan to Cost: Up to 50%
- Min Debt Service Coverage Ratio: As low as 1.15x
- Loan to Value: Up to 90%

USDA RD 538 Option 1

- Nonrecourse Permanent Loan Only
- Term: 40 Years
- Amortization: 40 Years
- Rate: Approx. Mid 4%'s
- Guarantee Fee: 0.50%
- Loan to Cost: Up to 50%
- Min Debt Service Coverage Ratio: As low as 1.15x
- Loan to Value: Up to 90%

USDA Rural Development 538 Loan Program Overview

Eligible Properties:

- New Construction or existing properties (w/ rehab) containing 50 or more units
- Must be located in rural community
- Rehab must be at least \$6,500/unit
- USDA Rural Development 515 properties.

Production

- 2017: Maximum production up to \$150,000,000 (25% increase if need be)
- 2018: Increase to \$230,000,000 (25% increase if need be)
- New Construction & Sub-Rehab for 9% Deals
- Sub-Rehab 515/538 Portfolios for 4% Deals

USDA Rural Development 538 Loan Program Overview

Recent Developments

- Timing
- Industry Groups Pushing to:
 - Increase 2017 \$250million allocation to \$300million in 2018
 - Lower USDA Guarantee Fee
 - Increase Loan to Cost to 70% for Option 3
 - Use for refinancing non USDA RD 538 properties.

USDA Rural Development 538 Loan Program 4% Bond 515/538 Case Study

515/538 RD Rehab 4% Bond Portfolio (\$15,250,000 total development cost)

- 4 Existing 515 Properties in Central Washington built in 1980's
- 146 Units (123 Rental Assistance)
- \$27,000 rehab cost per unit
- Short Term Tax Exempt Bonds needed to qualify for 4% LIHTC
 - Bond issuance of \$7,625,000 to hit the 50% test.
- **Key Elements to 515/538 4% LIHTC Bond Portfolios**
 - Existing USDA RD 515 debt gets restructured & reset to 30 year term / 50 year amortization at 1% Interest rate
 - 100% Rental Assistance Units
 - Properties must be stabilized
 - Soft debt / grants help
 - Pre 1989 are best; but not necessary
 - Lower Unpaid Debt Balance
 - Can use unrestricted market value to set selling price
 - Expert Partners

USDA Rural Development 538 Loan Program Overview

USES (\$15,250,000)

SOURCES (\$15,250,000)

