

National Housing & Rehabilitation Association

Annual Meeting & Symposium

February 21-25, 2018 ♦ Palm Beach, FL



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Back to Back – Construction to Perm

- Seamless – Construction to Perm;
- One set of documents;
- Variable to Fixed;
- Draw Down – No Negative Arbitrage;
- Contingency Draw Down Agreement – Lessons Learned;
- Citi Locks Rate – No Marketing Period.



Tax Reform Implications

- Reassessment of LIHTC equity pricing vs. reduced corporate tax rates;
- Tax-exempt notes post tax reform are not as valuable – but still in demand;
- Relative value vs. taxable equivalents;
- Generally higher interest rates = lower overall proceeds;
- Combined with lower equity prices = tighter transactions.



U.S. Rate Forecasts

10-Year Treasury Yield Forecast

Citi forecasts a muted interest rate environment as we progress through the first half of 2018, while the street's is elevated



Source: Current rates and expectation of Fed hike as of February 9, 2018; Citi forecasts as of January 24, 2018; Bloomberg forecasts as of February 9, 2018.



U.S. Rate Forecasts

Rate Forecasts

5-Year Treasury	Current	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
Citi's Forecast	2.52%	2.10%	2.25%	2.35%	2.40%	2.45%	2.50%

10-Year Treasury	Current	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
Citi's Forecast	2.83%	2.50%	2.50%	2.55%	2.60%	2.70%	2.85%
Economists' Consensus		2.57%	2.70%	2.80%	2.90%	3.00%	3.08%

30-Year Treasury	Current	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
Citi's Forecast	3.14%	2.95%	2.95%	2.95%	2.95%	3.00%	3.10%
Economists' Consensus		2.95%	3.10%	3.20%	3.35%	3.40%	3.50%

Fed Funds	Current	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19
Citi's Forecast	1.50%	1.75%	2.00%	2.25%	2.25%	2.50%	2.75%
Economists' Consensus		1.75%	2.00%	2.00%	2.25%	2.25%	2.50%

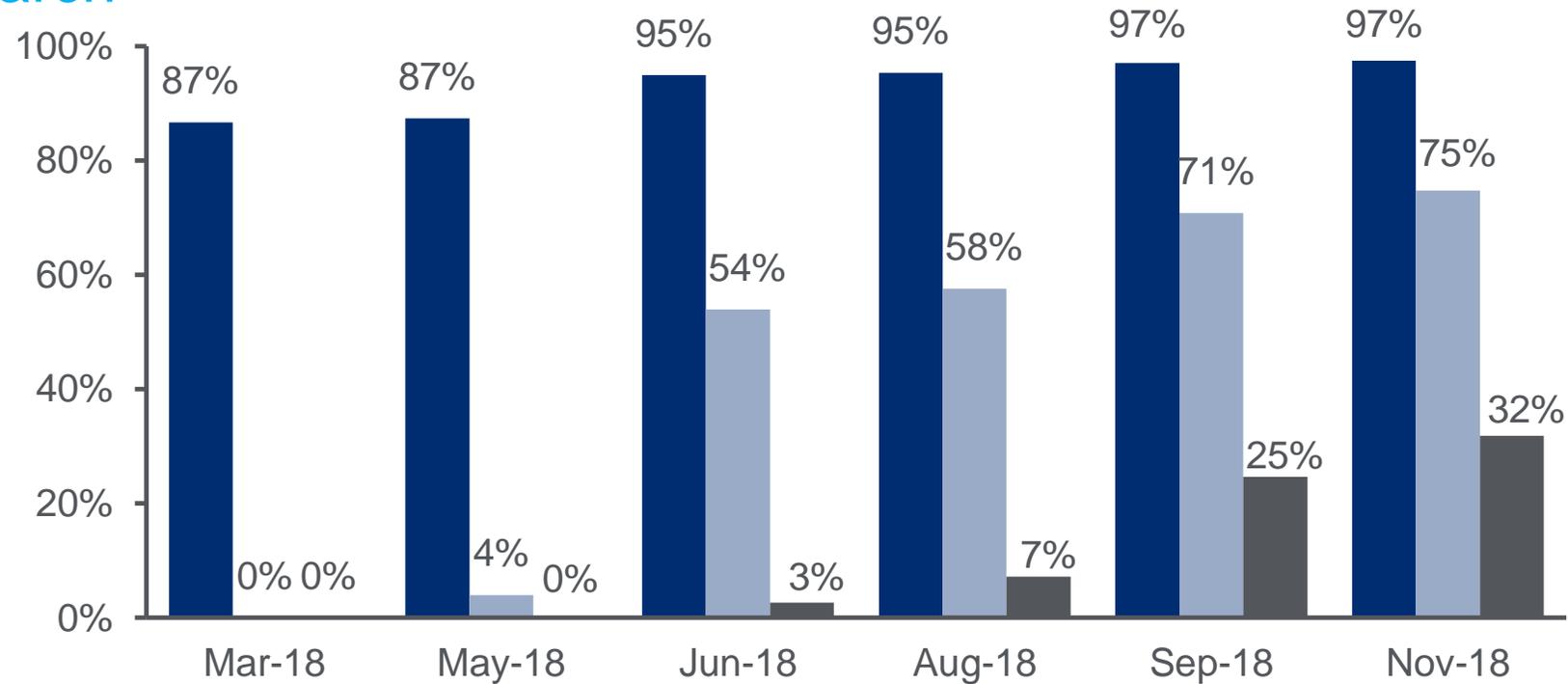
Source: Current rates and expectation of Fed hike as of February 9, 2018; Citi forecasts as of January 24, 2018; Bloomberg forecasts as of February 9, 2018.



U.S. Rate Forecasts

Expectations of Next Fed Increase in Rates

The Fed has guided three more rate hikes in 2018, with the next hike likely to come in March



■ Probability of one or more rate hikes ■ Probability of two or more rate hikes

■ Probability of three or more rate hikes

Source: Current rates and expectation of Fed hike as of February 9, 2018; Citi forecasts as of January 24, 2018; Bloomberg forecasts as of February 9, 2018.



CRA Modernization

- Treasury is going to be making recommendations to the OCC;
- More flexibility to receive CRA outside of direct assessment area;
- More certainty re: getting CRA credit for lending in disaster areas;
- Potential ability to get CRA for infrastructure projects;
- Organic MF - non-LIHTC (defining income/qualifications);
- Delivering digital services to LMI people vs. brick and mortar branches;
- More focus on Community Lending / Investment vs. SF Mortgages.



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