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on
Fannie Mae M.TEBs,
Short-Term Cash Backed Tax Exempt Bonds,
and Summary of Tax Exempt Debt Structures and Rates

May 4, 2021

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Fannie Mae M.TEBs

- M.TEBs volume is strong, perhaps \$2.2 billion to date since our original closing in early 2015; \$450 million in 2020.
- M.TEBs pricing has become even more competitive.

10-Year U.S. Treasury Bond:	1.60%	1.60%
Spread:	0.60	0.70
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	2.20%	2.30%
Guaranty/Servicing Fee*:	1.20	1.40
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All-in Borrowing Rate:	3.40%	3.70%

Fannie Mae M.TEBs

- Discounts on Guaranty/Servicing for:
 - Healthy Housing Design: up to 15 basis points
 - Enhanced Resident Services: up to 30 basis points
- Green/Social/Sustainable Designation: lower coupon 5-10 basis points?
- Negative Arbitrage “Forwards” Structure for new construction/sub rehab entails perhaps 2-2.5 points of negative arbitrage (after taking into account increase in 4% LIHTC basis the structure produces).
- May be partially offset by selling bonds at a premium (not to exceed 6%) on tax exempt executions.
- Net result – very competitive product in the current market.

Short-Term Cash Backed Tax Exempt Bonds

- Still THE WAY to satisfy the 50% Test on affordable 4% LIHTC projects using FHA-insured, Rural Development and other low rate **taxable** loans.

- **Negative arbitrage has all but disappeared:**

2-Year Tax Exempt Bond Coupon: 0.25%

2-Year U.S. Treasury Securities: 0.15%

Negative Arbitrage per year: 0.10%

x 2 years: x 2

0.20%

Only 20 Basis Points!!

- And the borrower gets back 40% through additional 4% Tax Credit Basis)
- **Result: Negative arbitrage \approx 12 basis points, \$16,666 on a \$20 million bond deal.**

Rounding Error!

- Pay the bond costs of issuance and you're done!



NGO Estimated Annual Volume – Various Tax Exempt Debt Structures

Private Placements

Bank and Other Balance Sheet Sponsors	≈ \$14.000 billion
Freddie Mac TEL	.650
Other	.350
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	≈ \$15.0 billion

Publicly Offered

Fannie Mae M.TEBs	\$.450 billion
Short Term Cash Backed & Other Short Term	3.000
Long Term State Agency and Other	2.550
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	≈ \$6.000 billion

Total	\$21.000 billion
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SUMMARY OF BORROWING/ UNDERWRITING RATES ON PRINCIPAL TAX EXEMPT DEBT PRODUCTS FOR 100% AFFORDABLE PROJECTS

	Estd. Actual All-In Borrowing and Underwriting Rate
1. Bank or Other Balance Sheet Private Placement	3.50% to 4.25%*
2. Freddie Mac “TEL” Program (Mod Rehab, Sub Rehab, New Cons)	Similar to Bank or Other Private Placements above**
3. Fannie Mae “M.TEBS” Structure	3.40% to 3.70%**
4. Short-Term Cash Backed Tax Exempt Bonds with Taxable Loan Sale	
FHA/ GNMA §223f (Mod Rehab)	2.90%
FHA/ GNMA §221(d)(4) (Sub Rehab / New Cons)	3.55%

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- *Perhaps 2.50% to 2.75% pre-Conversion, based on spread to one-month LIBOR with 50 basis point floor.
 - **Perhaps slightly higher in the current market.
 - **Plus 2-2.5 points of net negative arbitrage during the pre-conversion phase on forwards M.TEBs for new construction / sub rehab, after taking into account increased 4% LIHTC basis.