



Debt Strategies for Affordable Housing

As one of the largest non-bank debt origination platforms dedicated to affordable housing finance, BWE is one source for many solutions. Attached is a summary of terms from a variety of BWE affordable housing financing products.

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Debt Strategies

Affordable Housing

Features	GSE (Fannie & Freddie) Affordable Preservation	Fannie Mae M.TEB 4% LIHTC Bond	BWE Direct Placement 4% LIHTC Bond	Freddie Mac TEL 4% LIHTC Bond
Loan-to-Value Ratio	Up to 80%	Up to 90%	80% LTC, up to 90% LTV	Up to 90%
Debt Service Coverage Rate	1.20	1.15	1.15	1.15
Interest Rate Benchmark	5- 10-Year Treasury	TE Bond Rate	18 Year SOFR Swap	10-Year Treasury
Interest Rate Spread	7 year: 1.55% - 1.85% 10 year: 1.41% - 1.71% 12 year: 1.61% - 1.91%	90-100 bps G&S * over TE Bond Rate * plus issuer & trustee fee	230-270 bps * *plus issuer & trustee fees	Immediate: 197-207 bps * Forward: 220-236 bps * *plus issuer fee
Amortization Period	30-35 Years	35-40 Years	40 Years	35-40 Years
Loan Term	5-30 Years	15-30 Years	15-18 Years	15-30 Years
Pre-Payment Provisions	Yield maintenance Alternative prepayment options available	M.TEB: Fee Maintenance or Yield Maintenance options available / BCE: Fee Maintenance	Lockout until last 12 months, then open at par. Alternative prepayment options available	10 Year Lockout followed by Yield Maintenance
Minimum Loan Size	\$3M+	\$10M+	\$10M+	\$5M+
Processing Time	60-90 days	90-120 days	60-120 days	90-120 days
Reserves	\$250/unit minimum replacement reserves	\$250/unit minimum replacement reserves	\$250/unit minimum replacement reserves	\$250/unit minimum replacement reserves
Loan Fees & Costs	*Varies	*Varies	*Varies	*Varies
Mortgage Insurance Premium	N/A	N/A	N/A	N/A
Assumability	With Lender approval and payment of assumption fee	With Lender approval and payment of assumption fee	With Lender approval and payment of assumption fee	With Lender approval and payment of assumption fee

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GSE (Fannie & Freddie) Affordable Preservation	Fannie Mae M.TEB 4% LIHTC Bond	BWE Direct Placement 4% LIHTC Bond	Freddie Mac TEL 4% LIHTC Bond
POSITIVES			
<ul style="list-style-type: none"> Product is ideal for the acquisition or refinancing of stabilized affordable properties or portfolios. Product available with a variety (5, 7, 10 and 12+year) loan term. Portfolio financing available through structured credit facilities (\$75MM+) Supplemental loans may be permitted over the life of the loan term (in accordance with GSE requirements). 	<ul style="list-style-type: none"> Potential 10% upward adjustment at conversion M.TEB Immediate great for tenant in place rehabilitation of existing affordable housing stock (esp. LIHTC and Section 8). Bond Proceeds can be reinvested during construction with potential to use interest earnings for qualified project costs. 	<ul style="list-style-type: none"> Single source of capital for construction and permanent financing Bond proceeds can be reinvested during the construction period. Draw down bonds available where permitted. Attractive fixed and floating rate construction options available Earnout available at conversion for additional perm proceeds Perm I/O available for select transactions Spreads could be lower in certain CRA markets BWE will service the loan during construction and permanent phase, allowing for a single point of contact for the entire loan term 	<ul style="list-style-type: none"> Lower cost of issuance with no bond underwriter, rating agency fee, etc. Potential 10% upward adjustment at conversion Ability to Index Lock TEL Immediate great for in-place rehab projects (LIHTC and Section 8), as financing does not require construction lender with funds available at closing. Holdback to be released upon renovations are completed.
NEGATIVES			
<ul style="list-style-type: none"> Strict MBS Guidelines Initial pre-review 	<ul style="list-style-type: none"> Higher cost of issuance than TEL or Direct Placement Construction lender required for forward Bonds fully drawn at closing. Bond underwriter, rating agency fee, etc. required for transaction 	<ul style="list-style-type: none"> Higher rate during construction period, particularly if there is an over issuance of bonds Fully recourse construction completion and stabilization guarantees required 	<ul style="list-style-type: none"> Final review and issuance required by Freddie Mac Construction lender required for forward



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Features	HUD 221(d)(4)	HUD 223(f)	Freddie Mac 9% LIHTC Cash Loan	Freddie Mac Non-LIHTC Forward
Loan-to-Value Ratio	87% - 90% (LTC) (85% LTC market rate)	87% - 90% (85% market rate)	Up to 90%	Up to 80%
Debt Service Coverage Rate	1.11 – 1.15 (1.17 market rate)	1.11 – 1.15 (1.17 market rate)	1.15	1.25
Interest Rate Benchmark	10-year Treasury	10-year Treasury	10-year Treasury	10-year Treasury
Interest Rate Spread	220-240 bps (+ MIP)	150-170 bps (+ MIP)	Immediate: 231-241 bps Forward: 254-264 bps	10 year: 2.29% - 2.39% 15 year: 2.43% - 2.53%
Amortization Period	40 Years	35 Years	35 Years	30 Years
Loan Term	Construction term plus 40 Years	35 Years	15-35 Years	10 – 30 Years
Pre-Payment Provisions	Negotiable but typically cover first 10 years	Negotiable but typically cover first 10 years	Lockout until last 12 months, then open at par. Alternative prepayment options available.	Yield Maintenance or Defeasance
Minimum Loan Size	No minimum but typically \$3M to \$10M+	No minimum but typically \$3M to \$5M+	\$10M+	\$5M+
Maximum Loan Size	N/A	N/A	N/A	N/A
Processing Time	5-10 months (10-12 months market rate)	5-6 months	60-90 days	90-120 days
Reserves	Replacement reserve, construction reserve, working capital & IOD reserve	Replacement reserve	\$250-\$300 / unit replacement reserves	\$250-\$300 / unit replacement reserves
Loan Fees & Costs	Lender fee varies; 0.3% HUD fee	Lender fee varies, 0.3% HUD fee	*Varies	*Varies
Mortgage Insurance Premium	25 bps – 35 bps (25 bps – 65 bps market rate)	25 bps – 35 bps (25 bps – 60 bps market rate)	N/A	N/A
Assumability	With HUD approval	With HUD approval	N/A	With Lender approval and payment of assumption fee

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HUD 221(d)(4)	HUD 223(f)	Freddie Mac 9% LIHTC Cash Loan	Freddie Mac Non-LIHTC Forward
POSITIVES			
<ul style="list-style-type: none"> • Non-recourse construction to permanent financing • Completion requirement but no conversion DCR test • LTC increases to 90% for properties with 90%+ Section 8; fully amortizing, defined step-down prepayment • Properties in opportunity zones have reduced HUD app fee 	<ul style="list-style-type: none"> • Non-recourse • LTV increases to 90% for properties with 90%+ Section 8 • 80% LTV for cash out(both affordable & market rate) • Properties in opportunity zones have reduced HUD app fee 	<ul style="list-style-type: none"> • Forward commitment for new construction or substantial rehab • Immediate funding to acquire or refinance • Preservation rehab for properties with tenants in place • Interest rate on the forward (permanent) loan locked at construction loan closing • Forward commitment (new construction) up to 36 months (with extension options) • Financing for acquisition/rehab (maximum of 24 months) based on projected post-rehab NOI; cash or LOC required to collateralize gap. 	<ul style="list-style-type: none"> • Forward commitment for new construction or substantial rehab • Suitable for properties with both affordable rent levels and market rate rents • Qualified non-profit entities do not require public support or explicit rent restrictions to be eligible for the non-LIHTC Forward • Eligibility for for-profit sponsor receiving public support requires at least 10% of the units restricted to FHFA defined mission-driven levels, otherwise 20% rent- and income restrictions required • Potential 10% upward adjustment at conversion
NEGATIVES			
<ul style="list-style-type: none"> • Davis Bacon wages, time 	<ul style="list-style-type: none"> • Affordable – 2-step process: Concept meeting, then firm application • Market Rate – 3-step process: Concept meeting, pre-application, firm application 	<ul style="list-style-type: none"> • Third party construction lender required if forward commitment 	<ul style="list-style-type: none"> • Third party construction lender required



FIXED RATE FINANCING FOR 4% LIHTC ELIGIBLE PROPERTIES BRIDGE LOAN TO BOND PURCHASE

BWE provides short-term fixed rate financing to facilitate the acquisition of multifamily properties being positioned for a recapitalization using 4% LIHTC and tax-exempt bonds. The loan is prepayable at par at any time so long as the long-term bond financing is provided through BWE's Direct Bond Purchase Program.

Eligible property type	Affordable multifamily and senior housing properties eligible to receive a tax-exempt bond allocation
Minimum loan amount	\$20,000,000
Minimum debt service	1.20x amortizing DSCR
Going in debt yield	Minimum 8.00%
Loan to value	Up to 70% LTV/LTC
Interest rate	Competitive fixed rate pricing over the SOFR swap. Floating rate available upon request with sufficient caps in place
Amortization	30-40 years, with 40-year amortization option considered for properties with mark-up-to-market HAP contracts
Term	Up to 5 years
Prepayment	Prepayment penalties are waived if the project is financed through the BWE Direct Bond Purchase Program. The construction bond amount and construction interest rate on the bond purchase execution must be no less than the bridge loan amount and interest rate. Otherwise, greater of yield maintenance or declining prepayment
Origination fee	1.0% of the loan amount
Recourse	Non-recourse, except for standard carve-outs for "bad acts" such as fraud and bankruptcy
Servicing	BWE will service the loan during the bridge and re-syndication phases, allowing for a single point of contact for both financing phases
Closing	60-90 days following execution of loan application

Visit [bwe.com](https://www.bwe.com) or contact your BWE representative to learn more.

Bellwether Enterprise Real Estate Capital, LLC (“BWE”) provides developers with an efficient solution for construction and permanent financing for affordable housing properties through the direct purchase of unrated tax-exempt bonds. We invest in both, amortizing and interest-only, tax-exempt bonds where the proceeds are used to finance the construction, significant rehabilitation, acquisition or refinancing of affordable multifamily and senior housing. Our Tax-Exempt Bond Direct Purchase Program provides an efficient single source of capital, reducing the need for additional intermediaries in the process, with maximum proceeds and certainty of execution.

Benefits

- Single source of construction and permanent financing
- Maximum loan proceeds
- Certainty and speed of execution
- Flexible underwriting
- Bridge tax credit equity
- Full-term, interest-only execution available

Property Type

- Affordable multifamily and senior housing financed with tax exempt bonds
- Section 8 Preservation
- Acquisition / Rehabilitation
- New Construction
- Projects eligible for 501(c)(3) bonds

Loan Amount

\$10,000,000 minimum

Interest Rate Type

- Floating and fixed rate options during construction
- Fixed rate from Stabilization through maturity

Amortization

40 years (interest only available). Longer amortization available for select sponsors in strong markets

Term

15-18 Years

Maximum LTC

Up to 80%. 90% LTC available for select transactions

Maximum LTV

Up to 90% “as stabilized”

Minimum DSCR

Up to 1.15x “as stabilized”

Rehab/Construction Period

Up to 36 months

Origination Fee

1.5% of loan amount

Application Deposit

\$35,000 for third party reports and underwriting expenses

Servicing

BWE will service the loan during construction through the permanent phase, allowing for a single point of contact for the whole loan term

Loan Disbursement

Bond Proceeds are fully funded at closing, with the option for draw-down installments where permitted

Eligible Borrowers

Strong borrowers with demonstrated track record in owning and developing affordable housing including borrowers with 501(c)(3) bond eligible projects

Recourse

Unconditional guaranty of construction completion and stabilization. Non-recourse following stabilization, except for standard carve-outs for “bad acts” such as fraud and bankruptcy

Prepayment

Open at par during last twelve months of the Loan Term with yield maintenance and alternative prepayment options available

Rate Lock & Closing

- Rate lock upon credit approval
- Closing within 60-90 days following execution of loan application