Financing Multifamily – No Secrets Here

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Today’s Cost of Long Term Capital

U.S. Multifamily Mortgage Financial Markets

GSEs - Fannie, Freddie, and Ginnie

Products and Opportunities
Understanding the Mortgage Markets

Our Mortgage Markets - Are Not True Markets Because:

Mortgage Markets Have Been Federalize

The Feds Effect on Mortgage Rates

Jan 2019 Fed purchased 20% of net new MBS issues

Source: Urban Land Institute
The Fed owns 20% of Agency Debt

Total Agency Debt and Agency MBS

Percent


Source: Federal Reserve Flow of Funds and Urban Institute.
Notes: Data as of Q4 2016. The Fed owns 29.4 percent of outstanding agency MBS; 20.4 percent of total agency debt and agency MBS. MBS = mortgage-backed securities, GSEs = government-sponsored enterprises.
The Fed’s Effect on Rates

Research published by the Fed in 2014 estimated its purchases have reduced by around 1 percentage point what economists call a “term premium,” the extra yield investors demand for the risk of lending over a longer term.

Translation 10 year Treasury rates would be 3.8% today instead of 2.8%
Fed plan won’t get balance sheet below $3 trillion until late 2019
Fed’s asset holdings in trillions

Source: Thomson Reuters, Capital Economics
Vacancy Rate at a 30 Year Low

Notes: US rental vacancy rates are four-quarter rolling averages. Metro data are for professionally managed apartment properties in the 100 market areas tracked by MPF Research. Sources: JCHS tabulations of US Census Bureau, Housing Vacancy Survey, and MPF Research data.
Household Formations and Demand

Source: U.S. Census / MBA
Duty To Serve Underserved Markets

“Fannie and Freddie provide leadership to facilitate a secondary market for mortgages on housing for very low-, low-, and moderate-income families in three underserved markets specified in the statute”:

Manufactured housing

Affordable housing preservation

Rural housing
<table>
<thead>
<tr>
<th>Goal</th>
<th>Criteria</th>
<th>Goal level for 2017</th>
<th>Goal level for 2018-2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low-Income Multifamily Goal</td>
<td>Units affordable to families with incomes no greater than 80 percent of area median income in multifamily rental properties with mortgages purchased by an Enterprise</td>
<td>300,000 units</td>
<td>315,000 units</td>
</tr>
<tr>
<td>Very Low-Income Multifamily Subgoal</td>
<td>Units affordable to families with incomes no greater than 50 percent of area median income in multifamily rental properties with mortgages purchased by an Enterprise</td>
<td>60,000 units</td>
<td>60,000 units</td>
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<tr>
<td>Small Multifamily Low-Income Subgoal</td>
<td>Units affordable to families with incomes no greater than 80 percent of area median income in small multifamily rental properties (5 to 50 units) with mortgages purchased by an Enterprise</td>
<td>10,000 units</td>
<td>10,000 units</td>
</tr>
</tbody>
</table>
Our Friends - the GSEs

FHA - guarantees the mortgage
  MAP (Mortgage Accelerated Processing Lenders)
  State HFA Risk Share Lenders
Ginnie Mae - Ginnie Guarantees the payments, wrap the mortgage in MBS

Fannie -
  Delegated Underwriters/Servicers - “DUS” who take loss exposure
  Guarantees payments wrapped in security

Freddie -
  Uses Approved servicers who package the application
  Freddie underwrites, purchases and pools them and issues MBS
  MBS has a subordinate part that takes first loss
## Multi Family and the GSEs

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</thead>
<tbody>
<tr>
<td>Total MF Production Volume $B</td>
<td>$138</td>
<td>$148</td>
<td>$88</td>
<td>$53</td>
<td>$69</td>
<td>$110</td>
<td>$146</td>
<td>$173</td>
<td>$190</td>
<td>$256</td>
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<tr>
<td>GSE market share %</td>
<td>23%</td>
<td>34%</td>
<td>63%</td>
<td>70%</td>
<td>46%</td>
<td>40%</td>
<td>43%</td>
<td>32%</td>
<td>33%</td>
<td>36%</td>
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<tr>
<td>Fannie Mae Production, $B</td>
<td>20</td>
<td>32</td>
<td>31</td>
<td>20</td>
<td>17</td>
<td>24</td>
<td>34</td>
<td>29</td>
<td>29</td>
<td>42</td>
</tr>
<tr>
<td>Freddie Mac Production, $B</td>
<td>12</td>
<td>18</td>
<td>24</td>
<td>17</td>
<td>15</td>
<td>20</td>
<td>29</td>
<td>26</td>
<td>28</td>
<td>47</td>
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Source: Fannie Mae and Freddie Mac 10-k, FHFA Performance Report of the Housing GSE, Mortgage Bankers Association
## Estimated Fixed Rate w/ 60 day Close

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<tr>
<th>PROVIDER</th>
<th>PRODUCT TERM</th>
<th>ESTIMATED ALL IN RATE</th>
<th>TIME TO CLOSE</th>
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<tr>
<td>MRB FHA</td>
<td>40 years</td>
<td>5%</td>
<td>90 days-9 mo.</td>
</tr>
<tr>
<td>MRB/Ginnie</td>
<td>40 years</td>
<td>4 to 4.75%</td>
<td>6 mo. to 9 mo.</td>
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<tr>
<td>Fannie MTabs</td>
<td>15 year Call</td>
<td>4.75%</td>
<td>90 Days</td>
</tr>
<tr>
<td></td>
<td>35 year Amort.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Freddie Tel</td>
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This is George

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- Variable rate remarketing
- Refundings and restructurings
- Investment of bond proceeds
- Rating agency presentations and credit analysis including debt capacity
- Assistance obtaining credit enhancement and bank direct placements
- Derivative products i.e. interest rate swaps, caps and collars
- Development of long-term financial plans
- Quantitative debt service analysis

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