

DEBT STRATEGIES

FOR AFFORDABLE HOUSING

BWWE

Bellwether Enterprise is a national, full-service commercial and multifamily mortgage banking company. As a subsidiary of Enterprise Community Investment, Bellwether Enterprise has production offices across the country and an integrated servicing platform based in Cleveland. With local market expertise, national lending relationships and financing structure experience, we provide clients with competitive, creative solutions for their financing needs. Bellwether Enterprise provides loans for a range of institutional investors including life insurance companies, pension funds, commercial banks and CMBS lenders and is a Fannie Mae Delegated Underwriting and Servicing (DUS®) lender, Freddie Mac Multifamily Licensed Seller/ Servicer for Conventional and Targeted Affordable Housing Loans, Federal Housing Administration (FHA) approved Multifamily Accelerated Processing (MAP) lender and U.S. Department of Agriculture (USDA) Section 538 Rural Development lender.

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The following chart provides a summary of the characteristics for a selection of affordable housing debt products offered by Bellwether Enterprise. More detailed term sheets for each product are available.

| Features | Fannie Mae Preservation Rehab | Fannie Mae Bond M.TEB | Freddie Mac 9% LIHTC | Freddie Mac Tax-Exempt Loan | HUD 221(d)4 | HUD 223(f) | Private Placement |
|-----------------------------------|--|---|---|--|--|--|---|
| Loan-to-Value Ratio | Up to 90% | Up to 90% | Up to 90% | Up to 90% | 87% - 90% (LTC) | 87% - 90% | Up to 90% |
| Debt Service Coverage Rate | 1.15 | 1.15 | 1.15 | 1.15 | 1.11 - 1.15 | 1.11 - 1.15 | 1.15 |
| Interest Rate Benchmark | 10-year Treasury 09/21/20 - 0.65% | TE Bond Rate (Immediate 1.65%, Forward 1.65% - 2.00% (15-18 years)) | 10-year Treasury | 10-year Treasury | 10-year Treasury | 10-year Treasury | 18 Year LIBOR Swap, 0.85% |
| Interest Rate Spread | 15-year: 220 to 265 bps 18-year: 235 to 280 bps | 110 to 160 bps G&S plus issuer/trustee fee (typically 12.5 bps but could be as high as 50 bps) | Immediate: 285-305 bps Forward: 330-365 bps | Immediate: 240-260 bps plus issuer fee Forward: 285-305 bps plus issuer fee | 220-240 bps | 150-170 bps | Construction 310-335 bps, Perm 295-320 bps (plus issuer/trustee fees) |
| Amortization Period | 30-35 Years | 35-40 Years | 35 Years | 35-40 Years | 40 Years | 35 Years | 40 Years |
| Loan Term | 10 - 30 Years | 15 - 30 Years | 15 - 30 Years | 15 - 18 Years | Construction term plus 40 Years | 35 Years | 15 - 18 Years |
| Pre-Payment Provisions | Yield Maintenance Declining Prepayment | M.TEB: Fee Maintenance or Yield Maintenance options available) / BCE: Fee Maintenance | Yield Maintenance | Yield Maintenance | Negotiable but typically cover first 10 years | Negotiable but typically cover first 10 years | Lockout until last 12 months open at par |
| Minimum Loan Size | \$1M+ | \$5M+ | \$2M+ | \$5M+ | No minimum but typically \$3M to \$10M+ | No minimum but typically \$3 to \$5M+ | \$10M+ |
| Maximum Loan Size | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Processing Time | 60-90 days | 90-120 days | 60-120 days | 90-120 days | 5-10 months | 4-6 months | 90 days |
| Reserves | \$250/unit minimum replacement reserves | \$250/unit minimum replacement reserves | \$250/unit minimum replacement reserves | \$250/unit minimum replacement reserves | Replacement reserve, construction reserve, working capital & IOD reserve | Replacement reserve | Replacement reserve |
| Loan Fees & Costs | Varies | Varies | Varies | Varies | Lender fee varies; 0.3% HUD fee | Lender fee varies, 0.3% HUD fee | Varies |
| Mortgage Insurance Premium | N/A | N/A | N/A | N/A | 25 bps - 45 bps | 25 bps - 45 bps | 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 | With HUD approval | With HUD approval | N/A |
| Positives | <ul style="list-style-type: none"> Great for Tenant-in-Place rehabilitation of existing affordable housing stock; works well with long term HAP contract. Can be delegated back to lender. | <ul style="list-style-type: none"> Spreads above assume 4% LIHTC Tax-exempt Bond Structure. Great for Tenant-in-Place rehabilitation of existing affordable housing stock or new construction Works well with long term HAP contract M.TEB typically prices better than standard BCE. Can be delegated back to lender. | <ul style="list-style-type: none"> Spreads above assume 9% LIHTC. Great for Tenant-in-Place rehabilitation of existing affordable housing stock or new construction. | <ul style="list-style-type: none"> Spreads assume 4% tax-exempt structure. Current rates are very competitive and lower than bond credit enhancements. Lower cost of issuance with no bond underwriter, rating agency fee, etc. Potential 10% upward adjustment at conversion. | <ul style="list-style-type: none"> Nonrecourse construction to permanent financing Completion requirement but no conversion DCR test LTC increases to 90% for properties with 90%+ Sec 8; fully amortizing, defined step-down prepayment. | <ul style="list-style-type: none"> Nonrecourse LTV increases to 90% for properties with 90%+ Sec 8 | <ul style="list-style-type: none"> Non-recourse construction to permanent financing. Additional eligible basis for more tax credit equity. Net reinvestment earnings. Less upfront fees. |
| 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 Private Placements. | <ul style="list-style-type: none"> Prior approval/pre-review required on all transactions. Final review and issuance required by Freddie Mac. | <ul style="list-style-type: none"> Final review and issuance required by Freddie Mac. Construction lender required for forward. | <ul style="list-style-type: none"> Davis Bacon wages, time | <ul style="list-style-type: none"> Affordable - 2-step process: Concept meeting, then firm app. Market Rate - 3-step process: Concept meeting, preapplication, firm app. | <ul style="list-style-type: none"> Higher rate during construction period. Negative Arbitrage. |