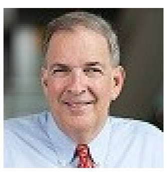
TAH Update - April 2

Steve Johnson
Vice President
Production & Sales



Michael H. Patterson
Vice President
Underwriting & Credit

We've highlighted some key takeaways from yesterday's COVID-19 email update — and provided some additional details for our TAH lenders:

Debt Service Reserve

We're here to support the market — and to help keep it going in difficult times. One way we're tackling our challenges is through Debt Service Reserve (DSR) — a new option in the current environment when full due diligence is not feasible.

We announced yesterday that we'll accept deals with modified due diligence — related to third-party reports and property inspections — **with at least a six-month DSR**. We'll release the reserve once the COVID-19 crisis is over, full due diligence is confirmed and the property is shown to be performing.

Please note that the Debt Service Agreement will be forthcoming.

You may distribute the presentation from yesterday's Optigo® lender call to your production and underwriting teams. Contact Peter Lillestolen if you have questions.

Here's how the DSR works for TAH cash preservation loans:

- For a loan sized to **1.40x amortizing DCR or greater**, irrespective of the actual interest-only period of the loan, the DSR amount will be sized to **six months** amortizing debt service.
- For a loan sized to an **amortizing DCR below 1.40x**, irrespective of the actual interest-only period of the loan, the DSR amount will be sized to **nine months** of amortizing debt service.

Other products will be structured as appropriate for individuals deals.

Credit Changes — Commercial and Cash Out

For **commercial** tenants on a property, whose clients are not solely property residents, we will not give credit for commercial income and will underwrite much less of the space's value. We may make some exceptions for already long-established essential businesses, like a pharmacy, or certain high credit-rated businesses.

Cash-out refinances: DCR and LTV credit parameters will be tightened by +0.05x and -5%, respectively, when a property's rents are near or at market rents of comparable properties. This happens most often in preservation transactions.

If there is a considerable gap (typically 20%) between a property's rents and those of comparable market-rate neighborhood properties, we will continue with our normal DCR and LTV credit parameters. This includes properties receiving subsidies and HAP contracts where rent collected is near or at market.

Forbearance Changes

Since we issued our press release on forbearance last week, Congress has now passed the CARES Act. Here's how we're adjusting our program to fully comply with those regulations.

Check Our COVID-19 Webpage for Recaps

Don't forget to visit our COVID-19 webpage for any emails you might've missed.

During these tough times, we wish you, your teams and your family all the best. Stay healthy and safe.

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