



Behind the Underwriting Curtain

2018 Targeted Affordable Housing Seller Workshop

June 7, 2018



Behind the Underwriting Curtain



Forwards

A Working Example

- With a Forward Commitment, Freddie Mac commits to locking the interest rate for the permanent mortgage and the Seller agrees to deliver a permanent mortgage when the project is complete and has met the conditions for conversion
- Forwards can be for 9%, TEL, Bond Credit Enhancements or certain non-LIHTC deals. (Preservation Rehabilitations involve rehab, but are done as immediates)

Definition



- If the supportable proceeds at the time of conversion are different from the loan commitment, Freddie Mac does not change pricing as long as the proceeds are within +5% / -10% on all tax-exempt deals and taxable deals
- Freddie Mac is much more flexible than our chief competitor in this regard, and as a result we convert a higher percentage of deals than they do (and even end up with some of their deals that fail to convert)



- If at the time of conversion, the deal supports proceeds of greater than 105% of commitment proceeds, Freddie Mac Underwriting, in its sole discretion, can agree to lend more money. This will require a new appraisal which supports the higher requested proceeds
- We will blend the original rate with the maximum of original spread or the current spread plus the current index. Either way, the blended rate will still be attractive. There will be an additional adder going from Tax-Exempt to Taxable



- If a loan is delivered that is not within 90% of proceeds, the Borrower is subject to breakage fees (costs derived from hedging, legal and other costs)
- The borrower is responsible for breakage fees of up to 2% on 9% and TEL deals; and no breakage fees on Bond Credit Enhancement deals
- Freddie Mac would also keep the forward commitment fee if the loan is not delivered for any reason by the mandatory delivery date or, in a Bond Credit Enhancement, the loan fails to convert. For 9% and non-LIHTC forward deals, any Delivery Assurance Fee that is collected will be credited toward any breakage fees



- Extension fees (to extend the commitment if the deal has not yet stabilized) are free for the first six months for 9% and Bond Credit Enhancement deals, and a fee at our discretion for a second extension, if granted
- If there is uncertainty on time needed to complete and stabilize, we would recommend erring on the side of taking a longer forward period as the yield curve is flat, and longer forward periods are relatively cheap



- PLIMs & Other Analyses
 - » Submitted at forward UW
 - » Updated as necessary at conversion
 - » Upload to DMS and email directly to counsel

- Title and Survey
 - » Review and highlight any potential issues in the PLIM at forward UW
 - Freddie Mac legal will not review and approve title and/or survey generally at this time
 - » Full title and survey review required at conversion
 - Approval by Freddie Mac legal prior to conversion

- Subordinate Loans
 - » Subordination agreement should be agreed upon at forward UW
- TELs and Bond Credit Enhancements
 - » Conversion requires third party opinions and, possibly, amendments to TEL/Bond Credit Enhancement documents
 - » For TELs, Seller/Service is responsible for updating the amortization schedule at conversion (if necessary) and, together with joint counsel, ensuring the TEL documents are updated accordingly
- ***Practice Tip***
 - » Engage legal counsel (including joint counsel if a TEL conversion) early in the conversion process

Forwards: Filling Out the LST

- Which LST to Use?
 - » LST Version 2.8
 - » Use As is Proforma

	5.07%	4.06%	5.50%	5.00%
	0.00%	0.00%	0.00%	0.00%
	5.07%	3.04%	5.00%	5.00%
	0.00%	1.01%	0.50%	0.00%
Borrower Budget As is Proforma	Appraisal As Is Proforma	S/S As is Proforma	FREDDIE MAC As is Proforma	
06/2019	06/2019	06/2019	06/2019	

■ GPR

- » Appraiser's calculation of achievable maximum LIHTC rents *(based on today's AMI)*
- » HAP Contract
- » Borrower's estimation of rents***

■ Vacancy

- » The greater of market vacancy or 5%

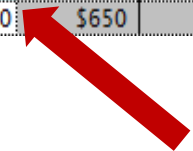
SOURCE OF DATA	Borrower Budget As is Proforma		Appraisal As is Proforma		S/S As is Proforma		FREDDIE MAC As is Proforma	
	06/2019	PER UNIT	06/2019	PER UNIT	06/2019	PER UNIT	06/2019	PER UNIT
Number of Residential Units>	5.07%		4.06%		5.50%		5.00%	
	0.00%		0.00%		0.00%		0.00%	
	5.07%		3.04%		5.00%		5.00%	
	0.00%		1.01%		0.50%		0.00%	
TIME PERIOD	06/2019		06/2019		06/2019		06/2019	
		PER UNIT		PER UNIT		% Change vs. PY		% Change vs. PY
INCOME								
Gross Potential Rent-Resider	\$1,515,000	\$12,120	\$1,515,000	\$12,120	\$1,515,000	\$12,120	\$1,515,000	\$12,120
Less: Residential Concessions	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Less: Residential Vacancy	\$76,875	\$615	\$46,125	\$369	\$75,750	5.00%	\$75,750	5.00%
Less: Residential Bad Debt	\$0	\$0	\$15,375	\$123	\$7,575	\$61	\$0	\$0
Short Term Premiums	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Residential NET RENTAL INCC	\$1,438,125	\$11,505	\$1,453,500	\$11,628	\$1,431,675	\$11,453	\$1,439,250	\$11,514
Monthly Residential NRI	\$119,844		\$121,125		\$119,306		\$119,938	

***Assuming less than HAP contract and/or appraiser's calculation of max LIHTC rents

Forwards: Taxes and Insurance

- Taxes
 - » Appraiser or Borrower's Budget
- Insurance
 - » Borrower's Budget

SOURCE OF DATA	Borrower Budget As is Proforma		Appraisal As Is Proforma		S/S As is Proforma			FREDDIE MAC As is Proforma		
	06/2019		06/2019		06/2019			06/2019		
TIME PERIOD		PER UNIT		PER UNIT		PER UNIT	% Change vs. PY		PER UNIT	% Change vs. PY
INCOME										
Real Estate Taxes	\$10,000	\$80	\$6,447	\$52	\$10,000	\$80	N/A	\$10,000	\$80	N/A
Total Insurance	\$81,250	\$650	\$81,250	\$650	\$81,250	\$650	N/A	\$81,250	\$650	N/A



Forwards: Utilities and R&M

- Utilities and Repair and Maintenance
 - » Higher of the Borrower's Budget or the Appraiser's estimate
 - » It's just a starting point! From there we... THINK



SOURCE OF DATA	Borrower Budget As is Proforma		Appraisal As is Proforma		S/S As is Proforma		FREDDIE MAC As is Proforma			
	06/2019		06/2017		06/2019		06/2019			
Fuel	\$0	\$0	\$0	\$0	\$0	\$0	N/A	\$0	\$0	N/A
Gas	\$0	\$0	\$0	\$0	\$0	\$0	N/A	\$0	\$0	N/A
Electricity	\$18,125	\$145	\$31,250	\$250	\$31,250	\$250	N/A	\$31,250	\$250	N/A
Water & Sewer	\$15,000	\$120	\$18,750	\$150	\$18,750	\$150	N/A	\$18,750	\$150	N/A
Sub-Total, Utilities/Water & Sewer	\$33,125	\$265	\$50,000	\$400	\$50,000	\$400	N/A	\$50,000	\$400	N/A
TOTAL FIXED EXPENSES	\$124,375	\$995	\$137,697	\$1,102	\$141,250	\$1,150	N/A	\$141,250	\$1,150	N/A
OPERATING EXPENSES										
Trash Removal	\$22,500	\$180	\$22,500	\$180	\$22,500	\$180	N/A	\$22,500	\$180	N/A
Pest Control	\$4,500	\$36	\$0	\$0	\$0	\$0	N/A	\$0	\$0	N/A
Bldg. Maint. & Repair	\$56,250	\$450	\$56,250	\$450	\$56,250	\$450	N/A	\$56,250	\$450	N/A
Int. & Ext. Decorating	\$0	\$0	\$0	\$0	\$0	\$0	N/A	\$0	\$0	N/A
Cleaning/Turnover	\$0	\$0	\$0	\$0	\$0	\$0	N/A	\$0	\$0	N/A
Elevator Maintenance	\$14,400	\$115	\$18,750	\$150	\$18,750	\$150	N/A	\$18,750	\$150	N/A
Recreation Amenities	\$0	\$0	\$0	\$0	\$0	\$0	N/A	\$0	\$0	N/A
Parking Maint/Snow	\$0	\$0	\$0	\$0	\$0	\$0	N/A	\$0	\$0	N/A
Grounds Maintenance	\$22,500	\$180	\$22,500	\$180	\$22,500	\$180	N/A	\$22,500	\$180	N/A
Repair and Maintenance	\$120,150	\$961	\$120,000	\$960	\$120,000	\$960	N/A	\$120,000	\$960	N/A

Forwards: Management Fee



- Management Fee
 - » Third Party Management Company
 - Actual in-place fee based on Management Agreement
 - » Borrower Affiliated Management Company
 - Market management fee as determined by the Appraiser

Number of Residential Units	5.07%		4.06%		5.50%		5.00%		
	0.00%		0.00%		0.00%		0.00%		
SOURCE OF DATA	5.07%		3.04%		5.00%		5.00%		
	0.00%		1.01%		0.50%		0.00%		
TIME PERIOD	Borrower Budget As is Proforma		Appraisal As Is Proforma		S/S As is Proforma		FREDDIE MAC As is Proforma		
	06/2019		06/2019		06/2019		06/2019		
Nonresident Mgt.	\$58,400	4.00%	\$59,040	4.00%	\$58,167	\$465	\$58,470	\$468	4.00%

Borrower's Budget and Appraisal Estimate



■ Borrower's Budget

- » Payroll = \$1,900/unit
- » G&A = \$209/unit

Number of Residential Units > #	5.07%	
	0.00%	
SOURCE OF DATA	5.07%	
	0.00%	
Borrower Budget As is Proforma		
TIME PERIOD	06/2019	
Total Payroll	\$237,500	\$1,900
Advertising	\$5,000	\$40
Office/Model/Down Units	\$0	\$0
Office Expenses	\$0	\$0
Legal & Audit	\$15,000	\$120
Leased Furniture	\$0	\$0
License/Permits	\$2,000	\$16
Other Taxes or Assmnts	\$4,150	\$33
Corporate Units	\$0	\$0
Total Gen & Admin Expenses	\$26,150	\$209

■ Appraiser's Estimate

- » Payroll = \$1,600/unit
- » G&A = \$508/unit

Number of Residential Units > #	4.06%	
	0.00%	
SOURCE OF DATA	3.04%	
	1.01%	
Appraisal As is Proforma		
TIME PERIOD	06/2017	
Total Payroll	\$200,000	\$1,600
Advertising	\$9,375	\$75
Office/Model/Down Units	\$0	\$0
Office Expenses	\$50,000	\$400
Legal & Audit	\$0	\$0
Leased Furniture	\$0	\$0
License/Permits	\$0	\$0
Other Taxes or Assmnts	\$4,150	\$33
Corporate Units	\$0	\$0
Total Gen & Admin Expenses	\$63,525	\$508

Forwards: Payroll and G&A



- Payroll
 - » Borrower's Budget
- G&A
 - » Higher of Appraiser's estimate or Borrower's Budget

SOURCE OF DATA	Borrower Budget As is Proforma		Appraisal As is Proforma		S/S As is Proforma			FREDDIE MAC As is Proforma		
	06/2019		06/2017		06/2019			06/2019		
Nonresident Mgt.	\$58,400	4.00%	\$59,040	4.00%	\$58,167	\$465	4.00%	\$58,470	\$468	4.00%
Onsite Manager Salary	\$0	\$0	\$0	\$0	\$0	\$0	N/A	\$0	\$0	N/A
Security	\$25,000	\$200	\$25,000	\$200	\$25,000	\$200	N/A	\$25,000	\$200	N/A
Other Salaries	\$212,500	\$1,700	\$175,000	\$1,400	\$175,000	\$1,400	N/A	\$175,000	\$1,400	N/A
Payroll Taxes & Benefits	\$0	\$0	\$0	\$0	\$0	\$0	N/A	\$0	\$0	N/A
Apt Allowance	\$0	\$0	\$0	\$0	\$0	\$0	N/A	\$0	\$0	N/A
Total Payroll	\$237,500	\$1,900	\$200,000	\$1,600	\$200,000	\$1,600	N/A	\$200,000	\$1,600	N/A
Advertising	\$5,000	\$0	\$9,375	\$75	\$9,375	\$75	N/A	\$9,375	\$75	N/A
Office/Model/Down Units	\$0	\$0	\$0	\$0	\$0	\$0	N/A	\$0	\$0	N/A
Office Expenses	\$0	\$0	\$50,000	\$400	\$50,000	\$400	N/A	\$50,000	\$400	N/A
Legal & Audit	\$15,000	\$120	\$0	\$0	\$0	\$0	N/A	\$0	\$0	N/A
Leased Furniture	\$0	\$0	\$0	\$0	\$0	\$0	N/A	\$0	\$0	N/A
License/Permits	\$2,000	\$16	\$0	\$0	\$2,000	\$16	N/A	\$2,000	\$16	N/A
Other Taxes or Assmnts	\$4,150	\$33	\$4,150	\$33	\$4,150	\$33	N/A	\$4,150	\$33	N/A
Corporate Units	\$0	\$0	\$0	\$0	\$0	\$0	N/A	\$0	\$0	N/A
Total Gen & Admin Expenses	\$26,150	\$209	\$63,525	\$508	\$65,525	\$524	N/A	\$65,525	\$524	N/A

- Three items not mentioned
 - » Other Income = Appraiser's Estimate
 - » Replacement Reserves = Greater of \$250/unit/year or PNA \$/unit/year
 - RR can be affected and/or increased by the following:
 - Operating Agreement or LPA
 - Regulatory Agreement
 - » Miscellaneous Expense
 - Fiscal Agent Fee
 - Governmental Lender Fee
 - Rebate Analyst Fee
 - Monitoring Compliance
 - Subordinate Lender Misc. Fees

- Total expenses (plus reserves) \geq Appraiser's estimate
 - » If not, supportable explanation



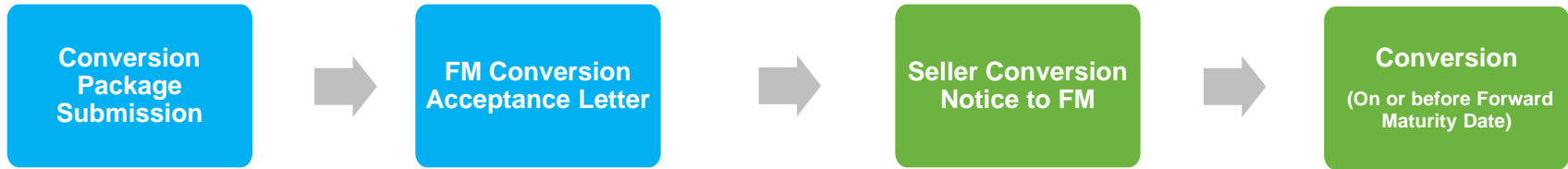
Behind the Underwriting Curtain



Conversions

A Working Example

Conversion Timeline



45 Days	15 Days – Cash	10 Days – Tax Exempt
<ul style="list-style-type: none"> • FM re-underwrites deal, reviews construction documents, and confirms all conversion conditions are met • Conversion Acceptance Letter prepared by FM UW (cash), joint counsel (TEL), or FM counsel (bond) • Seller reviews and comments on draft CAL • FM issues executed CAL to Seller 	<ul style="list-style-type: none"> • Seller’s counsel prepares escrow instructions, collateral release documents, etc. • FM confirms payoff amount (<i>funded forwards only</i>) and retrieves LOCs or other non-cash collateral • FM reviews, executes, & mails escrow document package 	<ul style="list-style-type: none"> • Seller’s Counsel (BCE)/Joint/FM counsel (TEL) prepares escrow instructions, collateral release documents, etc. • Trustee gives notice to bondholders (<i>unfunded forward BCE only</i>) • FM confirms payoff amount (<i>funded forwards BCE only</i>) and retrieves LOCs or other non-cash collateral • FM reviews, executes, & mails escrow document package

- Which LST should you use for a conversion?
 - » 1.8 OR 2.8
 - **Depends on which Version was used at Forward Stage**
 - LST 1.8 used for Forward = Use LST 1.8 for Conversion
 - LST 2.8 used for Forward = Use LST 2.8 for Conversion



Conversions: Filling out the LST 1.8

- Input sheet
- TAH & bonds
- Addendum G
- Construction
- Exception requests
- Rent Roll/Commercial Rent Roll
- I & E
- Collections
- FMAC brief Part A
- Loan
- Strengths and weaknesses
- Property
- Tax abatement
- CF footnotes
- Borrower
- Org chart
- Appraisal
- Sales Comps
- Rent Comps
- Third party
- Market
- Maps

Conversions: Filling out the LST 1.8, continued



- Forward Underwriting should be spread
- YTD (T-3, T-4, etc.) should be spread
- YTD Annualized will automatically be created in T-12 Column
- Borrower's Budget and Appraiser's Proforma* should be spread.

	5.00%			2.66%		4.25%		3.00%		5.00%	
	0.00%			0.00%		0.00%		0.00%		0.00%	
	5.00%			2.76%		2.25%		3.00%		5.00%	
	0.00%			-0.10%		2.00%		0.00%		0.00%	
Operating Statement		Ytd		T-12 / Year-To-Date		Borrower's Budget		Appraisal		S/S Proforma	
Year 1 Back		Statement		YTD							
Original U/W		Months		May - August 2017		2017		2015		2017	
	PER	% Change	4		PER	% Change		PER	PER		% Change
	UNIT	vs. PY		Can Override	UNIT	vs. PY		UNIT	UNIT		vs. PY

Conversions: Filling out the LST 2.8



- Use As-Stabilized Proforma
- Forward Underwriting should be spread
- YTD (T-3, T-4, etc.) should be spread
- YTD Annualized will automatically be created in T-12 Column
- Borrower's Budget and Appraiser's Proforma* should be spread

SOURCE OF DATA	Operating Statement		Ytd Statement		T-12 / Year-To-Date			Borrower Budget As Stabilized Proforma		Appraisal As Stabilized Proforma		S/S As Stabilized Proforma		
	Year 1 Back		Months		YTD Annualized			08/2017		06/2015		08/2017		
	06/2015		4		05/2017			08/2017		06/2015		08/2017		
	PER UNIT	% Change vs. PY	PER UNIT	% Change vs. PY	PER UNIT	% Change vs. PY	PER UNIT	% Change vs. PY	PER UNIT	% Change vs. PY	PER UNIT	% Change vs. PY	PER UNIT	% Change vs. PY
INCOME														
Gross Potential Rent-Residential	\$10,174,992	\$127,187	N/A	\$3,771,688	Can Override \$11,315,064	\$141,438	11.20%	\$11,534,457	\$144,181	\$10,564,284	\$132,054	\$12,138,744	\$151,734	19.30%
Less: Residential Concessions	\$0	\$0	N/A	\$0	\$0	\$0	N/A	\$0	\$0	\$0	\$0	\$0	\$0	N/A
Less: Residential Vacancy	\$508,750	\$6,359	N/A	\$104,123	\$312,369	\$3,905	-38.60%	\$259,801	\$3,248	\$316,929	\$3,962	\$606,937	\$5,000	19.30%
Less: Residential Bad Debt	\$0	\$0	N/A	(\$3,810)	(\$11,430)	(\$143)	N/A	\$230,689	\$2,884	\$0	\$0	\$0	\$0	N/A
Short Term Premiums	\$0	\$0	N/A	\$0	\$0	\$0	N/A	\$0	\$0	\$0	\$0	\$0	\$0	N/A
Residential NET RENTAL INCOME	\$9,666,242	\$120,828	N/A	\$3,671,375	\$11,014,125	\$137,677	13.94%	\$11,043,967	\$138,050	\$10,247,355	\$128,092	\$11,531,807	\$144,148	19.30%
Monthly Residential NRI	\$805,520			\$917,844	\$917,844			\$920,331		\$853,946		\$960,984		

Conversions: GPR and Vacancy



- GPR
 - » Lower of in place, max LIHTC, HAP Contract or market rents
- Vacancy
 - » The greater of actual physical vacancy or 5%

INCOME	Can Override	T-12 / Year-To-Date			Borrower's Budget		Appraisal		S/S Proforma			FREDDIE MAC PROFORMA		
		PER	% Change		PER		PER		PER	% Change		PER	% Change	
		UNIT	vs. PY		UNIT		UNIT		UNIT	vs. PY		UNIT	vs. PY	
		2.66%		4.25%		3.00%		5.00%			5.00%			
		0.00%		0.00%		0.00%		0.00%			0.00%			
		2.76%		2.25%		3.00%		5.00%			5.00%			
		-0.10%		2.00%		0.00%		0.00%			0.00%			
Number of Residential Units> 536														
SOURCE OF DATA		YTD			2017		2015		2017			2017		
TIME PERIOD		May - August 2017												
		Can Override	PER	% Change		PER		PER		% Change		PER	% Change	
			UNIT	vs. PY		UNIT		UNIT		vs. PY		UNIT	vs. PY	
Gross Potential Rent-Residential		\$11,315,064	\$21,110	11.20%	\$11,534,457	\$21,520	\$10,564,284	\$19,709	\$12,138,744	\$22,647	19.30%	\$12,138,744	\$22,647	19.30%
Less: Residential Concessions		\$0	\$0	N/A	\$0	\$0	\$0	\$0	\$0	\$0	N/A	\$0	\$0	N/A
Less: Residential Vacancy		\$312,369	\$583	-38.60%	\$259,801	\$485	\$316,929	\$591	\$606,937	5.00%	19.30%	\$606,937	5.00%	19.30%
Less: Residential Bad Debt		(\$11,430)	(\$21)	N/A	\$230,689	\$430	\$0	\$0	\$0	\$0	N/A	\$0	\$0	N/A
Short Term Premiums		\$0	\$0	N/A	\$0	\$0	\$0	\$0	\$0	\$0	N/A	\$0	\$0	N/A
Residential NET RENTAL INCOME		\$11,014,125	\$20,549	13.94%	\$11,043,967	\$20,604	\$10,247,355	\$19,118	\$11,531,807	\$21,515	19.30%	\$11,531,807	\$21,515	19.30%

Conversions: Taxes and Insurance



- Taxes
 - » Appraiser OR actual tax bill, if available
- Insurance
 - » Actual insurance premium

Number of Residential Units> 536	2.66%		4.25%		3.00%		5.00%		5.00%				
	0.00%		0.00%		0.00%		0.00%		0.00%				
	2.76%		2.25%		3.00%		5.00%		5.00%				
	-0.10%		2.00%		0.00%		0.00%		0.00%				
SOURCE OF DATA	T-12 / Year-To-Date			Borrower's Budget		Appraisal		S/S Proforma		FREDDIE MAC PROFORMA			
	YTD												
TIME PERIOD	May - August 2017			2017		2015		2017		2017			
	PER	% Change		PER		PER		PER	% Change	PER	% Change		
Real Estate Taxes	\$359,142	\$670	-56.09%	\$544,482	\$1,016	\$850,901	\$1,588	\$977,132	\$1,823	19.47%	\$977,132	\$1,823	19.47%
Total Insurance	\$428,883	\$800	-6.76%	\$397,164	\$741	\$460,000	\$858	\$460,000	\$858	0.00%	\$460,000	\$858	0.00%

Conversions: Utilities and R&M



- Utilities and Repair and Maintenance
 - » Higher of the T-3 annualized (adjusted for seasonality) or forward underwriting

SOURCE OF DATA TIME PERIOD	0.00%			0.00%			0.00%			0.00%		
	5.00%			2.76%			5.00%			5.00%		
	0.00%			-0.10%			0.00%			0.00%		
	Operating Statement			T-12 / Year-To-Date			S/S Proforma			FREDDIE MAC PROFORMA		
Year 1 Back			YTD									
Original UW			May - August 2017			2017			2017			
Fuel	\$0	\$0	N/A	\$50,721	\$95	N/A	\$794,850	\$1,483	N/A	\$794,850	\$1,483	N/A
Gas	\$568,696	\$1,061	N/A	\$41,544	\$78	-92.69%	\$113,096	\$211	-80.11%	\$113,096	\$211	-80.11%
Electricity	\$536,000	\$1,000	N/A	\$1,079,613	\$2,014	101.42%	\$467,192	\$872	-12.84%	\$467,192	\$872	-12.84%
Water & Sewer	\$505,984	\$944	N/A	\$538,581	\$1,005	6.44%	\$538,582	\$1,005	6.44%	\$538,581	\$1,005	6.44%
Sub-Total, Utilities/Water & Sewer	\$1,610,680	\$3,005	N/A	\$1,710,459	\$3,191	6.19%	\$1,913,720	\$3,570	18.81%	\$1,913,719	\$3,570	18.81%
TOTAL FIXED EXPENSES	\$2,888,594	\$3,389	N/A	\$2,498,484	\$4,001	-13.51%	\$3,350,852	\$6,252	16.00%	\$3,350,851	\$6,252	16.00%
OPERATING EXPENSES												
Trash Removal	\$1,000	\$2	N/A	\$0	\$0	-100.00%	\$0	\$0	-100.00%	\$0	\$0	-100.00%
Pest Control	\$0	\$0	N/A	\$0	\$0	N/A	\$0	\$0	N/A	\$0	\$0	N/A
Bldg. Maint. & Repair	\$1,017,968	\$1,899	N/A	\$3,038,055	\$5,668	198.44%	\$3,038,056	\$5,668	198.44%	\$3,038,055	\$5,668	198.44%
Int. & Ext. Decorating	\$0	\$0	N/A	\$0	\$0	N/A	\$0	\$0	N/A	\$0	\$0	N/A
Cleaning/Turnover	\$0	\$0	N/A	\$0	\$0	N/A	\$0	\$0	N/A	\$0	\$0	N/A
Elevator Maintenance	\$0	\$0	N/A	\$0	\$0	N/A	\$0	\$0	N/A	\$0	\$0	N/A
Recreation Amenities	\$0	\$0	N/A	\$0	\$0	N/A	\$0	\$0	N/A	\$0	\$0	N/A
Parking Maint/Snow	\$0	\$0	N/A	\$0	\$0	N/A	\$0	\$0	N/A	\$0	\$0	N/A
Grounds Maintenance	\$0	\$0	N/A	\$0	\$0	N/A	\$0	\$0	N/A	\$0	\$0	N/A
Repair and Maintenance	\$1,018,968	\$1,901	N/A	\$3,038,055	\$5,668	198.15%	\$3,038,056	\$5,668	198.15%	\$3,038,055	\$5,668	198.15%

Conversions: Management Fee



- Management Fee
 - » Third Party Management Company
 - Actual in-place fee based on Management Agreement
 - » Borrower Affiliated Management Company
 - Market management fee as determined by the Appraiser

Number of Residential Units> 536		2.66%		4.25%		5.00%		5.00%		
		0.00%		0.00%		0.00%		0.00%		
		2.76%		2.25%		5.00%		5.00%		
		-0.10%		2.00%		0.00%		0.00%		
	SOURCE OF DATA	T-12 / Year-To-Date		Borrower's Budget		S/S Proforma		FREDDIE MAC PROF		
TIME PERIOD	YTD		2017		2017		2017			
		PER	% Change		PER		PER	% Change		
Nonresident Mgt.	\$313,503	2.80%	-6.36%	\$312,443	2.79%	\$403,134	\$752	3.45%	\$403,134	\$752

Conversions: Payroll and G&A



- Payroll
 - » Actual Payroll Expense
- G&A
 - » Higher of the T-3 annualized or forward underwriting

Number of Residential Units> 536	5.00%			2.76%			5.00%			5.00%		
	0.00%			-0.10%			0.00%			0.00%		
	Operating Statement			T-12 / Year-To-Date			S/S Proforma			FREDDIE MAC PRO		
	Year 1 Back			YTD			2017			2017		
SOURCE OF DATA	Original U/W			May - August 2017			2017			2017		
TIME PERIOD	PER	% Change	PER	% Change	PER	% Change	PER	% Change	PER	% Change	PER	
Total Payroll	\$2,112,954	\$3,942	N/A	\$671,376	\$1,253	-68.23%	\$830,362	\$1,549	-60.70%	\$830,362	\$1,549	
Advertising	\$8,672	\$16	N/A	\$1,215	\$2	-85.99%	\$8,672	\$16	0.00%	\$8,672	\$16	
Office/Model/Down Units	\$0	\$0	N/A	\$0	\$0	N/A	\$0	\$0	N/A	\$0	\$0	
Office Expenses	\$35,000	\$65	N/A	\$156,015	\$291	345.76%	\$156,016	\$291	345.76%	\$156,015	\$291	
Legal & Audit	\$175,000	\$326	N/A	\$143,991	\$269	-17.72%	\$143,991	\$269	-17.72%	\$143,991	\$269	
Leased Furniture	\$0	\$0	N/A	\$0	\$0	N/A	\$0	\$0	N/A	\$0	\$0	
License/Permits	\$0	\$0	N/A	\$0	\$0	N/A	\$0	\$0	N/A	\$0	\$0	
Other Taxes or Assmnts	\$15,949	\$30	N/A	\$5,940	\$11	-62.76%	\$15,949	\$30	0.00%	\$15,949	\$30	
Corporate Units	\$0	\$0	N/A	\$0	\$0	N/A	\$0	\$0	N/A	\$0	\$0	
Total Gen & Admin Expenses	\$234,621	\$438	N/A	\$307,161	\$573	30.92%	\$324,628	\$606	38.36%	\$324,627	\$606	

- Three items not mentioned
 - » Other Income = T-3 annualized
 - » Replacement Reserves = Greater of \$250/unit/year or PNA \$/unit/year
 - RR can be affected and/or increased by the following:
 - Operating Agreement or LPA
 - Regulatory Agreement
 - » Miscellaneous Expense
 - Fiscal Agent Fee
 - Governmental Lender Fee
 - Rebate Analyst Fee
 - Monitoring Compliance
 - Subordinate Lender Misc. Fees

- Total expenses (plus reserves) \geq Forward Underwriting
 - » If not, supportable explanation

