



# Targeted Affordable Housing Express

2018 Targeted Affordable Housing Seller Workshop

June 7, 2018



# Why TAH Express?



GOAL

Provide customers with a streamlined, cost efficient process utilizing simpler legal documents, standardized underwriting and lower transaction costs

- TAH Express makes smaller loans more lucrative for Sellers
- A quicker execution and less work frees up staff for more demanding assignments
- Reduced legal fees for the sponsor

- Property Eligibility
  - » Stabilized
  - » 100% Uncapped
  - » UPB \$10M or less
- AND at least one of the following
  - » Properties with long-term HAP Contracts
  - » Properties with tax abatements\*
  - » Properties with majority Section 8 Tenant Vouchers and a 3+ year tenancy history
  - » Properties with certain regulatory agreements with local, state, or federal housing authorities that impose income and/or rent restrictions
- Product Benefits
  - » Production
    - Streamlined prescreen
    - Increased premium pricing
    - Increased minimum Servicing fees
  - » Underwriting
    - Streamlined Narrative and Due Diligence
    - Reduced processing time by 5 calendar days
    - Revised third-party report requirements
  - » Legal
    - Joint Counsel
    - Streamlined loan documents and commitments
    - No Borrower's Counsel opinion required

- Terms

<b>Credit Parameters</b>	Top Market	Min. DCR 1.20x*	Max. LTV 80%
	Standard Market	1.25x	80%
	Small Market	1.30x	75%
	Very Small Market	1.35x	70%
<b>Interest Only</b>	<b>Partial IO</b>		<b>Full Term IO</b>
	1 year IO on a 5-year term (acquisition only) 2 year IO for a 7-year term 3 years IO for a 10-year term 5 years IO for a 15-year term		+0.15x DCR for all markets Top and Standard Markets – 70% LTV Small Markets – 65% LTV Very Small Markets – 60% LTV

- Simplified Regulatory Agreement Questionnaire
- Minimum Servicing fee

- Top Market
- Property condition is average or above average
- Repeat Sponsor

## ■ Properties with a HAP Contract

- » No HAP overhang included in GPR
- » Long-term contract in place at closing
- » Is there an affordability gap?

## ■ Properties without a HAP Contract

- » Minimum 20% affordability gap
- » At least 50% of the units restricted
- » Acquisition loans must have at least 20% Sponsor cash equity
- » Refinance loans must have at least 20% implied Sponsor equity and 5 or more years under the same ownership

# TAH Express – Greater Profitability for Smaller Loans



## MINIMUM ORIGATION FEE

Loan Amount	Min. Origination Fee
<\$7.5 Million	1.00%
≥\$7.5 Million	Greater of .75% or \$75,000

## PREMIUM PRICING

- Sellers may request a buyup up to 2% inclusive of any VLI or any other FM provided incentives
- The premium may be split with Freddie Mac based on the loan amount

Loan Amount	Buy Up Potential
≤\$3 Million	100% of the premium to Seller
>\$3 – \$5 Million	Premium over 1.50% is split evenly between Seller and FM
>\$5 Million	Premium over 1.25% is split evenly between Seller and FM

## MINIMUM SERVICING FEE

- The Seller is required to charge a minimum servicing fee based on the loan amount

Minimum Servicing Fee	
	TAH-X
\$1M - ≤\$2M	35 bps
>\$2M - ≤\$3M	35 bps
>\$3M - ≤\$4M	30 bps
>\$4M - ≤\$5M	30 bps
>\$5M - ≤\$6M	30 bps
>\$6M - ≤\$7M	25 bps
>\$7M - ≤\$8M	25 bps
>\$8M - ≤\$9M	25 bps
>\$9M - ≤\$10M	25 bps
\$10M	25 bps

# Financial Incentives



	\$3 Million UPB		\$6 Million UPB		\$9 Million UPB	
	TAH-X	FRED-TAH	TAH-X	FRED-TAH	TAH-X	FRED-TAH
Total Origination*	\$97,500	\$67,500	\$150,000	\$135,000	\$210,000	\$187,500

\*Includes Minimum Origination Fee, Buyup (max 2% for TAH-X, max 1% for TAH), and Securitization Fee

## Loan Example Assumptions

- ✓ Standard Market
- ✓ Loan Term – 10 years
- ✓ Standard Defeasance
- ✓ 30-Year Amortization, No IO
- ✓ 1.25x DCR/80% LTV
- ✓ Buyup (1% TAH-X and TAH) – Includes VLI Incentive

	\$2.5 Million UPB		\$6 Million UPB		\$9 Million UPB	
	TAH-X	FRED-TAH	TAH-X	FRED-TAH	TAH-X	FRED-TAH
Spread	183 bps	183 bps	178 bps	178 bps	178 bps	178 bps
Servicing	35 bps	25 bps	30 bps	21 bps	25 bps	21 bps
Note Rate	<b>Index + 218 bps</b>	Index + 208 bps	<b>Index + 208 bps</b>	Index + 199 bps	<b>Index + 203 bps</b>	Index + 199 bps

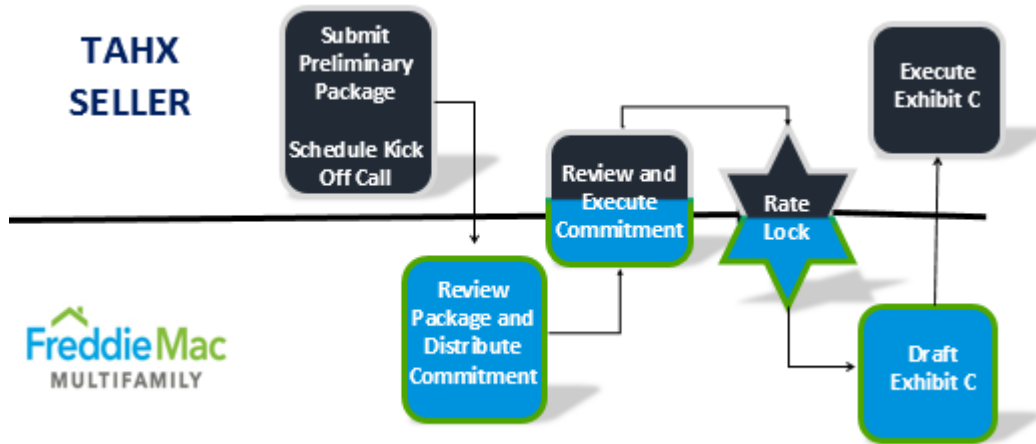
# FRED vs. TAH Express



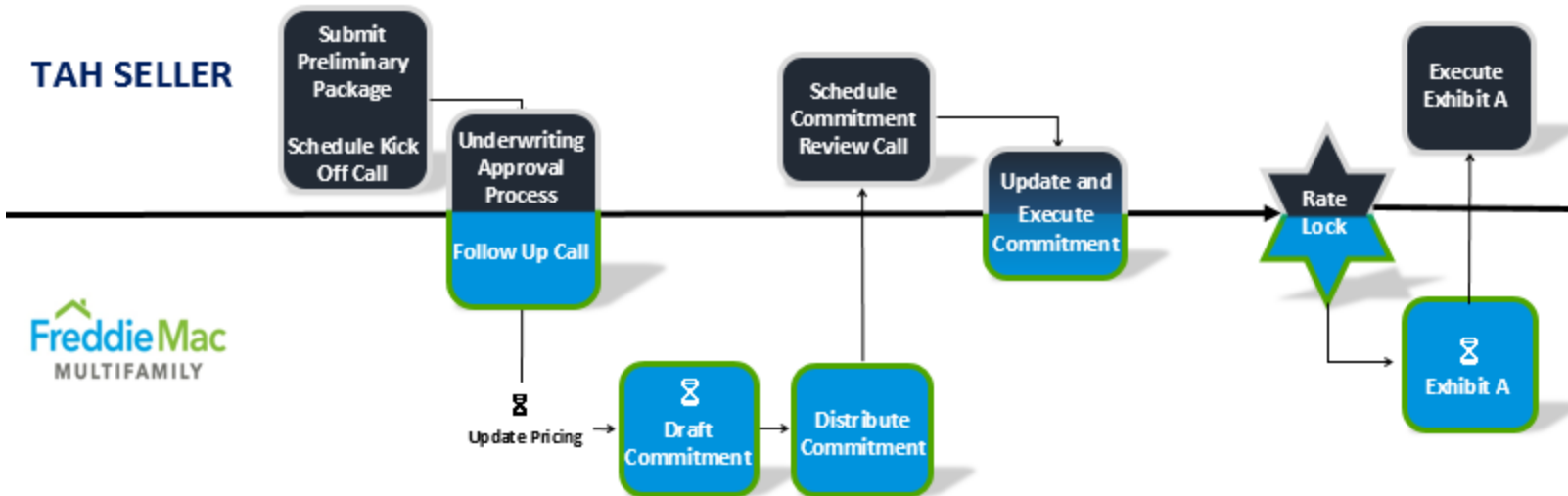
	TAHX	FRED
<b>WDO Report</b> Waived if a termite contract will be in place for the term of the loan	✓	✓
<b>Survey</b> Loans \$6 Million and under – No survey is required (provided the title policy contains no general survey exception).  Loans greater than \$6 Million - Sponsor may deliver an existing survey. A clean Borrower Survey Certificate and a title policy with no exceptions for matters that would be shown on an updated survey and a “same as survey” endorsement (where available) must be delivered	✓  ✓	✓  ✓
<b>Zoning Report</b> Not required for if Additional Zoning Compliance Information is included in appraisal.	✓	✓
<b>SPE Requirements</b> Loans \$6 Million and under –No SPE requirements.  Loans greater than \$6 Million – Fewer and simplified SPE requirements, including reduced “Separateness” SPE requirements. Single-member LLCs do not need to be formed in Delaware. Single-member Opinion Letters are not required for single-member LLCs.	✓  ✓	✓  ✓
<b>Physical Risk Report</b>	Form 1104	Form 1108



# A Faster & Easier Execution




Turnaround time from preliminary package to draft commitment = 9 calendar days



## Easy to read variable loan terms

- All contained in tables & schedules



Commitment – TAH Express (Revised 7-18-2017)

Freddie Mac Loan Number:   
 Property Name:

**Mortgage Terms**

Capitalized terms not defined in the Mortgage Terms have the meanings assigned to them in the Loan Agreement attached as Exhibit B-2.

[Delete all instruction text in yellow/brackets. Retain gray shading.]

<input type="checkbox"/> Acquisition	<input type="checkbox"/> Refinance (Date of Borrower's acquisition: <input type="text"/> )
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Property Address	[Confirm property address is recognized and zip code matches the address/city/state using www.USPS.com/zip4]
City/State/Zip Code	

Borrower Name <small>(including entity type and state of formation)</small>	[Confirm the entity name exactly matches Articles of Organization, Formation, or Incorporation; see additional special requirements below: <ul style="list-style-type: none"> <li>Trust Borrower, consult Single Counsel for the correct Borrower Name</li> <li>To-be-formed Borrower, state "Borrower is a to-be-formed entity that must have the following ownership: (describe required owners/percentages/control)]"</li> </ul>
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Loan Term	See Exhibit C
Amortization Period	See Exhibit C

<b>Check here <input type="checkbox"/> and complete the following for a fixed rate mortgage:</b>	
Maximum Mortgage Amount	\$ <input type="text"/> (based on a <input type="text"/> % maximum US Treasury)
Fixed Annual Interest Rate	See Exhibit C for actual Mortgage amount that is calculated at Interest Rate Lock. See Exhibit C
Monthly P&I Payment Amount	See Exhibit C
Yield Maintenance Period	Yield maintenance period ends at the earlier of <input type="text"/> months after origination or the date of Securitization if securitized within <input type="text"/> year (See Note for additional details)

Section 8 Housing Assistance Payments (HAP) Reserve	
Section 8 HAP Reserve Monthly Deposit of \$ <input type="text"/> is <input type="checkbox"/> Collected or <input type="checkbox"/> Deferred	
<input type="checkbox"/>	Initial Section 8 Housing Assistance Payments Reserve Deposit of \$ <input type="text"/> is required.
<input type="checkbox"/>	"Underwritten Expenses" is \$ <input type="text"/> .
(See Loan Agreement Article IV, including the related Section 8 Housing Assistance Payments Reserves Rider)	

Property Management	
The Mortgaged Property is:	
<input type="checkbox"/>	Self-managed by Borrower
<input type="checkbox"/>	Managed by a Property Manager that is an Affiliate of Borrower
<input type="checkbox"/>	Managed by a Property Manager that is not an Affiliate of Borrower
The requirements for property management of the Mortgaged Property are detailed in Loan Agreement Section 6.09.	


Aluminum Wiring, Galvanized Steel/Polybutylene Piping, Stab-Lok Electric Circuit Breakers	
The Mortgaged Property includes (check all that apply):	
<input type="checkbox"/>	Aluminum wiring
<input type="checkbox"/>	Galvanized steel/polybutylene piping
<input type="checkbox"/>	Stab-Lok electric circuit breakers
Recourse and other requirements related to these features are detailed in Loan Agreement Sections 3.03, 3.04, and 6.09.	

Borrower Entity Requirements and Limitations	
Borrower is a(n):	
<input type="checkbox"/>	Irrevocable trust
<input type="checkbox"/>	Single Asset Entity <small>(for loans greater than \$6MM, see Larger Loan Rider for additional entity requirements)</small>
The limitations on Single Asset Entities are detailed in Loan Agreement Section 6.13.	

Check here <input type="checkbox"/> if Moisture Management Plan is required	
Borrower must provide a Moisture Management Plan, the requirements for which are detailed in Loan Agreement Section 6.09.	

O&M Program(s)			
Borrower must provide each of the O&M Program(s) checked below, the requirements for which are detailed in Loan Agreement Section 6.12:			
<input type="checkbox"/>	Asbestos	<input type="checkbox"/>	Storage tanks
<input type="checkbox"/>	Lead-based paint	<input type="checkbox"/>	Drinking water
<input type="checkbox"/>	Radon	<input type="checkbox"/>	Prior use of Mortgaged Property
<input type="checkbox"/>	Polychlorinated Biphenyls (PCBs)	<input type="checkbox"/>	Neighborhood waste sites
<input type="checkbox"/>	Hazardous Materials	<input type="checkbox"/>	Other (describe: <input type="text"/> )

- Simple is Better
- The TAH Express Documents are easy to prepare and review
  - » Reader-friendly & written with the TAH-X Borrower/Property in mind
  - » Shorter; fewer riders
  - » Easy to read variable loan terms
  - » All contained in tables & schedules
  - » No modification of the loan documents permitted



Note Fixed Rate – TAH Express (Revised 4-1-2018)

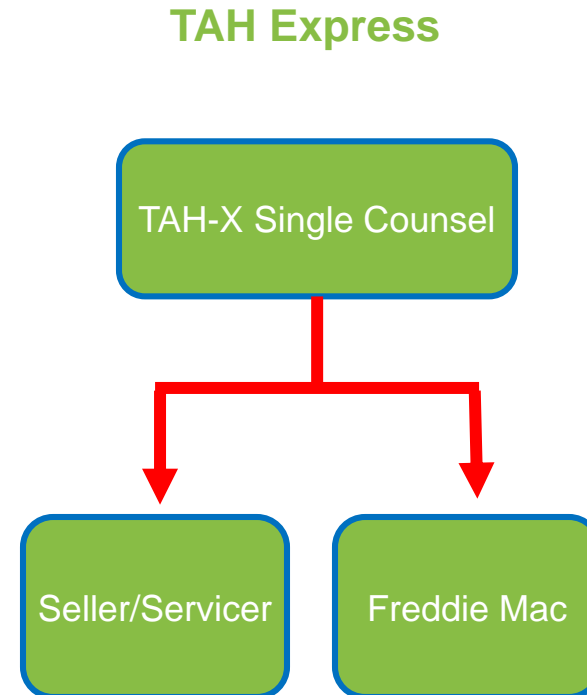
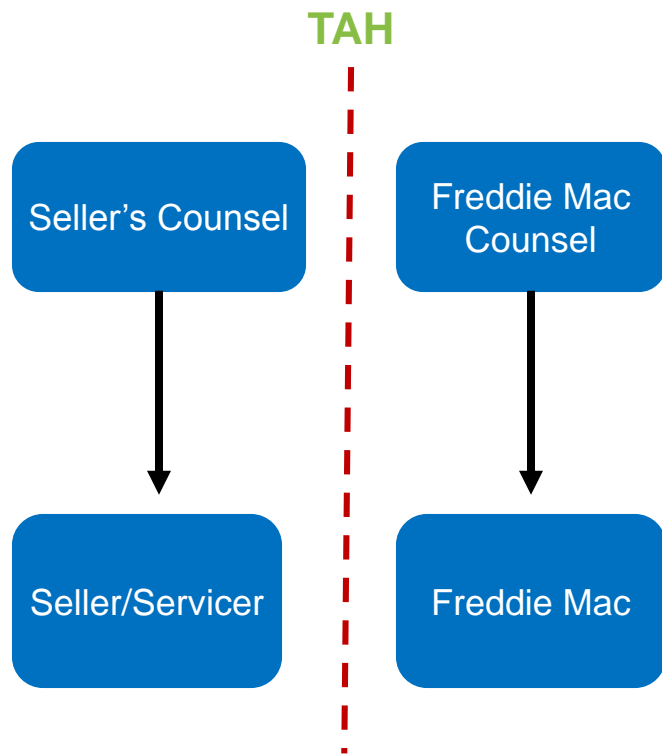
Freddie Mac Loan Number: \_\_\_\_\_  
Property Name: \_\_\_\_\_

Borrower: \_\_\_\_\_  
Lender: \_\_\_\_\_  
Effective Date: \_\_\_\_\_

FOR VALUE RECEIVED, Borrower (jointly and severally if more than one), promises to pay to the order of Lender the Principal Amount shown below, plus interest, according to the terms provided in this Note ("Note").

**1. Key Terms.**

Principal Amount: US \$ _____	Loan Term: ____ months
Fixed Annual Interest Rate: ____%	Maturity Date: _____
Amortization Period: <input type="text"/> months	Prepayment Charge: See Schedule 1
First Payment Date: _____	Monthly Principal and Interest Payment Amount: \$ _____



## Single Counsel List

- Freddie Mac determines placement on the Single Counsel list at its sole discretion

## Current List of Single Counsel

- Cassin & Cassin LLP
- Moss & Barnett
- Krooth & Altman LLP
- Troutman Sanders LLP

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## Single Counsel Selection

- Seller may select Single Counsel from the list of Single Counsel that Freddie Mac maintains
- Freddie Mac, Seller and Single Counsel enter into a joint representation engagement letter
- Seller assigns individual loans to Single Counsel at its discretion



A Regulatory Agreement is **not compliant** with TAH Express requirements if

- It imposes any requirement for a residual receipts fund and/or any prohibition on distribution of assets or income of the Borrower
- There are deeds held in escrow pursuant to the Regulatory Agreement (Borrower confirmation)



If the above items do not apply, Single Counsel and Seller complete the [Regulatory Agreement Questionnaire – TAH-X](#) to determine if a Subordination Agreement – Regulatory Agreement is required

# Our New TAH Express Webpage

## TAH Express ▶ Targeted Affordable

<b>Fixed- and Floating-Rate Amortizing DCRs and LTV Ratios</b>	LTV and DCR requirements for market tier, please refer to the following table:										
	<table border="1"> <tr> <td></td> <td>Max</td> </tr> <tr> <td>Top Market</td> <td></td> </tr> <tr> <td>Standard Market</td> <td></td> </tr> <tr> <td>Small Markets</td> <td></td> </tr> <tr> <td>Very Small Markets</td> <td></td> </tr> </table>		Max	Top Market		Standard Market		Small Markets		Very Small Markets	
		Max									
	Top Market										
	Standard Market										
Small Markets											
Very Small Markets											
*additional criteria apply											
<b>Full-Term Interest-Only (IO) Adjustments</b>											
	<table border="1"> <tr> <td>Top and Standard Markets</td> </tr> <tr> <td>Small Markets</td> </tr> <tr> <td>Very Small Markets</td> </tr> </table>	Top and Standard Markets	Small Markets	Very Small Markets							
	Top and Standard Markets										
	Small Markets										
Very Small Markets											
<b>Application Fee</b>	Greater of \$3,000 or 0.10%										

Access the [TAH Express Resources here](#).



Freddie Mac Home Single-Family Multifamily Capital

Freddie Mac MULTIFAMILY

SELLER/SERVICERS INVESTORS BORROWERS

Originate & Underwrite Purchase & Deliver Investor Reporting Asset Management

## TAH Express

[Term Sheet PDF](#)

### Resources

- [Underwriting Checklist – TAHX PDF](#) (04-01-2018)
- [Cash Execution Identifier – TAHX PDF](#) (04-09-2018)
- [Underwriting Boiler Plate Language – TAHX PDF](#) (04-09-2018)

### Contacts

- [Production and Underwriting Contact List PDF](#) (04-01-2018)
- [Single Counsel Contact List – TAHX PDF](#) (04-01-2018)

### Purchase and Deliver

- Final Delivery TOC – TAHX (Coming Soon)

### Legal Documents

#### Core Borrower Loan Documents

These five core Borrower loan documents will be used to document every TAH Express transaction.

- [Loan Agreement – TAHX PDF](#) (04-01-2018)
- Note (choose one)

# Case Study #1

- Desoto, TX (Dallas MSA)
- 250-unit LIHTC property in Year 15
- \$9.1M / 15yr fixed / 30yr amortization
- 1.70x DCR / 63% LTV
- 4.40% rate
- \$148K buyup paid to Seller





## Case Study #2

- Union, MO (St Louis MSA)
- 168-unit LIHTC property in extended use period
- \$6.4M / 10yr fixed / 30yr amortization / 3yrs IO
- 1.25x DCR / 80% LTV
- 4.65% rate
- \$32K buyup paid to Seller



- Seller benefits
  - » Get deals off the street faster with expedited prescreens
  - » Increased buyup compensates Sellers for doing smaller deals
  - » Program is designed to get deals in and out of the shop quickly
- Sponsor benefits
  - » Stepdown prepay
  - » They can lock the rate sooner
  - » Reduced legal bills across the board





- Production
  - » Contact your current TAH Relationship Managers
- Underwriting
  - » Steve Winslow  
(Steven\_Winslow@freddiemac.com)
- Legal
  - » Molly Jo Battenfield  
(Molly\_Jo\_Battenfield@freddiemac.com)
  - » Elizabeth Weaver  
(Elizabeth\_Weaver@freddiemac.com)
- Initiative Lead
  - » Naureen Versi  
(Naureen\_Versi@freddiemac.com)