



Cash Executions for Preservation Loans

2017 Targeted Affordable Housing Seller Workshop





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- With better pricing, higher proceeds and lower DCR requirements, it's a good time to consider a Cash Loan for Affordable Housing Preservation
 - » Certainty of execution
 - » Fixed- or floating-rate financing to facilitate the acquisitions or refi's of affordable housing nationwide
 - » For properties with regulated rent or income restrictions
 - » May include transaction with Section 8 HAP contracts, refinanced Section 236 loans with interest reduction payments, tax abatements, or other affordability components
 - » May also include eligible mixed-use properties

Eligible Property Types: Garden, mid-rise, or high-rise multifamily properties that meet affordability criteria and with 90% occupancy for 90 days

Terms: Terms of 5 to 15 years

Product Description: Financing for the acquisition or refinance of stabilized affordable multifamily properties with fixed-rate or floating-rate cash loans

Type of Funding: Permanent, immediate financing

Minimum DCR: 1.25x

Maximum Loan-to-Value: 80% of market value

Maximum Amortization: 30 years

Subordinate Financing: Permitted per the *Freddie Mac Multifamily Seller/Service Guide*

Tax and Insurance Escrows: Required per the *Freddie Mac Multifamily Seller/Service Guide*

Preservation Loans – Points to Consider



- **For an efficient process**
 - » A complete underwriting package is essential w/ 11 documents
 - » 2-week turnaround time for a draft commitment
 - » 3 'check-in' calls
 - » Note unique characteristics – HAP Overhang, subordinate debt, tax abatement, ground lease, etc.
 - » Exceptions – Identify upfront
 - » Identify buyups
- **Fixed versus floating rates – 2 DCR tests**
 - » Fixed-rate equivalent (Comparable fixed note rate) = 1.25x
 - » Maximum note rate = 1.00x
- **Interest-Only (IO) Periods (can vary based on risk)**
 - » 2 years IO on a 7-year term
 - » 3 years IO on a 10-year term
 - » Acquisitions or rehab transactions are situations where IO would be expected
- **Tier 6 & 7 Markets (tertiary or slow economic growth markets) – Add a nickel to DCR & LTV**
- **Minimal rehab on the property**