

Tapping Into Bond Financing

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Topics

- Fannie Mae Immediate Funding Program
- FHA Financing with Bonds and Tax Credits
 - Proposed Tax Credit Pilot Program
 - Progress and Potential Issues with Bond Deals
- Direct Purchase of Short-Term Bonds

Fannie Mae Enhancement for Tax-Exempt Bonds

Today's market with Fannie Mae Enhancement

- Fannie Mae execution timing is improved
- Most likely 30 year amortization; 35 years possible
- Immediate funding deals (avoids bank letter of credit during rehab)
 - Up to \$40,000/unit in rehab with tenant in place rehab

Fannie Mae Enhancement for Tax-Exempt Bonds (continued)

- Underwriting at Section 8 rents (even if above market considered)
- Utilize 15 year term
 - Take advantage of steep yield curve
 - No prepayment penalty when property comes out of 15 year compliance period
- Rate higher than FHA financing – 5.75% vs. 5.00% but quicker execution

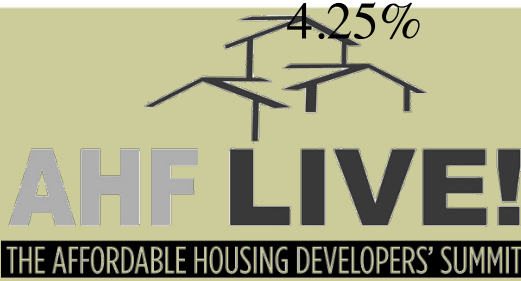
FHA Financing with Bonds and Tax Credit Deals

- Proposed FHA Tax Credit Pilot Program
 - Eligible Properties
 - Properties with at least 90% of the units project based Section 8
 - Preservation Projects (e.g. 15 year expiring Tax Credit Deals)
 - Tax Credit deals recently closed with construction loans - 3 year waiver rule

FHA Financing with Bonds and Tax Credit Deals (continued)

- Key Features
 - Allow up to \$40,000/unit in rehab under the 223(f) program
 - Expedite Processing/Reduced Documentation
 - Davis Bacon wages most likely not to be required
 - Roll Out
 - Early 2012 in certain HUD regional offices
- Result
 - Reduce all-in rate on sub rehab deals from 5.25% down to

4.25%



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FHA Financing with Bonds and Tax Credit Deals (continued)

- Significant Progress with FHA Financing
 - HUD HQ targeting affordable deals
 - Several HUD field offices up to speed on tax credit structures
 - Potential Key Issues
 - Seller Notes being recorded
 - Timing of sources of funds at closing and during rehab
 - Plans and specifications drive timing of loan application submission

Direct Purchase Short-Term Bond Structure

- Direct Purchase of the Bonds on a Draw Down Basis
- Significantly Reduces Negative Arbitrage and Bond Cost of Issuance
- Simplifies Bond Documentation
- Typically Most Viable in a New Construction Bond Financing