

2022 Southeast Mortgage Advisory Council Conference

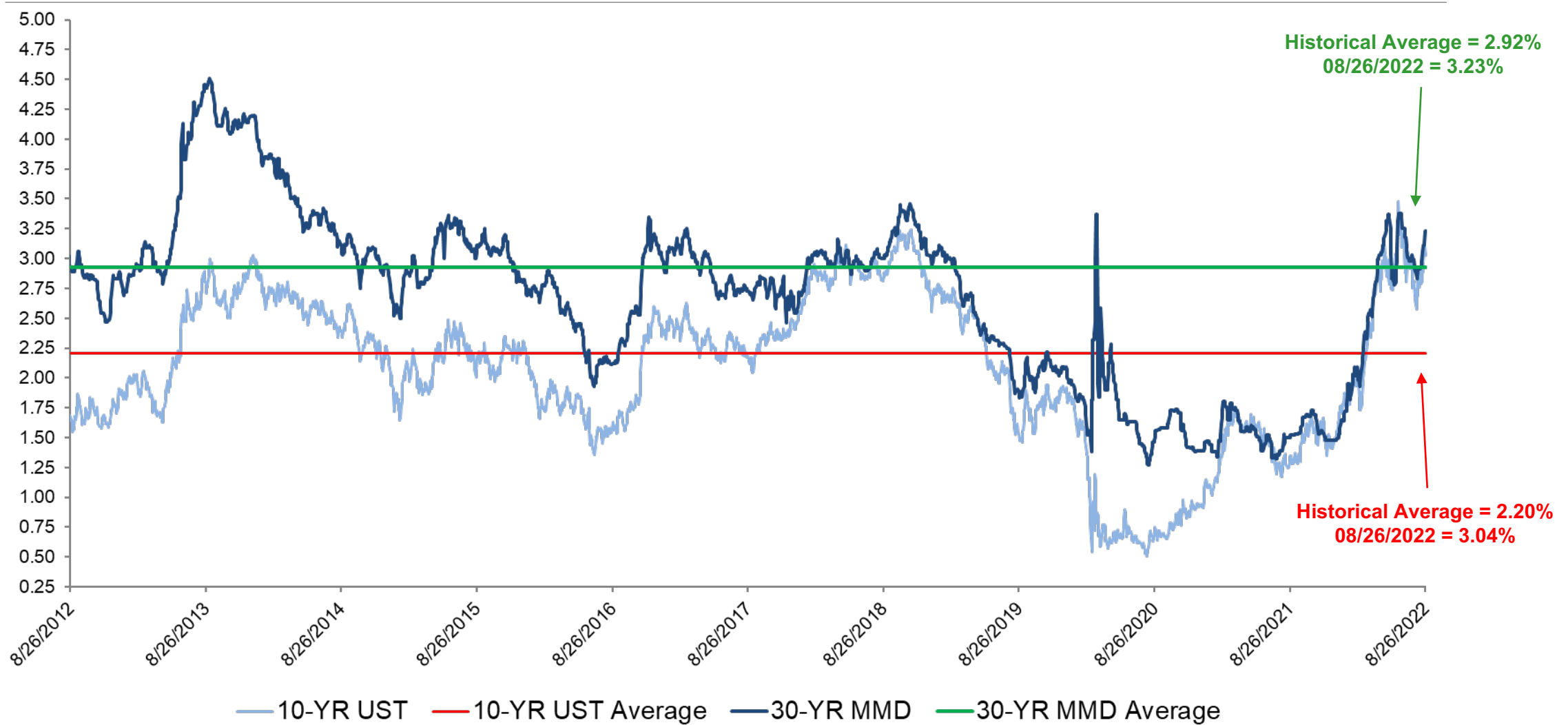


TIBER HUDSON

September 1, 2022

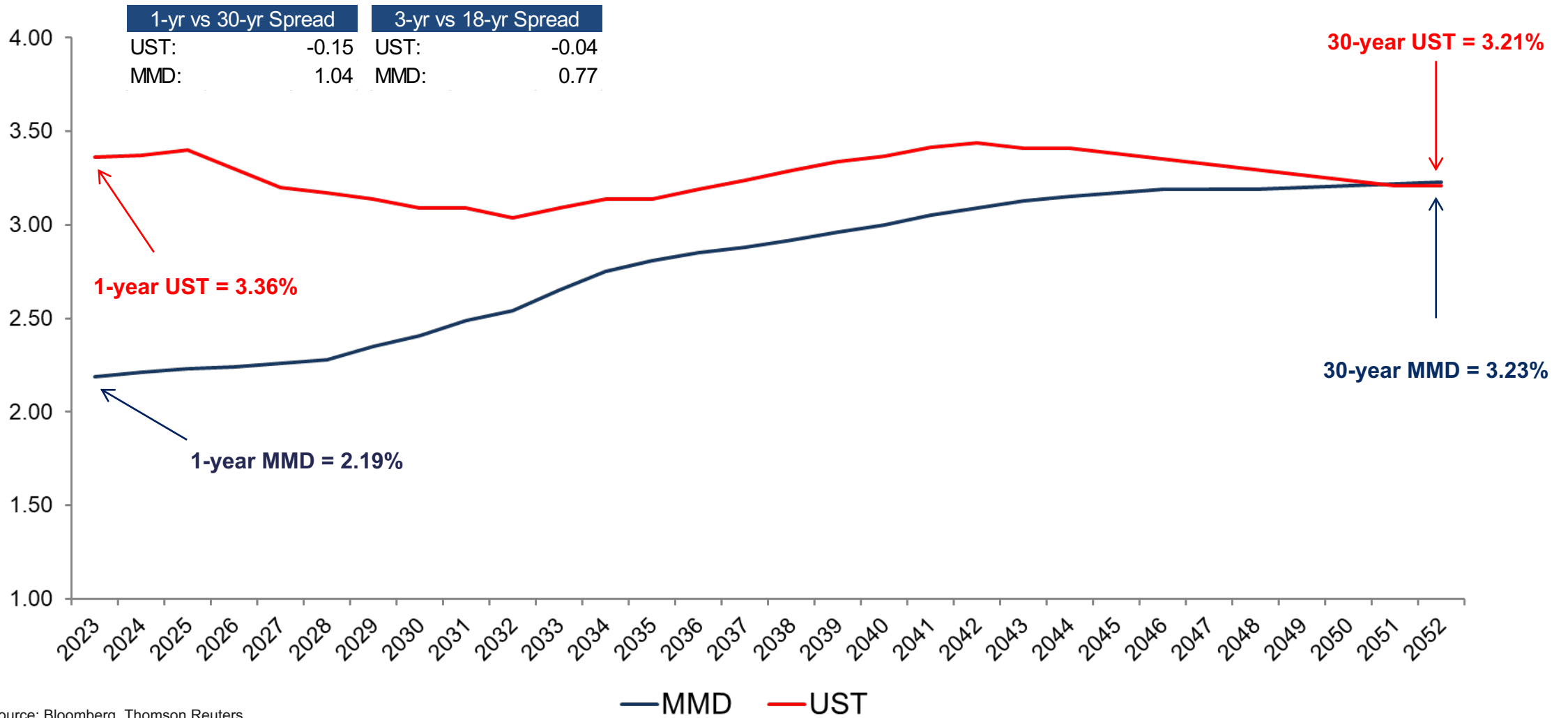
Important Market Indicators

Long-Term Rates – Past 10 Years



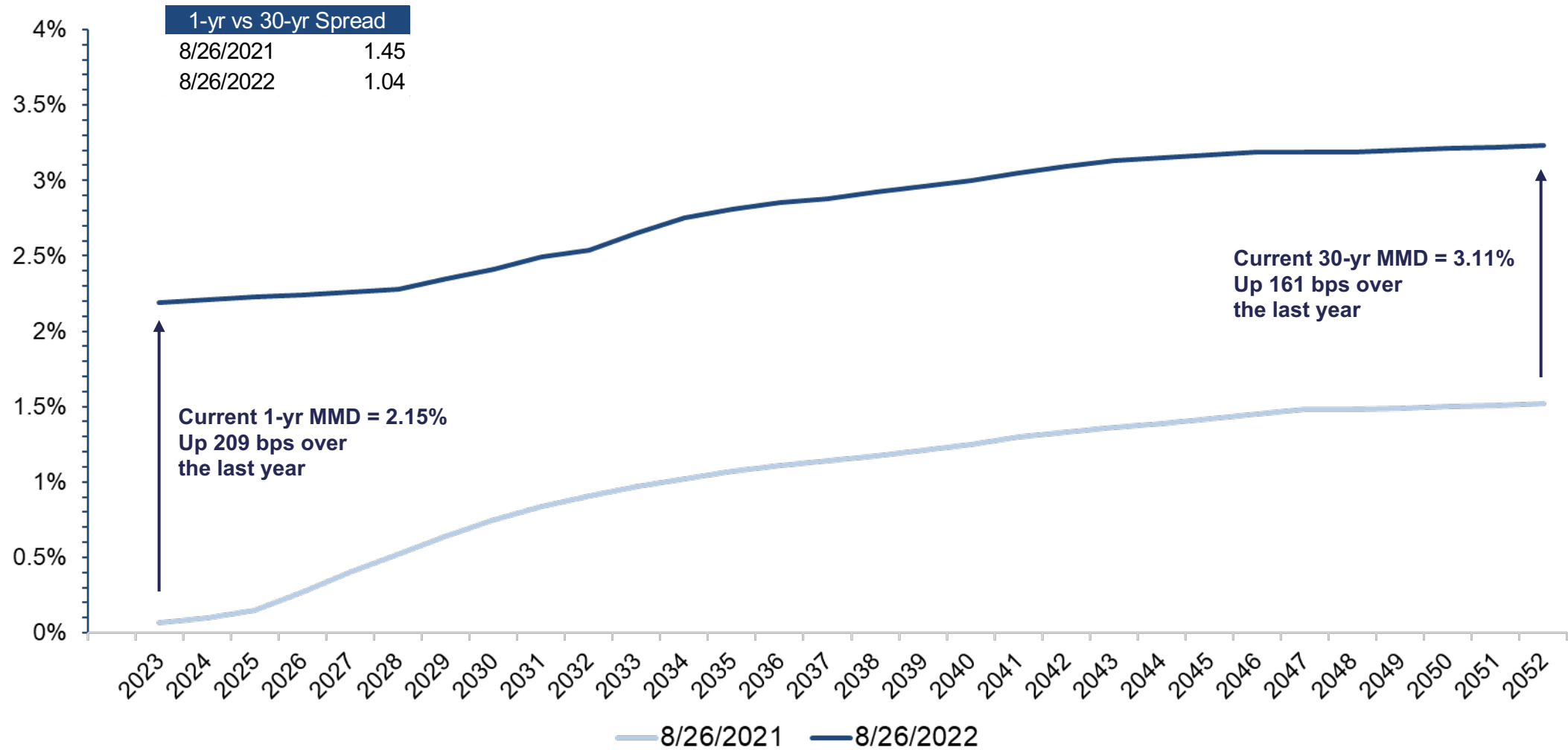
Source: Bloomberg, Thomson Reuters
Reflects market conditions as of August 26, 2022
Thomson Reuters Municipal Market Data (MMD) AAA curve is a proprietary yield curve that provides the offer-side of AAA rated state general obligation bonds

Yield Curve: Taxable UST vs. Tax-Exempt MMD (as of 08/26/2022)



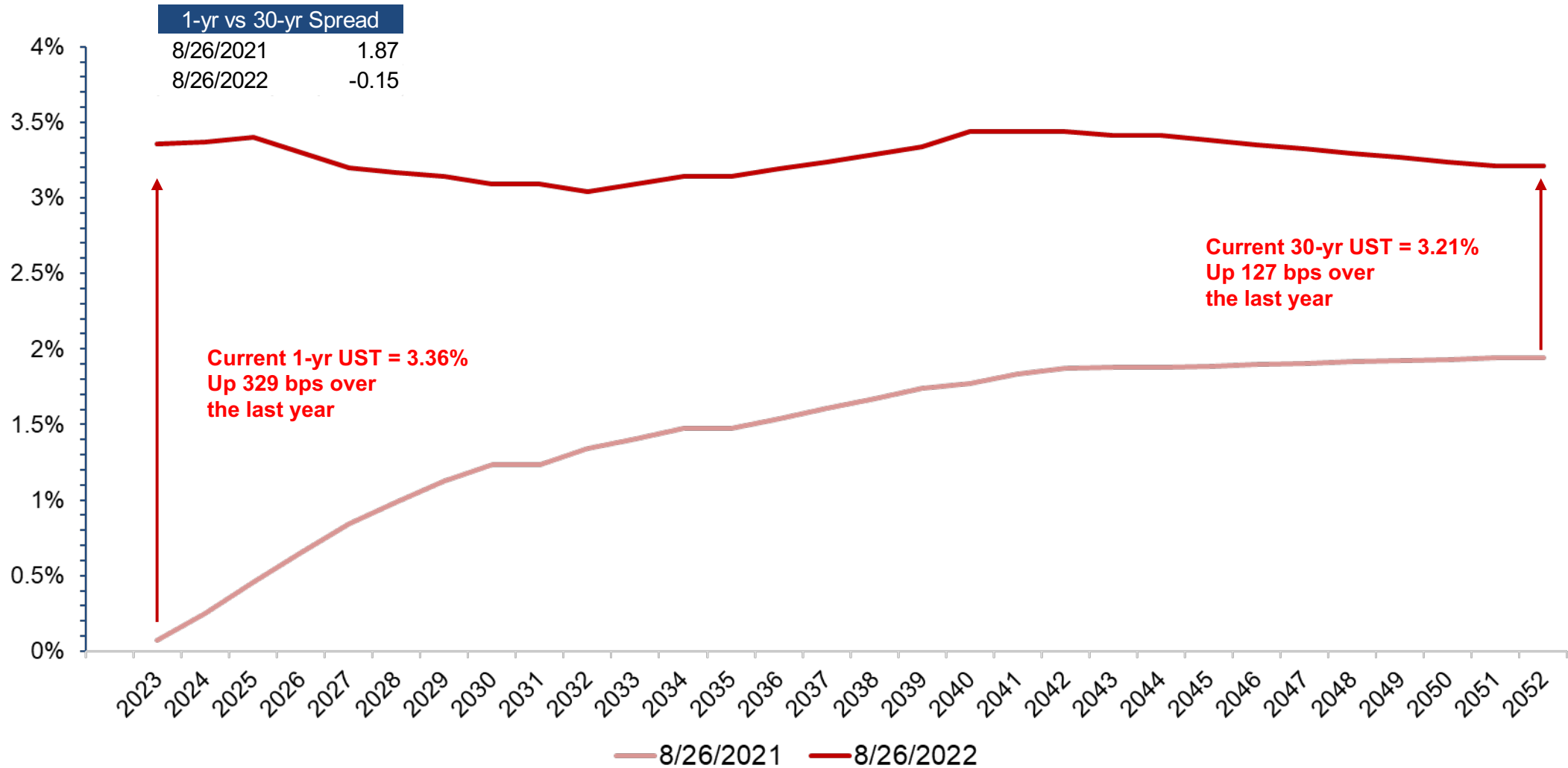
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Tax-Exempt MMD Yield Curve: Year-Over-Year Comparison



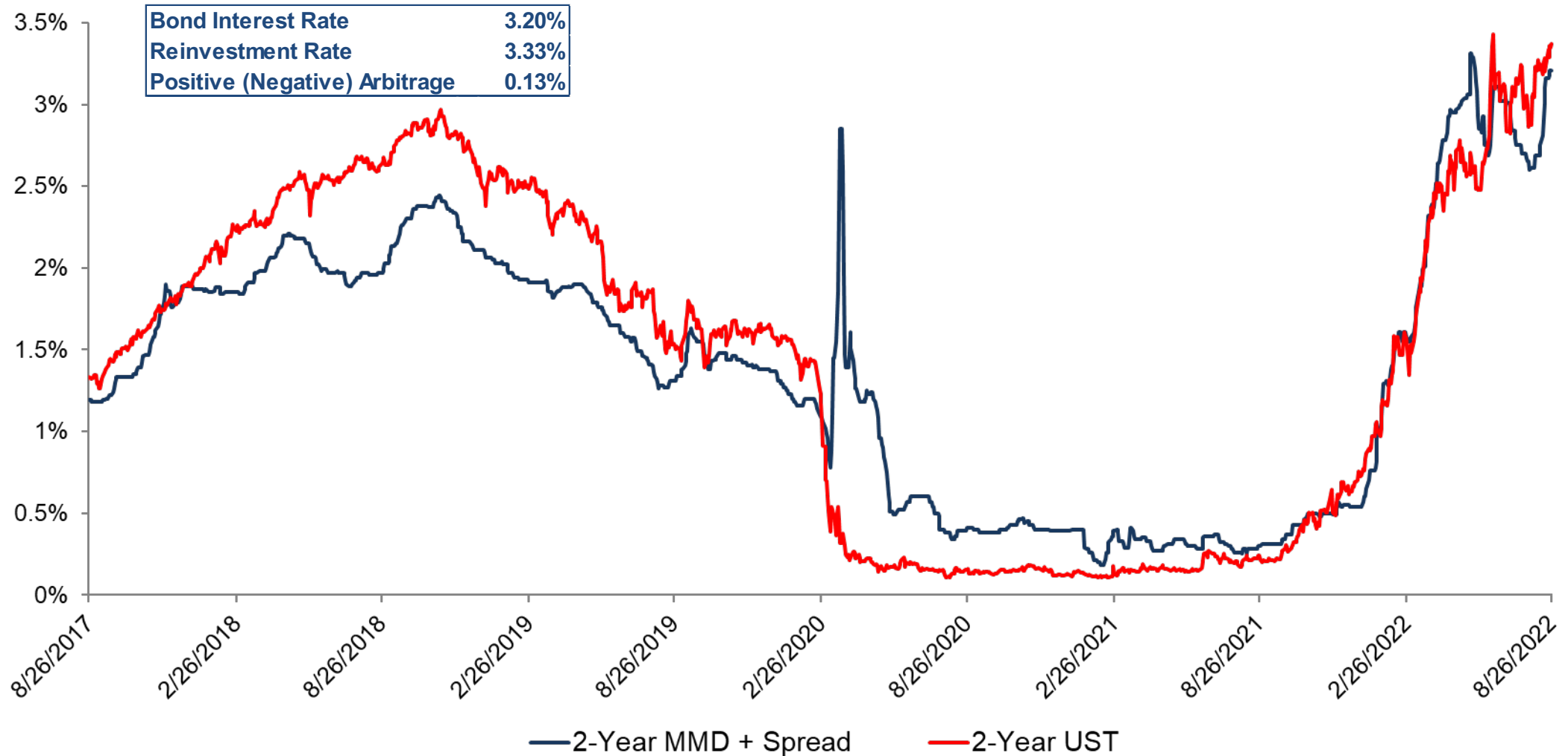
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UST Yield Curve: Year-Over-Year Comparison



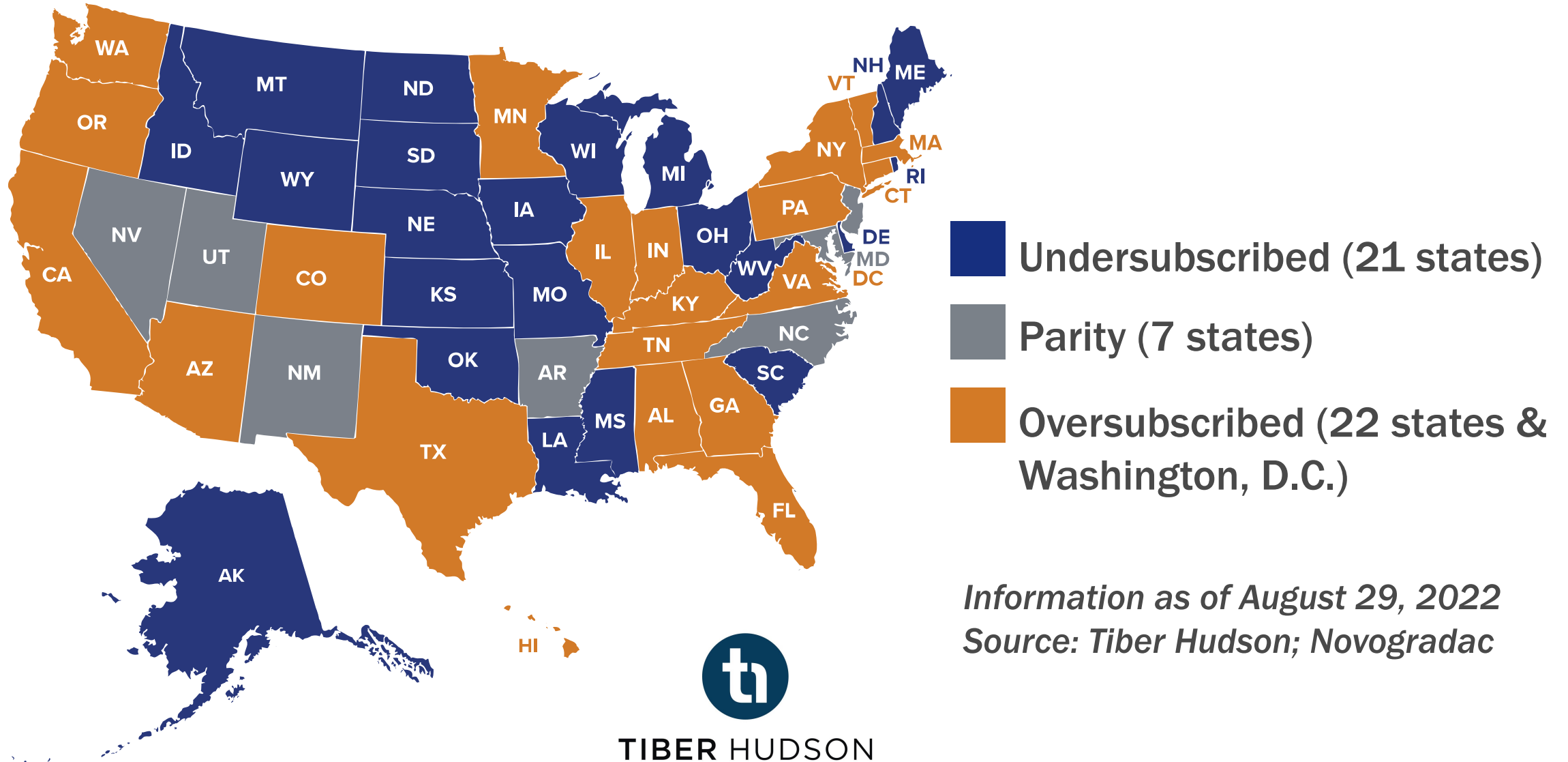
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2-Year Short-Term Yield Curves (as of 08/26/2022)



Source: Bloomberg, Thomson Reuters
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Multifamily Volume Cap Scarcity



FHA Programs

Short Term Cash-Backed Bonds with Taxable Perm Loan

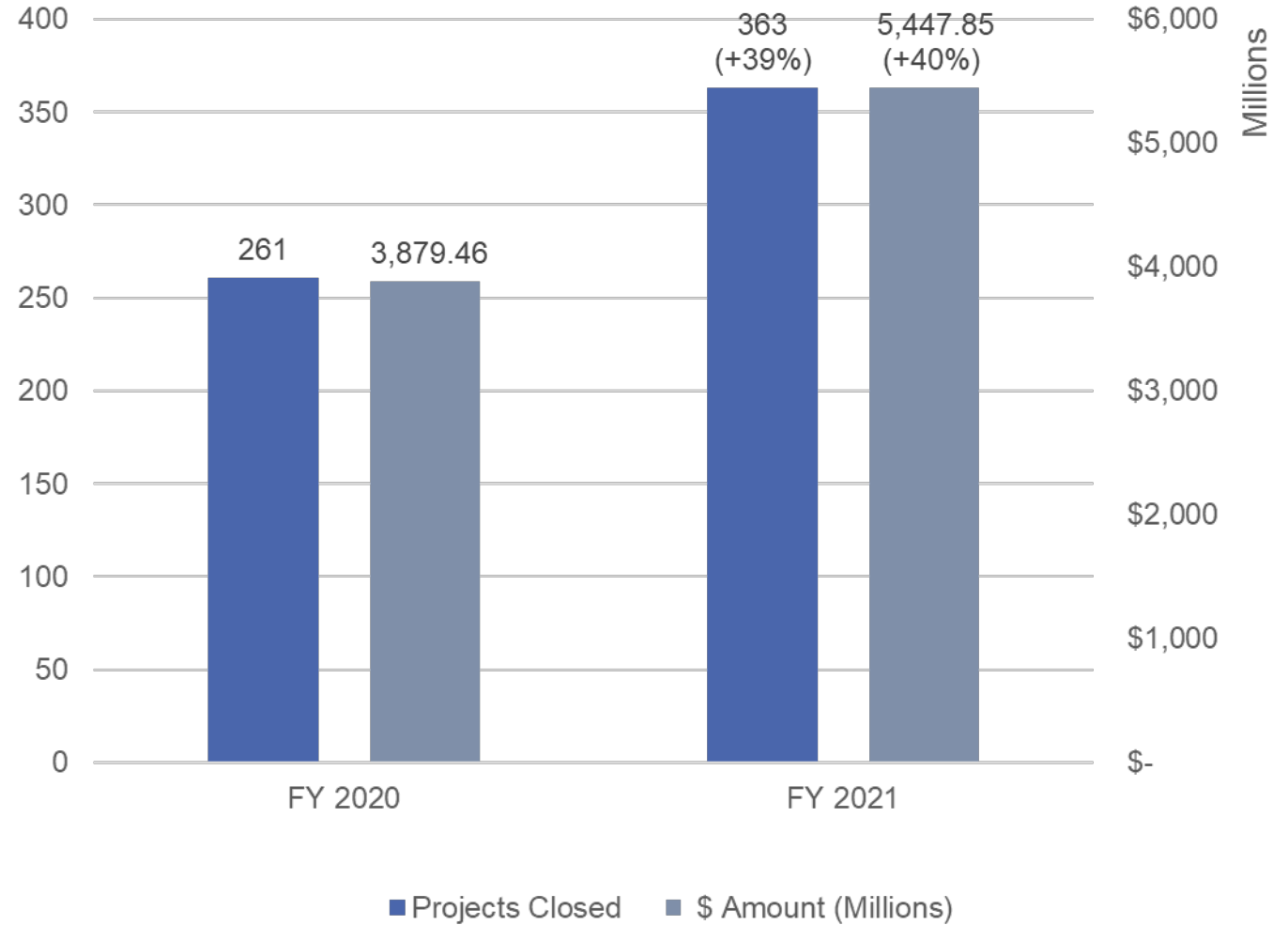
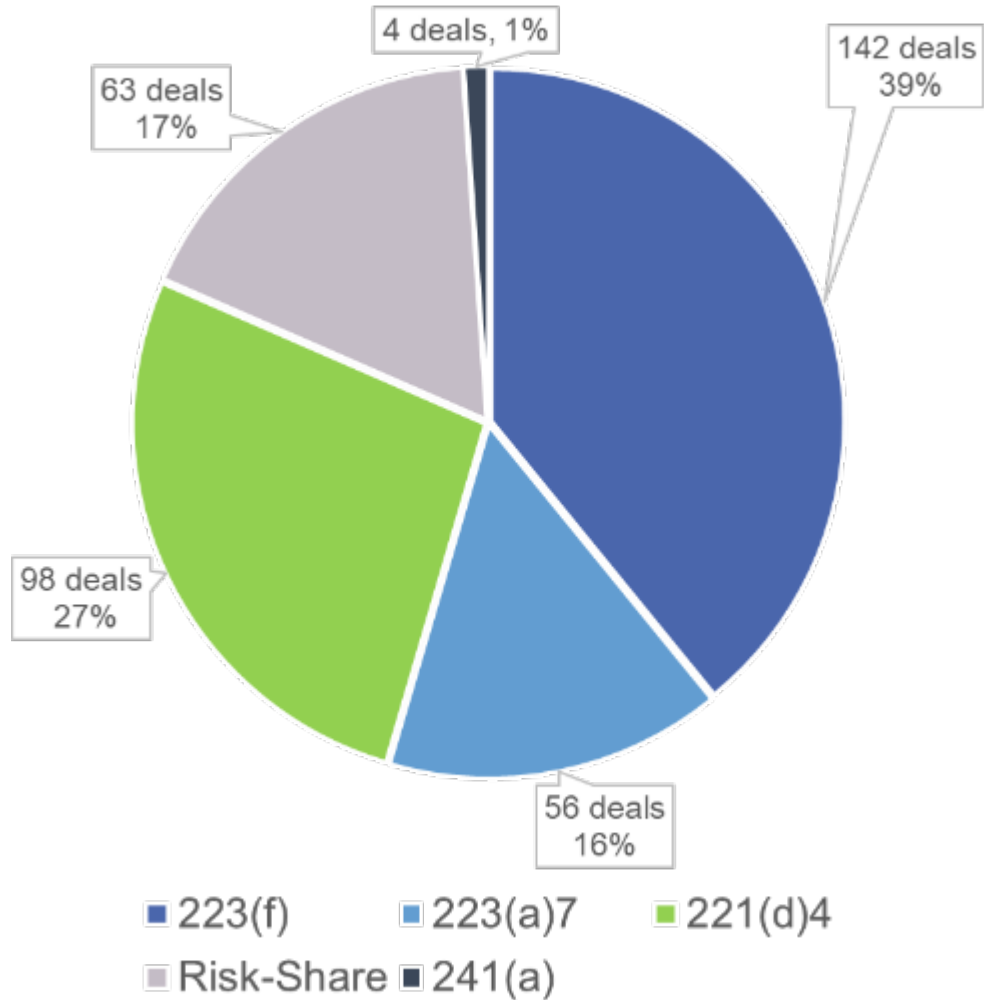
Taxable construction and/or perm loans still available in the current market at historically low rates including:

- FHA/GNMA (221(d)(4) / 223(f))
- Rural Development (538 / 515)
- Fannie/Freddie loans (mod/light in-place rehab)
- Other (taxable) State and/or Local loan programs

Short Term Cash-Backed Bonds with FHA Credit Enhancement

- Favorable Underwriting Terms for FHA loans include:
 - 35/40-year full term / amortization
 - No resizing at conversion
 - Non-recourse & integrated construction and perm
 - Most are structured as draw-down loans to avoid neg arb
 - FHA debt qualifies for **10-year hold exemption** (for acquisition credits)
 - Rates around 5% plus MIP
 - Davis Bacon wages triggered for sub rehab / new construction deals

FHA Programs: National LIHTC Deal Volume*



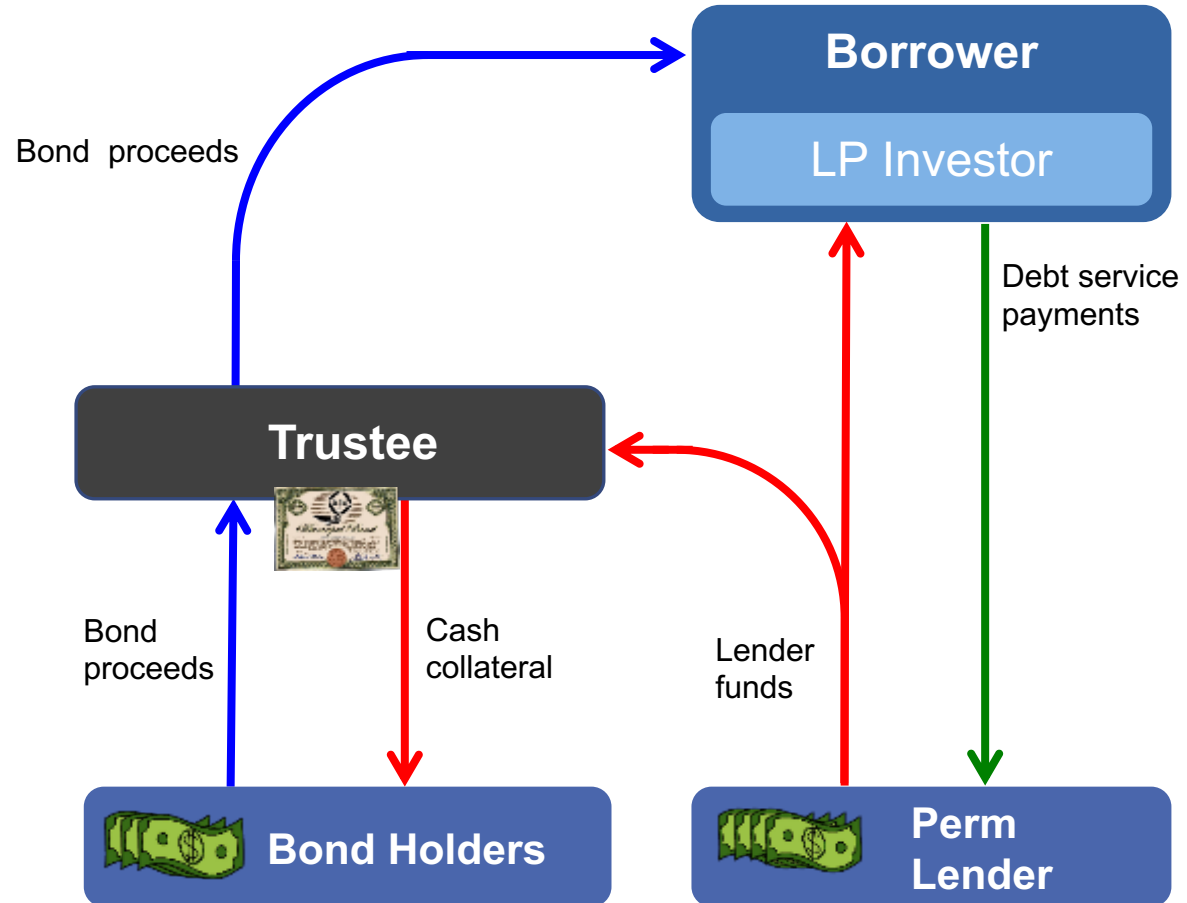
*FY21 Data as of August 31, 2021

Bond Executions with FHA Credit Enhancement

4% Low Income Housing Tax Credits: The 50% Test

- Project still need tax exempt bonds to qualify for 4% Low Income Housing Tax Credits
- At least 50% of aggregate basis (including building and land) must be financed with tax exempt bond proceeds
- Provides a significant (~30% or higher) additional source of funds for affordable housing transactions
- Can be used independently or with other “longer term” bond structures to meet 50% test

Short Term Cash Backed Bonds



Short-Term Cash-Backed Bonds

Bond Amount to meet 50% test < Taxable Loan Amount (see prior slide): No additional collateral needed!

Bond Amount to meet 50% test > Taxable Loan Amount: Need other collateral sources of funds including:

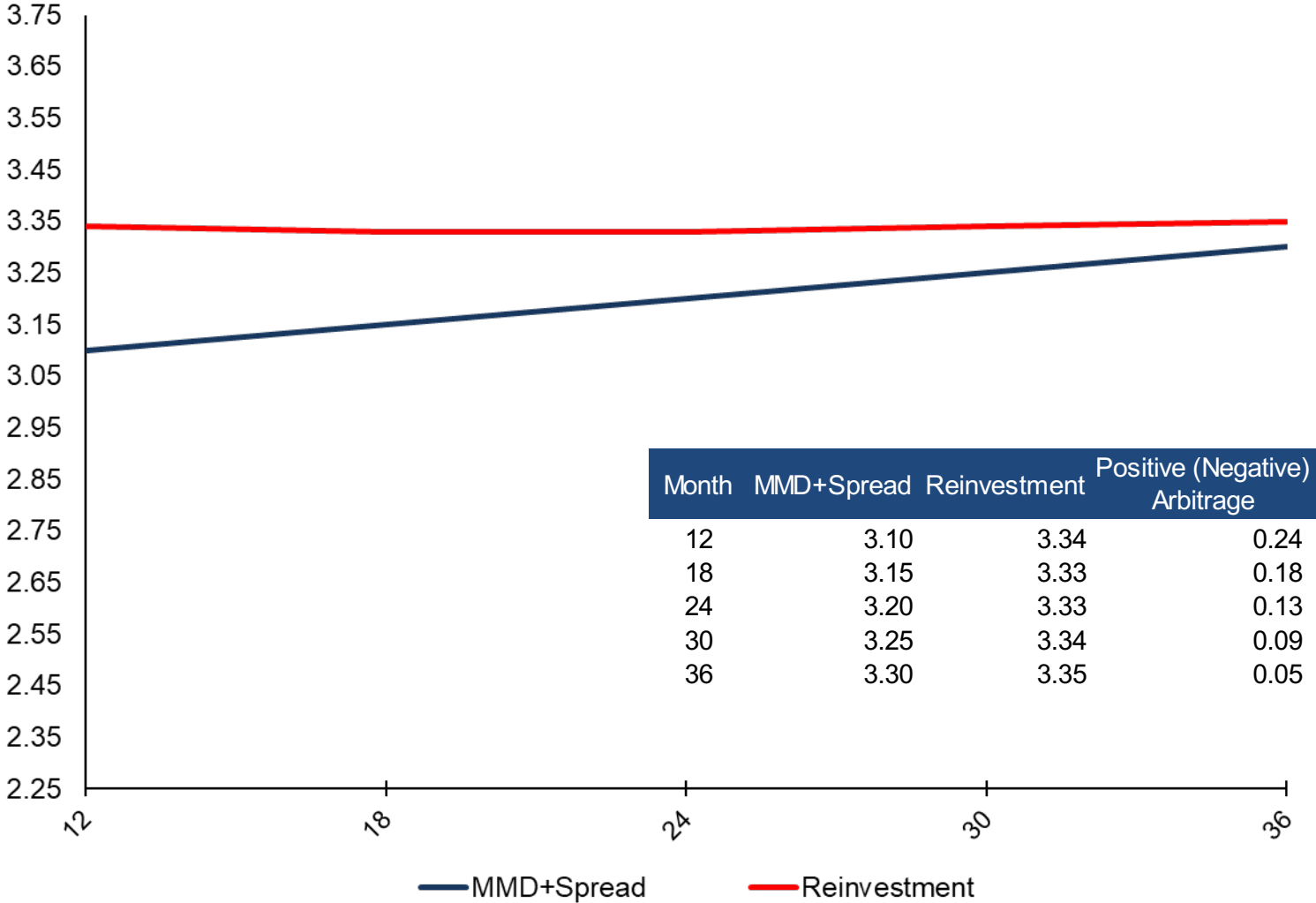
- Subordinate Loan Proceeds
- Seller Note
- Tax Credit Equity

Other Cost Saving Features/Options

Methods to reduce transaction costs and generate more proceeds:

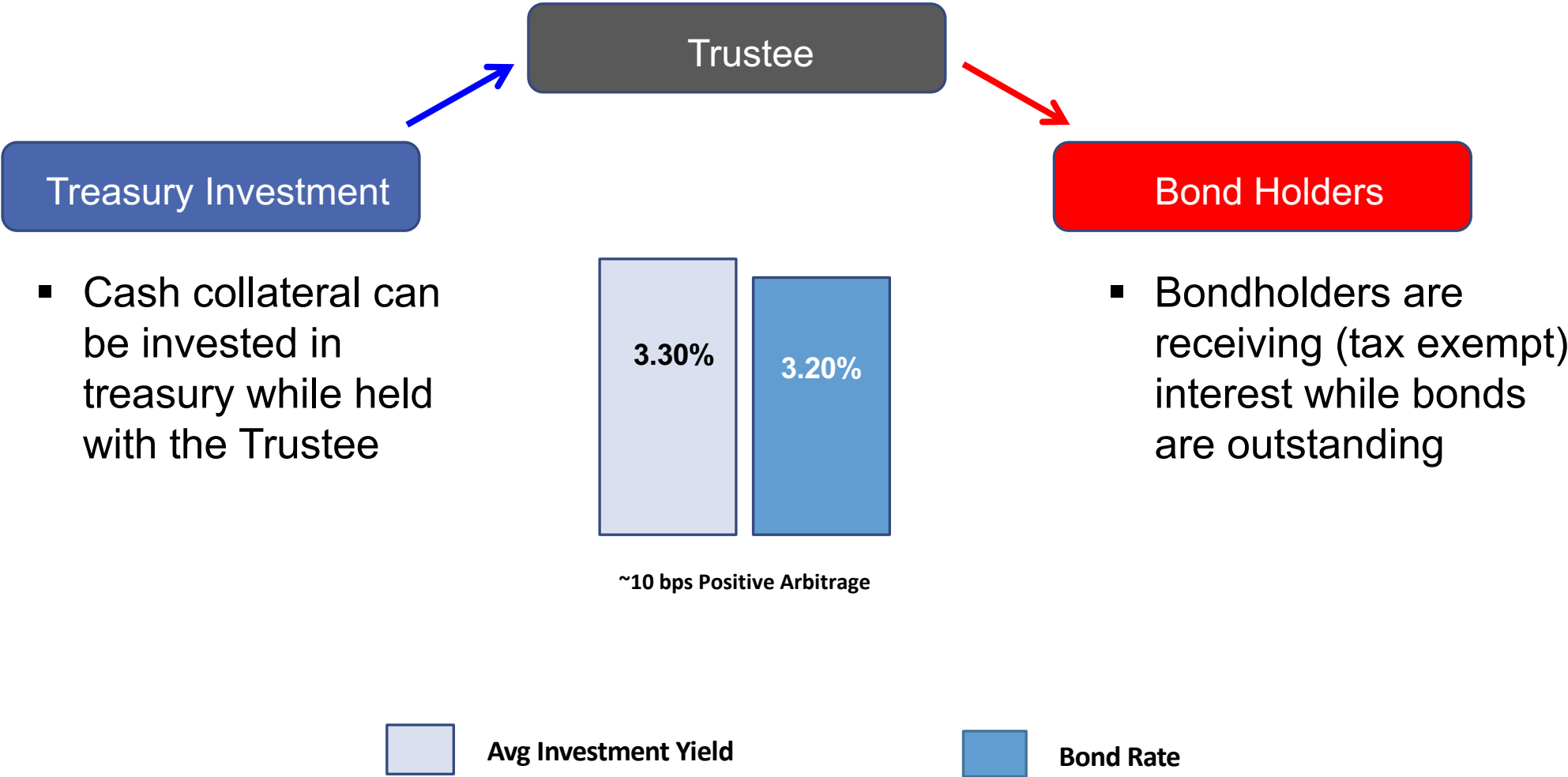
- Pooled financings – multiple projects w/ one aggregate bond issuance
- No long-term bond related fees
- Several investment strategies by Tiber Hudson have helped to mitigate negative arbitrage
- Premium Sale: additional proceeds generated from investors at closing in exchange for a higher coupon on the bonds. These additional proceeds can typically be used to offset negative arbitrage

Short-Term Rates vs. Reinvestment Rates – 12 to 36 Months



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Negative/Positive Arbitrage



Contact Information



TIBER HUDSON

Kent Neumann, Esq.
Direct: (703) 568-0190
kent@tiberhudson.com

Allison King, Esq.
Direct: (202) 973-0118
allison@tiberhudson.com

Alex Zeltser, Esq.
Direct: (202) 973-0105
alex@tiberhudson.com

Lauren Marcus, Esq.
Direct: (202) 973-0122
lauren@tiberhudson.com

Lauren Lyon, Esq.
Direct: (202) 516-4039
llyon@tiberhudson.com

Don Davis, Esq.
Direct: (805) 588-4432
don@tiberhudson.com

Julie Zhou
Direct: (202) 597-5468
julie@tiberhudson.com

Mariam Kayani
Direct: (202) 597-5066
mkayani@tiberhudson.com