

# Loan Products for Public Entities

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# Modernization Express™

*Capital Funds Financing streamlined for 2009!*

## Modernization Express

Direct loan product

Secured solely by future capital funds

Helps Public Housing Authorities (PHAs) of all sizes:

- Leverage capital funds
- Address immediate modernization needs
- Development new public housing

Since 2004, more than 50 PHAs have taken advantage of Modernization Express financing

Process now even easier, thanks to further HUD streamlining

# Modernization Express

## Streamlining features

No longer required for:

1. Standard Performer PHAs with requests less than \$2 million cumulatively
2. High Performer PHAs with requests less than \$20 million cumulatively
3. PHAs proposing to use proceeds for mixed-finance transactions
  - Fairness opinion
  - Management Assessment
  - Assurances regarding construction management and financial controls

# Modernization Express

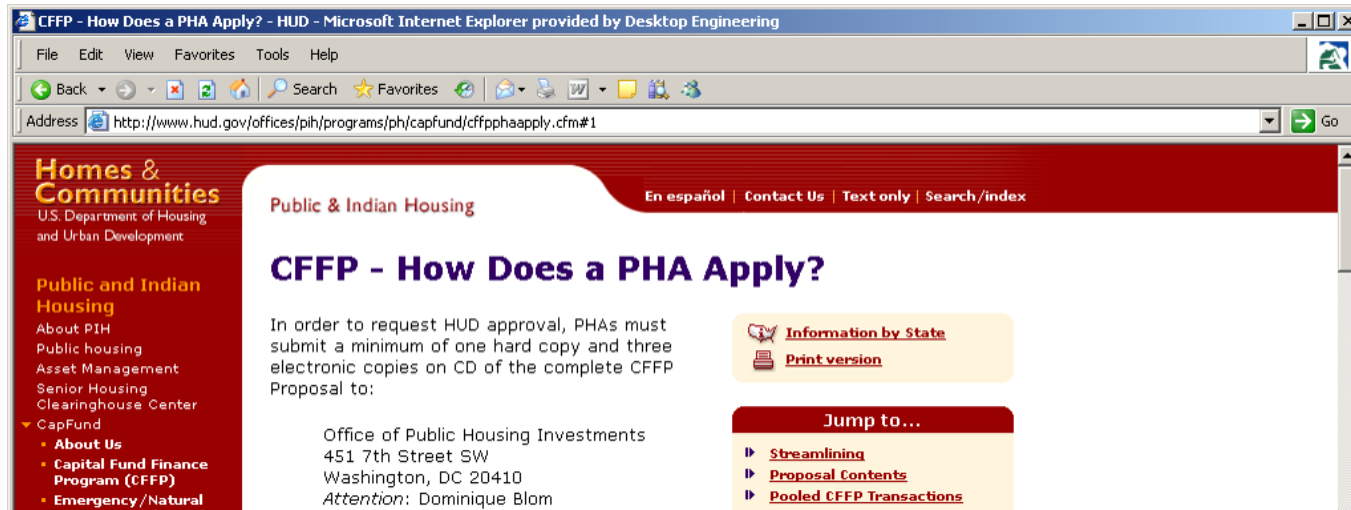
## Streamlining features (cont.)

No longer required for all PHAs:

- Description of status of other HUD approvals (HUD determines)
- Effective Cost of Financing Schedule

More information on HUD's CFFP web pages:

*www.hud.gov/offices/pih/programs/ph/capfund/cffpphaapply.cfm*



## Modernization Express

Why leverage capital funds?

- Take on modernization projects costing more than annual capital fund allocations<sup>1</sup>
- Provide economies of scale unavailable with piecemeal rehabilitation
- Attract larger, more qualified contractors
- Purchase materials – lumber, windows, appliances, etc. – in larger quantities for lower unit costs
- Lower PHA administrative costs
- Promote tenant harmony – renovate multiple units or buildings at once
- Compete with newer affordable developments
- Increase marketability for asset management purposes

<sup>1</sup> HUD regulations do not allow multi-year “banking” of capital funds to complete large projects

## Modernization Express

Special product features

Non-recourse loan, with no mortgage on PHA asset

Flexible repayment period (up to 20 years)

Fixed interest rate

Specific use and repayment terms under HUD's Capital Fund  
Financing Program

Timing controlled by PHA

No annual expenses for trustee services and/or post-closing  
compliance monitoring

## Modernization Express

Benefits to Public Housing Authorities

Flexible loan applications: with HUD approval, loan proceeds can be used for:

- Standard rehabilitation

- New development

- Mixed-finance projects

Streamlined and simplified process

Low costs of issuance and no annual monitoring expenses

Low reserve requirements

**FREE** technical assistance throughout the approval process by Fannie Mae's experienced advisors to help ensure faster, successful results

# Community Express<sup>®</sup>

*Supporting residential development activities of public entity partners*

## Community Express

Direct loan product

Short-term financing

Available to all types of public entities

Helps support housing development plans

- Residential
- Multi-family
- Mixed-use

Supports Fannie Mae's goal of increasing supply of affordable housing

## Community Express

### Product features

- Used for housing and housing-related activities
- Available to public housing authorities (PHAs), municipalities, counties, states, housing finance agencies, and other government-created public entities
- Short-term financing – 24-month initial term with up to three one-year extensions thereafter
- Repayment source is flexible, but plan must be in place
- Structured as a line of credit or term loan
- Collateralized with non-real estate assets, including cash, letter of credit, and Treasuries
- Variable interest rate
- Full recourse to the borrower

## Community Express

### Sample uses of loan funds

- Pre-development financing
- Construction financing for HOPE VI redevelopment projects
- Construction of affordable and market-rate rental and homeownership units
- Preservation of affordable rental housing units
- Rehab loans to low- and moderate-income homeowners in targeted neighborhoods
- Re-lending to other affiliated and community housing partners

## Community Express

### Examples of repayment sources

- HOPE VI or Replacement Housing Factor (RHF) funds
- Low Income Housing Tax Credit equity pay-in
- CDBG, HOME, FEMA, NSP and other grant funds
- Bond proceeds
- Cash flows from loan portfolios
- Refinancing of properties through conventional sources
- Sales proceeds from sale of homes financed with loans

## Community Express

Benefits to public entities

Flexible uses - loan proceeds can be used for:

- Predevelopment
- Acquisition
- Development
- Construction
- Rehabilitation of housing
- Re-lending for housing purposes
- Eligible for affordable and market-rate housing developments – no income or sale price restrictions

## Community Express

Benefits to public entities

Competitive interest rates

Streamlined and simplified process

Low upfront fees

Allows leveraging other private/public sources of funds to develop housing projects

*BOTTOM LINE: Public entities across the country are using Community Express to acquire, improve and create housing stock, and to foster homeownership*

## Questions & Answers

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