



### Single Family Housing Opportunities ... Are Bonds Coming Back?

#### From the Lender's Perspective

#### For HFAs, there are now other alternatives to Housing Bonds...

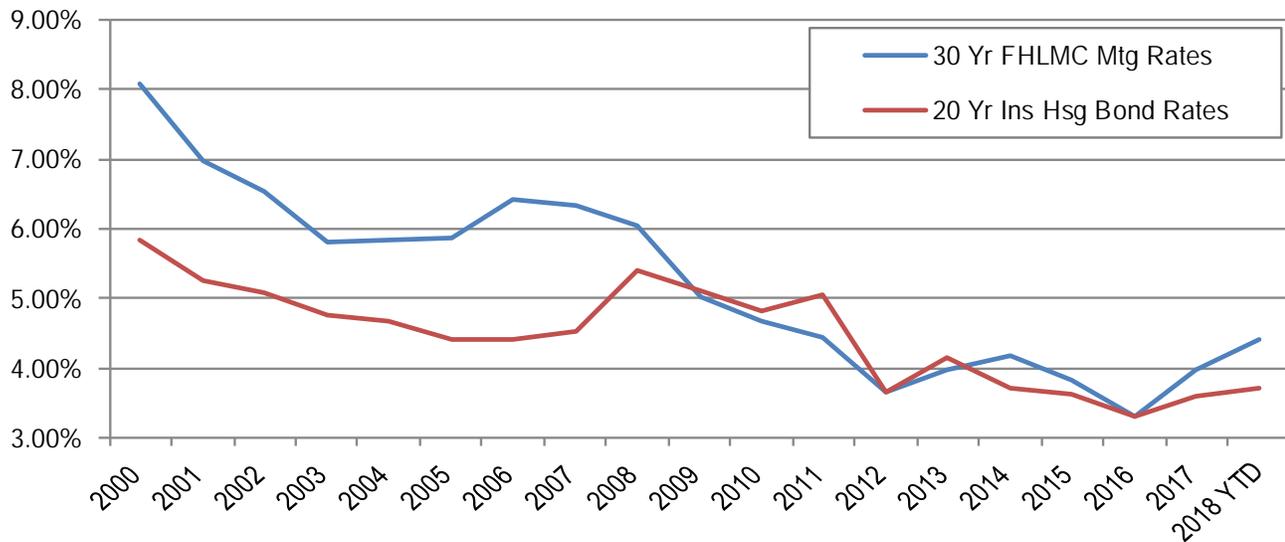
State, statewide and local housing finance agencies have learned to tap into the TBA mortgage market, specialty MBS investors and Fannie Mae/Freddie Mac Cash Windows.

#### However, premium levels on GNMA securities since 2016 have deteriorated.

GNMA Pricing 9/27/2016				GNMA Pricing 9/7/2018			
Coupon	Price	Loan Rate	Grant	Coupon	Price	Loan Rate	Grant
3.5	106.141	3.875%	3%				
4.0	107.375	4.250%	4%	4.5	103.469	5.125%	3%
4.0	107.375	4.500%	5%	5.0	104.500	5.625%	4%
4.5	108.500			5.5	105.438	6.125%	5%

#### Bonds are coming back ... but not all the way back

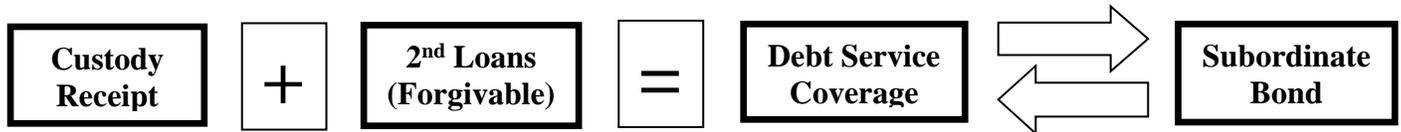
The spreads between Tax-Exempt Housing Bonds and Mortgage Market (TBA) rates are improving but are not comparable to the spreads before 2008.



- Bond Investors willing to pay 106-108 in premium for Term Bonds have not returned, so Bond Gift funding is not available.

## Proposal (Example)

- If not a Gift, Subordinate Loan financing equal to 5% of the First Loan.
- Deferred principal, due upon sale or refinance, forgiven over [10 years]
- Strip off a .625% interest only payment stream (a Custodial Receipt) from the Bonds.
- HFA issues a tax-exempt Subordinate Bond secures by the Custody Receipt and 2<sup>nd</sup> Loan repayments.
- GKB commits to the purchase of such (unrated) Subordinate Bonds



### So if priced today, what would be the loan rate and assistance?

5.30% with a 5% sized 2<sup>nd</sup> loan, forgiven over 10 years. The loans rates when priced in 2019 are of course subject to market conditions.

### Is the loan rate locked in up-front or does it move with the market?

Loan rates will be reset periodically to the market.

### Is there an up-front commitment fee and are the funds allocated?

Our top priority is to make the funds available on a first-come, first-served basis. Discussions will begin with the Attorney General's Office to determine if any up-front fee is required from lenders, to be refunded upon loan origination.

### Do we as Lenders have to complete a Lender Demand Survey?

Again, this will be discussed with the AG Office. HFCs will be asked to request from the three statewide programs the number and dollar amount of TBA loans originated over the last 3 years to determine potential demand.

### Product, Process, and Profitability?

- Currently, the focus is on FHA loans.
- On-line access to funds, loan and DPA reservation confirmations
- Streamlined lender agreements, similar to an MCC.
- First and Second Loan documentation in a fillable Acrobat Adobe PDF fillable format; fields are auto-populated from the data entry screen.
- 2.5% minimum compensation, no origination fee, customary loan fees.