

Fannie Mae DUS[®] Multifamily Tax-Exempt Bond Credit Enhancement Fixed and Weekly Variable Rate Options

RED Mortgage Capital, LLC is an approved Fannie Mae DUS (Delegated Underwriting and Servicing) mortgage lender that actively underwrites multifamily rental projects and provides Fannie Mae DUS credit enhancement and liquidity support (the latter in the case of tax-exempt variable rate bond issues) for qualified projects nationwide. **RED Mortgage Capital, LLC** is responsible for originating, underwriting, servicing and arranging for Fannie Mae credit enhancements. In addition to tax-exempt financings, **RED Mortgage Capital, LLC** also underwrites taxable, conventional loans for multifamily projects.

LOAN AMOUNTS:

\$3,000,000 and up

TERM & REMARKETING PERIODS:

Fannie Mae provides the highest rated credit enhancement for tax-exempt bonds for terms up to 30 years. The credit enhancement can be used for fixed or variable rate tax-exempt bonds and in certain instances, taxable bonds. Fixed rate bonds may have mandatory tender provisions that result in a remarketing and rate reset after 10 years or longer. A 10-year minimum term with maximum term of 25 to 30 years is permitted with 25-year and 30-year amortization. An 18-year minimum term and initial reset period is required for projects with more than 20% LIHTC units.

INTEREST RATES:

VARIABLE:

Initially in Weekly Rate Mode, with option to convert to Fixed Rate (provided the term of the fixed rate conversion is for not less than 10 years or, if less than 10 years, for the remaining term of the credit enhancement). "A-1+/VMIG1" S&P and Moody's bond ratings possible.

FIXED:

Structured either with a fixed rate to maturity of the bonds, or an interest rate reset and remarketing of the bonds as early as 10 years from the closing date. "AA/Aa" S&P and Moody's bond ratings possible.

CREDIT SUBSTITUTIONS:

Fannie Mae fixed or variable rate credit enhancement structures can be utilized as substitute credit enhancement on existing bond transactions, subject to review of existing bond documents. This is an excellent choice for acquisitions.

PREPAYMENT PREMIUMS:

VARIABLE:

Declining fixed percentages based upon the present value of any unpaid Fannie Mae credit enhancement and liquidity fees plus any unpaid lender servicing fees during the first seven or ten years, depending upon term of interest rate cap purchased.

No premium is required for conversion to the fixed rate structure.

FIXED:

Declining fixed percentages based upon the present value of unpaid Fannie Mae guaranty fees and unpaid lender servicing fees during the first 10 or 15 years, depending on how long the rate is fixed. Additional lockout and prepayment premiums may be imposed under the bond documents to protect the bond purchasers. If Fannie Mae's credit enhancement continues after a remarketing, then a new prepayment premium period begins.

LOAN TO VALUE RATIOS:

VARIABLE RATE ISSUES:

- 85% Tier 2 without value of tax-exempt financing
- (80% including value of tax-exempt financing)

FIXED RATE:

- 85% Tier 2 without value of tax-exempt financing
- (80% including value of tax-exempt financing);
- Up to 90% permitted if project is over 90% LIHTC.

DEBT COVERAGE RATIOS:

VARIABLE RATE ISSUES:

- 1.20X (Tier 2)*; 1.20X if project is over 90% LIHTC

FIXED RATE:

- 1.25X (Tier 2), 1.20X if project is over 90% LIHTC

**Based on Underwriting Interest Rate (see "Variable Rate Issue Interest Rate Caps" on page 2).*

SUBORDINATED DEBT:

Subordinated debt at closing may be available under certain circumstances, including taxable Fannie Mae second mortgages for properties that can support more debt than the bond allocation.

LOAN FEATURES:

- Non-Recourse, with the exception of standard carve-outs
- Assumable

- Taxable bonds can be included to cover financing costs, replacement reserves, capital improvements.

SUPPLEMENTAL MORTGAGE:

At any time after the first year of the mortgage term, if the property value and income have increased such that additional equity is trapped, Borrower may apply for a DUS Supplemental Mortgage. Up to two supplemental mortgages may be obtained during the loan term with Fannie Mae's approval, with a third available in order to reduce a purchaser's down payment requirement in the event of an arm's-length purchase of the property with approved assumption of the prior Fannie Mae mortgage(s).

FORWARD COMMITMENTS:

Credit enhancement is available for new construction and substantial rehabilitation projects. **RED Mortgage Capital, LLC** will underwrite and commit to provide credit enhancement for the bonds prior to the start of construction. Fannie Mae will credit enhance the bonds during construction; bond proceeds can be used for construction with the construction lender providing a letter of credit to Fannie Mae during construction, or bond proceeds may be escrowed until project completion and stabilization. In either case, the borrower must secure acceptable construction financing for the project.

LOAN FUNDING:

Loans are underwritten by **RED Mortgage Capital, LLC** and the Fannie Mae DUS credit enhancement is delivered to the bond trustee. Pricing is determined after the bond sale has been concluded by a qualified investment banking firm, such as **RED Capital Markets, LLC**, MEMBER FINRA/SIPC, and its registered representatives.

VARIABLE RATE ISSUE UNDERWRITING RATE:

Variable Rate Loans are generally underwritten at an interest rate (the "Underwriting Interest Rate") equal to the sum of: (1) the 52 week trailing average BMA rate (with a 3% minimum); (2) 200 basis points; (3) Fannie Mae credit enhancement, servicing and liquidity fees; (4) all ongoing bond fees such as annual trustee, issuer and remarketing fees; and (5) the amortized estimated cost to purchase a replacement interest rate cap.

INTEREST RATE CAP REQUIREMENTS:

Borrower is required to purchase an interest rate cap with a term of at least 5 years with a strike rate of 300 basis points over the average BMA rate for the prior 52 weeks with a 3% minimum rate from a provider acceptable to Fannie Mae. A new cap must be purchased upon expiration.

For additional information visit www.redcapitalgroup.com or contact:

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In its prequalifying review, **Red Mortgage Capital, LLC** will attempt to estimate both the loan amount and the fees and costs associated with the transaction. Actual loan amounts and actual fees and expenses may vary from the prequalifying estimates. A prequalifying estimate is not a commitment to make a loan.