

Fannie Mae DUS[®] Multifamily Affordable Housing Forward Commitment Financing New Construction or Substantial Rehabilitation

RED Mortgage Capital, LLC is an approved Fannie Mae DUS[®] (Delegated Underwriting and Servicing) mortgage lender that, pursuant to the requirements of the Fannie Mae New Construction Product Line, underwrites and commits to make permanent mortgage loans on affordable rental housing projects prior to the commencement of construction. **RED Mortgage Capital, LLC** can sell mortgages to Fannie Mae on an expedited, delegated basis upon completion of construction and the satisfaction of certain rent up and other conditions, in exchange for cash (i.e., through a "cash window" delivery), or for Fannie Mae mortgage-backed securities (i.e., through a swap for MBS's, an "MBS/DUS" transaction).

TERM & AMORTIZATION:

18-year balloon or 25- or 30-year fully amortizing maturities for permanent loans

(24 to 30 month forward commitment terms with Lender's option to extend for 6 months)

25-year and 30-year amortization

LOAN TO VALUE RATIO:

90% Maximum Allowable

DEBT COVERAGE:

1.15X Minimum Allowable

PROGRAM MECHANICS:

Fannie Mae does not take construction and lease-up risk, but is able to forward commit to a loan amount and interest rate prior to construction by advancing its funds to an approved construction lender (the "Advances") and relying upon the credit of the construction lender for payment of interest during construction and principal at commitment expiration if the property fails to qualify for conversion to permanent loan. The interest rate due during construction is reduced from the permanent loan interest rate to reflect the construction lender's credit and the fact that no servicing fee is payable to the DUS lender during construction. There is no amortization until conversion to permanent loan.

RATE LOCK OPTIONS:

Most borrowers elect to have the interest rate on the entire permanent loan locked in advance of construction by agreeing to have the full permanent loan amount advanced to the construction lender within 30 days of rate lock but other options are available that allow for delaying the funding of advances by: (1) locking the interest rate incrementally on each of four advances funded over the first year of the commitment; (2) paying a 'hedge fee', either up front or as an addition to the interest rate to lock the entire rate in advance but spread the funding of advances over the first year in four equal increments; or (3) requesting a Standby Commitment which has the lowest cost but in which the borrower assumes all interest rate risk until the property qualifies for permanent loan delivery

and the interest rate is locked just prior to permanent loan closing. Standby Commitments may be converted to rate locked Forward Commitments during this term.

MANDATORY DELIVERY:

Upon acceptance of the rate locked permanent loan commitment, Borrower posts 2% in cash or an acceptable letter of credit in favor of Fannie Mae, which 2% will be refunded upon delivery of the permanent loan to Fannie Mae. At construction loan closing the Borrower must also execute a mandatory promissory note in favor of Fannie Mae. The promissory note obligates the Borrower to pay yield maintenance on Fannie Mae advances in the event that the Borrower chooses not to convert a qualifying loan. The note is secured by a subordinate mortgage on the project, and is returned to the Borrower upon delivery of the permanent loan to Fannie Mae.

PREPAYMENT:

Prepayment terms, prepayment premiums, and yield maintenance requirements are specified by Fannie Mae. Typically, mortgages are subject to yield maintenance for 15 years from conversion and a 1% prepayment premium thereafter except for the 90 day period immediately prior to maturity.

Yield maintenance and prepayment terms can vary by mortgage term and interest rate. Consult a **RED Mortgage Capital, LLC** representative for more detail.

LOAN FEATURES:

- Non recourse with the exception of standard carve-outs
- Fully assumable
- Long term fixed interest rate committed at, or prior to, construction loan closing

ELIGIBLE PROPERTIES TRANSACTIONS:

- Project units must be rent-restricted for persons earning less than equal to the set-aside area median income levels (20/50 or 40/60)
- Proven location with stable employment

- Initial lease term of at least 12 months
- Demand from income-qualified tenants must be demonstrated in a qualified independent market study

CONVERSION REQUIREMENTS:

Forward Commitments are converted to permanent loans upon: (a) satisfactory completion of construction in accordance with plans and specifications that were independently reviewed at time of initial underwriting; (b) completion of lease-up and stabilization as evidenced by four consecutive rent rolls, each certified and dated at one month intervals showing 90% or greater occupancy; and (c) achievement of the Net Operating Income ("NOI") estimated in the original underwriting as evidenced by actual leases and actual operating expenses.

PERMANENT LOAN REQUIREMENTS:

- Escrow Accounts for insurance, real estate taxes, and special assessments
- Replacement reserve account
- Depending on project characteristics and rental market circumstances, limited operating deficit guarantees may be required until the property has demonstrated its ability to achieve the anticipated rents and operate at underwritten expense levels

PRICING:

Fees and interest rates are quoted daily. Contact **RED Mortgage Capital, LLC** for specific pricing.

TAX-EXEMPT BONDS:

The New Construction Product Line may be employed to credit enhance tax-exempt bonds.

MARKET RATE HOUSING:

Forward Commitments are also available under different terms and conditions for moderate-income and market rate housing without rent restrictions.

TERRITORY:

Nationwide

CONSTRUCTION FINANCING:

RED Mortgage Capital, LLC has arranged a Master Forward Funding Agreement pursuant to which construction financing may be provided by a **RED Capital Group** affiliate. Borrowers may apply for construction financing or may secure such financing from another construction lender, that has entered into such an agreement with Fannie Mae. The construction loan terms (other than the terms associated with the Fannie Mae advances) may be negotiated between Borrower and Construction Lender.

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.