Fantini & Gorga

Skillfully Linking Borrowers and Lenders.

Master Money Matrix© *Apartment Finance Edition*

See notes and definitions below. *Jul-17*

OPTION	TYPE	EXPLANATION	REQUIREMENTS	USUAL SOURCES	AVAILABILITY	Rates / Spreads	LTV / Coverage	Points	Term (Yrs.)	Amort (Yrs.)	COMMENTS
INSURANCE COMPANY LOAN	Debt	Longer term fixed rate loan.	Creditworthy borrower and well-maintained property of "B" or better quality.	Insurance companies, pension funds.	Excellent	140-225 over comparable term Treasury	Typically up to 70% 1.25	Usually limited to a processing fee.	5-30	25-30	- Seek mainly good location/properties and relatively low leverage. - Along with FHA, best source for terms over 10 years.
AGENCY LOAN	Debt	Longer term fixed rate loan.	Experienced multifamily owner, "A" to "C" quality property.	Fannie Mae DUS and Freddie Mac Program Plus, and specialized small balance lenders.	Excellent	180-280 over comparable Treasury	80% (75% with cash out) 1.25	1/2 to 1	5-30	30	- Small balance loans (up to $5M) have increasing market presence. - Competitive underwriting/pricing for workforce/affordable housing.
CMBS LOAN	Debt	Medium term fixed rate loan.	Creditworthy borrower and well-maintained property of "C" or better quality.	Investment banks and specialty lenders.	Adequate	180-250 over SWAPS	Up to 80% 1.25	1/2 to 1	5-10	30	- Provide full proceeds in secondary/tertiary markets. - Offer 3 or more years interest-only.
BANK LOAN	Debt	Fixed/floating; Construction/permanent	Creditworthy borrower and acceptable collateral.	National, regional, and local banks; credit unions.	Excellent	Construction: LIBOR + 225-350; Permanent: SWAP +180-225	75% 1.20-1.25	0 to 1	2-15	25-30	- Personal recourse often required on stabilized properties over 70% LTV. - Many banks fix rates only out to 5 years; very few fix longer than 10 years.
INTERIM LOAN	Debt	Shorter term loan for acquisition and/or repositioning.	Sound business plan/exit strategy.	Specialized finance companies, banks, some insurance companies and opportunity funds.	Good	LIBOR + 225-450 bps (some w/floors)	At stabilization: 70% - 75% 1.25-1.30	1/2 to 2	1 to 3	Interest only	- Pricing depends on leverage level, property quality, and strength of guarantees (if required).
FHA 223 (f)	Debt	Fixed rate fully amortizing loan.	Well maintained property. Borrower with clean credit.	MAP Lenders.	Excellent	100 over 10-yr. Treasury +60bps MIP for 35 year term.	Up to 85% (80% with cash out) 1.20	0.5 to 1.5+ 1% MIP + 0.3% application fee.	35	35	- Highest proceeds option. - Low rates for 35 year term. - Normally prepay at par after 10 years, sometimes earlier.
FHA 221 (d) 4	Debt	Fixed rate construction + fully amortizing permanent loan.	Economically feasible project. Borrower with some experience and clean credit.	MAP Lenders.	Good	120 over 10 yr. Treasury + 65bps MIP for 40 year term.	85% of cost 1.18	1 to 2 + 0.9% MIP + 0.3 % application fee.	40	40	- Non-recourse fixed-rate construction-perm combination with maximum proceeds. - No affordability requirements. - Davis Bacon wages required. - Lower MIP for affordable and "green" projects.
MEZZANINE/ PREFERRED EQUITY	Debt/ Equity	Junior financing secured by pledge of or participation in ownership interest.	Experienced sponsor and good quality property or development.	Specialized finance companies, opportunity funds, and some insurance companies.	Good	Mezzanine 6% - 12%	Up to 85%-90% of cost, 85% of stabilized value	1 to 2	2 to 10	Usually interest only	- Preferred equity offers higher funding than mezzanine, but at higher cost.
JOINT VENTURE	Debt/ Equity	Equity source provides 95% + of capital stack, including third party debt.	Experienced sponsor and "A" to "B+" quality property or development.	Investment funds, insurance companies, private capital and REITs.	Good	Return requirements vary	N/A	0 to 1	3 to 10	N/A	- J/V financing is mainly aimed at multi-family developers with strong track record. - Overall return is a composite of "debt portion"(60%-70% of cost), and the "equity portion"(all funds above the debt). Higher returns for new construction, lower for properties with cash flow.
PRIVATE EQUITY/ SYNDICATION	Equity	Private capital seeking ownership positions in leveraged projects.	Experienced sponsor and project with attractive cash flow and upside.	Individual investors; usually pooled through a fund manager or syndicator.	Good	Vary widely	Not Applicable				- Investors are seeking various combinations of tax and economic benefits. - Crowdfunding vehicles are expanding sources for smaller transactions.

DCR - Debt Coverage Ratio
DUS - Delegated Underwriter Servicer
FHA - Federal Housing Administration
IRR - Internal Rate of Return
LIBOR - London Interbank Offered Rate
LTV - Loan to Value Ratio
MIP - Mortgage Insurance Premium
SWAP - LIBOR Interest rate swap

The terms shown herein approximate market conditions at the time of publication and are subject to frequent changes based on the shifts within capital markets. The format of this presentation is simplified to aid the reader in a global understanding of the complex financing options available for multi-family properties. Therefore in cannot deal with the numerous intricacies of certain financing options. The edition deals solely with financing of apartments and is an abbreviated version of the Master Money Matrix - Overview. For information on construction loans, second mortgages, etc., the reader is referred to prior issues of the New England Real Estate Journal which contain the most recent editions of the sister "Master Money Matrix - Overview."

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