



# 2016 Regional View



# A *Better* Freddie Mac

...and a *better* housing finance system

## For families

...innovating to improve the liquidity, stability and affordability of mortgage markets

## For customers

...competing to earn their business

## For taxpayers

...reducing their exposure to mortgage risks

# How We're Organized: Senior Management for Production & Sales, Underwriting & Credit



David Brickman  
Executive Vice President  
Multifamily Business



John Cannon  
Senior Vice President  
Production & Sales

Debby Jenkins  
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Kelly Brady  
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Capital Markets Execution



Lauren Garren  
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Michael Patterson  
Vice President  
Underwriting & Credit  
Specialty Products & SBL



# Managing Spread Volatility

## Treasury Floor and Index-Lock Timelines

- Treasury floor will be established at quote for all fixed rate loans: equal to previous day's Treasury rate at closing less 25 bps
- When the loan Index-Locks or upon ERLA/Commitment issuance, if the Treasury is below the quoted Treasury floor, the net spread will be adjusted accordingly
  - » Example: if the Treasury floor in the quote is 1.75% and at the time of index-lock the current Treasury rate is 1.70%, the net spread will increase by 5 bps

# Aligning Index-Locks & Spread Hold Expiration

- We are updating our Index-Lock timelines to match established spread hold periods as follows:
  - » Conventional and Supplementals: 60 Days
  - » Manufactured and Seniors Housing: 75 Days
  - » Targeted Affordable Housing: 90 Days
  
- This change is effective for all loans quoted as of Monday, April 25

# Understanding the Cap

## Implications and Definitions

For 2016, FHFA's category of loans excluded from the \$35 billion cap on multifamily purchase volume includes:

<b>Target Affordable Housing</b>	<ul style="list-style-type: none"><li>• Exclude 50% of the loan amount if the percentage of restricted units is less than 50% percent of the total units in a project, and</li><li>• Exclude 100% of the loan amount if the percentage of restricted units is equal to or more than 50%</li></ul>
<b>Manufactured Housing Rental Communities</b>	<ul style="list-style-type: none"><li>• Exclude the full loan amount of a manufactured housing rental community blanket loan</li></ul>
<b>Seniors Housing</b>	<ul style="list-style-type: none"><li>• Exclude the pro rata portion of the loan amount based on the percentage of units affordable at 80% of AMI or below</li><li>• Very high cost market adjustments are not available</li></ul>
<b>Small Multifamily Properties (with 5-50 units)</b>	<ul style="list-style-type: none"><li>• Exclude the pro rata portion of the loan amount based on the percentage of units affordable at 80% of AMI or below in standard and high cost markets and 100% of AMI or below in very high cost markets</li></ul>

**Revised**

## New

<p><b>Properties Located in Rural Areas</b> (Designated in Duty to Serve rule)</p>	<ul style="list-style-type: none"><li>• Exclude the pro rata portion of the loan amount based on the percentage of units affordable at 80% of AMI or below</li><li>• Very high cost market adjustments are not available</li></ul>
<p><b>Unsubsidized/Market Rate Affordable Units at 60% AMI or Below</b></p>	<ul style="list-style-type: none"><li>• Exclude the pro rata portion of the loan amount based on the percentage of units affordable at 60% of AMI or below</li></ul>
<p><b>Unsubsidized/Market Rate Affordable Units in High-Cost or Very High-Cost Markets</b></p>	<ul style="list-style-type: none"><li>• Exclude the pro rata portion of the loan amount based on the percentage of units affordable at 80% of AMI or below in high-cost markets, and the percentage of units affordable at 100% of AMI or below in very-high-cost markets</li></ul>

## *Unsubsidized multifamily housing that is affordable to the majority of low- to middle-class income households*

- Average subject rent less than average market rent
- Less than 80% of AMI for most markets
- Less than 120% of AMI for high-cost- and very-high-cost-markets
- Less than 150% for MSAs with significant urban sprawl: NYC, San Francisco, DC, Los Angeles
- Class B or C properties
- Typically pre-2000 construction
- Any property type (typically garden style)
- Limited amenity package, basic interior finishes



# Who Lives in Workforce Housing?

- Vital community service occupations
  - » Teachers, nurses, police, firefighters don't qualify for Section 8\*
  - » Can't afford rent in 65% of high cost markets
- Service occupations
  - » Cooks, retail, construction workers
  - » Can't afford rent in any top 44 market
- Federal minimum wage earners
  - » Min. wage = \$7.25
  - » Average hourly wage needed for average national rent = \$21.78
- Renters who qualify for subsidized housing, but can't get it
  - » For every 100 renter HH making <\$19K, there are 30 subsidized units
- Price-out aspiring home buyers
  - » Average renter HH income = \$29.7K (national median = \$52.3K)



\* except firefighters in NY and Boston