National Association of Housing Cooperatives
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Refinancing in 2012: Don’t Miss Out

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State of the Real Estate World 2012

- July 2012 - Housing Starts Rose 6.9% to 760,000 Annual Pace
- 2012 Outlook: Upswing in Market
  - 30.9% or 15.3 Million Homes are Still Underwater (1 out of 3) as of August 2012 (Zillow Real Estate Firm)
  - 7.58% of All Homes Missed a Payment (Down from 8.44% in 2011) (Mortgage Bankers Association)
  - 4.2% of All Homes are in Foreclosure (Estimated to be 3 million - 3.5 million) (Black Rock Investment Institute)
  - Foreclosures Still Expected to Decline in 2012
  - New Home Sales Increased 3.6% in July 2012 (Commerce Department)
  - Foreclosed Homes Devalue Neighborhoods

- Apartments
  - 4.6% Vacancy (Down from 6% in 2011) is a Decade Low! (Reuters)

- Shopping Centers, Office Buildings and Industrial Buildings
  - Rents Going Down, Vacancies May Have Stabilized – Very Market Specific
  - Commercial Property Values Have Declined 42%
  - Experts say, “Maybe We have Bottomed Out”

Little Uncertainty in Coops – Let us Show You How!
Interest Rates Continue to be Historically Low

- +/-4.2% Coop/Apartment Loans (Down .75% from Last Fall)

- **Fannie Mae/Freddie Mac - Industry Standard**
  - Federal Conservatorship – The Big Question: What Will Happen to GSEs?
  - Bonds Backed by Fannie/Freddie Apartment Loans Have Surged to Record Values With Single-Family Values Decreasing – What Does it Mean? (*Bloomberg*)
  - September 2012: Chairman of Federal Reserve Bernanke Promises Low Rates Until 2/2015 (*NBC*)
  - September 2012: Fed Restarts Buy Back Policy of Housing Bonds to the Tune of $40 Billion per Month; A New Operation Twist! (*NBC*)
  - August 2011: S&P Credit Downgrade Doesn’t Seem to Have Greatly Affected Mortgage Market (*Bloomberg*)

- **HUD Loans are Happening in Multifamily**

- **Credit Crunch Continues For Commercial Real Estate**
  - Bank Financing Remains Difficult
  - Conduit/MBS Trying to Restart – Many Problems
  - Life Companies Spotty – Mainly Focus On A-Class Properties
Cooperatives Are a Great Place To Live!!

- Well Maintained & High Satisfaction Level
  - Beautiful Grounds
  - Call Your Maintenance Staff
  - Great Quality of Life
  - Co-opers Look Out For Neighbors
- Low Monthly Carrying Charge
- Low Cost of Membership
- Pride of Ownership
- Part of a Positive Movement
- Most Importantly Predictable Cost of Housing
Yes?

- Limit HUD Oversight through Conventional Refinancing
- Capital Improvement Program
  - Roofs
  - Heating & Air Conditioning
  - Repave Roads
  - New Kitchen & Baths
  - Exterior Updates
  - Siding, Gutters, Windows, etc.
- Low Interest Rates
  - May Not Require Carrying Charge Increase. If so, usually 5% or less.
- Maintain Competitive Position in Market Place
  - Must Compete with Newer Apartments & Condominiums
- Take Advantage of 236 Decoupling for “Free” Money
- Extend Flex Loan at 1% for 30 years
Maybe?

- Not Sure of Continuing Affordability
- Not Sure of Condo Conversion (Not Happening in Today’s World!)
- Hopefully Decision is Made Before Rates Rise (Who Knows?)

No?

- No Existing Debt – Loan Paid Off
- No Upgrading Needed (Yeah, Sure!)
- Large Reserves
- Co-opers Happy
We Generally Cannot Predict Whether Interest Rates Will Go Up or Down
Clearly Interest Rates are Historically Low Right Now!

**Real Low Rates!**

**Thesis of Our Class:**

- Over the past 9 Years, We Have Funded 75+ Coop Mortgages Totaling More
  Than $275 million
- The Circumstances of the Loans Have Been Very Consistent.
- Coops Need Capital Improvements to Remain Competitive in the Market.
- Low Interest Rates Keep New Carrying Charges Low.
- Take Advantage of Government Programs, such as Decoupling and
  Flex Loan Extension.
- Achieve Common Goals of Decreasing HUD involvement.
Rates Are Historically Low & Stable!
Refinance Case Studies
Kramer Homes

Centerline, MI
500-Unit Coop – September 2011
Goals of Refinancing

- Pay Off Existing Debt – Loan Due
- Lower Monthly Payment
- Lower Interest Expense
- Achieve Long-Term Fixed Rate
- Timely Closing to Capture Favorable Rate
- No Carrying Charge Increase

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Loan Amount</th>
<th>Interest</th>
<th>Monthly Payment</th>
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<tr>
<td>1st Mortgage</td>
<td>$2.5 Million</td>
<td>10.17%</td>
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<tr>
<td>2nd Mortgage</td>
<td>$2.8 Million</td>
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<tr>
<td>Total</td>
<td>$5.3 Million</td>
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New Loan – FNMA DUS® Program

- $5.5 Million Loan Proceeds
- +/- 5.9% Interest
- 30-Year Term /30-Year Amortization

Goals Accomplished

- 5.9% Interest Fixed for 30 Years
- Monthly Payment Decreased $7,098
- Timely Closing
- Coop Can Plan for the Future, Having Long-Term, Fixed-Rate Debt
- Secondary Supplementary Financing Available
- No HUD Oversight
Forest Hills Cooperative

Ann Arbor, MI
306-Unit Coop – July 2011
Goals of Refinancing

- Extend Flex Subsidy Loan of $2.45 Million with HUD at 1% for 30 years; Pay Down $911,500 of Flex Principal
- Pay-Off Existing HUD Debt - $130,000
- Capital Improvement Program - $1.8 Million
  - Roofs – 50% of Complex
  - +/- 300 Furnaces & Air Conditioners
  - Asbestos Insulation Removal
New Loan – FNMA DUS® Program

- $3.7-Million Loan
- 6.8% Interest
- 30-Year Term/30-Year Amortization
- $60,000 From IRP Decoupling

Goals Accomplished

- Achieved Long-Term, Fixed-Rate Loan
- Funded $1.8-Million Capital Improvement Program
- Reasonable Carrying Charge Increase
- Extended $2.447-Million Flex Loan for 30 Years at 1%
- Property Remains Affordable
Nassau Gardens Cooperative

Norwood, MA
204-Unit Coop – August 2011
Goals of Refinancing

- Payoff HUD Loan $2,147,500
- Reduce Current Interest Rate of 7.2% - Payment: $29,047 Monthly
- No Change in Loan Term
- No MIP
- No Change in Monthly Carrying Charges
- No Government Oversight / No Use Agreement
- Timely Closing
New Loan – FNMA DUS® Program

- $2.3-Million Loan
- 4.13% Interest – Monthly Payment Reduced to $28,174
- 8-Year Term / 8 Year Amortization

Goals Accomplished

- Lowered Interest Rate from 7.2% to 4.13%
- Monthly Payment Decrease of $873 Per Month
- No MIP Saves $900 Per Month
- Total Savings: $3,035 Per Month + Loan Pays Off 2 Months Early
- No Change in Monthly Carrying Charges
- Affordability is Coop’s Option
- No HUD / Government Oversight
- Timely: August 2011 (Loan Closed in +/-60 Days from Start to Finish)
• Credit Crunch
• Rates/Costs
• Decoupling
• Flex Deferral
• Section 8
• Use Agreements
• Affordability
• Loan Terms Available
Contact

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