

Fed Loan Program to Stabilize Renters, Apartment Properties, and the Housing Market

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Summary	Federal Reserve loan program to stabilize renters, apartment properties, and the housing market to help assure both liquidity and long-term economic recovery	
Why Needed	<p>In the coming months potentially millions of renters will be unable to pay their back rent and will face additional fees and, in some cases, eviction</p> <p>Hundreds of thousands of rental properties, of all sizes in all markets, will have depleted their reserves, deferred essential maintenance, and failed to pay utilities and other essential costs to remain viable — and many will face foreclosure</p> <p>Thousands of businesses and agencies that make up the housing system — lenders, loan servicers, housing agencies — will suffer losses, because borrowers cannot pay what they owe during the national emergency</p>	
Purposes	<p>Protect renters from unsustainable arrearages and risk of eviction</p> <p>Ensure rental apartment properties remain financially and physically stable</p>	
Coverage	<p>Roughly 13 million renters whose incomes and rent-paying abilities may be severely reduced</p> <p>Covers up to 6 months of mortgage payments by property owners</p>	
What Facility Does	Purchases COVID-19 Servicer Lines of Credit for Multi-Family Loan Forbearance {"Lines of Credit"}	
Facility Design		
<i>Fed role</i>	\$30 billion investment purchases Tranche 1 of the Facility	
<i>Treasury role</i>	<p>\$20 billion investment purchases Tranche 2 of the Facility</p> <p>Treasury funds help subsidize the interest rate on draws from the Facility to 0% and cover any shortfall in repayment from forbore payments</p>	
What Facility Provides		
<i>for Renters</i>	<p>Reduces forbore rent owned by 67 percent</p> <p>Protects from penalties associated with arrearages</p> <p>Protects from eviction during covered period</p>	
<i>for Multi-Family Owners</i>	<p>Enables avoidance of loan default despite shortfalls on monthly payments due to decreased rents</p> <p>Establishes minimum rent floor to help pay operating costs</p> <p>Reduces losses from vacancies caused by move-outs and evictions</p> <p>Provides 0% interest on monthly advances to cover forbore payments – due upon pay-off of mortgage</p>	

<i>for the Fed</i>	Earns 2% (10 year Treasury rate + approx. 100 bp)	
<i>for Treasury</i>	Treasury's investment is subordinate to Federal Reserve receiving its full 2% return on Tranche 1	
	If loans prepay on average in 8.8 years, Treasury could recover 75 percent of its investment (\$15 Billion) Net taxpayers' investment less recovery: roughly \$5 billion Receives all residual repayments from Lines of Credit	
	(\$5 billion net investment enables renters to pay \$50 billion less in rent during emergency and prevent loan defaults)	
	Avoids foreclosure losses to FHA, RD, Fannie Mae and Freddie Mac, state and local housing finance agencies (HFAs), community development financial institutions (CDFIs), and banks	
<i>for Servicers</i>	Avoids significant financial consequences of needing to advance scheduled MBS and loan principal and interest Avoids need to modify loans	
<i>for MBS holders</i>	Maintains ongoing payment stream Reduces impact of significant prepayments due to loan defaults Avoids shortfalls	
<i>for Bond/Loan holders</i>	Avoids losses from defaults and foreclosures	
Eligible Loans	First mortgage permanent loans on multi-family rental properties: <ul style="list-style-type: none"> • Included in GNMA, Fannie Mae, Freddie Mac and commercial mortgage-backed securities (CMBS), • Owned by state and local housing finance agencies and departments (HFAs); • Owned by banks, credit unions, insurance companies and other regulated entities; or • Otherwise insured or guaranteed by FHA, RD, Fannie Mae, Freddie Mac, or state or state-created mortgage insurance fund; And are covered by forbearance by federal or state law or policy or investor/mortgage owner or HFA determination No minimum or maximum number of units in a property, but <ul style="list-style-type: none"> • Outstanding loan amount per unit cannot exceed GSE conforming loan limit for a single-family loan in that area (to exclude very high-end units); and • If mixed-use, must be at least 80% residential 	
Multi-Family Owner		
<i>Eligible Owner</i>	Owner who enters into Forbearance Repayment Agreement ("Agreement") with Servicer: <ol style="list-style-type: none"> a) to continue to maintain property in accordance with the mortgage and make all units available for rent b) that Servicer will advance funds for the portion of required monthly payment for p&i and escrows for insurance, taxes and mortgage insurance ("Monthly Payment") not paid by owner <i>up to the reduction in rent from occupied units & space v. Feb. 2020</i> ("Advanced Forborne Amount") 	Example: Feb. rent: \$100k April rent: \$55k Reduction: \$45k Monthly Pay: \$60k

	<p>d) that max. cumulative Advanced Forborne Amounts will not exceed equivalent of 6 entire Monthly Payments</p> <p>e) to repay the Advanced Forborne Amount at 0% interest at pay off of mortgage (but may prepay in whole or in part at any time)</p> <p>g) to abide by Renter Protection Rider</p>	<p>Advance: \$45k Owner paid: \$15k</p> <p>Max. advances: 6 x \$60k = \$360k</p> <p>Excludes units with Sec. 8 vouchers, since rents are covered by vouchers</p>
<p><i>Renter Protection Rider covering all residential renters</i></p>	<p>a) Owner will not evict any renter for non-payment of rent during the Emergency,</p> <p>b) Owner will provide a monthly form for each renter which the renter is asked to return with the rent, indicating either:</p> <p>(i) Renter certifies that ability to pay rent has been reduced as a result of layoff, job loss or reduced hours compared to February 2020, and is paying 1/3 of the lease rent (“reduced rent”), or</p> <p>(ii) waives eligibility for “reduced rent,” and is paying lease rent</p> <p>(Form does not require documentation of job loss but advises renter to keep evidence of job loss (application for unemployment, layoff notice, etc.) so as to assure that Owner must waive all arrearages).</p> <p>c) Owner will accept “reduced rent” for each month for which Advanced Forborne Amounts are made available (since Advances help cover the reduction in rent)</p> <p>d) Owner will provide at least one month’s notice before “reduced rent” is no longer available</p> <p>e) Owner agrees that it will waive any arrearages since date of emergency (but may require documentation from renter of job loss/unemployment for having paid “reduced rent” or lack of rent in April)</p> <p>Thus, any arrearages since date of emergency are automatically waived, unless renter falsely claimed job loss/unemployment; no calculation or recalculation of income.</p> <p>If any arrearages are received, Owner must apply 50% to repay Advanced Forborne Amounts</p> <p>f) If Owner fails to abide by the Rider, after 30 days notice from Servicer, interest rate on the total Advanced Forborne Amount increases from 0% to 3%</p>	<p>No arrearages for renter paying “reduced rent”</p> <p>Minimize any arrearages or disputes</p>
<p><i>Individual Loan</i></p>	<p>Servicer determines the amount of the Advanced Forborne Amount for Owner for that month (based on reduction in rent roll from Feb. 2020)</p>	

	Advanced Forborne Amounts are still due from Owner by pay-off of mortgage Mortgage insurer continues to insure these unpaid amounts, as they would on any claim	
	Owner is not placed in default because of Advanced Forborne Amounts Loan is considered current as long as Owner resumes making regular monthly payments	
	If loan is insured/guaranteed, Servicer agrees to follow insurer/guarantor's procedures to assure that: <ul style="list-style-type: none"> • The forborne payments does not negatively affect insurability/guarantee on the loan; and • Insurance/guarantee remains on the outstanding amount of the loan including the Advanced Forborne Amounts 	
Servicer		
<i>Eligible Servicers</i>	Approved GNMA, Fannie Mae or Freddie Mac servicer State or local housing HFA or department, CCDFI, Bank, credit union, insurance company, or other regulated Entity	
<i>Line of Credit</i>	Enters into a COVID-19 Servicer Line of Credit for Multi-Family Borrower Forbearance ("Line of Credit") with a Commercial Bank Intermediary on behalf of the Federal Reserve Evidences Line of Credit by a pass-through note ("Note") to Commercial Bank Intermediary, secured solely by Servicer receipts of repaid Advanced Forborne Amounts	
<i>Draws</i>	Draws monthly on Line of Credit in an amount equal to Advanced Forborne Amounts that Servicer has provided or is providing under Forbearance Repayment Agreements	
	Servicer pays Draw Fee (equal to 5 basis points of Draw, or 2.5 basis points for loans owned or serviced by HFA or CDFI)	
<i>Use of Draw</i>	Servicer uses Draw funds together with Owner's payment to make full scheduled Monthly Payments due on the Eligible Loan, in order to pay: <ul style="list-style-type: none"> • Scheduled amounts to mortgage investor (or owner of the mortgage in case of whole loans); • Collect servicing fee; • Pay mortgage insurance premiums, GNMA, Fannie Mae and Freddie Mac guaranty fees; and • Make scheduled deposits to escrow account 	
<i>Repayment of Draw</i>	Collects and remits each month to the Commercial Bank Intermediary an amount equal to: <ul style="list-style-type: none"> • Any early repayment of Advanced Forborne Amount from or on behalf of Owner, including from any voluntary prepayment, partial claim or increased monthly payments through a voluntary modification, and 	

<p><i>Repayment of Draw, cont.</i></p>	<p>If loan is prepaid or goes to term, Servicer allocates:</p> <ul style="list-style-type: none"> • Remaining regular principal to MBS/bond/loan holder, and; • Amount equal to remaining unpaid Advanced Forborne Amount to the Commercial Bank Intermediary 	
<p><i>Monthly Trial Balance</i></p>	<p>Provides monthly trial balance to Commercial Bank Intermediary listing outstanding Advanced Forborne Amounts and repayments by Eligible Loan</p>	
<p>Commercial Bank Intermediary</p>	<p>Enters into a COVID-19 Line of Credit with individual participating Servicers (who it typically already has existing lines of credit with). Administers Lines of Credit on behalf of Federal Reserve and Treasury, including:</p> <ul style="list-style-type: none"> • Keeps record of each Line of Credit; • Pays monthly Draws to Servicers during the Emergency; • Allocates funding of Draws between Treasury & Federal Reserve; • Provides monthly reports for Treasury and Federal Reserve to document the balance of and activity on their investment; • Collects and remits all repayments of Lines of Credit from Servicers; • Allocates monthly repayments from Lines of Credit to Federal Reserve until it receives full repayment including interest on Tranche 1, and thereafter allocates all repayments to Treasury; and • Is paid a management fee by Federal Reserve and Treasury (which may be funded by the Draw fees). 	

More Information:

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