



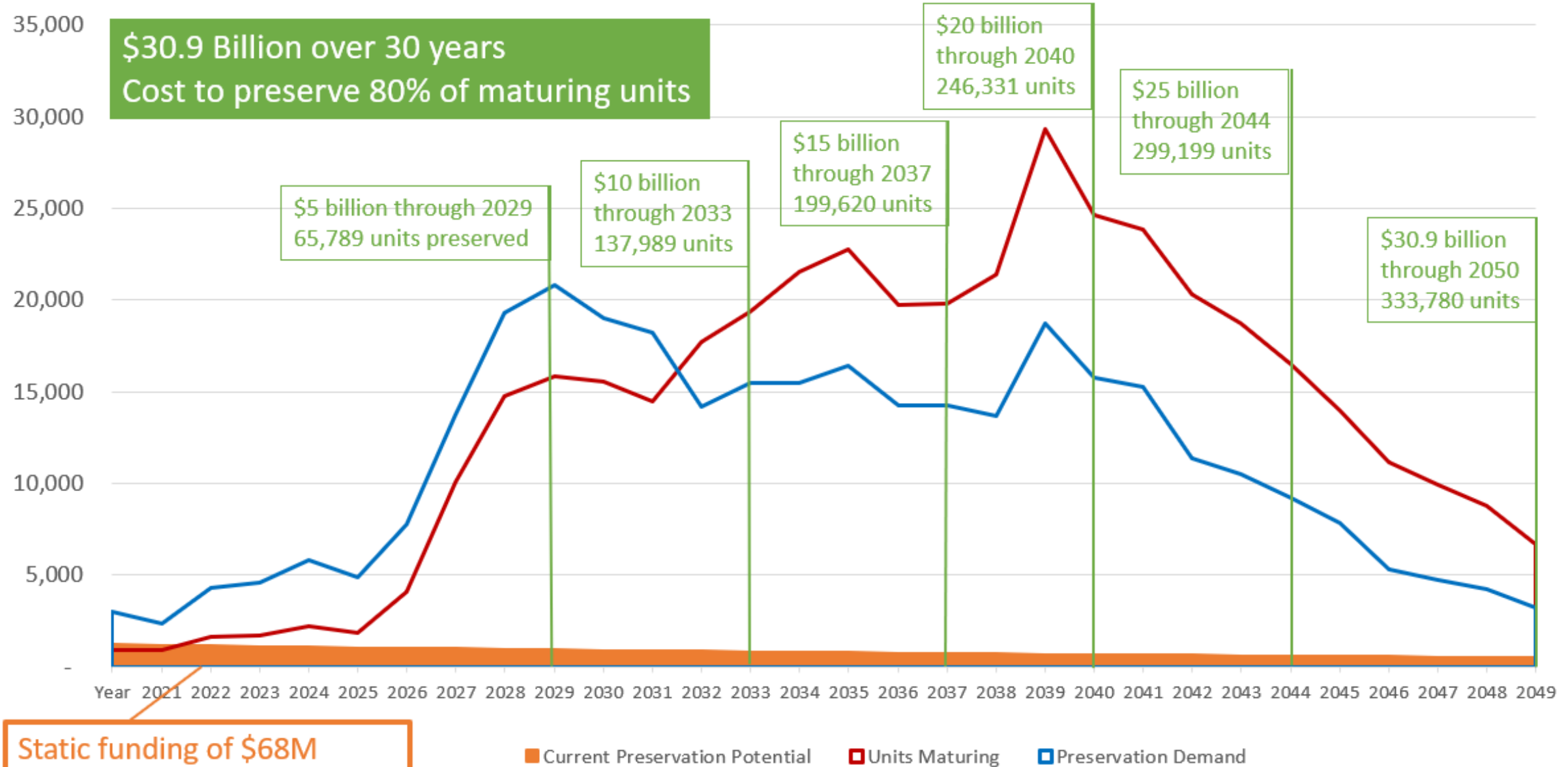
Strategic Approach to Maturing Mortgages

USDA Rural Development - Multifamily Housing

USDA Rural Development Maturing Mortgage Projections

| Estimated Exit Year | Assets | Total Units | Rental Assisted |
|---------------------|--------|-------------|-----------------|
| 2023 | 73 | 1,640 | 899 |
| 2024 | 79 | 1,776 | 1,078 |
| 2025 | 72 | 1,558 | 1,018 |
| 2026 | 84 | 1,982 | 1,196 |
| 2027 | 98 | 2,604 | 1,421 |
| 2028 | 305 | 8,327 | 5,910 |
| 2029 | 420 | 12,484 | 8,644 |
| 2030 | 510 | 15,313 | 11,051 |
| 2031 | 531 | 15,265 | 10,350 |
| 2032 | 488 | 14,105 | 9,754 |
| 2033 | 555 | 16,243 | 10,861 |
| 2034 | 610 | 17,915 | 12,495 |
| 2035 | 646 | 19,212 | 13,297 |

Property preservation goal versus current funding



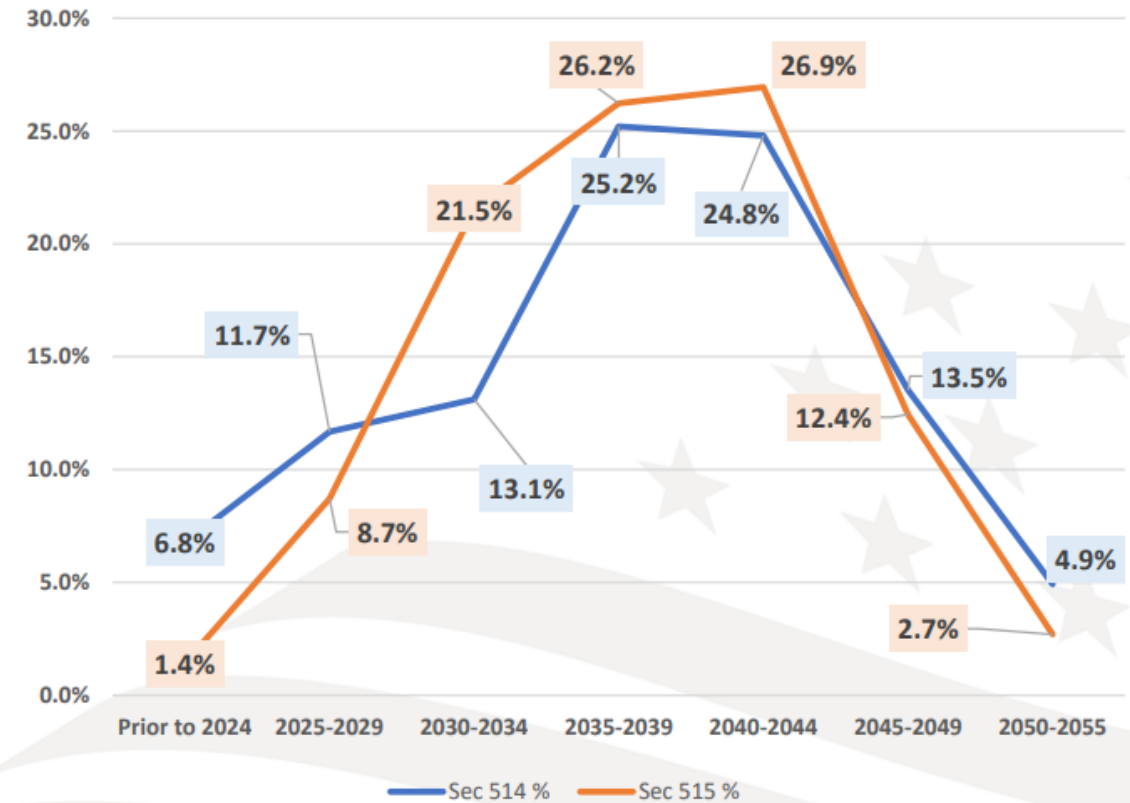
Static funding of \$68M annually preserves a decreasing amount of units

Section 514 and 515

| Estimated Program Exit Year Range | Sec 514 | Sec 515 | TOTAL | Sec 514 % | Sec 515 % |
|-----------------------------------|------------|---------------|---------------|-----------|-----------|
| Prior to 2024 | 33 | 180 | 213 | 6.8% | 1.4% |
| 2025-2029 | 57 | 1102 | 1,159 | 11.7% | 8.7% |
| 2030-2034 | 64 | 2723 | 2,787 | 13.1% | 21.5% |
| 2035-2039 | 123 | 3315 | 3,438 | 25.2% | 26.2% |
| 2040-2044 | 121 | 3406 | 3,527 | 24.8% | 26.9% |
| 2045-2049 | 66 | 1573 | 1,639 | 13.5% | 12.4% |
| 2050-2055 | 24 | 341 | 365 | 4.9% | 2.7% |
| TOTAL | 488 | 12,640 | 13,128 | | |

- Many loans are coming to their natural maturity date in the next 10-20 years.

Program Exit by Year Range



Available Resources: Current Owner/Property Remains in Program

- Debt Restructuring (Reamortization Lite)
 - Remaining loan balance of \$1000 or more, extended for up to 20 years
 - No appraisal needed
 - Reduced debt service payment now available for additional capital improvement funding
 - Current rental assistance contract stays in effect
 - No new RUC required
 - Request from 4 years to 1 year before maturity
- Agency Funding Opportunities
 - Multifamily Preservation & Revitalization Program
 - Subsequent Loans
 - Section 538 Guaranteed Loan

Available Resources: Transfer within Program

- Transfer Options:
 - Simple Transfer
 - Standard Transfer
- Agency Funding Opportunities (New Owner)
 - Multifamily Preservation & Revitalization Program
 - Subsequent Loans
 - Section 538 Guaranteed Loan
- Third Party Funding Options
 - Refinancing of Existing Debt/Recapitalization (acquisition/rehab)
 - Enhanced Program Compatibility to Encourage 3rd Party Capital
 - Subordinate (RD) for Additional Resources

Available Resources: Owner/Property Exit

- Tenant protection:
 - Insure Proper Tenant Notification (start 2 years before maturity)
 - Rural Housing Voucher Availability
 - Existing RUC Enforcement (if applicable)
 - Loss of Rental Assistance
- Proposed Decoupling
 - Not currently available, proposal to continue with rental assistance contract after loan maturity.

Decoupling: How it Facilitates Preservation

- Current statute requires a property to have a Section 515 mortgage to receive Section 521 Rental Assistance (RA)
- If the Section 515 mortgage is paid off through prepayment or maturity, the property can no longer receive RA.
- RA is important to achieve rents that will support recapitalization. RA is often included in state housing finance agency prioritization for receipt of low-income housing tax credits and other local resources.
- When the Section 515 mortgage matures or prepays, the debt load at the property is reduced, allowing borrowers to take on additional third-party debt to facilitate recapitalization.

Closing Remarks

