



PRODUCT SNAPSHOT

# Tax-Exempt Bond Securitization

## Securitization for Tax-Exempt Bondholders

For tax-exempt bondholders (Sponsors) in the multifamily affordable housing market, we provide liquidity via the efficiencies of our securitization platform. Through our Tax-Exempt Bond Securitization (TEBS) program, the Sponsor transfers portfolios of unrated bonds to Freddie Mac in exchange for certain rated M-class certificates.

### The Freddie Mac Difference

When it comes to multifamily finance, Freddie Mac gets it done. We work closely with our Optigo<sup>SM</sup> network of Seller/Service providers to tackle complicated transactions, provide certainty of execution and fund quickly.

Contact your Freddie Mac Multifamily representative today — we're here to help.

### Borrowers Who Want to Know More

Contact one of our Optigo Seller/Service providers at [mf.freddiemac.com/borrowers/](http://mf.freddiemac.com/borrowers/)

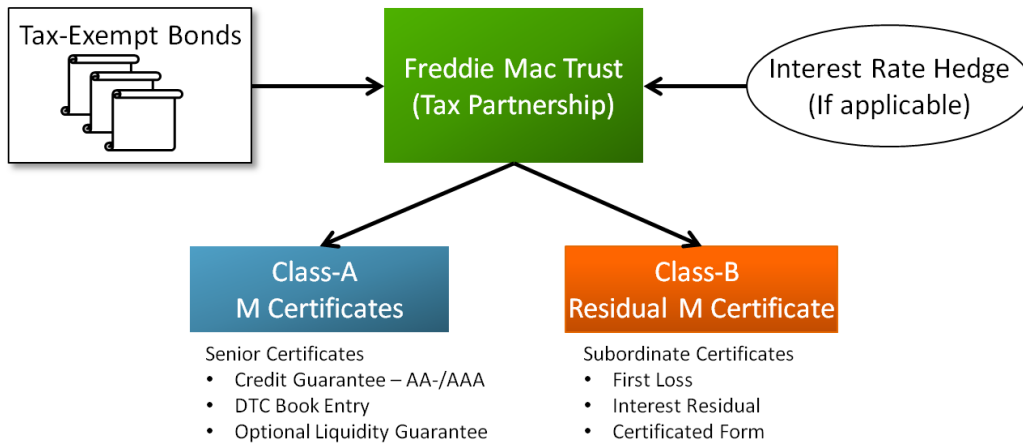
- Balance sheet management
- Improved yields
- Reduction of risk
- Enhanced liquidity

<b>Eligible Sponsors</b>	Freddie Mac Multifamily Optigo Targeted Affordable Housing Seller/Serviceers and other well-capitalized financial institutions on a case-by-case basis
<b>Eligible Property Types</b>	Multifamily properties; all assets will be underwritten by Freddie Mac
<b>Product Description</b>	<p>The TEBS structure is a proprietary execution offered by Freddie Mac through which a Sponsor transfers privately placed tax-exempt multifamily housing revenue bonds (and possibly related taxable bonds or loans) to Freddie Mac in exchange for:</p> <ul style="list-style-type: none"> <li>▪ Freddie Mac senior Class-A M Certificates that are generally sold to investors and</li> <li>▪ Subordinate Class-B M Certificates that are generally retained by the Sponsor.</li> </ul> <p>Freddie Mac’s Class-A M Certificates are fully guaranteed tax-exempt or taxable securities supported by pools of unenhanced tax-exempt multifamily housing revenue bonds or related taxable bonds or loans. In the event that the senior Class-A M Certificates bear interest at a variable rate, Freddie Mac may also provide a <a href="#">liquidity facility</a> in the form of a guarantee of the purchase price of the senior Class-A certificates if tendered for purchase by an investor.</p>
<b>Amount</b>	Generally, ≥ \$100 million
<b>Benefits to Sponsor</b>	<ul style="list-style-type: none"> <li>▪ Balance Sheet Management – reduce concentration of Multifamily assets</li> <li>▪ Capital Management – risk capped at Class-B M Certificate amount (if retained by Sponsor)</li> <li>▪ Profitability – enhanced yields through retention of Class-B M Certificates</li> <li>▪ Monetization – Class-A M Certificates sold to investors for cash</li> </ul>
<b>Subordination Level (Size of B Piece)</b>	On average 15% of total pool size, but can vary based on collateral quality and Sponsor needs
<b>Minimum Debt Coverage Ratio/Maximum Loan-To-Value Ratio (of each asset)</b>	1.05x / 95% per Freddie Mac underwriting

<p><b>Documentation/Due Diligence Required During Freddie Mac Underwriting</b></p> <p><b>(Complete list of documentation available in TEBS Underwriting Checklist, provided upon request)</b></p>	<ul style="list-style-type: none"> <li>▪ Appraisal or market study for each property</li> <li>▪ Current rent roll of each property</li> <li>▪ Current and historical financial statements of each property</li> <li>▪ Sponsor organizational documents</li> <li>▪ Ground lease information (if applicable)</li> <li>▪ HAP contracts and amendments (if applicable)</li> <li>▪ LURA or Regulatory Agreement</li> </ul>	<ul style="list-style-type: none"> <li>▪ Evidence of tax credits awarded or tax credit application</li> <li>▪ As-built surveys</li> <li>▪ Title policy</li> <li>▪ Bond amortization schedules</li> <li>▪ Insurance review</li> <li>▪ Seismic reports (if applicable)</li> <li>▪ Terms of subordinate debt (if applicable)</li> </ul>
<p><b>Upfront Fees (Approximately 50 bps for a \$100 million transaction)</b></p>	<ul style="list-style-type: none"> <li>▪ Underwriting fees</li> <li>▪ Legal fees</li> <li>▪ Execution fees</li> <li>▪ Tax Opinion fee</li> </ul>	<ul style="list-style-type: none"> <li>▪ Modeling fee</li> <li>▪ Rating agency fee</li> <li>▪ Liquidity facility fee (if applicable)</li> </ul>
<p><b>Ongoing Fees (Based on underlying collateral and subordination level)</b></p>	<ul style="list-style-type: none"> <li>▪ Freddie Mac guarantee fee</li> <li>▪ Servicing fee</li> <li>▪ Remarketing agent fee (if Class-A M Certificates are variable-rate certificates)</li> <li>▪ Liquidity facility fee (if Class-A M Certificates are variable-rate certificates)</li> </ul>	
<p><b>Liquidity Facility Options</b></p>	<p>In the event that the senior Class-A M Certificates bear interest at a variable rate, Freddie Mac may also provide a liquidity facility</p>	
<p><b>Hedging</b></p>	<p>If the Class-A M Certificates are variable-rate certificates, the Sponsor must purchase an interest rate hedge acceptable to Freddie Mac from an approved Freddie Mac counterparty</p>	

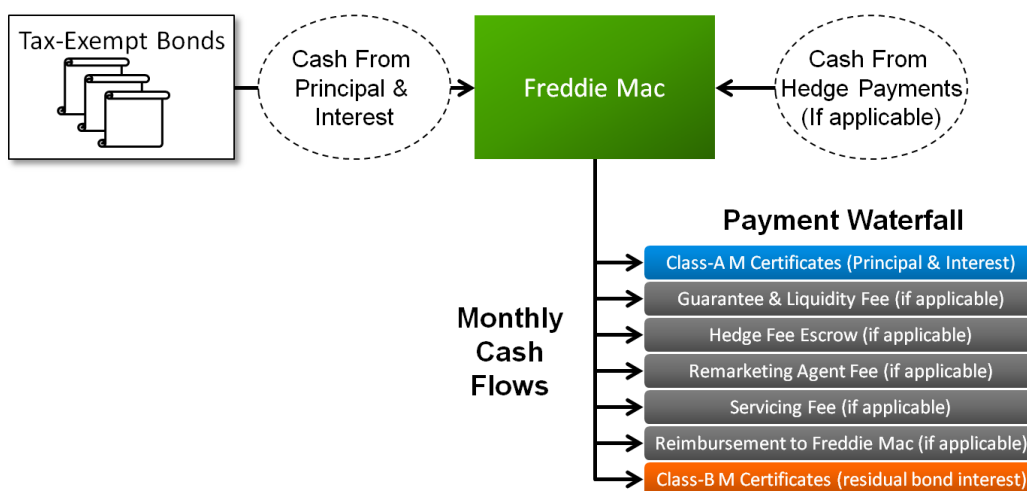
## How TEBS Works

- Sponsor delivers bonds to Freddie Mac, which are registered in the name of Freddie Mac.
- Freddie Mac delivers rated Class-A and unrated Class-B M Certificates to the Sponsor.



- Class-A M Certificates are marketed and sold to investors; Freddie Mac guarantees the payment of scheduled principal on the bonds and all interest on the Class-A M Certificates.
- Class-B M Certificates are issued to and held by Sponsor. Monthly interest payments on the Class-B M Certificates are made on a subordinate “if available” basis only after all Class-A M Certificate interest and ongoing fees have been paid in full, and after Freddie Mac has been reimbursed for all amounts then due under the Reimbursement Agreement.

Note: The most common structure has been detailed above. The Class A and Class B Certificates can be retained by the Sponsor or both sold to investors.



For More Information

Contact Your Representative

<b>Curtis Melvin</b>	Director, Structured Transactions	(703) 714-2624 or <a href="mailto:curtis_melvin@freddiemac.com">curtis_melvin@freddiemac.com</a>
<b>Andrew Tush</b>	Manager, Structured Transactions	(703) 714-2669 or <a href="mailto:andrew_tush@freddiemac.com">andrew_tush@freddiemac.com</a>