

COMMUNITY EXPRESS®

Frequently Asked Questions

Q. What is Community Express®?

- A. The Community Express® product is a short term direct loan product that allows public entities, including, but not limited to, municipalities, towns, counties, housing finance agencies, public housing authorities, redevelopment authorities and tribal entities to address their housing and housing-related community development needs. The term of the loan is up to 5 years and can be structured as a term loan or a line of credit. The loan has a variable interest rate and is full recourse to the borrowing entity. The repayment source is flexible, but a repayment source must be in place.

Q. What are the eligible uses of the loan proceeds?

- A. The loan proceeds must be used to finance single-family, multifamily or mixed used residential developments. Eligible uses of Community Express® loans include predevelopment, acquisition, development, construction or rehabilitation for eligible property types that meet the public entity's plans and support the public entity's housing agenda. Additionally, re-lending for housing purposes is an eligible use of Community Express® loan proceeds.

Q. What are the benefits of using Community Express®?

- A. The Community Express® loan product is flexible and the proceeds can be used for a variety of purposes as long as they are housing and housing-related. The interest rate is competitive without the high legal, financial, and closing costs associated with a bond issue. This results in more net dollars available to be used for housing development.

The financing process is typically faster and less complex than a bond issue. Additionally, unlike bond issues, there are no ongoing compliance fees, trustee fees, rating agency surveillance fees, or other annual costs.

Q. What are some potential repayment sources?

- A. We are open to various types of repayment sources. Some of the repayment sources that have been used in the past or that we would consider include: HOPE VI grant funds, Low Income Housing Tax Credit (LIHTC) pay-in, Community Development Block Grant (CDBG), Federal Emergency Management Agency (FEMA) and other grant funds, bond proceeds, cash flows from loan portfolios, refinancing of properties through conventional sources, and sales proceeds from the sale of homes financed with the loan.

Q. How does the pricing for a Community Express® loan work?

- A. Community Express® uses variable rate pricing and includes two components, the 3 Month LIBOR index and a spread (price a borrower pays above a benchmark index), which is added to the index. "LIBOR" stands for London Inter-bank Offered Rate. The LIBOR index is widely used by financial institutions to price variable rate loans, and can be typically found in the business section of your local newspaper.

Q. Is there a collateral requirement?

- A. Yes, there is a collateral requirement. The amount of the collateral is up to 25% of the loan amount and must be in the form of cash or a letter of credit. Property cannot be used for collateral. The funds that are used for collateral must be eligible to be used for that purpose.

Q. Who keeps the interest earned on the collateral account?

- A. The borrower keeps the interest (if any) earned on the collateral account.

Q. What are the fees associated with the loan?

- A. Community Express® loans have a 100 basis point (1%) origination fee. An additional 15 basis point (.15%) standby fee on the un-drawn principal amount is assessed on lines of credit. Additionally, all legal fees must be paid by the borrower. The origination fee and legal fees can be paid at closing from loan proceeds.

Q. Is the loan processing time consuming?

A. The underwriting and closing processes usually take 45-60 days from the time Fannie Mae receives all necessary documents to process the loan from the borrower.

Q. What is the maximum or minimum that I can borrow?

A. This depends on the financial capacity of the borrower. The typical loan amount is \$500,000 or greater.

Q. Does Fannie Mae offer caps on the Community Express® pricing?

A. No. Fannie Mae does not offer caps on the Community Express® pricing.

Q. Can Community Express® be used in a mixed-use project where there is both housing and commercial development?

A. Yes, as long as the commercial space does not exceed 50% of the project square footage.

Q. Can non-profits use the product?

A. No. Non-profits are not eligible to use the Community Express® product.

Q. Is there a penalty for prepaying the loan?

A. No. There is no prepayment penalty. The loan can be pre-paid by the borrower at any time.

Q. Is an issuer rating required to use the Community Express® loan product?

A. No. A borrower does not need an issuer rating to use the Community Express® loan product.

Q. How do I get started?

A. To get started, you will need to provide the following information to Fannie Mae to begin the loan process:

1. Borrower's contact information
2. Name, Address, Phone Number, Fax Number, email address (secondary contact)
3. Brief bio of borrower entity (Please include development experience level)
4. Description of what the loan funds will be used for
5. Identified source of repayment
6. Identified source of collateral
7. Project description
8. Three (3) years of most recent audited financials (interim financials may also be needed)

Q. How can I learn more about Community Express®?

A. For additional questions or to learn more about the Community Express® loan product, please contact **Steven Brannum** at (202) 752-1091.