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Making an impact

Ontario Non-Profit Housing Association

Non Profit Real Estate Financing 101


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How First National Can Help?

Canada's source for all your real estate financing needs

1. What are you looking for as it relates to your real estate portfolio?
2. How does a commercial lender help you derive value from your portfolio?
 - Help you identify a good commercial opportunity
 - Expert advice with respect to the commercial transaction:
 - Assess purchase price, cap rate, rental revenue, operating costs.
 - CMHC vs. Conventional financing
 - Navigate CMHC approval process (for multi-res)
 - Maximum loan to value.
 - Competitive interest rate
 - Quick response and turnaround times
 - Timely funding on closing date with no surprises

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Our Differentiators
Canada's source for all your real estate financing needs


1

Deep Experience

First National is **Canada's largest non-bank lender**. We have been in business for over **25 years**, and we have more than **\$85 billion** in mortgages under administration.

Because mortgage lending is our specialty, we are able to identify and resolve the toughest challenges that arise in developing and validating financing strategies. Only then do we recommend a **customized lending solution**.



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Outstanding Service

<p>With Canada's largest and most knowledgeable team of mortgage advisors, we put all of our resources and expertise behind the development, administration and servicing of mortgage solutions.</p> <p>We service all of the commercial mortgages we originate allowing us to streamline communications, and provide better service and advice on an ongoing basis.</p>	<p>SERVICES INCLUDE:</p> <ul style="list-style-type: none"> Portfolio Analysis Market & Asset Valuation Debt Structuring Revenue Analysis Cash flow Optimization Operational Assessment Performance Benchmarking Site Selection Market Research & Trend Analysis Lease analysis Market Risk Advisory
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Extensive Relationship Network

DIRECT LENDING SERVICES

First National is the **leading lender of CMHC** insured mortgages for multi-family properties. We access large in-house capital resources which enables us to exclusively provide clients with maximum flexibility and customization when structuring mortgage solutions.

INVESTOR LENDING SERVICES

Our **deep long-standing relationships** with some of Canada's largest life insurance companies, pension funds, chartered banks, trust companies and private lenders to give our clients access to the widest selection of financing options with the best terms.

BROKER SERVICES



The best lending solution may be achieved outside of our direct or investor lending network. We act on behalf of our clients and **leverage our extensive network** to create competitive bid tension amongst lenders to get you the best deal. We arrange lender **syndicates** on a large single asset or portfolio of loans for most asset classes without any size restrictions.




- ✓ **CMHC Term**
- ✓ **Conventional Term**
- ✓ **CMHC Float**
- ✓ **Conventional Float**
- ✓ **CMHC Construction**
- ✓ **Conventional Construction**
- ✓ **CMBS**
- ✓ **Mezzanine**
- ✓ **2nd Mortgages**
- ✓ **Private Placement**
- ✓ **Bridge Financing**
- ✓ **First National Investment Fund**






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- Benefits to Working with First National**
- Multiple financing sources (both CMHC insured and conventional)
 - Multitude of services focuses on identifying needs and servicing the needs
 - Canada's largest non-bank lender
 - Canada's leading provider of CMHC insured mortgages
 - Deep CMHC relationship
 - Solution based real estate lending
 - Experts covering all types of commercial real estate
 - Navigation and communication of the financing process
 - Determination of CMHC loan insurance available
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Non Profit Environment

- **General Market**
 - In 2013 there were over 1.3 million renter households in Ontario
 - Social and subsidized housing includes public housing, non-profit housing, co-operative housing and rental supplement housing
 - Approximately 300,000 non-profit units in Ontario
 - Over 400,000 housed in social housing
 - Approximately 600 co-operatives operating in Ontario
 - 45,000 co-operative units
 - Many private owners utilize Government support to provide rental accommodations subsidized by the Municipality of location

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Non Profit Environment

- **Highly underserved sector of rental housing**
 - Tight rental market continues to put upward pressure on rents
 - Median family income slower to increase
 - Average family cannot afford to purchase homes
 - More rental units required to assist those who require it and to put downward pressure on rents
- **Lack of New Construction**
 - Development costs, lower equity requirements and higher profit margins in condominium market make it more attractive to developers
 - Government funding available at Federal & Provincial levels
 - Most existing rental stock has waiting lists
 - Approximately 165,000 on waiting lists
 - Average wait time of almost 4 years

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Recent Transactions



- Two building purchase
- CMHC Insured 1st Mortgage
- 85% loan to purchase price
- Buildings geared to seniors

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Recent Transactions



- 51 Units
- Conventional 1st Mortgage
- Equity take out used for reinvestment purposes

- 60 Units
- Conventional 1st Mortgage Bridge Financing and property repositioning

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Recent Ottawa Area Transactions



- 9 Unit multi residential
- CMHC 1st Mortgage Renewal
- No new premium or lending fees



- 51 unit multi residential purchase
- CMHC insured 1st Mortgage
- Mix of private and subsidized units

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Recent Transactions

- Two high rise apartment buildings
- Approximately 500 total units
- Assumption of the existing first mortgage followed by a CMHC refinance and equity take out from the property
- Equity used for major capital repairs
- Some units geared to income






- Mixed use office and industrial purchase
- Approximately 28,700 square feet
- New conventional first mortgage

	CMHC	Conventional
Purchase Price	\$1,500,000	\$1,500,000
Total Loan	\$1,332,375*	\$1,050,000
Required Equity	\$225,000 (15%)**	\$450,000 (30%)
Interest Rate	3.65%	5.75%
Monthly Payment	\$6,759	\$6,563
Appraisal Report	Not required	\$2,000
Environmental Report	\$2,000	\$2,000
Inspection Report	Not required	\$1,500
Processing Fee	\$3,000	\$7,500 to \$10,000
*Includes estimated CMHC premium	**Where CMHC lending value equals purchase	


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FIRST NATIONAL FINANCIAL LP		CMHC Financing Options
<ul style="list-style-type: none"> Term Financing <ul style="list-style-type: none"> Available on multi-family apartment, retirement homes, nursing homes and rooming houses Up to 85% loan to underwriting value (1st mortgage or combined mortgages) Initial minimum term of 5 years (longer is available) Standard amortization period of 25 years (longer amortization periods available) Different levels of premium costs depending on level of affordability Construction Loans <ul style="list-style-type: none"> Available to assist in new construction of multi-family apartment, retirement homes, nursing homes and rooming houses Covers construction period followed by term loan on completed project Varying premium costs depending on level of affordability 		

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CMHC Financing Options

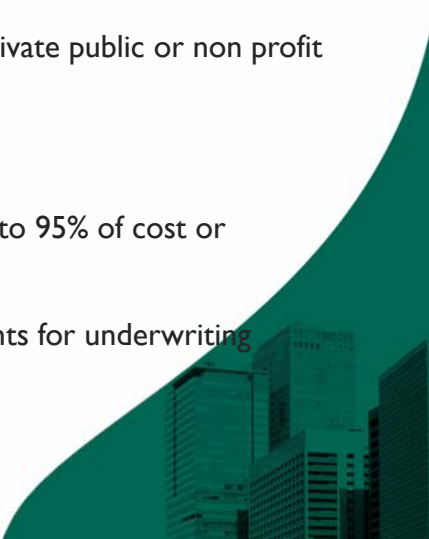
- **Top Up**
 - Increase the value of your 1st mortgage to a maximum of 65% LTV
 - Remaining amortization period on existing loan must be retained
 - No premium credit available
- **Second Mortgages**
 - Combine your 1st and 2nd mortgage debt to a maximum of 85% LTV
 - Maximum term is remaining term on the 1st mortgage
 - At renewal, the two mortgages to be combined into one 1st mortgage or each continues with Pari Passu
- **Pari Passu**
 - New funds can be secured, and premium costs can be reduced.




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Insured Mortgage Benefits


- Enhance underwriting flexibilities for new affordable housing stock
- Qualified borrowers can be private public or non profit entities
- Three levels of qualification
- Higher leverage available – up to 95% of cost or underwriting value
- Reduced cash flow requirements for underwriting
- Reduced premium costs




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Insured Mortgage Benefits

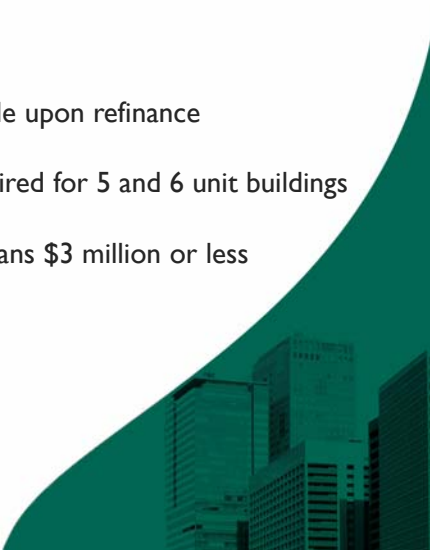
- Lower interest rates
- Higher loan amounts (LTV up to 85%)
- Longer amortization periods available
- No appraisal report required (Buildings 7+ Units)
- Low interest rates for insured second mortgages
- Any geographic location in Canada
- Insured loans are assumable
- No new premiums on renewal




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Insured Mortgage Benefits

- No guarantees required for low leverage loans
- Flexible mortgage terms
- CMHC premium credits available upon refinance
- No environmental reports required for 5 and 6 unit buildings
- Simplified closing process for loans \$3 million or less
- Premiums have tax deductibility
- Quick turn around times



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Term Sheet Information Requirements

Item	Source
Property Description	Appraisal, pictures, sale listing
Current Property Revenue	Rent roll, operating statements
Current Operating Expenses	Financial or operating statements, tax returns, proformas
Purpose of Loan	Mortgage Application
Basic Covenant	Mortgage Application, financial statements
Level of Affordability	Type of social housing project, Government assistance agreements

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 Ontario Non-Profit Housing Association

Thank You



**2014 ONPHA
Conference & Trade Show**

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