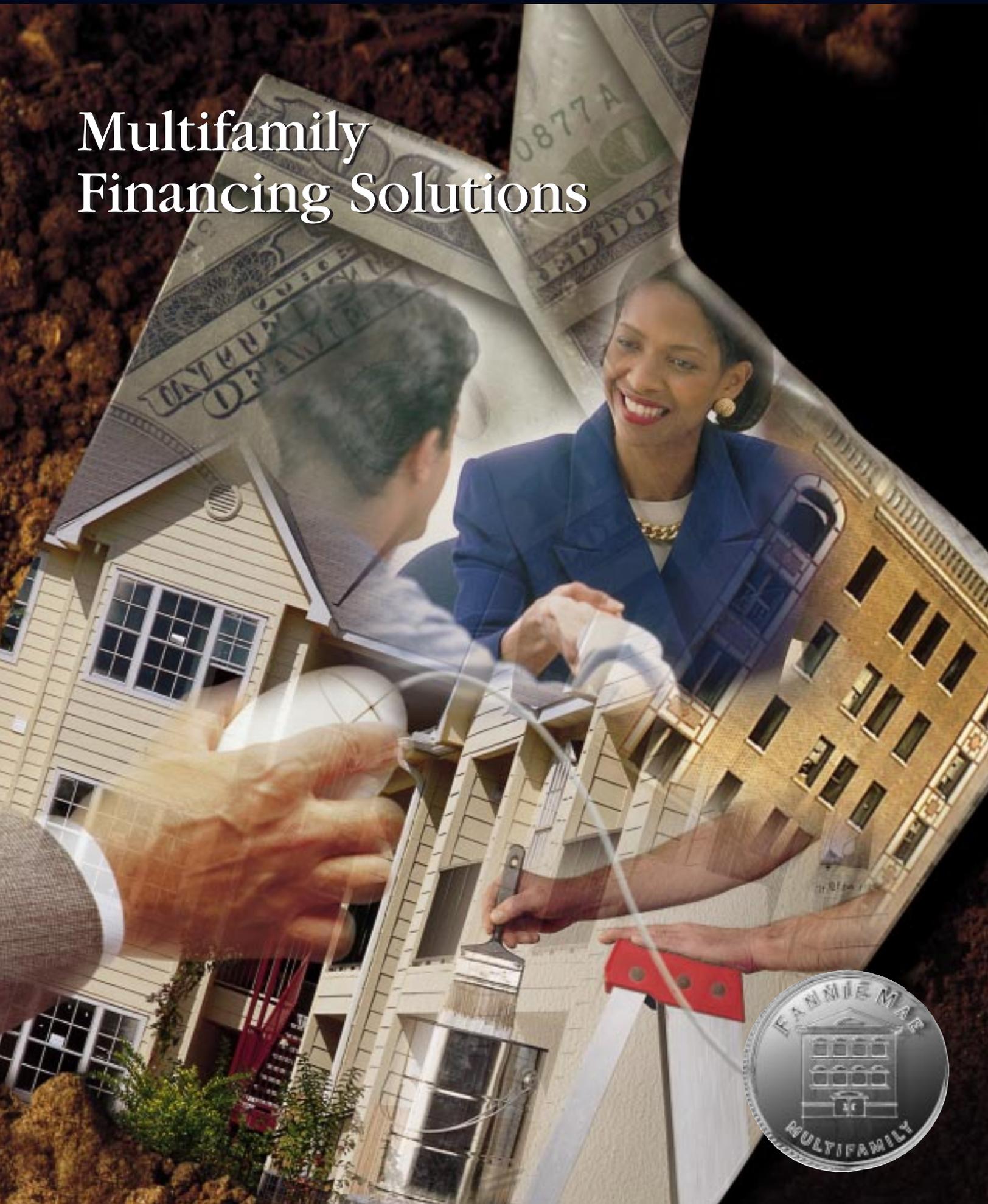


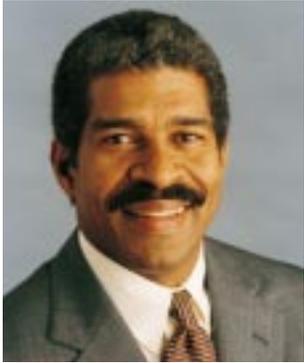


FannieMae

Multifamily Financing Solutions



A note from Lou Hoyes



This is an exciting time to be involved with multifamily finance. As I reflect on Fannie Mae's record-shattering year in 1998 of \$15.5 billion of multifamily originations, I'm reminded that our commitment to provide industry leadership, foster innovation, and ensure a reliable source of liquidity has never been more important. As other sources of multifamily financing have ebbed and

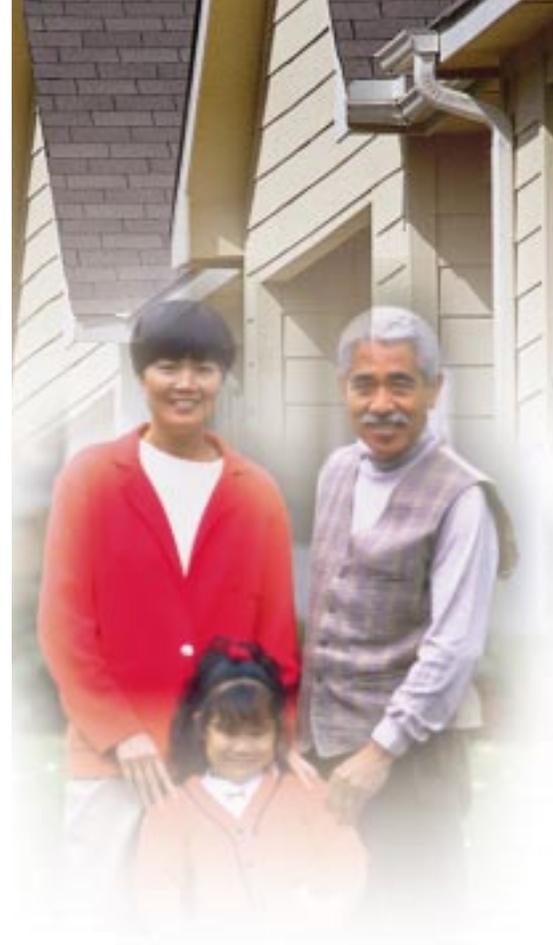
flowed, Fannie Mae has been rock solid in providing multifamily financing at the best price, day-in and day-out, in every market cycle, everywhere.

Through our partnership with our DUS and other lenders, Fannie Mae financed clean, safe, affordable rental housing for over 365,000 families in 1998, eclipsing all other investors in the industry. Numbers this large are no accident. As discussed in this brochure, Fannie Mae has a broad array of multifamily financing products that efficiently and effectively meet the needs of both borrowers and securities investors.

But we're not going to rest on our record. We are building for the future by designing new mortgage products, engineering new securities structures, and creating dramatic efficiencies through technology. Our message is simple, whether you're a borrower on Main Street or an investor on Wall Street, Fannie Mae and its DUS lenders want to be your multifamily mortgage finance partner—the preferred multifamily finance partner above all others.

A handwritten signature in black ink that reads "Lou W. Hoyes".

Lou Hoyes
Senior Vice President
Fannie Mae Multifamily



Fannie Mae
is the nation's largest
private-sector provider
of financing for
multifamily housing.

Our portfolio
of multifamily investments
exceeds \$47 billion.





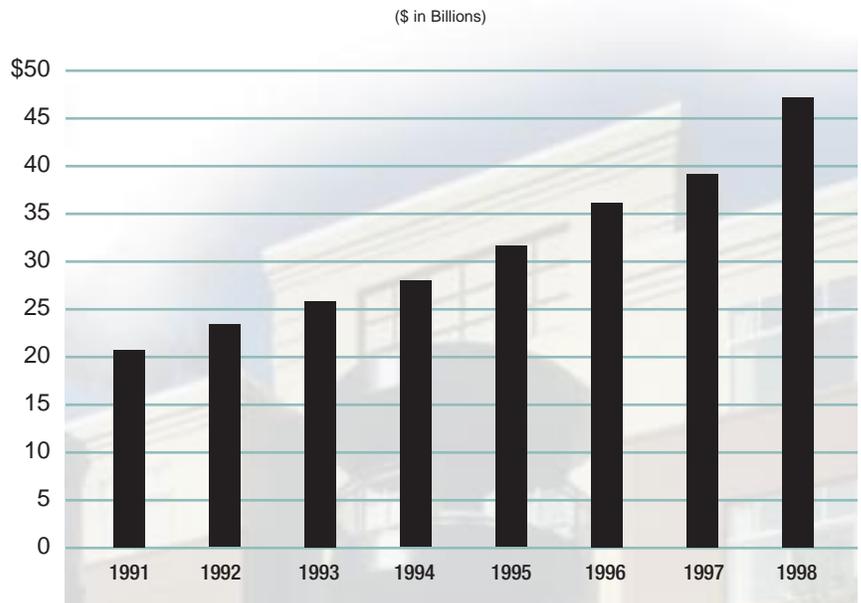
Fannie Mae: The leader in making rental housing more affordable and available nationwide

More than one third of American households are renters. For them, Fannie Mae's role is to provide reliable financing for safe, decent, affordable rental housing in every part of the country, under all market conditions, every day.

Fannie Mae

will finance at least \$50 billion in multifamily housing from 1994 through the year 2000, double the business volume generated during the prior seven year period.

MULTIFAMILY BUSINESS OUTSTANDING*



* Includes retained portfolio, MBS, bond credit enhancements, and equity investments in affordable housing projects.

Who are America's more than 35 million renters? Millions are still on the path to homeownership, including young adults, recent immigrants, and minority households. Others may have decided against homeownership. Still others were once homeowners but now—because of lifestyle, age, need for mobility, or other factors—choose to rent rather than buy their own homes.

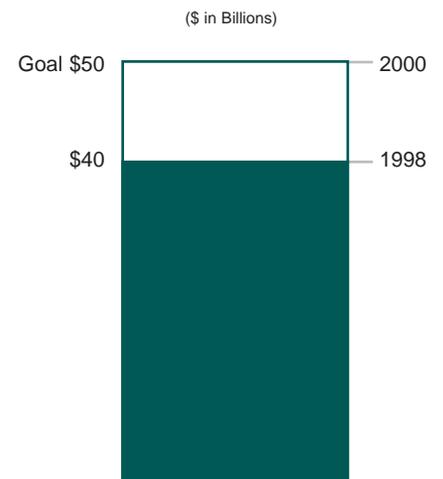
Fannie Mae is committed to financing all types of multifamily properties—regardless of the size or the location. With more than \$47 billion in multifamily investments outstanding, we are the largest private-sector provider of mortgage financing for market rate and affordable multifamily housing in America.

Fannie Mae's multifamily business is multi-faceted—allowing us to invest in growing, maintaining, and renovating America's supply of rental housing. We do this by providing loans, taking equity positions in affordable multifamily buildings, and offering credit enhancements to bonds and securities that finance America's rental housing stock. We work with a wide range of partners, including lenders, syndicators, investors, investment bankers, developers, property owners, property managers, nonprofit organizations, foundations, and federal, state, and local governments.

Our constant market presence and innovative products have helped a vast number of property owners and developers refinance, build, and renovate multifamily dwellings in all areas of the country. Our ability to make capital available, through all types of economic conditions, has helped promote interest rate and rent stability, keeping properties affordable for many low- and moderate-income renters.

Over the years, Fannie Mae Multifamily has become the multifamily partner of choice because we're reliable, innovative, and the industry leader. Discover how our multifamily business works—for America's renters, property owners, developers, investors, lenders—and for you.

**\$50 BILLION COMMITMENT
TO MULTIFAMILY HOUSING**



Fannie Mae plans to finance \$50 billion in multifamily housing from 1994 through the year 2000. We're almost there.



We provide debt financing for multifamily investments through our innovative DUS lender network

Fannie Mae provides debt financing through a nationwide network of lenders. The primary component of this network is our Delegated Underwriting and Servicing (DUS) lenders. Started in 1988, it is the most efficient loan production, delivery and servicing system in the industry. It enables Fannie Mae to quickly get mortgage capital to multifamily borrowers in all areas of the country.

Our DUS lenders have the full delegated authority to approve loans up to \$20 million without submission to us for our pre-review. This translates into the most efficient service available in the industry. DUS lenders are well-capitalized and experienced in all aspects of multifamily finance, resulting in reliable service under all market conditions.

The goal of Fannie Mae and its DUS lenders is to provide the industry with the fastest service, best loan terms, and the lowest interest rate possible when financing a multifamily property.

This innovative partnership is composed of 27 lenders that offer national coverage. These lenders originate, deliver, and service the majority of Fannie Mae multifamily loans. Since 1988, Fannie Mae has financed more than \$30 billion of DUS multifamily mortgages.

DUS lenders consistently offer borrowers timely, streamlined funding decisions, and flexible financing options. Borrowers can choose from fixed-rate, balloon mortgages with various terms (5, 7, 10, 15, and 18 years), and amortizing loans of 25 and 30 years. Other terms can be negotiated, with loan amounts of any size.

Because Fannie Mae delegates originating, underwriting, and closing responsibilities to the DUS lenders, they can be very market responsive in arranging financing for borrowers. DUS standards have become the industry's best practices benchmark, thanks to clear guidelines and appropriate servicing standards.

Loan pricing is offered under different categories (tiers), each with defined loan-to-value ratios and debt service coverage limits. To learn more, call one of our DUS lenders listed on this page. You can find addresses and contact numbers on our Web site at www.fanniemae.com/multifamily.



Fannie Mae's DUS Lender Network

American Property Financing, Inc.
AMI Capital, Inc.
AMRESCO Capital, LP
Arbor National Commercial Mortgage, LLC
ARCS Commercial Mortgage Co., LP
Banc One Capital Funding Corporation
Bankers Mutual
Berkshire Mortgage Finance LP
Capri Mortgage Capital, LLC
Collateral Mortgage, Ltd.
Continental, Inc.
Continental Wingate Associates, Inc.
EF&A Funding
First Maryland Mortgage Corporation
GMAC Commercial Mortgage Corporation
Green Park Financial LP
Greystone Servicing Corporation, Inc.
Investment Property Mortgage, LLC
KeyCorp Real Estate Capital Markets, Inc.
Mellon Mortgage Company
Mercantile Mortgage Corporation
Midland Mortgage Investment Corporation
Newport Mortgage Company, LP
Patrician Financial Company LP
PW Funding Inc.
Reilly Mortgage Capital Corporation
WMF Washington Mortgage Corporation



A woman with dark hair, wearing a colorful patterned top, is smiling and painting the exterior of a house. She is holding a paintbrush and standing next to a silver step ladder. The house has white siding and a brick chimney. The scene is set outdoors with green trees in the background.

Our lenders offer customized options to meet every type of rental housing financing need

Fannie Mae provides financing for all types and sizes of multifamily products, ranging from less than \$1 million to over \$100 million. We finance suburban garden apartment complexes, urban high-rises, new construction, renovations of existing properties, rural housing, small and special-needs housing, market-rate and subsidized housing. If you are a developer, property owner, or builder looking to finance or refinance a multifamily property, here are just some of the products our lenders can offer you.

- **Targeted Affordable Housing:** Available for refinancing existing properties and for permanent financing of new construction or rehabilitation, Fannie Mae provides flexible underwriting standards and financing terms for properties serving low-and moderate-income residents, including streamlined mortgage credit reviews, reduced debt service coverage requirements, and acceptance of subordinate financing. For maximum benefit, our terms can be used with a variety of public subsidy sources, including HOME, tax credits, Community Development Block Grants, project-based Section 8 housing assistance payment contracts, and tax-exempt bond financing.
- **Rehabilitation Product Line Initiative:** Fannie Mae offers permanent financing for multifamily properties in need of moderate renovation provided 100 percent of the units are affordable to median income tenants. Financing is for repairs, replacements, and improvements up to \$15,000 per unit.
- **Seniors Housing:** Fannie Mae offers financing for all kinds of seniors housing ranging from independent living to service-enriched properties, including congregate care and assisted-living facilities. These housing arrangements provide apartment settings with a menu of services that range from daily meals to assistance with personal care.
- **Forward Commitment Product:** Serving both Targeted Affordable Housing and new construction of market-rate apartments, this product provides the borrower with a locked-in rate for the permanent loan in advance of the property being made available to tenants. This allows developers to know what their debt service will be in advance of construction.
- **Credit Enhancements for Tax-Exempt Financing:** Many of our DUS lenders are experienced in bond transactions and can provide credit enhancements for tax-exempt multifamily bonds. Under Fannie Mae's bond credit enhancement activities, we guarantee the timely payment of principal and interest on outstanding bonds backed by multifamily

mortgages. Fannie Mae can provide its credit enhancement during both the construction and permanent loan phases for new or rehabilitated products, and offers enhancement options for new bonds or for refunding existing bonds. In 1998, Fannie Mae was the largest credit enhancer of multifamily bonds in the country.

These are just some of the products available. Select Fannie Mae lenders offer many other products and special new programs for targeted areas. We are constantly developing new products, offering our lenders a full set of tools to meet market demands to finance all types of rental housing. A Fannie Mae lender will be happy to work with you to develop the best solution and terms for your multifamily finance needs.



We bring Wall Street to Main Street, helping to ensure more affordable rental housing for more Americans

Our lender network provides property owners access to capital markets, bringing the advantages of Wall Street to Main Street through Fannie Mae's structured transactions. This includes our market-leading Mortgage-Backed Securities (MBS).

With over \$32 billion of Fannie Mae multifamily MBS outstanding, these securities clearly have garnered widespread investor appeal. This brand preference results from a high level of liquidity; highly predictable investment performance; and from minimal prepayment and credit risk.

Our Structured Transactions Group offers MBS and a variety of other capital markets executions to meet multifamily financing needs.

Structured Pool Transactions

Fannie Mae buys loans from a wide variety of customers that may or may not have underwritten their loans to DUS standards. Through our Structured Transactions group, nearly every participant in the multifamily industry can benefit from Fannie Mae's sophisticated financial products and services.

Our Structured Transactions Group can help you sell, swap, or credit enhance newly originated or seasoned mortgages with a wide variety of loan types and loan sizes with a Fannie Mae guaranteed execution. We provide liquidity through conventional, tax-exempt, targeted affordable, and customized transaction structures. We are dedicated to creating innovative products tailored to our business partners' needs, and you will benefit from Fannie Mae's years of experience in the business of housing finance. Our Structured Transactions Group understands that, in this business, reliability and flexibility are paramount.

Multifamily Aggregation Facility

Through our recently introduced Multifamily Aggregation Facility, DUS lenders and a few select non-DUS lenders can sell loans or pools of loans to Fannie Mae on a non-recourse basis. This facility gives our lenders the underwriting flexibility to better manage portfolio concentrations. Fannie Mae utilizes many innovative strategies to ensure competitiveness of this facility under a wide range of market conditions.

Through our Aggregation product, Fannie Mae provides competitive financing for smaller properties. As testimony to the success of this product line, Fannie Mae issued two Aggregation REMICs (Real Estate Mortgage Investment Conduits) in 1998, totalling over \$500 million.

In issuing these REMICs, Fannie Mae introduced several important product enhancements, which include the following:

- ***Defeasance Option***

Borrowers and investors can now take advantage of the market's most cost-effective, one-stop-shopping defeasance execution. Defeasance significantly reduces prepayment risk to investors in Fannie Mae securities such as our MBS and REMICs. Bonds with a defeasance option appeal to investors who do not want the risk of reinvesting prepayment proceeds in an uncertain interest rate environment. Accordingly, investors are willing to pay more for securities including defeasance; this translates into more attractively priced multifamily housing.



Since the introduction of our Credit Facility product, Fannie Mae has issued over \$1 billion in MBS collateralized by properties owned by REITs and other large borrowers.



- ***Actual/360***

- ***Interest Calculation***

- Many lenders calculate interest based upon the actual days in a year divided by 360. When this convention is used, the rate may be lower than on a loan calculated on a 30/360 basis. However, less of the monthly payment goes to principal. For some borrowers, the lower rate available using the actual/360 option may be worth the additional payoff costs at maturity. By offering this option, Fannie Mae can provide additional financing flexibility to multifamily owners.

- ***Hard Final Guaranty***

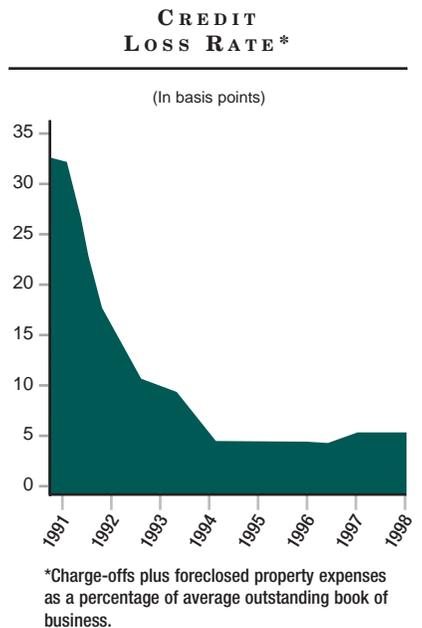
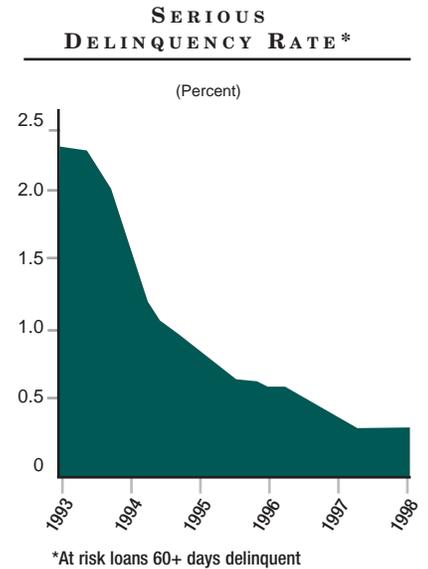
- Fannie Mae's guaranty in certain REMICs is extended to senior bond holders to include the payment of any balloon principal installment by the originally scheduled maturity date. This guaranty increases the predictability of the senior bonds' payment schedule. Investors are willing to pay a premium for this feature, resulting in better pricing for the underlying mortgages.

Credit Facility

When the 1998 credit and equity crunch closed many multifamily real estate investment trusts (REITs) out of the financing market, Fannie Mae stepped in with a well-priced, flexible MBS product. Our Credit Facility product offers fixed—and variable—rate financing along with the ability to add, substitute, and release properties over time. Since the introduction of this product, Fannie Mae has issued over \$1 billion in MBS collateralized by properties owned by REITs and other large borrowers.

In short, we work with our business partners, in certain and uncertain times, to provide the maximum flexibility and reliability with Fannie Mae's Structured Transactions, thereby bringing Wall Street to Main Street.

All Product Credit Performance



The declining multifamily delinquency rate and declining credit loss rate are evidence of the quality of our products and their outstanding performance over time.



**We're also an equity investor
and bond purchaser—
a reliable source of capital
to meet rental needs**

As part of its affordable multifamily business, Fannie Mae invests in rent-restricted properties, serving people primarily at 60 percent or less of area median income. Legislated into existence in the federal 1986 Tax Reduction Act, the Low-Income Housing Tax Credit (LIHTC) program provides incentives for corporations to invest in low-income rental housing.

Fannie Mae is the largest U.S. investor in low-income housing tax credits, having helped provide equity for an estimated 188,000 units of affordable rental housing in 40 states. We work with both for-profit and nonprofit intermediaries and sponsors to find general partners with experience in low-income housing and a commitment to long-term successful operations.

*Fannie Mae is
the largest investor in
multifamily housing using
the Low-Income Housing
Tax Credit, with a tax credit
equity investment portfolio
of more than \$1 billion.*



Fannie Mae invests either in equity funds or directly in limited partnerships that own and operate individual properties. We have invested in developments as small as 12 units and as large as 1300 units, in cities and in rural areas, and can work with a developer's schedule to expedite closing. We encourage developments that will extend low-income use after the minimum compliance period ends—and that in turn will spur additional community development.

Our tax credit investments have been very effective in attracting other private capital which helps bring down the cost of housing. This line of business has been growing exponentially in annual volume and the portfolio is expected to exceed \$2 billion in outstanding commitments by the year 2000. In fact, today we're the largest U.S. corporate investor in tax credit investments for our own account.

Using the LIHTC program is one way Fannie Mae reaches out to finance affordable housing for low-income renters. We know that quality projects are key to the success of low-income housing—and our equity investments encourage well-built and well-maintained housing for this population segment.

Bond Purchases

Another way we make rental housing more available to people of modest means is through our multifamily public finance activities. Fannie Mae buys tax-exempt and taxable bonds from state and local housing finance agencies for our own portfolio. In the last three years, we have purchased in excess of \$1 billion of multifamily mortgage revenue bonds in approximately 200 transactions with state and local bond issuers. We have become a major institutional investor, helping fund both new construction and the refinancing of existing properties.

Hope VI Initiative

We also are involved with the U.S. Department of Housing and Urban Development's Hope VI Initiative, which involves the conversion of former public housing developments into privately-owned, mixed-income housing. We are both an equity investor and buyer of loans on these properties.



Process improvements mean borrowers, lenders, and investors will experience time savings, faster reconciliations, and more accurate and available data.



Technology lets multifamily borrowers, lenders, and investors get information—and make decisions—more quickly

Technology is key to the long-term success of multifamily lending. Our partners increasingly rely on Fannie Mae to help automate manual loan applications and underwriting processes, and to make the sharing and retrieval of property and financial information more efficient.

Fannie Mae is developing an underwriting system that will enable our DUS lenders to have the fastest cycle time from loan application to closing in the multifamily finance industry. Electronic underwriting templates, as well as digitized Web-based legal documents and databases are being integrated into our systems, as part of our efforts to ensure that our lenders are able to underwrite almost all multifamily loans in less than 30 days.

Reducing the time required to make lending decisions translates into significant savings for borrowers.

With an integrated “information pipeline,” we will minimize information submission requirements placed on lenders and borrowers. By making it easier for our lenders to provide information to Fannie Mae through the life cycle of a multifamily loan, we will reduce origination and servicing costs.

Already, Fannie Mae’s Multifamily Committing and Delivery System (MCODES) has reduced the number of data elements DUS lenders are required to submit to Fannie Mae by more than 50 percent and has cut the time needed to confirm a loan commitment from 24 hours to 1 hour. Thanks to MCODES, DUS lenders no longer manually key in delivery information via several different media.

Another example of our time-saving technology is our File Transfer Facility. It allows our DUS lenders to report on loans to Fannie Mae directly from their own computer systems without manually re-keying data. All lenders and servicers who do business with us use it as part of our Multifamily Purchase and Delivery System.

In addition to putting technology solutions on the desktops of multifamily lenders nationwide, we are looking at ways to bring the benefits of automation to others who interact in the multifamily origination process—title companies, insurers, architects and engineers, investors, appraisers, and trustees. Fannie Mae’s overall strategic plan is to facilitate an interchange of documents and information among all the players and help transform a time-consuming and paper-intensive industry.

One way we are doing this is through the multifamily section of our corporate web site—www.fanniemae.com—which offers information, forms, documents, business trends and indicators, and more to investors, borrowers, lenders, and other partners in the multifamily business.

Process improvements mean borrowers, lenders, and investors will experience time savings, faster reconciliations, and more accurate and available data — all of which will ultimately improve decision-making and help provide better management of portfolios.



**We invite you to do business
with America's multifamily
finance leader**

*In 1998, Fannie Mae
Multifamily provided
financing for properties
serving over 330,000 families
with incomes at or under
the area median.*

Our five regional offices and our Washington, DC corporate headquarters address customer relationships, DUS lending, capital markets, affordable housing, equity investments, and public finance. Our activities are coordinated with our more than 30 Fannie Mae Partnership Offices located in cities throughout the United States.

Contact the product experts in Fannie Mae's offices at the phone or e-mail numbers listed here. To get detailed facts on specific Fannie Mae Multifamily services and programs, visit our web site at www.fanniemae.com/multifamily. If you would like to get electronic mail updates on our multifamily business and services, you can subscribe to our e-news function by visiting www.fanniemae.com.

Contact one of our product experts today

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