



Board of Directors

Agenda Item #9

October 12, 2016

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Louisiana Housing Corporation

Introduction to Stifel

Tax-Exempt Mortgage-backed Securities
(TEMS)

Introduction to Stifel

Stifel, Nicolaus & Company, Incorporated

- Stifel, Nicolaus & Company, Incorporated (NYSE: SF) was founded in 1890 and is headquartered in St. Louis, Missouri
- We are one of the nation's largest full-service wealth management and investment banking firms with more than 7,400 full-time employees and \$234 billion in client assets under management
- Stifel provides public finance and corporate finance investment banking and advisory services, brokerage trading and sales, investment advisory and related financial services to individuals, institutions, governments and corporations
- The bankers located in the Baton Rouge office have a strong history of supporting Louisiana by participating in almost \$9 billion in par amount of Louisiana bond transactions since 2010.

Public Finance Investment Banking

- Stifel has one of the largest public finance groups in the municipal securities industry, with 130 professionals in 26 offices in 20 states
- In 2015, we were ranked #6 nationally by par amount of bonds lead managed on a negotiated basis and #1 nationally by number of bond issues lead managed
- As of December 31, 2015, the Firm's total capital was \$1.2 billion and excess net capital was \$280 million, giving Stifel the capacity to commit to underwrite as sole manager approximately \$3.3 billion of municipal securities

Public Finance Housing Group

- Stifel is a leading underwriter of single family and multifamily housing bond issues
- In 2015, Stifel was ranked #1 nationally in number of multifamily housing bond issues lead managed on a negotiated basis
- We have 11 housing bankers in 6 offices nationwide, 7 of whom have more than 30 years experience in housing finance
- Stifel bankers have many years of experience executing various types of bond structures including new money/refunding, taxable / tax-exempt, fixed rate/unhedged and hedged variable rate, pass-throughs, PACs and NIBP

Tax-Exempt Mortgage-backed Securities (TEMS)

What would the ideal mortgage revenue bond look like?

- Lowest cost of funds available
- No interest rate risk
- Earn full spread
- No negative carry
- Minimal upfront and ongoing costs

Does such a bond exist?

- Yes, except it's not a bond.....
- It's TEMS (Tax-Exempt Mortgage-backed Securities)
- TEMS combine the efficiency, transparency and simplicity of the TBA market with the value of tax exemption
- TEMS is the only single family mortgage security that prices better than the TBA market

Why are TEMS the ideal tax-exempt mortgage security?

- Lowest cost of funds available
 - Issuer receives TBA plus 1 point (value for tax-exemption)
- No interest rate risk
 - Hedge with TBA as reservations are accepted
- Earn full spread, either upfront or over time
 - Set full spread mortgage rate when hedging
 - Upfront premium can be invested in program loans to create an income stream, can also select TEMS rate to maximize excess servicing
- No negative carry / no reinvestment / no 30 day lag
 - Proceeds used to immediately purchase MBS
 - MBS payments passed thru to investors
- Minimal upfront and ongoing costs
 - No ratings, no cash flows, no flow of funds, no redemption notices, no participation loans, no arbitrage rebate calculations

Selling TEMS to Stifel is similar to selling MBS in the TBA market

TBA

- Accept reservations from lenders
- Hedge in TBA market
- Purchase loans
- Wrap loans into MBS/multi-issuer pool

- At settlement, deliver MBS to TBA counterparty
- Security delivered is an MBS

TEMS

- Same
- Same, plus hedges are identified for tax purposes
- Same
- Wraps loans into MBS/custom pool
- Deposit MBS into HFA TEMS trust
- At settlement, deliver TEMS certificates to Stifel
- Security delivered is a tax-exempt security; earns additional premium for tax-exemption
- Disclosure Statement is prepared upfront and does not require updating for each series
- The cost of issuance for each series, regardless of size, is ~\$19,000; ongoing cost is 1.5 bps for trustee

TEMS Trade Summary

- Since September 2015 we have executed 20 trades with UHC and Idaho Housing and Finance Association (IHFA) for a total of \$432 million, or about \$21.58 million per trade
- The total additional premium earned was \$3.934 million, or about .91% or \$197 thousand per trade
- This represents 22% more in premium as compared with the comparable TBA trade

\$20,429,072

Utah Housing Corporation (UHC) TEMS Series 2016G

Benefit to Issuer		Yields on Trade Date	
Price to issuer net of upfront costs	107.129	TBA price ⁽²⁾	106-7
TBA at time of trade	<u>106.219</u>	TBA yield	2.098
TEMS premium net of costs (%)	0.910		
Net Benefit (\$)	185,936	Issuer price ⁽²⁾	107-4.125
		Issuer yield ⁽¹⁾	1.908
TEMS CUSIP #	91743PBH7		
MBS CUSIP #	36194PME1	TEMS offering price ⁽²⁾	107-23
MBS pool #	AU2157	TEMS offering yield ⁽³⁾	1.787
Trade date	7/12/16		
Settlement date	7/20/16	PSA (source: Bloomberg)	301
Pass-through rate	3.5 (G2SF)		
Loan WAC	3.755	UST 10 year yield	1.511
		TBA yield spread to UST 10 year yield	0.587
TEMS Section 143 Yield	2.668	TEMS offering yield spread to UST 10 year yield	0.276

⁽¹⁾Does not include .015% annual trustee fee

⁽²⁾Prices are quoted in 32nd's of a percent. For example 104-1.375 means 104 and 1.375/32 percent, or 104.04296875%

⁽³⁾Does not reflect next day payment on TEMS

Idaho TEMS

Trade Summary

Series (ih=Idaho Housing)	ih15a	ih15b	ih15c	ih16a	ih16b	ih16c	ih16d	ih16e	ih16f
Coupon/type	3.5% G2	3% G2	3% G2	3% G2	3% G2	3% G2	3% G2	3% G2	3% G2
Par amount	29,885,851	16,869,617	22,622,209	45,489,290	15,936,626	17,037,340	25,416,311	22,148,340	23,044,781
Benefit to Issuer									
Price to issuer net of upfront costs	105.770	102.707	101.949	104.328	103.984	104.707	104.754	104.680	105.762
TBA at time of trade	<u>104.875</u>	<u>101.875</u>	<u>101.031</u>	<u>103.375</u>	<u>103.094</u>	<u>103.813</u>	<u>103.828</u>	<u>103.766</u>	<u>104.844</u>
TEMS premium net of costs (%)	0.895	0.832	0.918	0.953	0.891	0.895	0.926	0.914	0.918
Net Benefit (\$)	267,338	140,360	207,665	433,570	141,936	152,404	235,299	202,450	211,487
TEMS CUSIP #	45129WMT4	45129WMU1	45129WMV9	45129WMW7	45129WMX5	45129WMY3	45129WMZ0	45129WNA4	45129WNB2
MBS CUSIP #	36189FS53	36189SN35	36191SFQ9	36193CEJ9	36193MS60	36193MUJ9	36193ULP7	36194EXH7	36194QU91
MBS pool #	AP7740	AQ3110	AQ9175	AR5537	AS3241	AS3285	AS8434	AT6080	AU3308
Trade date	10/8/15	11/5/15	12/3/15	2/8/16	3/9/16	4/7/16	5/10/16	6/7/16	7/6/16
Settlement date	10/21/15	11/19/15	12/17/15	2/22/16	3/22/16	4/20/16	5/23/16	6/21/16	7/20/16
Pass-through rate	3.5	3	3	3	3	3	3	3	3
Loan WAC	3.762	3.621	3.635	3.522	3.501	3.314	3.279	3.275	3.308
TEMS Section 143 Yield	2.923	2.707	2.631	2.611	2.554	2.495	2.463	2.438	2.435
Yields on Trade Date									
TBA price ⁽²⁾	104-28	101-28	101-1	103-12	103-3	103-26	103-26.5	103 24.5	104-27
TBA yield	2.676	2.717	2.840	2.441	2.480	2.335	2.336	2.350	2.143
Issuer price ⁽²⁾	105-24.625	102-22.625	101-30.375	104-10.5	103-31.5	104-20.625	104-24.125	104 21.75	105-24.375
Issuer yield ⁽¹⁾	2.534	2.597	2.705	2.291	2.337	2.197	2.184	2.201	1.990
TEMS offering price ⁽²⁾	106-4	103-6	102-11	104-24	104-19	105-7	105-10.5	105 8.5	106-11
TEMS offering yield ⁽³⁾	2.477	2.529	2.647	2.226	2.241	2.103	2.091	2.106	1.894
PSA (source: Bloomberg)	209	162	162	196	197	216	220	218	232
UST 10 year yield	2.106	2.234	2.225	1.750	1.878	1.691	1.763	1.719	1.369
TBA yield spread to UST 10 year yield	0.570	0.483	0.615	0.691	0.602	0.644	0.573	0.631	0.774
TEMS offering yield spread to UST 10 year yield	0.371	0.295	0.422	0.476	0.363	0.412	0.328	0.387	0.525

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Utah TEMS

Trade Summary

Series (uh=Utah Housing)	uh15a	uh15b	uh15c	uh16a	uh16b	uh16c	uh16d	uh16e	uh16f	uh16g	uh16h
Coupon/type	3.5% G2	3.5% G2	3.5% G2	3.5% G2	3.5% G2	3% G2	3% G2	3.5% G2	3% G2	3.5% G2	3% G2
Par amount	9,499,049	22,633,950	21,000,573	11,000,302	9,611,016	13,500,411	31,496,579	28,998,400	24,944,635	20,429,072	20,000,263
Benefit to Issuer											
Price to issuer net of upfront costs	104.918	105.945	105.473	106.477	106.570	104.633	104.797	106.637	104.691	107.129	105.625
TBA at time of trade	<u>104.043</u>	<u>105.000</u>	<u>104.563</u>	<u>105.641</u>	<u>105.750</u>	<u>103.766</u>	<u>103.859</u>	<u>105.703</u>	<u>103.766</u>	<u>106.219</u>	<u>104.719</u>
TEMS premium net of costs (%)	0.875	0.945	0.910	0.836	0.820	0.867	0.938	0.934	0.926	0.910	0.906
Net Benefit (\$)	83,117	213,962	191,138	91,956	78,840	117,074	295,280	270,727	230,933	185,936	181,252
TEMS CUSIP #											
TEMS CUSIP #	91743PAY1	91743PAZ8	91743PBA2	91743PBB0	91743PBC8	91743PBD6	91743PBE4	91743PBG9	91743PBF1	91743PBH7	91743PBJ3
MBS CUSIP #	3617A1LU6	36188S4S2	36192UPN9	36192UPV1	36193YED4	36193PD28	36193YD86	36193YEB8	36193YEA0	36194PME1	36194PMC5
MBS pool #	AO1239	AP5333	AR1329	AR1336	AT1032	AS4621	AT1027	AT1030	AT1029	AU2157	AU2155
Trade date	9/15/15	10/13/15	12/9/15	2/17/16	4/7/16	4/7/16	5/10/16	6/7/16	6/7/16	7/12/16	7/12/16
Settlement date	9/21/15	10/21/15	12/17/15	2/22/16	4/20/16	4/20/16	5/23/16	6/21/16	6/21/16	7/20/16	7/20/16
Pass-through rate	3.5	3.5	3.5	3.5	3.5	3	3	3.5	3	3.5	3
Loan WAC	3.980	4.061	3.924	4.012	3.793	3.519	3.560	3.752	3.549	3.755	3.543
TEMS Section 143 Yield											
	2.908	2.860	2.764	2.836	2.668	2.427	2.479	2.662	2.405	2.668	2.437
Yields on Trade Date											
TBA price ⁽²⁾	104-1.375	105	104-18	105-20.5	105-24	103-24.5	103-27.5	105-22.5	103-24.5	106-7	104-23
TBA yield	2.820	2.656	2.721	2.245	2.298	2.342	2.331	2.288	2.350	2.098	2.115
Issuer price ⁽²⁾	104-29.375	105-30.25	105-15.125	106-15.25	106-18.25	104-20.25	104-25.5	106-20.375	104-22.125	107-4.125	105-20
Issuer yield ⁽¹⁾	2.681	2.504	2.574	2.071	2.138	2.199	2.177	2.104	2.199	1.908	1.955
TEMS offering price ⁽²⁾	105-10.375	106-8	105-28	107-4.5	107-8	105-5.5	105-11.5	107-6.5	105-8.5	107-23	106-4
TEMS offering yield ⁽³⁾	2.616	2.457	2.510	1.935	2.008	2.111	2.086	1.993	2.106	1.787	1.868
PSA (source: Bloomberg)	207	209	209	320	288	216	220	282	218	301	254
UST 10 year yield	2.289	2.046	2.218	1.821	1.691	1.691	1.763	1.719	1.719	1.511	1.511
TBA yield spread to UST 10 year yield	0.532	0.610	0.503	0.424	0.607	0.651	0.568	0.569	0.631	0.587	0.604
TEMS offering yield spread to UST 10 year yield	0.328	0.411	0.292	0.114	0.317	0.420	0.323	0.274	0.387	0.276	0.357

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