



FINANCED RIGHT®

Member FINRA/SIPC

September 20, 2016

CAPITAL MARKET UPDATE

Tel: 800-HJS-1935

www.hjsims.com

Senior Living New Issue Rates as of 9/20/16

Maturity	Taxable Rates	Tax Free Rates					
	GNMA Taxable	FHA Tax-Exempt	A	BBB	BB	Refinancing & Expansion	Start-Up
5 yr.	NA	1.170%	1.650%	2.050%	2.40%	2.25-2.75%	3.50-4.00%
10 yr.	NA	2.010%	2.300%	2.650%	3.00%	3.00-3.375%	4.20-4.75%
20 yr.	NA	2.780%	3.000%	3.250%	3.70%	3.75-4.125%	4.75-5.25%
30 yr.	3.250%	2.980%	3.200%	3.350%	3.85%	4.00-4.375%	5.10-5.50%

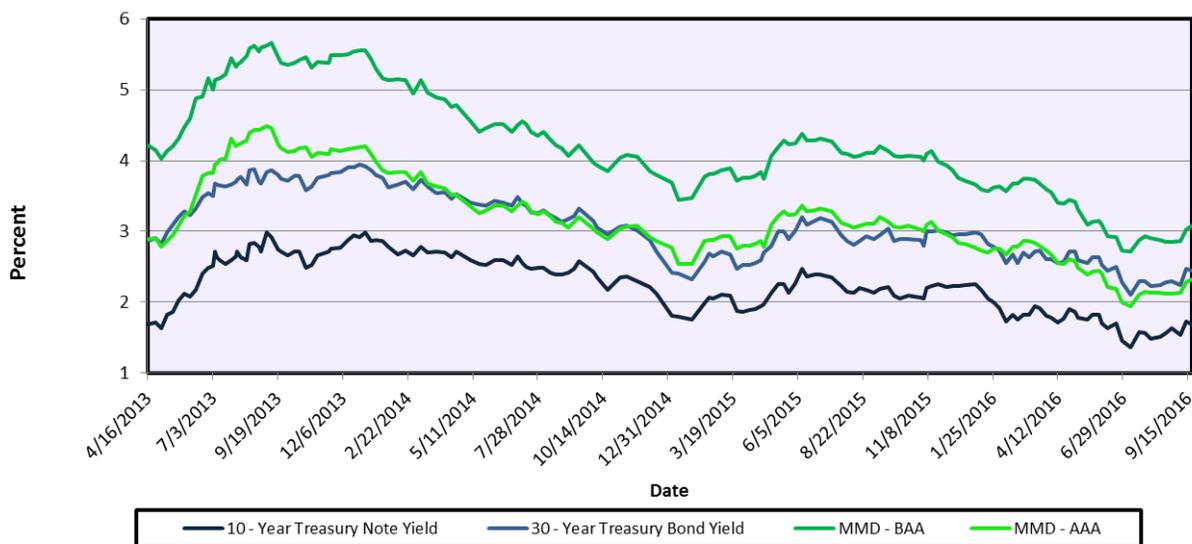
Senior Living new issue rates for borrowers in specialty states are 20-30 basis points lower in yield.

SIFMA Index	LIBOR
0.70%	0.53%

Revenue Bond Index (RBI)	10 Year Treasury	30 Year Treasury
3.18%	1.6910%	2.4350%

	1 Year	3 Year	5 Year	7 Year	10 Year
Weekly SIFMA Swap Rates	0.27%	0.55%	0.74%	0.92%	1.13%
Weekly LIBOR Swap Rates	0.97%	1.11%	1.25%	1.38%	1.55%

TREASURY YIELDS vs. TAX EXEMPT BOND YIELDS



Source: Thomson-Reuters Municipal Markets Data as of 9/19/2016

Market Commentary

U.S. financial markets very rarely pause. Not for the latest series of terror attacks in New Jersey, Minnesota and New York. Not for the gridlock on the streets of Manhattan caused by 135 heads of state gathering at the United Nations. Not for cyber hacks, threats of a government shutdown or Congressional grillings on the cross-selling practices of our largest banks. We can always count on a bit of a timeout for vote counts on Election Day. But there is now always a hiatus on certain Wednesday afternoons. In a custom rooted for eight years in longing for the familiar, traders hold their breath awaiting the release of statements by the Federal Reserve's monetary policy committee, frozen by the prospect that the Fed could shock us by raising rates this time.

Futures traders put the odds of a rate hike being announced at the September 21 meeting at a low 15%, just as political pundits assess the possibility as Very High that the first presidential debate on Monday will be the most widely watched television show in history. In the meantime, the municipal bond market sails on with 50 straight weeks of fund inflows totaling \$55.4 billion and an \$8.5 billion calendar. HJ Sims is in the market with a \$17.9 million non-rated refunding for the Housing Authority of the City of Canton, Georgia on behalf of Provident Village at Canton. The Bexar County Health Facilities Development Corporation of Texas has a \$52.2 million BBB rated refunding for the Army Residence Community. Among Tennessee issuers, the Blount County Health and Educational Facilities Board plans to sell \$25.6 million of nonrated revenue bonds for Asbury Place, and the Shelby County Health Education and Housing Facility Board is scheduled to price \$37.4 million of non-rated refunding bonds for Trezevant Manor. The Rhode Island Health and Educational Building Corporation has a \$139 million BB rated hospital bond issue for Care New England.

The tax-exempt market has been on a hot streak all year but not impervious to volatility. The 10-year AAA general obligation bond yield has declined from 1.92% in January to 1.57% at this writing, and the 30-year benchmark yield is down 49 basis points to 2.33%. But just this month, the 10-year has given back 15 basis points, and the 30-year yield has surrendered 21, right in line with Treasuries. With rates nevertheless at historic lows, borrowers are taking advantage of favorable conditions to refinance, construct, and improve a wide variety of projects.

Last week, Hutchinson, Kansas sold \$4 million of non-rated 4.00% refunding bonds at par for Wesley Towers, the Colorado Educational and Cultural Facilities Authority issued \$28.3 million of non-rated revenue bonds for Banning Lewis Ranch Academy priced at par to yield 7.00% in 2046, and the Public Finance Authority in Wisconsin sold \$10 million of 5.175% non-rated charter school revenue bonds due in 2023 for Two Rivers Community School in Glenwood Springs, Colorado. Other high yield deals had final maturities priced with coupons of 5.00%. The Washington State Housing Finance Commission issued \$51.3 million of non-rated refunding bonds for Wesley Homes at Lea Hill, including 35 year term bonds priced to yield 4.28%. The St. Louis Industrial Development Authority brought a \$34.7 million transaction for Ranken Jordan Pediatric Bridge Hospital with 30-year term bonds yielding 3.96%. The Newport News Economic Development Authority in Virginia brought an \$85.5 million non-rated financing for Lifespire featuring 2038 term bonds yielding 3.88%. The Tarrant County Cultural Education Facilities Finance Corporation had a \$124 million BB+ rated deal for Air Force Villages in San Antonio with 2045 term bonds priced to yield 3.80%. And the Colorado Health Facilities Authority sold \$66.6 million of non-rated refunding bonds for Christian Living Neighborhoods; the final maturity in 2037 had a yield of 3.55%.

Election Season – No Predictions, but What Will Happen at HUD in 2017?

Sims Mortgage Funding is in the FHA-insured loan, not political prognostication, business. However, FHA multifamily and healthcare mortgage insurance is a government program, administered through the Department of Housing and Urban Development (HUD). As such, it is subject to the effects of the political and electoral processes. Therefore, what party is in power and who is elected President often dictate how well – or poorly – the programs operate.

We make no predictions on who is going to win the upcoming presidential election, but we *will* speculate on what might happen to the FHA mortgage insurance programs under a President Clinton or a President Trump.

Election Season – No Predictions

Cont. from Page 2

Meet the new boss....same as the old boss!

It's very likely that either candidate would do no harm to the multifamily and healthcare mortgage insurance programs as President. Both individuals are not proponents of "smaller government" or have a record of openly questioning these programs. Urban legend has it that back in the 90s, Mr. Trump was very interested in the Section 221 (d) (4) program to finance some of his New York rental properties!

In addition, while FHA's single-family insurance program recently has attracted a lot of negative attention (mostly related to the adequacy of its capital reserves), the multifamily and healthcare programs are economically sound. They have produced positive income for the US Treasury because the premiums collected plus the recovery on sold loans exceed their claims paid.

Whether it's seen from the perspective of a profitable real estate business by President Trump, or from a "what's not to like about a government program" perspective from President Clinton, we expect FHA healthcare multifamily mortgage insurance to continue to have Executive Branch support.

But keep an eye on Congress, in particular the House of Representatives.

We wish we could be as confident about that same level of support from the Legislative Branch, especially from certain quarters of the House of Representatives. There are a number of vocal members of the House, including the Chair of the committee that has oversight of HUD, who openly and vigorously question why the Federal Government is in the mortgage insurance business. While they may acknowledge the positive economic performance of the FHA health care and multifamily mortgage insurance programs, many of them believe that FHA is providing a product that could be provided more efficiently by the private sector. The less-ideological of this group believe that, at best, FHA should revert to its historical mission of being solely a backstop when markets crash and private capital sources are no longer available or are prohibitively expensive.

It has been relatively quiet on the Congressional front, principally because of the upcoming election and anticipated change in administration, and also because there have been no negative stories about the programs. However, should the Republicans keep control of the House, as is expected, we will continue to be watchful of Congressional interference. Moreover, if the Republicans increase their House margin and become more dedicated to bringing down the existing order, then we'll be going to DEFCON 5 through our trade associations and more reasonable elected officials.

Alternatively, a Democratic takeover of the House and Senate, coupled with a President Clinton, would likely reduce the need for vigilance from Congress, but that could create a separate host of challenges, which may be the topic of a future article.

One final thought before November 8th.

FHA mortgage insurance has largely enjoyed broad, bipartisan support. For example, the LEAN program for healthcare was started under President George W. Bush and has enjoyed excellent growth and support under President Obama. LEAN was a descendant of HUD's Delegated Processing and Multifamily Accelerated Processing (MAP) programs started by President Clinton. We are hopeful that either candidate as President would continue to support the programs, giving us four uneventful years.

For more information on where HUD might be headed come January 2017, please contact Anthony Luzzi at aluzzi@simsmortgage.com or 201-315-1242.

For more information, please contact an HJ Sims banker.

Fairfield, CT

William Sims	203-418-9001	wsims@hjsims.com
Jeff Sands	203-418-9002	jsands@hjsims.com
Andrew Nesi	551-427-5135	anesi@hjsims.com
Mackenzie Welch	203-418-9024	mwelch@hjsims.com
Krystal Murphy	203-418-9028	kmurphy@hjsims.com

Rockville, MD

Aaron Rulnick	301-424-9135	arulnick@hjsims.com
Kyrle Turton	203-418-9038	kturton@hjsims.com
Patrick Mallen	203-418-9009	pmallen@hjsims.com

Bloomington, MN

Mark Landreville	952-683-7509	mlandreville@hjsims.com
Jay Hromatka	952-683-7506	jhromatka@hjsims.com
Christina Rapp	952-683-7507	crapp@hjsims.com

Philadelphia, PA

James Bodine	215-854-6428	jbodine@hjsims.com
--------------	--------------	--

Austin, TX

Curtis King	512-519-5003	cking@hjsims.com
James Rester	901-652-7378	jrester@hjsims.com
Brett Edwards	512-519-5001	bedwards@hjsims.com

Orlando, FL

Robert Gall	407-313-1701	rgall@hjsims.com
Kerry Moynihan	407-313-1702	kmoynihan@hjsims.com

Montvale, NJ -Sims Mortgage Funding - 201-307-9383

Anthony Luzzi	aluzzi@simsmortgage.com
Kerrie Tomasiewicz	ktomasiewicz@simsmortgage.com
Andrew Patykula	apatykula@simsmortgage.com

The material presented here is for information purposes only and is not to be considered an offer to buy or sell any security. This report was prepared from sources believed to be reliable, but it is not guaranteed as to accuracy, and it is not a complete summary or statement of all available data. Information and opinions are current up to the date of publication and are subject to change without notice. The purchase and sale of securities should be conducted on an individual basis considering the risk tolerance and investment objective of each investor and with the advice and counsel of a professional advisor. All investments involve risk and may result in a loss of principal. Investors should carefully consider their own circumstances before making any investment decision. This is not a solicitation to buy or an offer to sell any particular investment.