

MHEG *in a Minute*

Keeping you up to date on MHEG's business in just a minute's time.

VOLUME 5, ISSUE 3 SEPTEMBER 2012

Midwest Housing Equity Group, Inc.

RECENT HIGHLIGHTS

2012 Annual Meeting

Our 2012 Annual Meeting took place at Quarry Oaks on Monday, June 4th. We had our largest turnout yet with over 100 people in attendance for the meeting and lunch, and 27 golf teams participating in the outing. A 2011 summary of MHEG's operations, along with a 2012 update was provided by John Wiechmann our new CEO/President.

We would like to thank all those in attendance, it was a great day and we enjoy being able to show our appreciation to all of our partners. Our success is a direct result of you! And a big thank you to our great sponsors!!!!

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Seldin Company - 19th Hole Sponsor

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Congratulations to all of our winners from the golf outing, and to Larry Buland who shot a hole-in-one on the 11th hole!

1st Place: Dan Garrett (MHEG), Mayor Tom Hanafan, Dave Fisher (FHLBank Topeka), Bill Sullivan (Two Rivers Bank)

2nd Place: George Grieb (Buland Group), Rod James (Seldin Company), Barry Sandstrom (Home Federal Bank)

3rd Place: Pat Michaelis (MHEG), Rick Jackson (Capitol Federal Savings Bank), Pat Beatty (Overland Property Group), James Behan (KHRC)

Last Place: Becky Christoffersen (MHEG), Lloyd Rainge (Capitol Federal Savings Bank), Jim Ostrander (Excel Development Group), James Wolf (DOZ)

Pin Prize Winners: Tom Stratman (MHEG), Amber Marker (NE Housing Developers Assoc), Bob Brandt (Countryside Bank), Paula Rhian (Excel Development Group), George Grieb (Buland Group), Mary Thompson (DOZ)



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Above Left: George Grieb (Buland Group) Roy Miller (Farm & Home Insurance), Janet Latimer (Horizon Bank) and Jay Dunlap (Farmers & Merchants Investment) attend the Annual Meeting presentation.

Above Center: Jordan Bottorff (MHEG), Rob Woodling (Foundations Development), Tom Soukup (West Gate Bank), and Amy Ring (DOZ) mingle as a team before heading out to the course.

Above Right: Larry Buland (Buland Group) and his son Caleb Buland (Foutch Brothers, LLC) after Larry shot a hole-in-one.

Right Bottom: First Place Winners: Dave Fisher (FHLBank Topeka), Dan Garrett (MHEG), Bill Sullivan (Two Rivers Bank) and Mayor Tom Hanafan.



President's Message - John Wiechmann

Greetings Friends,

I hope this letter finds you doing well. It is hard to believe that September is already here – the first 90 days on the job sure went fast. The old saying “time flies when you’re having fun” really is true! I want to thank each of you for your patience, time and tutelage during my transition from lawyer to the new president of Midwest Housing Equity Group, Inc. I am humbled to have the opportunity to lead such a great organization and to work with such skilled and dedicated teammates. It has also been great to meet so many of our ardent supporters and partners. I would be remiss if I did not recognize Jim Rieker for his 19 years of superb vision and leadership at MHEG. Jim, you left some big shoes to fill! A big “thank you” for building such a strong organization to meet the affordable housing needs of so many.

At our annual meeting in June, I mentioned that MHEG’s plan for the remainder of 2012 was to “stick to our knitting.” I am proud to report that we are doing just that, and doing it very successfully. The MHEG team, together with our investor, developer, lender and government partners, is well on its way to knitting a \$150 million tapestry that will result in 1,017 new units of affordable housing throughout Nebraska, Iowa, Kansas and Oklahoma in 2012.

Political uncertainty, and specifically the future of the LIHTC program, the extension of the 9% fixed rate and the possible reduction in statutory tax rates, continue to cause disruptions in the LIHTC industry. As the election nears, and even after it is over, I encourage all of our partners to message the importance of the LIHTC program to their Congressional delegations. As you will see later on in this newsletter, groundbreaking, ribbon

cuttings and open houses provide great opportunities to interact with your Senator or Representative. Invite them to attend your event, deliver a few words, view the finished product and meet our most important stakeholders - the tenants we serve.



John Wiechmann

If you haven’t done so already, please take a minute to read the NYU study “What Can We Learn about the Low Income Housing Tax Credit Program by Looking at the Tenants” that was released on July 1, 2012. The study examined nearly 480,000 LIHTC units in approximately 8,000 developments (representing roughly 30% of all LIHTC units according to the study). This study appears to be the first large-scale analysis of LIHTC tenants. Among the more salient conclusions is that LIHTC properties are better targeted to lower income households than most people realize. From the study, “. . . we find that more than 40 percent of LIHTC tenants have extremely low incomes.” “Extremely low incomes” is defined as 30% or less of area median income. With this information in hand, you can effectively refute the claims of critics that LIHTC projects only benefit those earning 50% to 60% of area median income. Clearly, now is not the time to trim or eliminate the LIHTC program – it really does benefit those most in need of affordable housing.

All of us at MHEG value the trust our partners have placed in us and we look forward to continuing to work with each of you during the coming months and years. Enjoy the fall!

Best,
John Wiechmann

Iowa Update - Dan Garrett

The summer is coming to an end, and Iowa has a busy fall ahead. We recently attended the Grand Opening for High Street Brickstone on July 27th in Des Moines. The development officially opened August 1st to full occupancy. High Street is an urban family new development consisting of 21 units in Iowa Fund VI. Hatch Development Group served as the developer and Perennial Property Management Services will provide property management.

The final project slated for Iowa Fund VI, Corridor Woods, is anticipated to close by the end of the third quarter. Iowa Fund VI will close with a total of 10 projects. We anticipate at least four additional closings to take place by yearend. In addition, the proposed due date for Iowa tax credit applications is likely to be earlier this year to make for a busy 4th quarter.

The Iowa Finance Authority Housing Conference will be held in Des Moines on September 5th and 6th this year. MHEG will have a booth both days and staff will be attending the sessions available. Please stop by and see us!

UPCOMING EVENTS

NASLEF's 19th Annual Conference: Sept. 19th-21st, San Francisco

Iowa

IEA Housing Iowa Conference: Sept. 5-6th
Des Moines, IA - Des Moines Downtown Marriott

Kansas

KHRC Bringing Kansas Home Conference: Sept. 12-14th
Manhattan, KS - Manhattan Conference Center

Nebraska

NIFA's Housing Innovation Conference: Jan. 29-30th
Omaha, NE - Regency Marriott

NIFA Board Meeting: Oct. 19th
Lincoln, NE - NIFA Board Room

Oklahoma

OHFA Board of Trustees Meeting: Sept. 19th, Nov. 28th
Oklahoma City, OK - OHFA Office

Annual Oklahoma Affordable Housing Luncheon: Nov. 28th
Oklahoma City, OK

OHFA Home Public Input Session: Sept. 9th, Oct. 15th

FHLB Regional Meeting and Golf Outing: Sept. 10th

Community Bankers Association Annual Convention: Sept. 12-14th

OHFA 2013 LIHTC Application Training: Sept. 25th

Zeffert & Associates Tax Credit Compliance Training: Oct. 16-18th
Oklahoma City, OK

Recently Closed Projects

MHEG closed 5 projects over the summer, adding an additional 111 units to our affordable housing portfolio. To date, MHEG has closed 327 projects; creating and sustaining 8,793 units of affordable housing in the four-state area.

MAY Closings

Des Moines Greystone Homes, LP
IF VI, L.P. • Des Moines, IA • 26 units

Madill Affordable Housing, LLC
OF IV, L.P. • Madill, OK • 25 units

JULY Closings

Jackson Meadows, L.P.
NF XVI, L.P. • Columbus, NE • 22 units

AUGUST Closings

City Impact Homes, LLC
NF XVII, L.P. • Lincoln, NE • 14 units

Cypress Pointe, LLC

NF XVI, L.P. • Omaha, NE • 24 units

Ground Breakings, Ribbon Cuttings and Events...



Above Left: Steve Foutch (Foutch Brothers), Fred Bentley (KHRC), Senator Dwayne Umbarger, Pat Michaelis (MHEG) and Mayor Jim Chappell of Chanute attend the ribbon cutting ceremony for Murray Hill Senior Apartments, LP (KF IX) on July 27th in Chanute, KS.



Above Center: US Representative Leonard Boswell, Paul Koester (Koester Construction Company), Jack Hatch (Hatch Development Group) and Senator Charles Grassley participate in the ribbon cutting for Olive Street Brickstone Housing, L.L.L.P. (IF VI) on July 27th in Des Moines, IA.



Above Right: The ground breaking ceremony cutting for City Impact Homes, LLC (NF XVII) took place on June 13th in Lincoln, NE.



Left: Paula Rhian (Excel Dev. Group), John Wiechmann (MHEG), Lt. Governor Rick Sheehy, Janet Latimer (Horizon Bank), Brent Williams (Excel Dev. Group), Robin Ambroz (NIFA), Craig Howell (City of Omaha) and Kurt Grosshans (Midwest Housing Initiatives) participate in the ground breaking ceremony for Cypress Pointe, LLC (NF XVI) on August 10th in Omaha, NE.

Asset Management Update

| | |
|---------------------------------------|---------------|
| Number of Developments | 327 |
| Number of Units | 8,793 |
| Number of Counties Represented | 126 |
| Number of Cities Represented | 157 |
| Portfolio Vacancy Percentage* | 4.49%* |
| Portfolio Debt Coverage Ratio* | 1.49* |

Information current as of 8/31/2012

*Numbers compiled from 3/31/2012 figures



Monthly LIHTC Rates

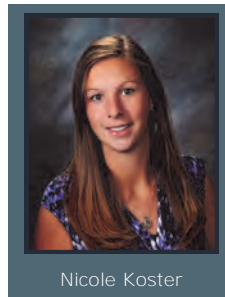
| | March 2012 | April 2012 | May 2012 |
|---------|------------|------------|-------------|
| 70% PVC | - 7.43% | - 7.44% | - 7.48% |
| 30% PVC | - 3.18% | - 3.19% | - 3.21% |
| AFR | - 2.65% | - 2.72% | - 2.89% |
| | June 2012 | July 2012 | August 2012 |
| 70% PVC | - 7.43% | - 7.37% | - 7.36% |
| 30% PVC | - 3.18% | - 3.16% | - 3.15% |
| AFR | - 2.30% | - 2.30% | - 2.23% |



Staff Additions & Announcements

MHEG is happy to introduce and welcome one of our past interns to the MHEG family as a full-time employee.

Nicole Koster, Asset Manager - Nicole was hired full time at the end of June as an Asset Manager in our Omaha office. Her duties will include overseeing a portion of the Nebraska development portfolio with financial reviews, site visits and problem resolution/workouts as needed. In addition, Nicole will also provide monthly financial projects for her portfolio and assist property managers as needed. Nicole has spent the last year interning for the asset management department gaining valuable LIHTC experience and knowledge. Nicole received her Business Finance degree from the University of Nebraska.



Nicole Koster

Kid's Day for Stone Ridge Residents

MHEG recently helped sponsor and organize a Kid's Day for the tenants of Stone Ridge Apartments in Webster City, Iowa. On August 3rd, the children at Stone Ridge were invited to an afternoon of pizza, games and a magic show.

Kristina Tolander and Kelly Lawrence attended on behalf of MHEG and were able to visit with tenants and help with a scavenger hunt for the kids. Both staff members thought it was great to see the property management actively engage with their tenants and help build a sense of community.

Stone Ridge has plans for another event later this year.



MHEG Grant Update

MHEG announced in June that it would be accepting grant applications again to award up to \$200,000 in funding for organizations/developers servicing affordable housing. Applications were due on August 1st, 2012.

We received 29 applications for a total of over \$500,000 in funding requests. We appreciate everyone who took the time to apply and wish we could award money to all of the organizations.

A committee was put together to review and score all applications, and 13 organizations were selected for the 2012 year. Congratulations to the following organizations who will be receiving funds:

| | |
|-------------------------------|--------------------------|
| Anawim Housing | City Impact |
| Community Housing Initiatives | Eskridge Housing |
| Goldenrod Village | Grant Housing |
| Holy Name Housing Corp | Hope of Glory Ministries |
| Kensington Court Apartments | Meadows Associates |
| Sails Associates | Sandstone Homes |
| Southridge Apartments | |

Three New Members Elected for Iowa's O&I Committee

MHEG would like to introduce and welcome three new members elected to our Iowa Operations & Investment Committees at our June annual meeting. The state O&I Committees are appointed by the MHEG Board and advise the Board, President and Executive Vice President on developments and investors within their represented state.

Ed Benjamin, Credit Administration Office and Second Vice President for MidwestOne Bank in Iowa City, was elected to the Iowa Operations and Investment Committee. Benjamin also serves on the Board of Directors for Riverside Theatre and Risk Management Association of Eastern Iowa. In addition, he is a member of the Community Impact Council for the United Way of Johnson County and serves as Treasurer for Bethel A.M.E. Church.

Jennifer Cooper, Vice President and Senior Lending Officer for Bankers Trust Company in Des Moines, was elected to the Iowa Operations and Investment Committee. Cooper currently serves as Board President for Neighborhood Finance Corporation and sits on the Board of Directors for H.O.M.E., Inc. She also Chairs the Development Committee for Polk County Housing Trust Fund and is an appointed member of the Fifth Judicial Nomination Committee.

David Nelson, President and CEO for West Bancorporation, Inc. and Chairman and CEO for West Bank in Des Moines, was elected to the Iowa Operations and Investment Committee. Nelson also serves on the Greater Des Moines Committee, the Drake University National Advisory Council and the Board of Directors of Iowa Bankers Association.

Kansas Update - Pat Michaelis

As I discussed in the last newsletter, MHEG Kansas began the year with a clear slate. We did not have a backlog of projects carried over from the previous year. This occurrence indicates to me that the industry is becoming more balanced between projects and investors. We are looking forward to our Kansas Fund X pipeline and feel fortunate to be working with a strong group of developers. We appreciate them very much and realize there are choices in the market.

Fundraising is going well, but yields are at the tipping point for economic investors. I believe if they go much lower we may lose some interest. Our economic investors are key to

us being able to undertake our traditional volume of rural projects. If we only attract CRA focused investors, funds will be directed to more metro areas where there are CRA requirements. So, on one hand while deals are easier to do with higher credit pricing...they must also be at such a level to still attract investors to provide the needed funding. As always, it's a balancing act.

Please give Chris, Jessica, Lisa or I a call if there is anything we can do to assist you. We appreciate your business and hope to see you at the Kansas Housing Conference in September if not before.

Nebraska Update - Thomas Judds

I get by with a little help from my friends...

Some of you may recognize the title line of my state update is a line from a Beatle's song. I grew up listening to the Fab 4 and this lyric shares my heart for the many friends I am blessed with in affordable housing. Recently, the Nebraska Housing Developers Association held its first annual "Drive Fore Housing" golf tournament and I am honored to say it was a great success because of the friends who made sponsorship commitments in support of the agency and the role it plays in affordable housing for our state. I am truly humbled. I would be remiss if I didn't mention my gratitude to the NHDA board and staff for their efforts as well.

With my last update, I mentioned MHEG was looking forward to NIFA's second round of credit awards. Similar to the first round, there was robust demand with 19 applications submitted in the competitive cycle for a total request of \$8.7M in credits. Three projects received conditional reservations for approximately \$1M of credits. I am pleased to say MHEG provided letters of syndication for two of the three awardees. In June, NIFA's board approved a conditional reservation to Southgate Townhomes through the CRANE program of which MHEG provided a letter.

In closing, our life journey can be hard at times and we can lose our way, but we can get by with a little help from our friends.

Oklahoma Update - Andrea Frymire

OHFA announced the first round of allocation awards in May. Three of the nine developments that MHEG provided letters for received awards. The total amount of credits awarded for MHEG developments in Round 1 is \$1,808,239. The cities associated with these awards are Duncan, Hugo and Midwest City. Duncan and Hugo will both receive single family home developments. Midwest City will receive senior duplexes. Both product lines have proven to be well received by prospective residents.

Oklahoma Fund IV is closing out soon. We have specified eight developments that have received credit allocations for a total of \$42.2M in equity. This will be our largest fund in Oklahoma to date. These eight developments will add 245 units of affordable housing throughout our state.

OHFA received 42 applications for the first round, which is

the highest number of applications ever and another 40 applications for the second round. Round 2 equity requests totaled just under \$25M with only \$4,254,258 available in credits. With so much competition for credits, it is my hope that our developments and developers continue to become more efficient, making our investor dollars go further, while continuing to provide safe, quality affordable housing throughout our great state.

We will be hosting our annual luncheon on Wednesday, November 28, 2012, immediately following the OHFA Board of Trustees Meeting. All of our partners are welcome to attend. Location will be announced soon.

Sincere thanks to all of our partners and supporters, we couldn't do it without you.



Above: Thomas Judds speaks at the ground breaking for City Impact Homes (NF XVII) in Lincoln, Nebraska on June 13th.

MIDWEST HOUSING EQUITY GROUP INC.
13520 California Street, Suite 250
Omaha, NE 68154



MIDWEST HOUSING EQUITY GROUP INC.

Omaha / Corporate Headquarters

13520 California Street, Suite 250
Omaha, NE 68154
Phone: 402.334.8899 Fax: 402.334.5599

Des Moines

1312 Locust Street, Suite 300B
Des Moines, IA 50309
Phone: 515.280.6000 Fax: 515.280.6655

Oklahoma City

500 N. Broadway Avenue, Suite 150
Oklahoma City, OK 73102
Phone: 405.278.7909 Fax: 405.735.5617

Topeka

701 S. Kansas Avenue
Topeka, KS 66603
Phone: 785.267.1901 Fax: 785.267.1903

Contact any of our offices listed above or visit our website for more information: www.mheginco.com