

# Breaking Ground

**David Brickman, CEO, and Rob Wrzosek, President – Affordable Strategies  
NewPoint Real Estate Capital** *By Darryl Hicks*

**N**ewPoint Real Estate Capital is a real estate lender that's looking to make a big splash in the affordable housing space.

The company was launched in 2021 through a collaboration of sponsors, including Meridian Capital Group—the most active commercial mortgage broker in the U.S.—and Barings, a subsidiary of MassMutual and one of the world's leading investment managers. David Brickman was tapped as CEO to launch the firm after spending the prior two decades at Freddie Mac, where he worked his way up the enterprise and eventually served as president and then CEO.

Today, NewPoint is one of a select group of lenders approved to originate multifamily, affordable housing, seniors housing and healthcare financing solutions across Fannie Mae, Freddie Mac and Department of Housing and Urban Development/Federal Housing Administration programs. The firm also has a proprietary lending platform focused on bridge and impact solutions, and services a loan portfolio in excess of \$53 billion.

In August 2022, NewPoint launched NewPoint Impact, a proprietary lending suite that pairs private capital with government-subsidized products and is managed by Rob Wrzosek, president of affordable strategies. Wrzosek has two decades of multifamily and affordable housing finance experience and was most recently head of multifamily at Bluefin Capital Management.

*Tax Credit Advisor* sat down with Brickman and Wrzosek to learn more about NewPoint, its impact platform and its top priorities for the new year.

**Tax Credit Advisor:** *David, how has your prior experience running a trillion-dollar Government-Sponsored Enterprise (GSE) guided you as CEO of NewPoint?*

**David Brickman:** My time at Freddie Mac prepared me in some ways and, in other ways, left me wholly unprepared when I came to NewPoint. Few places outside Freddie Mac have access to the breadth of information and offer such a broad perspective of the U.S. housing market—whether it's multifamily, single-family or affordable housing—and the overarching economics, infrastructure and



David Brickman



Rob Wrzosek

major institutions and players. Given its size and role, Freddie Mac is not your typical market participant and you must always consider not just your own position but be mindful of how your credit policies, market posture and degree of competitiveness will affect the overall housing market. That said, NewPoint is completely different. We're a growing company. We have a fraction of the infrastructure compared to Freddie Mac, where it's like moving an aircraft carrier anytime you want to do something different. Change becomes very challenging. At NewPoint, we can change on a dime. We are more nimble at creating new products and new processes. NewPoint Impact is an excellent example of this. At Freddie Mac, there'd be a tremendous amount of investment before doing something similar, whereas at NewPoint, we can be more aggressive about doing new things, standing up new platforms and products.

**TCA:** *What percentage of your servicing portfolio is affordable? What section(s) of the country are your affordable deals located? Are you looking at any potential new markets for 2023?*

**DB:** Currently, NewPoint is servicing \$636 million in capital "A" affordable loans. What's really changed since we became New Point—and it's too early to fully show up in our origination numbers and our servicing portfolio—is we have really pivoted into affordable housing. I am hopeful that affordable lending will soon account for 20 to 25 percent of our total business. As we are

not a regulated bank, we can be in every market, all the time. Our sights on supporting affordable housing are truly national.

**TCA: Rob, what led to the launch of NewPoint Impact?**

**Rob Wrzosek:** When you look at the marketplace, Fannie Mae and Freddie Mac are still in conservatorship, and their programs and processes can be bound up with bureaucracy. It's the same with the banks. Even regional banks are becoming more regulated by the government. In terms of how that impacts the financing of affordable housing, if you look at an apartment building with a Low Income Housing Tax Credit (LIHTC) subsidy, the economics of the building don't look like a typical multifamily apartment. It's a different asset class from a financial standpoint. When you look at the affordable space as an opportunity, it's like, 'Okay, I have this strange-looking asset from a financial standpoint,' and the more rigid programs of the banks and the GSEs don't work as well as they used to in financing that. We found a way to go out and raise private capital and hired people who have 20 to 30 years of experience working with developers who know the ins and outs of the technical aspects of the programs, as well as the regulatory regime that governs it all. Through NewPoint Impact, we are using private capital to smooth out these problems while addressing clients' needs and still taking advantage of the fact that we have access to Fannie, Freddie and FHA programs. We're trying to forge a new direction of what affordable lending can be over the next ten or 15 years. We think it's going to involve a large interplay of private capital working with Government Sponsored Enterprises and federal housing programs in ways that haven't been seen in the past.

**TCA: What types of affordable deals do you find most appealing?**

**DB:** The broadest answer is all of them. We are looking to cover all affordable, including nine and four percent tax credit deals, as well as preservation deals. In addition, there is opportunity in the small but growing arena of impact deals. This is where there aren't necessarily direct federal subsidies, but rather socially motivated investments to preserve existing affordable housing, perhaps with state and local-based subsidies or abatements to help make the economics work. We like to play in all of those arenas.

**RW:** The deals we find most appealing at the moment—and it's really a function of market conditions—are the four percent ground-up new development deals. We launched NewPoint Impact in August 2022. The market was going swimmingly until about September, and then rates rose quickly. Keep in mind that these deals have an 18- to 24-month lead time as sponsors need to line up subsidies and obtain the different levels of approval from a state, local and federal standpoint to get to closing.

While sponsors do build in a cushion for rates, there is a limit. You can't get blood from a stone, and if rates go to ten percent, you have a problem. We now have a situation where many deals don't appear to pencil out if looked at like multifamily assets but work fine if evaluated from the standpoint of an economically motivated investor that understands affordable housing. For example, we're seeing opportunities where, if we, as the investor, don't require any amortization on the debt and size it that way, we can deliver nine to 12 percent more

proceeds to the development. When we look at credit metrics, my loan-to-cost will go from 47 to 55 percent and my debt service coverage remains the same – I don't view that as having any material incremental credit risk as if that same deal had amortization. But if I'm at a bank, I'm locked into certain rigid boxes from a regulatory standpoint of how my deal is looked at from a risk perspective. A bank doesn't have that kind of flexibility, and neither do the GSEs. These are the deals that we find most appealing now because there are deals that have a lot of time and money invested in them. Many of them still work if you think about them creatively.

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**TCA:** *Over the last year-and-a-half, NewPoint acquired Housing & Healthcare Finance and hired some big names in the affordable housing industry. What's on the horizon?*

**DB:** Leaving aside some of the economic headwinds we're facing and some of the uncertainty that's out there, we want to continue growing at the same rapid pace we have been. We've had more than ten times growth in terms of originations. While I don't think we're going to sustain that level of growth, I do think we're going to grow at a rapid clip, both in terms of doing more of what we have been doing and adding to our products and looking at how we can source additional capital. We think that the challenging economic environment is going to create more opportunities, rather than fewer, given our distinct strengths. It's actually a good time to plug our most recent addition to the team. We are thrilled to have Mark Dean join us. Mark had an incredibly successful career at several different institutions and has very generously come out of retirement to help us head up

our affordable production activities. We think that's going to really help provide a springboard for growth to get in front of existing and prospective clients, showing them that we are here to build solutions.

**TCA:** *The cost of financing has dramatically increased. How has this impacted your pipeline? Has it been much of a disruption, or have you and your clients been able to restructure deals or find additional sources of financing to keep deals afloat?*

**RW:** It definitely has impacted the pipeline and is delaying deals. We are trying to restructure as many deals as possible. It is a unique time where many state governments have excess, unspent COVID proceeds that are being redirected towards affordable housing. But a lot of deals are stressed. The ones that we can't figure out a solution for are being delayed. But we expect further subsidies to come in and that 2023 will actually be a relatively strong year from a production standpoint.

**We are pursuing a strategy of innovation, one of partnering with different capital sources and looking at different products, rather than narrowly as either a GSE lender or a non-agency lender.**

**TCA:** *What distinguishes NewPoint from other multifamily/affordable housing lenders?*

**DB:** The people define us first and foremost. When you're building a team from scratch, it creates an opportunity to pick and choose from the best and brightest talent throughout the affordable housing sector. Those who share the same vision for what you want to do and embody and the same culture that you want to create. We've got a great affordable team, starting with Rob, who I am thrilled to have heading up our NewPoint Impact platform. There are few people with the breadth of experience and depth of understanding of affordable housing finance that Rob has. We also have a great underwriting team led by Karu Arulanandam. Our production team is now headed by industry veteran Mark Dean, whom I mentioned earlier. And others will be

added to the platform over time. What also distinguishes NewPoint is our strategy. We are pursuing a strategy of innovation, one of partnering with different capital sources and looking at different products, rather than narrowly as either a GSE lender or a non-agency lender. We blur the lines a bit to figure out the best solutions and often create new ones. We take advantage of the capital markets through direct capital and capital-raising activities in addition to the public and private bond markets. And since NewPoint is a GSE lender on top of all that, we are really in a unique position.

**TCA:** *As you know, the LIBOR index will cease next year and be replaced by the Secured Overnight Financing Rate (SOFR). This will be a huge deal for homeowners whose mortgages are tied to LIBOR, but LIBOR was also used for multifamily mortgages. What will the transition process look like for your portfolio and your borrowers?*

**DB:** I don't want to trivialize it in terms of multifamily, but I would analogize it almost to Y2K when it's all said and done. There's been a strong focus on addressing the potential issues, so much so that the transition will not be a big deal. People are already well-accustomed to quoting SOFR – it's no longer an odd term or an odd concept.

**RW:** I agree. There's been a lot of work going on. Everything that needed to happen has happened, including many states passing laws that automatically convert deals to a different index if the loan documentation doesn't provide for it. I think the industry is about as ready for it as it can be.

**TCA:** *It's possible the Fed will raise rates at least one more time this year since inflation is still pretty high. How are you planning for this over the next six to 12 months?*

**DB:** I don't know how much you can really do to plan for it. We are clear-eyed and realistic in terms of where we think the markets are going and what that's going to mean in terms of financing opportunities. I tend to be an optimist. The Fed will do what it needs to. The economy overall is healthy, but for inflation. There is a lack of liquidity in markets. There is a high degree of uncertainty. There is volatility. But that's all driven by monetary policy. Employment is healthy, household balance sheets are

healthy, banks are healthy and residential real estate is healthy. All we need is a bit more stability. For that to happen, we need people to find confidence in what the new normal is in terms of rates – not just for next month or next quarter, but on a longer-term basis. I look forward to when the Fed signals more clearly when the rate increases will stop. Folks can then start penciling that into their projections to determine what a new baseline means for longer-term financing rates and borrowing. In the meantime, it's going to be disruptive. It's going to be challenging. It is going to slow overall investment activity and financing activity. We have to be prepared as an organization—and as an industry—to tighten our belts a little bit for a period of time and have appropriate expectations.

**RW:** I would only add that the future is always uncertain. It's a little bumpier than we would like, but NewPoint has the ability to pivot to design different products to help our clients adapt to whatever comes down the road. **TCA**

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