



Lending Terms for Substantial Rehabilitation

HUD/HFA Risk Sharing Refinancing/Acquisition with Taxable or Tax-Exempt Financing

General Lending Terms:

Loan Type:	Construction and Permanent
Non-Recourse Debt:	Loans are non-recourse debt secured by a first mortgage on land and improvements. The borrower must be a single-asset, sole-purpose entity. Both limited dividend and not-for-profit borrowers are eligible. Available for both taxable and tax-exempt executions.
Total Loan Amount:	Maximum 90% of appraised value as improved based on MassHousing-commissioned appraisal
Interest Rate:	30-year MMD plus to-be-determined spread.
Debt Service Coverage:	Minimum 1.10x
Construction Period:	Up to 24 months, interest only
Term:	Up to 42 years
Amortization:	Fully amortizing over the term of the loan, post construction
Mortgage Loan Application Fee:	0.30% of Loan Amount, plus third party costs
Financing Fee:	2.00% of Loan Amount, payable at loan closing. Generally, we will not charge additional fees for legal, servicing/override, or construction inspection
Construction Security:	MassHousing will require a construction completion guarantee from the project sponsor.
Replacement Reserves:	Annual contribution of \$500/unit generally, but subject to capital needs review

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- Affordability:** Either: 20% of the units must be both rent restricted and occupied by individuals whose income is 50% or less of area median gross income or 40% or more of units must be both rent restricted and occupied by individuals whose income is 60% or less of area median gross income.
- Credit Enhancement:** 0.25% MIP HUD/HFA Risk Share Insurance program, payable annually in advance on declining loan balance. One year of MIP will be due at closing and this amount should be included in the development budget. Thereafter, the MIP will be included in the project's operating budget.
- HUD Firm Approval Processing:** In order for a HUD/HFA Risk Share execution to be used in the funding of the project, borrower will work with MassHousing to submit application materials and documentation required to obtain a Firm Approval Letter and endorsement of the Note from HUD.

General Lending Terms:

- Loan Type:** **Permanent Only**
- Non-Recourse Debt:** Loans are non-recourse debt secured by a first mortgage on land and improvements. The borrower must be a single-asset, sole-purpose entity. Both limited dividend and not-for-profit borrowers are eligible.
- Total Loan Amount:** Maximum 90% of appraised value as improved based on MassHousing-commissioned appraisal.
- Interest Rate:** 10 Year Treasury plus to-be-determined spread
- Debt Service Coverage:** Minimum 1.10x
- Term:** Up to 40 years (Assumes take-out at stabilized occupancy)
- Amortization:** Fully amortizing over the term of the loan
- Mortgage Application Fee:** 0.30% of Loan Amount, plus third party costs
- Financing Fee:** 2.00% of Loan Amount, payable at loan closing. Generally, we will not charge additional fees for legal, servicing/override, or construction inspection.
- Replacement Reserves:** Annual contribution of \$500/unit, but subject to capital needs review
- Take-out Requirements:** When MassHousing is providing permanent financing only and another bank provides construction financing, developments must achieve sustaining occupancy prior MassHousing funds taking out the construction loan. Takeout upon construction completion may be considered if acceptable security is provided.

Affordability:	Either: 20% of the units must be both rent restricted and occupied by individuals whose income is 50% or less of area median gross income <u>or</u> 40% or more of units must be both rent restricted and occupied by individuals whose income is 60% or less of area median gross income.
Credit Enhancement:	0.25% MIP HUD/HFA Risk Share Insurance program, payable annually in advance on declining loan balance. One Year MIP will be due at closing and this amount should be included in the development budget. Thereafter, the MIP will be included in the project's operating budget.
HUD Firm Approval Processing:	In order for a HUD/HFA Risk Share execution to be used in the funding of the project, borrower will work with MassHousing to submit application materials and documentation required to obtain a Firm Approval Letter and endorsement of the Note from HUD.

Additional General Lending Conditions:

(Applicable to both Construction and Permanent and Permanent Only loans)

Equity Requirements:	Minimum 10% of Total Development Cost, exclusive of developer fee and overhead. For details, please see the MassHousing equity requirements policy statement.
Disposition Agreement:	Affordability restrictions must be maintained for the life of the MassHousing loan, but in no event less than 15 years from the date of the MassHousing loan closing.
Developer's Fee & Overhead:	See the MassHousing Developer's Fee and Overhead Policy
Acquisition Value	For transactions involving acquisition, subject to MassHousing review and approval, please refer to MassHousing's Value Policy .
Distributions:	Annual distributions of cash flow are limited to 10% of equity. For details, see the MassHousing Developer's Fee, Overhead and Limited Dividend policy statement .
Equal Opportunity Goals:	MassHousing maintains a strong commitment to equal employment and affirmative action practices. Owner and general contractor must negotiate affirmative action hiring and occupancy goals with the MassHousing Diversity and Inclusion Division, which requires regular reporting.
Operating Security:	Six percent (6%) of the loan amount in cash or letter of credit must be placed in an operating escrow upon MassHousing permanent loan closing. May be waived in whole or in part for occupied properties.

Subordinate Debt:	Subordinate financing is allowed subject to compliance with MassHousing requirements.
Environmental:	See MassHousing’s environmental requirements
Environmental Insurance:	MassHousing may require environmental insurance on a case-by-case basis.
Prepayment:	Not allowed for first 15 years, with 1% fee thereafter, subject to MassHousing policy .
Development Team Experience:	Subject to review and approval by MassHousing, including: developer, contractor and management agent.
Development Team Credit-worthiness:	Review of all development team members to ensure adequate resources for project completion.
Contractor Bonding:	A lien bond and payment and performance bonds in the amount of 100% of the construction contract price. A Completion Assurance Agreement, secured by a letter of credit or cash equal to a minimum of 15% of the construction contract price, may be accepted at MassHousing’s sole discretion in lieu of bonding.
Construction Scope and Budget:	Plans, specifications, and/or a capital needs study will be reviewed to determine the acceptability of the proposed design and scope of construction and/or rehabilitation. The contractor's and/or mortgagor's cost breakdown will be reviewed to assess adequacy of the proposed budget to cover the approved scope of work.
Commercial Income Guarantee:	<p>MassHousing may underwrite commercial/retail space income based upon lease guarantee(s), or other securities, to be provided by an entity acceptable to the MassHousing Director of Rental Lending.</p> <p>Any leases for commercial space shall be subordinated to the MassHousing mortgage loans in a manner and under such terms as are acceptable to MassHousing’s Director of Rental Lending in a form acceptable to MassHousing’s General Counsel.</p>

Reporting Requirements:

The standard reporting requirements associated with MassHousing lending and regulatory agreements include (a) annual financial reporting within 90 days following the end of each fiscal year; and (b) all data relating to the development required to be reported to various regulators, including (where applicable) computation of annual income required by HUD, annual Certifications of Tenant Eligibility, and annual Certification of a Residential Rental Development.

The terms and conditions presented above in no way represent a commitment of financing from MassHousing. MassHousing terms are based on current market conditions and therefore subject to change. The above includes an estimate of all MassHousing costs not otherwise identified in term sheet.