

Preservation – Substantial Rehabilitation

HUD-Insured Loan

MassHousing’s signature preservation loan program offers access to either tax-exempt debt with 4% low-income housing tax credits or taxable debt (with or without 9% credits) as well as unmatched staff expertise in every stage of this type of transaction, from deal structuring through closing to ongoing compliance. A pioneer in all things HUD/HFA Risk Sharing, MassHousing will partner with you to efficiently close a straightforward deal or will problem-solve alongside you to get your complicated and unique transaction over the finish line.

The following general lending terms and additional requirements apply:

General Lending Terms	
Loan Type	Construction-to-permanent or permanent only
Interest Rate Index	Tax-Exempt: 30-year MMD. Taxable: 10-year Treasury
Debt Service Coverage	Minimum 1.10x
Loan-to-Value Ratio	Up to 90% LTV
Term/Amortization	Up to 40 years, plus construction. Fully amortizing.
Affordability Restrictions	Minimum of 20% at 50% of AMI (Area Median Income) or 40% at 60% AMI
Prepayment Lockout	No prepayment in whole or in part is permitted for first 15 years without MassHousing’s consent
Application Fee	0.3% of loan amount plus third-party costs
Financing Fee	2.0% of loan amount
Mortgage Insurance Premium	25-45 basis points, depending on HUD insurance tier
Construction Security	Sponsor completion guaranty; 100% P&P and lien bonds
Third-Party Reports	Phase I ESA, appraisal, Capital Needs Assessment (CNA)
Replacement Reserves	Minimum \$500/unit annually, plus initial deposit to replacement reserve account based on CNA review
Operating Security	6% of loan amount; may be waived for occupied properties
Construction Wages	Davis-Bacon only if loan is Risk Share insured during construction

** A tax exempt permanent loan to take out a third-party construction loan, combined with short-term tax-exempt financing for 50% test purposes may be considered on a case-by-case basis, but the structure, interest rate, and fees will differ from those listed above*

Additional Requirements	
Limited Dividend Requirement	Annual distributions of cash flow are limited to 10% of equity
Asset Management Requirements	MassHousing-approved Tenant Selection Plan and Affirmative Fair Housing Marketing Plan, along with 3% DMH/DDS set-aside**

***3% of units must be set aside for residents receiving services from the MA Department of Mental Health or MA Department of Developmental Services*

For more information, please contact a Rental Relationship Manager:

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