



Lending Terms for Non-Substantial Rehabilitation

Treasury/FFB HUD/HFA Risk Share with Taxable or Tax-Exempt Financing

General Lending Terms

Loan Type:	Permanent with or without Repairs Escrow
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.
Loan Amount:	Maximum 90% of appraised value as improved based MassHousing -commissioned appraisal.
Interest Rate:	10 Year Treasury plus spread of 1.55% annually For tax-exempt transactions, borrower responsible for cost of issuance and bond interest carry
Debt Service Coverage:	Minimum 1.10x
Permanent Loan Term:	Up to 40 years
Amortization:	Fully amortizing over the term of the loan
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.
Replacement Reserves: Affordability:	Annual contribution of \$500/unit generally, but subject to capital needs review 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. Affordability restrictions in place for no less than 20 years from the date of loan closing
Rate Lock:	Rate can be locked following the issuance of a Firm Approval from HUD for a period of up to 60 days.
Eligibility:	<ol style="list-style-type: none">1) For existing property rehabilitation transactions with scope less than \$40,500 per unit, involving not more than one full building system2) Property occupancy not less than 93% over past 12 months.

Last Updated June 2016

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.

Additional General Lending Conditions

Repair Escrows: Based on a MassHousing commissioned capital needs assessment (CNA), loan proceeds will be utilized to ensure that immediate repairs are completed within the first year. Based on the scope of work identified in the CNA, multiple escrows may be established at closing.

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.

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: MassHousing's [Developer 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- Review of all development team members to ensure adequate resources for project

worthiness:	completion.
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:	<p>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.</p>

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 the term sheet.