



Lending Terms for New Construction/Adaptive Reuse

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
Debt Service Coverage:	Minimum 1.10x
Construction Period:	Up to 24 months, interest only
Term:	Up to 42 years
Amortization:	Fully amortizing with 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:	For new construction, minimum contribution of \$350/unit; for adaptive reuse, minimum contribution of \$425/unit.
Lease-Up Deficit Escrow:	Developments with projected initial operating deficits will be required to establish a reserve to cover the projected absorption period. While this amount will be a general development cost item in the budget, it must be funded out of equity.

Program Specific Lending Terms:

HUD/HFA Risk Share Financing Program:

Interest Rate:	Taxable	10 Year Treasury plus to-be-determined spread
	Tax Exempt	30-year MMD plus to-be-determined spread

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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.
Prevailing Wages:	Higher of state prevailing or Davis Bacon wages
Credit Enhancement:	0.25% MIP HUD/HFA Risk Share Insurance program, payable annually in advance on declining loan balance.
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.

MassHousing Mixed-Income Financing Programs (Non-Risk Share):

Interest Rate:	Varies depending on the nature of the transaction and market conditions
Affordability:	20% of units must be both rent restricted and occupied by individuals whose income is 80% or less of area median income
Prevailing Wages:	State prevailing wages required
Credit Enhancement:	MassHousing General Obligation

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.
Debt Service Coverage:	Minimum 1.10x
Construction Period:	24 months
Term:	Up to 40 years (Assumes take-out at stabilized occupancy)
Amortization:	Fully amortizing with the term of the loan
Mortgage Application Fee:	0.3% of Loan Amount, plus third party costs
Financing Fee:	2.00% of Loan Amount
Replacement Reserves:	For new construction, minimum contribution of \$350/unit; for adaptive reuse, minimum contribution of \$425/unit.

Rent-up Period Risk: 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.

Program Specific Lending Terms:

HUD/HFA Risk Share Financing Program:

Interest Rate: Taxable 10 Year Treasury plus to-be-determined spread
Tax Exempt 30-year MMD plus to-be-determined spread

Affordability: Either: 20% of the units must be both rent restricted and occupied by individuals whose income is 50% of 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.

Prevailing Wages: N/A

Credit Enhancement: 0.25% MIP HUD/HFA Risk Share Insurance program, payable annually in advance on declining loan balance.

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.

MassHousing Mixed-Income Financing Programs (Non-Risk Share):

Interest Rate: Varies depending on the nature of the transaction and market conditions

Affordability: 20% of units must be both rent restricted and occupied by individuals whose income is 80% or less of area median income

Prevailing Wages: N/A

Credit Enhancement: MassHousing General Obligation

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 MassHousing's Developer Fee and Overhead Policy
Acquisition:	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 require 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.
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.
Market Feasibility Study:	An independent market feasibility study may be required.
Prepayment:	Not allowed for first 15 years, with 1% fee thereafter, subject to MassHousing policy .
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.
Commercial Income Guarantee:	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. 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.

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.

Site Approval: MassHousing is empowered to issue site approval for a comprehensive permit application for developments in localities where the number of low- or moderate-income units constitutes 10% of less of the total number of housing units. For further details, see the MassHousing [Site Approval Application](#).

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.