

New Construction or Adaptive Reuse

HUD-Insured* Loan

MassHousing recognizes the significant need for new affordable housing in the Commonwealth and welcomes the opportunity to work with developers to finance new construction and adaptive reuse proposals. Depending on the type of deal, MassHousing can provide taxable or tax-exempt financing and can be your construction and permanent lender or can take-out your third-party construction lender. The Agency has a long history of working in partnership with developers and their public and private partners to increase the supply of quality affordable housing in the Commonwealth.

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	Appraisal, Phase I ESA
Replacement Reserves	Minimum \$360/unit annually for new construction or \$425/unit annually for adaptive reuse, plus initial deposit to replacement reserve account if deemed necessary
Operating Security	6% of loan amount
Construction Wages	Higher of Prevailing or Davis-Bacon wages**

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***

* Please see HUD-Insured Loan Features information sheet for more details.

** These requirements apply if MassHousing is the construction lender.

*** 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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