



MASSACHUSETTS HOUSING PARTNERSHIP FUND PERMANENT RENTAL FINANCING PROGRAM

Summary of Terms and Underwriting Guidelines

- Eligible Borrowers:** For-profit and non-profit borrowers.
- Property Types:** Multifamily rental and single-room occupancy (SRO) properties with 5 or more units
- Loan Type:** Permanent take-out financing provided by a first mortgage. Minor renovations may be funded through a holdback of a portion of the permanent loan at closing. For more significant renovations, construction financing is available through the OneSource Program, offered in affiliation with the Massachusetts Housing Investment Corporation and other construction lenders.
- Loan Size:** Maximum loan of \$15 million; minimum loan of \$250,000 (except for projects that are part of a community redevelopment effort, in which case the minimum loan size is \$100,000).
- Affordability:** At least 20 percent of the units in the property must be affordable to households earning less than 50 percent of median area income, **or** at least 40 percent of the units must be affordable to households earning less than 60 percent of median area income, **or** at least 50 percent of the units must be affordable to households earning less than 80 percent of median area income, as such median income is defined by the U.S. Dept. of Housing and Urban Development (HUD). Alternatively, at least 25 percent of the units in each project must be rented to households earning less than 80 percent of the median area income, provided that the maximum allowable restricted rents are at least 10 percent below comparable market rents. Please call MHP for a list of the rent and income limitations for your community. Affordable housing agreements shall be recorded that ensure the maintenance of the affordability requirements for a term equal to the term of the loan (regardless of whether the loan is prepaid).
- Term:** Maximum of 20 years, amortizing up to a maximum of 30 years.
- Loan-to-Value Ratio:** Maximum of 85 percent based on the lower of total development cost or as complete appraised value.

- Debt Coverage Ratio:** Minimum of 110 percent over the life of the loan. For properties with fewer than 20 units, the pro forma must demonstrate a minimum coverage of 115 percent over the life of the loan. A capitalized operating reserve may be required to meet these requirements over time.
- Interest Rate:** Current interest rates are available by calling MHP at (617) 330-9955, x256. The interest rate may be fixed prior to permanent loan closing at the borrower's expense. Other terms and reduced rates are available for eligible non-profit sponsors.
- Subordinate Debt:** All other financing must be fully subordinated to the MHP first mortgage. Subordinate debt from other lenders is permitted within the constraints of MHP's minimum debt coverage requirements.
- Environmental:** For loans over \$500,000, a "Phase One" limited site investigation and report is required; for loans under \$500,000, MHP will make a determination regarding appropriate level of environmental review.
- Lead Paint:** Prior to closing borrowers must submit "letters of compliance" which certify that each unit in the property complies with the Massachusetts Lead Law (M.G.L. Chapter 111 and 105 CMR 460.00) and is suitable for occupancy by a child under the age of six. This may be waived by MHP under certain conditions (e.g., SRO properties).
- Rehabilitation:** The scope of rehabilitation must be sufficient to maintain the long-term use of the property as affordable housing. The property will be inspected by MHP staff including a review of existing conditions of the building and may include a review of plans and specifications by MHP's consulting architect or engineer.
- Commercial Space:** Total commercial space cannot exceed 33 percent of the gross rentable area. If commercial income is required to achieve debt coverage requirements, this income will be discounted from actual or estimated market rents and commercial leases will be required.
- Development Team:** The development team must demonstrate a successful track record with projects of similar size and complexity.
- Management:** The management agent selected for the project must have a proven track record in managing properties of similar type and tenancy.
- Financial Capacity:** The borrower and sponsor must demonstrate the financial capacity to successfully operate the project over the full term of the loan.
- Recourse:** Loans will be full recourse to the borrower and will require the unlimited personal guaranty of the project sponsor, except for projects financed with low-income housing tax credits, where no guarantees are required. Arrangements other than full recourse can be negotiated for non-profit borrowers and for projects with low loan-to-value characteristics.

Replacement

- Reserve:** For family units, the minimum requirement is \$325/unit/year; for SRO units, the minimum requirement is \$200/unit/year. The amount may be increased depending on the particular capital needs of the project.
- Prepayment:** No prepayment is to be allowed within the first five years after the loan is closed, and thereafter prepayment is only allowed provided that arrangements satisfactory to MHP for the continuation of the affordability restrictions at the property are made. Payment of a yield maintenance premium will also be required.
- Application Fee:** A non-refundable application fee is due at the time of application submission. For loan requests up to \$500,000, the fee is \$500 (\$250 for non-profit sponsors). For loan requests over \$500,000, the fee is equal to one-tenth of one percent (0.1%) of the loan amount.
- Commitment Fee:** Upon approval and issuance of a loan commitment, a non-refundable commitment fee of one percent (1%) of the loan amount (1.5 percent for loans with construction holdbacks) is due in two installments: one-half at acceptance of commitment and one-half at the earlier of construction loan closing or permanent loan closing.
- Third Party Costs:** Borrower is responsible for all third party costs incurred during loan processing including but not limited to appraisal costs, legal review, and architectural/engineering reviews.

***For further information, please call MHP at (617) 330-9944 x222
or visit us at www.mhp.net***

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