



MASSDEVELOPMENT



MATCH Program

Massachusetts Tax-exempt Credit for Housing

Obtaining tax-exempt financing has long been a challenge for affordable housing developers needing between \$3 and \$15 million. Recognizing that smaller scale affordable rental housing is needed in all areas of the Commonwealth, MassDevelopment and the Massachusetts Housing Partnership (MHP) have teamed up to offer The MATCH Program – Massachusetts Tax-exempt Credit for Housing.

The MATCH Program gives owners of affordable multi-family housing permanent tax-exempt bond financing. Bonds are guaranteed by a letter of credit from the Federal Home Loan Bank, giving them a AAA credit rating and the lowest possible rates.

Program Specifics

Who is eligible?

- For-profit and non-profit organizations.

What can be financed?

- Eligible projects are multifamily rental housing developments with at least 20 percent of the units affordable to renters earning up to 50 percent of area median income, or at least 40 percent of the units affordable to renters earning up to 60 percent of median area income. Within the affordable units, 10 percent of the units in the project must be affordable to renters earning up to 30 percent of the area median income.
- Financing is available in amounts ranging from \$3-\$15 million per project. If feasible, projects exceeding \$15 million may be financed with additional subordinate debt.
- Bond proceeds may be used for acquiring expiring use properties, refinancing existing properties, or take-out financing for newly constructed properties.
- Minimum debt service coverage ratio is 110 percent; maximum loan-to-value ratio is 85 percent.
- Assistance in obtaining construction financing will be provided if needed.

How do the bonds work?

- Bonds are issued by MassDevelopment on behalf of MHP. MHP gives the project sponsor a mortgage loan for the full amount of the bond issue.
- Mortgage loans are secured by a first lien on the property and rental revenues.
- Bonds are issued with a fixed interest rate for a 20-year term with a 30-year amortization, leaving a balloon payment due at maturity.
- Bonds are credit-enhanced by a 20-year AAA-rated letter of credit from the Federal Home Loan Bank, qualifying the project for the lowest real estate financing available in the marketplace.

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What fees and interest rates can be expected?

- Bonds may be issued with fixed interest rates. Interest rates for AAA rated bonds of similar maturities have ranged from 4.75 to 5.25 percent in 2005 and 2006.
- In addition to interest payments, an annual letter of credit fee of 1-1.25 percent is due depending on the amount borrowed and credit profile.
- Closing costs are dependent in part on the amount financed, and can be financed in an amount not to exceed 2 percent of the total bond issue. Borrowers may request a full estimate of closing costs before submitting an application.
- There is a 10 basis point application fee due to MHP at time of application.

What is the application process?

- A completed application is submitted to MHP and MassDevelopment for review.
- Upon approving the project's eligibility and credit, MHP's and MassDevelopment's boards of directors will vote on the project and the bonds can proceed to closing.
- Borrowers should allow a minimum of 90 days from application to closing.

About MassDevelopment and MHP

MassDevelopment is the Commonwealth's economic development authority, providing real estate development and financial support to projects that provide community benefits. Products are offered to support projects at every stage, from predevelopment and environmental remediation funding to tax-exempt bonds and loans and guarantees for real estate and equipment. MassDevelopment is one of the largest issuers of tax-exempt bonds in the state, having issued over \$12.8 billion in bonds for over 3000 projects.

The Massachusetts Housing Partnership (MHP) is a primary lender for the development and financing of affordable housing in the Commonwealth. MHP provides a variety of innovative financing programs ranging from predevelopment assistance to long-term financing for multifamily properties. Established in 1985, MHP has helped almost 10,000 families buy their first home, financed the production of more than 12,000 housing units and has provided technical assistance or long-term financing in over 300 communities across the Commonwealth.

For more information:

- Please call MHP at 617-330-9944 x222, or MassDevelopment's marketing department at 800-445-8030. Or visit our websites at www.mhp.net or www.massdevelopment.com.