

August 26, 2009

Home Funders

Permanent Rental Financing Program

The *Home Funders* Permanent Rental Financing Program provides below-market permanent rental financing to owners of eligible properties that agree to set aside a minimum number of units for extremely low-income families. Projects receiving multiple sources of funding are eligible for this program.

Summary of Terms and Underwriting Guidelines

Eligible Borrowers: For-profit and non-profit borrowers.

Eligible Properties: Multifamily rental properties with 10 or more new units. A minimum of 50% of the total units must be family-sized units (two or more bedrooms). Properties must be in locations with good access to public transportation. The provision of social service coordination is required at whatever level is appropriate for the residents of the development.

Financing Available: A 1st mortgage loan through MHP's Permanent Rental Financing Program combined with a 2nd mortgage loan of up to \$50,000 for each 30% of median income unit (maximum \$750,000 per project). This *Home Funders* loan will be at an interest rate of 2%. The *Home Funders* loan allows interest-only payments during the 20-year term of the loan, and full repayment of principal is required at maturity. The amount of the *Home Funders* loan shall be for the minimum amount necessary to achieve project feasibility.

Minor renovations may be funded through a holdback of a portion of the permanent loans at closing. For more significant renovations, construction financing is available through the OneSource Program, offered in affiliation with a number of construction lenders.

A one time "Occupancy Grant" of \$1,000 per Home Funders unit may be available to eligible projects. These funds are awarded at the time of initial occupancy of the property.

Affordability: At least 20% of the total units must be family-sized units that are affordable to households with incomes at or below 30% of the area median income (AMI), with a minimum of 5 units. The 30% of AMI units must be restricted for a minimum term equal to the term of the *Home Funders* loan. The 30% of AMI units should be subsidized by a project-based Section 8 contract, which may be available from DHCD or the local housing authority. With the exception of housing authority sponsored projects that must make units affordable to all tenants at 30% of their incomes, no more than 50% of the total units may be subsidized by a project-based Section 8 contract. Please call MHP or visit our web site at www.mhp.net for a list of maximum rents and household incomes for your community.

Loan-to-Value Ratio: The first mortgage loan must be no higher than 85% of the lower of total development cost or appraised value. Underwriting must demonstrate that the balance on the 1st and 2nd mortgages can be repaid at maturity.

Debt Coverage Ratio: Minimum combined debt coverage ratio on the 1st and 2nd mortgages shall be 1.15 for projects with fewer than 20 units, and 1.10 for projects with 20 or more units. A capitalized operating reserve may be required to meet these requirements over time.

1st Mortgage

Recourse: In most cases, 1st mortgage loans will be recourse to the borrower and will require the unlimited personal guaranty of the project sponsor. Alternative security arrangements may be available in certain cases, such as when the project involves the syndication of low-income housing tax credits.

1st Mortgage

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).

1st Mortgage

Term/Amortization: Maximum of 20 years, amortizing up to a maximum of 30 years.

1st Mortgage

Interest Rate: Current interest rates are available by calling MHP at (617) 330-9944, extension 338. 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.

1st Mortgage

Prepayment:

No prepayment is allowed within the first ten years after the loan is closed, and thereafter prepayment is only allowed provided that arrangements satisfactory to the MHP Fund 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 combined 1st and 2nd mortgage loan requests up to \$500,000, the fee is \$500 (\$250 for non-profit sponsors). For combined 1st and 2nd mortgage loan requests over \$500,000, the fee is equal to one-tenth of one percent (0.1%) of the combined 1st and 2nd mortgage loan amount.

Commitment Fee:

Upon approval and issuance of a loan commitment, a non-refundable commitment fee of one percent (1%) of the combined 1st and 2nd mortgage loan amount (1.5% for 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.

For further information, please call Megan Mulcahy at MHP at 617-330-9955, or visit us at www.mhp.net.