Massachusetts
Housing
Partnership

Last updated: 6/18/2010

MHP/Fannie Mae Affordable Financing Program
(For loans exceeding $15 million)

Summary of Terms and Underwriting Guidelines

Program Description:	MHP has been approved by Fannie Mae as a special seller/servicer for affordable properties located in Massachusetts. This designation allows MHP to offer permanent first mortgage financing for large loans of over $15 million that are secured by affordable multifamily properties. Under this special multi-year agreement, MHP will sell participation interests to Fannie Mae for loans that meet established underwriting criteria in order to finance properties that are above MHP's typical $15 million loan limit.
Eligible Borrowers:	For-profit and non-profit single purpose entities.
Property Types:	Multifamily rental properties that meet the underwriting and affordability requirements outlined below.
Loan Type:	Permanent take-out financing provided by a first mortgage. Except for minor renovations funded through a holdback of a portion of the permanent loan at closing, no construction financing is available through this program.
Loan Size:	Up to $30,000,000. Larger loans will be considered on a case-by-case basis.
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

	visit www.mhp.net/rental_development/resources.php 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 greater of 10 years or 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:	75%, based on the lower of total development cost or as-complete appraised value (80% with limited recourse).
Debt Coverage Ratio:	The operating pro forma must demonstrate a minimum debt service coverage in year one of 125%, based on an interest rate floor. A minimum debt service coverage of 110% must be maintained over the life of the loan.
Interest Rate:	Current interest rates are available on MHP's web site at www.mhp.net/rates. Forward rate commitments are available.
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:	A "Phase One" limited site investigation and report is required.
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., new construction).
Rehabilitation:	The scope of rehabilitation must be sufficient to maintain the long-term use of the property as affordable housing. MHP's staff and its consulting architect/engineer will inspect the existing conditions at the property and will review all plans and specifications.

Commercial Space:	Total commercial income cannot exceed 20 percent of the Effective Gross Income. 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. Additionally, the total commercial space cannot exceed more than 33 percent of the gross rentable area.
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.
Loan Structure:	The loan will be documented by two Notes, Note A and Note B, both payable to MHP. Upon satisfaction of all requirements, FannieMae will purchase a 100% participation in the portion of the loan evidenced by Note A. MHP will fund Note B, but will service both pieces of the loan.
Guaranties:	The project Sponsor shall provide an unconditional guaranty of: (i) all obligations under the Loan in the event of the occurrence of any standard and customary bad acts and Fannie Mae requirements; (ii) the Borrower's indemnifications, including without limitation, for hazardous materials; and (iii) any prepayment premium due under the Notes. Any entity or individual providing a guaranty of the recourse obligations must be non-foreign.
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 or prepayment penalty will also be required.

Application Fee:	A non-refundable application fee is due at the time of application submission. The fee is equal to one-tenth of one percent (0.1%) of the loan amount.
Appraisal:	An appraisal will be commissioned at the time of application. MHP will collect a deposit for the full amount of this report prior to the engagement of the appraiser.
Commitment Fee:	Typically ½% of the loan amount. The Commitment fee is payable in two installments: one-half at acceptance of commitment and one-half at the earlier of construction loan closing or permanent loan closing.
Forward Rate Lock:	Forward rate commitments of up to 24 months are available.
Good Faith Deposit:	Prior to rate lock, the Borrower is required to provide a refundable deposit to MHP equal to two percent (2%) of the portion of the loan funded by Fannie Mae. This fee will be reimbursed to the Borrower upon successful purchase of Note A from Fannie Mae. In addition the Borrower and Sponsor will be required to sign an interest rate lock agreement with MHP obligating them to cover any rate lock breakage costs.
Escrows:	Monthly escrows for Real Estate Taxes and Insurance will be required.
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.
Tax-Exempt Bond Credit Enhancement:	Product information is available upon request.

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