



### TAX-EXEMPT FINANCING USING HUD/FHA RISK SHARING

This source of financing is a popular tool for the creation and preservation of affordable housing because of the long-term fixed rate financing at favorable interest rates and the low-income housing tax credits such financing can generate.

The issuance of any tax-exempt obligation is subject to various provisions of the Internal Revenue Code so consultation with tax professionals is advised.

**For details on this financing program, contact:**

**Jim Menihane, Director, Business Development at [jmenihane@nhhfa.org](mailto:jmenihane@nhhfa.org) | 603-310-9273**

GENERAL LENDING TERMS	
<b>Affordability</b>	Either 20% of the units must be both rent restricted and occupied by individuals whose income is 50% or less of area median income or 40% or more of the units must be both rent restricted and occupied by individuals whose income is 60% or less of area median income. Affordability restrictions in place for the life of the loan, or at least 20 years if taking out equity.
<b>Loan Type</b>	Permanent and Construction/Permanent
<b>Eligible Asset Type</b>	New construction and existing properties with substantial rehabilitation.
<b>Eligible Borrowers</b>	Profit and not-for-profit. The borrower must be a single-asset sole purpose entity.
<b>Non-Recourse Debt</b>	Loans are non-recourse debt secured by a first mortgage on land and improvements.
<b>Loan amount</b>	Maximum 90% of appraised value as improved. Up to 95% if sponsored by a non-profit.
<b>Interest Rate</b>	Subject to bond market conditions and priced weekly. Call for quote. Borrower is responsible for full interest carry on the bonds.
<b>Debt Service Coverage</b>	Minimum 1.15x
<b>Loan Term</b>	Up to 42 years
<b>Construction period</b>	Up to 24 months, interest only
<b>Amortization</b>	Fully amortizing over the life of the loan, post construction.
<b>Prepayment</b>	15-year lockout

<b>Rate lock</b>	Rate is locked at the execution of the Bond Purchase Agreement. In general, loan closing occurs within two weeks of the Bond Purchase Agreement date.
<b>FEES AND CHARGES</b>	
<b>Application Fee</b>	\$1,000, plus third-party report costs
<b>Financing Fee</b>	0.75% of loan amount capped at \$250,000. At loan commitment, \$25,000 is due, and the balance is due at loan closing. Borrower is responsible for all costs of bond issuance. Call for good faith estimate.
<b>Credit Enhancement Fee</b>	0.125% MIP HUD/FHA Risk Sharing Insurance Program, payable annually in advance on declining loan balance. One year of MIP will be due at closing and this amount should be included in the development budget. Thereafter, the MIP will be included in the project's operating budget.
<b>Tax Credit Fee</b>	For projects utilizing low income housing tax credits, a fee equal to 7% of the final allocation amount is required with 1% due at the time the Determination Letter is requested. The balance is due at the issuance of the 8609.
<b>Tax Credit Monitoring Fee</b>	For projects utilizing low income housing tax credits, a monitoring fee of \$600 per tax credit unit is due at the issuance of the 8609.
<b>Construction Admin Fee</b>	NHHFA charges a construction administration fee to cover the cost of a plan review and bi-weekly construction inspections performed by a third-party professional during the construction period.
<b>OTHER POLICIES AND TERMS</b>	
<b>Replacement Reserves</b>	Annual contribution of \$500/unit, but subject to review of capital needs assessment (CNA) for projects with substantial rehabilitation.
<b>Operating Reserve</b>	Minimum 4 months operating expenses including debt service. May be waived in whole or in part for occupied properties.
<b>Insurance Escrow</b>	An amount equal to one full year's property and liability insurance premium meeting NHHFA's requirements will be escrowed at loan closing. For projects with renovations, the necessary construction period insurance premium shall be paid in full at loan closing.
<b>Real Estate Tax Escrow</b>	At loan closing, sufficient funds shall be escrowed to pay the estimated amount of real estate taxes at the next billing date, less any amounts estimated to be escrowed for real estate tax payments from rental receipts for the period between the closing and the real estate tax billing date.

<b>Repair Escrow</b>	For substantial rehabilitation projects, a Capital Needs Assessment (CNA) will be required with a 20-year forecast and cost estimates for all recommended improvements in the first 10 years. Loan proceeds will be utilized to ensure that immediate repairs are completed within the first year and a Repair Escrow established to fund the estimated cost of repairs projected over no less than the first five years of the projection period. See NHHFA's Design & Construction Standards for Rehabilitation for additional requirements at <a href="http://www.nhhfa.org/assets/pdf/TechnicalDesign-ConstructionStandards_Rehab.pdf">www.nhhfa.org/assets/pdf/TechnicalDesign-ConstructionStandards_Rehab.pdf</a> .
<b>Contractor Bonding</b>	For projects of 11 or more units, a 100% payment and performance bond is required. The Authority may allow the use of a letter of credit valued at 15% of the total construction loan in lieu of a payment and performance bond. See NHHFA's Design & Construction Policy Rules for additional requirements <a href="http://www.nhhfa.org/assets/pdf/about/rules/HFA111.pdf">www.nhhfa.org/assets/pdf/about/rules/HFA111.pdf</a> .
<b>Developer Fee</b>	The Developer Fee is not a guaranteed or automatic budgetary figure and must be approved by NHHFA within the context of each project. See NHHFA's Underwriting and Development Policies for Multi-Family Finance for additional requirements <a href="http://www.nhhfa.org/assets/pdf/underwritingstandards.pdf">www.nhhfa.org/assets/pdf/underwritingstandards.pdf</a> .
<b>Distributions</b>	Annual distributions of cash flow may be limited depending on other sources of subsidy in the project. For details see Distribution Limitations and Performance Indicators (HFA:204.12) at <a href="http://www.nhhfa.org/assets/pdf/about/rules/HFA204">www.nhhfa.org/assets/pdf/about/rules/HFA204</a> .
<b>Anti-Displacement Policy</b>	Involuntary permanent displacement of tenants is strongly discouraged. See NHHFA's Underwriting and Development Policies for Multi-Family Finance for additional requirements at <a href="http://www.nhhfa.org/assets/pdf/underwritingstandards.pdf">www.nhhfa.org/assets/pdf/underwritingstandards.pdf</a> .
<b>Subordinate Debt</b>	Subordinate financing is allowed subject to compliance with Authority requirements. See NHHFA's Underwriting and Development Policies for Multi-Family Finance for additional requirements <a href="http://www.nhhfa.org/assets/pdf/underwritingstandards.pdf">www.nhhfa.org/assets/pdf/underwritingstandards.pdf</a> .
<b>HUD FIRM Approval Process</b>	In order for HUD/FHA Risk Sharing commitment to be received, the borrower will work with NHHFA to submit application materials and documentation required to obtain the FIRM Approval Letter and endorsement of the Note from HUD.
<b>Reporting Requirements</b>	The Authority monitors all projects that receive its financing. HUD also requires REAC inspections for properties credit-enhanced with FHA Risk Sharing insurance. See NHHFA's Asset Management & Compliance at <a href="http://www.nhhfa.org/asset-management-compliance">www.nhhfa.org/asset-management-compliance</a> .