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 loans are guaranteed by FHA Risk-Sharing insurance provided by the U.S. Department of Housing and Urban Development (HUD).

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: Ryan Pope, Senior Director, Multifamily Development and Finance at rpope@nhhfa.org | 603-310-9211

GENERAL LENDING TERMS	
Affordability	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.
Loan Type	Permanent and Construction/Permanent
Eligible Asset Type	New construction and existing properties with substantial rehabilitation.
Eligible Borrowers	Profit and not-for-profit. The borrower must be a single-asset sole purpose entity.
Non-Recourse Debt	Loans are non-recourse debt secured by a first mortgage on land and improvements.
Loan amount	Maximum 90% of appraised value as improved. Up to 95% if sponsored by a non-profit.
Interest Rate	Subject to bond market conditions and priced weekly. Call for quote. Borrower is responsible for full interest carry on the bonds.
Debt Service Coverage	Minimum 1.15x
Loan Term	Up to 42 years
Construction period	Up to 24 months, interest only
Amortization	Fully amortizing over the life of the loan, post construction.

Prepayment	15-year lockout
Rate lock	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.
FEES AND CHARGES	
Various	Please refer to the NH Housing Fee Schedule on NH Housing's website.
OTHER POLICIES AND TERMS	
Replacement Reserves	Annual contribution of $500/unit, but subject to review of capital needs assessment (CNA) for projects with substantial rehabilitation.
Operating Reserve	Minimum 4 months operating expenses including debt service. May be waived in whole or in part for occupied properties.
Insurance Escrow	An amount equal to one full year's property and liability insurance premium meeting NH Housing'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.
Real Estate Tax Escrow	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.
Repair Escrow	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 NH Housing's Design & Construction Standards for Rehabilitation for additional requirements: https://www.nhhfa.org/developer-financing/design-and-construction/.
Contractor Bonding	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 NH Housing's Design & Construction Policy Rules (HFA 111) for additional requirements: https://www.nhhfa.org/developer-financing/design-and-construction/.

Developer Fee	The Developer Fee is not a guaranteed or automatic budgetary figure and must be approved by NH Housing within the context of each project. See NH Housing's Underwriting and Development Policies for Multifamily Finance for additional requirements: https://www.nhhfa.org/developer-financing/underwriting-and-development-policies/.
Distributions	Annual distributions of cash flow may be limited depending on other sources of subsidy in the project. See NH Housing's Replacement Reserve and Residual Receipts Rules - Distribution Limitations and Performance Indicators (HFA 204.12) at https://www.nhhfa.org/forms/.
Anti-Displacement Policy	Involuntary permanent displacement of tenants is strongly discouraged. See NH Housing's Underwriting and Development Policies for Multifamily Finance for additional requirements: https://www.nhhfa.org/developer-financing/underwriting-and-development-policies/.
Subordinate Debt	Subordinate financing is allowed subject to compliance with Authority requirements. See NH Housing's Underwriting and Development Policies for Multifamily Finance for additional requirements: https://www.nhhfa.org/developer-financing/underwriting-and-development-policies/.
HUD FIRM Approval Process	In order for HUD/FHA Risk Sharing commitment to be received, the borrower will work with NH Housing to submit application materials and documentation required to obtain the FIRM Approval Letter and endorsement of the Note from HUD.
Reporting Requirements	The Authority monitors all projects that receive its financing. HUD also requires REAC inspections for properties credit-enhanced with FHA Risk Sharing insurance. See NH Housing's Asset Management & Compliance at www.nhhfa.org/asset-management-compliance.