

Pass-Through Revenue Bond Financing Program (Conduit)

(Program Factsheet)

Housing Finance Loan Closer

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Program Overview

The Conduit Program's objectives provide for additional flexibility in the financing structure using tax-exempt bond financing (an allocation of the State's volume cap). Experienced affordable housing development teams have the ability to maximize control in selecting the financing team and negotiate financing terms. The Conduit process assumes the tax-exempt bond allocation request is coupled with a request for 4% Low Income Housing Tax Credits (LIHTC) and possibly other OHCS funding sources; bond allocation requests that do not include LIHTC requests will be evaluated on a case-by-case basis. The Program offers a single-point (the OHCS Loan Officer) for the development team. A single application with supplemental forms is used to access all available OHCS funds (one-stop shopping). Department staff work in partnership with the selected lender(s) and equity investors to concurrently underwrite the bond allocation, coordinate the varying underwriting criteria, and synchronize all funding sources to have received full commitment well in advance of a potential bond sale.

A Conduit Process Chart is attached to provide an overview of the Department's underwriting and review process.

For full Program details, visit the Loan Application website.

Eligibility

- Eligible borrowers include for-profit, non-profit and governmental entities.
- The proposed project must meet the tax-exempt bond (Section 142(d)) affordability requirement for a minimum of 15 years or as long as the bonds are outstanding; whichever is longer.
- The development team must have adequate financial strength and creditworthiness to support the proposal.
- The team must demonstrate the capacity to develop, own, maintain and manage the proposal as an affordable bond/4% LIHTC housing project for a minimum of 15 years.

Program Requirements

- Loan funds are disbursed in an escrow company acceptable to the Department.
- Bond Counsel, Trustee, bond purchaser and others must be acceptable to the Department.
- Borrowers select a complete development team (lender, equity investor, bond purchaser, property management, general contractor, architect, and other professionals) experienced in developing similar affordable housing properties.
- The experienced development team must be complete and issued firm written commitments without substantial conditions at least 30 days prior to the potential bond sale.

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- The Department relies primarily upon the lender and equity investor's underwriting criteria. Therefore it is necessary for the lender and equity investor to be prepared to provide their underwriting criteria, analysis and conclusions to Department staff.
- Bond denominations must be a minimum of \$100,000.

Loan Terms/Interest Rate

There are no minimum or maximum bond allocation request limits at this time. The permanent financing term is generally 30 years, but the combined construction and permanent terms may not exceed 45 years. Financing may allow for prepayment, but affordability commitments and compliance monitoring will continue for the affordability period. The interest rate is estimated during bond allocation underwriting and is fixed at bond sale closing. Call a Loan Officer for current interest rate estimates.

Loan Charges

Borrowers pay a \$1,500 application charge at the time they submit the loan request (this is in addition to any LIHTC charges). A 1% Finance Charge of the aggregate bond issuance is due at bond closing. An additional 2% Finance Charge may be due if requesting use of short-term bond financing. A 2% Administrative Charge based on the original long-term bond issuance amount is due annually for a minimum of 15 years or the term of the bonds (whichever is longer).

Borrower have the option of paying the Net Present Value (NPV) of the Administrative Charge at bond sale closing (eliminating the ongoing annual Administrative Charge). Contact a Loan Officer to assist in calculating the potential NPV cost. The borrower is responsible for all costs of bond issuance including bond counsel, financial advisors and other legal counsel. Contact a Loan Officer for a complete list of bond issuance and closing costs, or visit the Proforma Excel Spreadsheet on the website for a listing of standard costs developers can expect to incur in normal bond allocation transactions.

Fund Availability

Conduit bond allocation requests are non-competitive at this time and the application is open year round.

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For More Information

For more information, contact **Becky Baxter**, Loan Closer, at 503.986.2074 or by E-mail Becky.Baxter@hcs.state.or.us.

To talk with someone about developing affordable housing in your area, contact a **Regional Advisor to the Department** at 503.986.2000 or visit the website at:

http://www.ohcs.oregon.gov/OHCS/DO_RegionalAdvisors.shtml

OHCS is the state housing finance agency, providing financial and program support to create and preserve opportunities for quality, affordable housing for lower income Oregonians. The agency also administers federal and state antipoverty, homeless and energy assistance community service programs.

