

Risk Sharing Loan Program & Elderly and Disabled Loan Program

Risk Sharing Loan Overview	<p>The Risk Sharing Loan Program provides below-market interest rate permanent mortgage loans by issuing pooled tax-exempt bond financing for affordable multifamily rental housing projects. Oregon Housing and Community Services (OHCS) and HUD equally share in the AAA credit enhancement program. Through HUDs PHA mortgage issuance program, OHCS provides credit enhancement, plus bond issuance.</p>
Elderly and Disabled Loan Overview	<p>The Elderly and Disabled (E&D) Loan Program provides below-market interest rate permanent mortgage loans by issuing pooled tax-exempt bond financing for affordable multi-unit rental housing projects. Borrowers may apply for this loan for construction of new affordable housing or for acquisition and/or rehabilitation of existing properties. This program finances apartments, congregate care, residential care, and assisted living facilities for elderly persons, as well as group care homes for mentally and physically disabled persons. OHCS provides credit enhancement, plus bond issuance.</p>
Eligible Projects For Risk Sharing Loan	<ul style="list-style-type: none"> • Multifamily rental housing projects with a minimum of five units. • New construction or acquisition with rehabilitation. If rehabilitation project, the borrower must spend an amount at least equal to 15 percent of the amount of bond funds used to rehabilitate the facility within two years. • Single or multiple noncontiguous sites, if within a distance allowing efficient management.
Eligible Projects For Elderly and Disabled Loan	<ul style="list-style-type: none"> • Multifamily rental housing projects with a minimum of two units. Projects providing 21 or more elderly housing units with a multi-purpose room large enough to seat all the residents. • New construction or acquisition with rehabilitation. If a rehabilitation project, the borrower must spend an amount at least equal to 15 percent of the amount of bond funds used to rehabilitate the facility within two years. • Single or multiple noncontiguous sites, if within a distance allowing efficient management. • Land must be owned in fee simple. • Each unit must contain a living area, sleeping area, kitchen and private bath. The kitchen must be equipped with a refrigerator, sink and either a cooking range and oven, or a microwave oven if the physical or mental condition of the resident makes it imprudent to provide a cooking range and traditional oven.
Borrowers	<p>Nonprofit, for-profit, or government entity developers of affordable housing to Oregonians. Generally, the borrower must be a single-asset entity.</p>
Loan Terms	<p>30 years, but may go up to 40 years; however may not allow for early payment (prepayment) of the loan.</p>
Program Requirements (Risk Sharing and Elderly and Disabled)	<ul style="list-style-type: none"> • Loan requests will be presented to the Finance Committee for review and approval. Any loan request exceeding \$200,000 must be presented to the State Housing Council for approval. • Bond proceeds may be used to reimburse the borrower's allowable expenses incurred after 60 days prior to the "Official Action Date" as long as the borrower has provided OHCS with a preliminary application prior to expending funds.

- A minimum 1.20:1 income to debt coverage ratio (DCR). The maximum permanent financing will be based on 85 percent of appraised value or 100 percent of certified allowable total project costs; whichever is less.
- Developer’s fees must be reasonable and equivalent to the size and complexity of the project. Fees will be limited by OHCS program guidelines.
- The project must be a qualified low-income development according to Section 142 of the Internal Revenue Code (IRS). The borrower must choose one of the two following options: 1) at least 20 percent of the units are occupied by families whose income is 50 percent or less than the area median income with adjustments for family size; or 2) at least 40 percent of the units are occupied by families whose income is 60 percent or less of the area median income with adjustment for family size. Up to one-third of the units may be occupied by families whose income is more than 120 percent of area median income.
- Low-income units must be equally distributed throughout the project (mix of unit types).
- Borrowers may not recover off-site development costs, marketing, advertising, lease-up reserves, and other items which are not capitalizable from OHCS bond financing.
- A complete appraisal with a self-contained report, prepared by a State of Oregon Certified Appraiser, ordered by the construction (interim) lender.
- A Capital Needs Assessment will be required for all acquisition and/or rehabilitation projects.
- If a project has been built prior to 1978, a certified lead-based paint inspection must be completed and submitted to OHCS prior to funding commitment.
- OHCS approves the proposed management agent, the management agents’ plan, qualifications, management fee, and proposed resident services.
- Distribution of surplus cash flow is restricted to annual withdrawal after review of the project’s audited financial statements by OHCS.
- Annual audited financial statements are to be provided to OHCS within 90 days after the project’s fiscal year end.
- Rents charged for all units are restricted.
- For rehabilitation projects, OHCS may require a third party inspector to attend the draw request meetings, review draw requests and change orders, inspect the construction progress, and report findings to OHCS.
- OHCS may require detailed information during the construction, including requesting AIA forms and/or formats be used for reporting purposes, copies of the construction lender’s monthly drawdown budget, and copies of the construction lender’s inspector’s report.
- OHCS may require the borrower to include a licensed architect on their development team.
- A Level One environmental report must be prepared by a qualified independent consultant.
- Acquisition and Rehabilitation projects must have a minimum of 15 percent of the loan invested in the rehabilitation costs of the project.
- No more than 25 percent of the loan proceeds may be used directly or indirectly for the acquisition of land.
- At the time the Loan Commitment Letter is signed, a commitment charge equal to two percent of the loan is collected.
- At the time the construction loan closes, the charges for Cost of Issuance may be collected.
- Prior to close of permanent financing, OHCS may require the project to achieve

	<p>90 continuous days of stabilized occupancy at or above a minimum debt service coverage ratio of 1.15 - 1.20:1.</p> <ul style="list-style-type: none"> • A Replacement Reserve Account (minimum of \$300 per unit annually for new construction; higher for rehabilitation and supported by the appraisal and Capital Needs Assessment) shall be funded by the borrower on a monthly basis in addition to the mortgage payment. Payment of the Reserve Account will be included in the monthly mortgage coupon. • During underwriting, the department may determine if additional reserves will be required. • At permanent loan closing the project funds a Contingency Escrow Account equal to three percent of the loan amount and all closing costs. This Account cannot be funded by bond proceeds and will be released to the borrower over a five year period.
<p>Additional Requirements Risk Sharing</p>	<ul style="list-style-type: none"> • Upon loan approval by the State Housing Council and completion of the HUD-retained reviews, HUD will issue a Firm Approval Letter subject to the availability of credit subsidy. • A Subsidy Layering review in accordance with HUD standards. • The borrower must submit a completed HUD form-2530 (Previous Participation) listing all principals having an interest in the development and disclosing any past participation in HUD-FHA programs. Principals include owners, development consultants, general contractors, project managers, management agents, and architects and attorneys having any interest in the project other than arms-length fee arrangements for services. Any adverse findings will be discussed by HUD with the affected party.
<p>Additional Requirements Elderly & Disabled</p>	<ul style="list-style-type: none"> • Assisted living facilities and residential care facilities must be licensed by the Senior and Persons with Disabilities (SPD). • Rent increases must be requested in writing at least 60 days prior to the proposed implementation date. • An Assisted Living Facility (ALF) may jeopardize their status as a residential rental project if they provide continual or frequent nursing, medical or psychiatric services. Such services cause the project to not qualify as residential rental property and shall not be funded with tax-exempt bond proceeds.
<p>Charges</p>	<ul style="list-style-type: none"> • A nonrefundable loan application charge of \$1,500 is due upon submission of the application package. • A Commitment Charge of two percent of the loan amount is due upon the borrower’s acceptance of the Department’s commitment letter. • A Cost of Issuance Charge of two percent of the loan amount is due at the time construction financing closes. • OHCS may require the borrower to pay a Negative Arbitrage Charge, which would be due at the time permanent financing closes. • No monitoring charges are required for the Elderly and Disabled Loan Program. • Risk Sharing with 4% Low Income Housing Tax Credits (LIHTC) require a \$45 per unit, per year monitoring charge.
<p>Learn More</p>	<p>Visit the loan application webpage for full program details at: http://www.oregon.gov/ohcs/Pages/multifamily-housing-loan-risk-sharing-elderly-disabled-application.aspx</p>