Multifamily Rental Financing: Permanent Loan Program Manual

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Introduction and Background

The Multifamily Rental Financing: Permanent Loan Program (Permanent Loan Program) is a first-lien permanent debt program administered by Oregon Housing and Community Services (OHCS). The Permanent Loan Program was launched by OHCS following direction from the Oregon Legislature in 2025 (SB 684) to provide permanent long-term financing options for residential housing. Permanent loans are made to projects using tax-exempt or taxable bonds through the following pathways:

542(c) HUD/HFA Risk-Sharing

- Section 542(c) provides credit enhancement for multifamily residential mortgages via full FHA mortgage insurance. HUD and OHCS proportionally share in the risk of these mortgages, which are originated, underwritten, processed, and serviced by OHCS. Loan proceeds may be used to provide long-term financing to support refinancings, new construction, or acquisitions and rehabilitations of multifamily rental housing.
- These loans are funded with direct revenue bonds. OHCS receives bonding authority through SB 5505.

Elderly and Disabled Bonds (ORS 456.519)

- ORS 456.519 authorizes OHCS to issue Elderly and Disabled bonds to finance housing serving older adults and Persons with Disabilities. Through this financing structure, OHCS may issue bonds backed by the state's general obligation to provide below-market financing to support the development, acquisition, and rehabilitation of affordable multifamily rental housing serving these specific populations.
- These loans are funded with bonds backed by the state's general obligation. OHCS receives bonding authority from SB5505 and Article XI-I of the Oregon Constitution.

Purpose

OHCS is re-entering the direct lending market to strengthen and expand Oregon's affordable housing financing tools amid rising development costs, higher interest rates, construction inflation, and declining tax credit pricing. The Permanent Loan Program allows OHCS to issue bonds, lend the proceeds directly to affordable and Mixed-Income Projects, and reinvest earnings back into other housing projects, helping to create a more sustainable and resilient financing structure over time.

This approach is intended to diversify and stabilize affordable and Mixed-Income Project financing during periods of market uncertainty. By pairing favorable lending rates and flexible loan terms, OHCS aims to maximize the impact of limited public subsidy resources and support the long-term viability of affordable housing development statewide. OHCS lending also provides developers with access to a reliable, mission-driven financing partner capable of responding to evolving market conditions.

By re-establishing direct lending capacity, OHCS is positioning itself to better support affordable housing developers with competitive financing tools while building greater resilience within Oregon's affordable housing ecosystem. This strategy aligns with OHCS' broader goals of increasing housing production, leveraging public resources efficiently, and ensuring long-term program sustainability.

Application Guidelines

Applications for the Permanent Loan Program are accepted on an ongoing basis, subject to resource availability and project fit, via the Oregon Centralized Application (ORCA).

In addition to the standards outlined in the ORCA Manual, Permanent Loan Program projects will be subject to the following additional submission requirements:

- Schedule of Real Estate Owned (REO)
- Three years of applicant organizational financial statements (balance sheet, cash flow statement, income statement)
- Schedule of Contingent Liabilities
- Management agent and General Contractor (GC) identified (if applicable)
- Surety Letter / Payment & Performance Bond with GC (if applicable)

All applications are subject to staff review, OHCS credit committee review, and Housing Stability Council approval. During the stages of review under the ORCA application process, the successful applicant will receive:

  - Interest Letter – following a preliminary financial review for projects expected to be placed on a subsidy waitlist. Will receive at the end of Impact Assessment.

- Letter of Intent – following a first round of credit committee review (and subject to the Executive Director's approval). Received at the end of Impact Assessment or beginning of Financial Eligibility.
- Commitment Letter – following approval by the Housing Stability Council. Received during the Commitment or Financial Closing step.

The credit committee consists of internal and external members, with representatives from Oregon state agencies, another state Housing Finance Agency, and members of the public with experience in real estate or banking. Members are appointed by the OHCS Executive Director and provide structured review and scrutiny of project financial investments that complement internal OHCS controls and underwriting.

Borrower Eligibility

Nonprofits, housing authorities, local governments, federally recognized tribal nations, and for-profit applicants are eligible to apply.

Project Eligibility

Permanent Loan Program offerings are available for new construction, acquisition, or stabilized property refinancings. For new construction or projects with substantial rehabilitation needs, a separate financing source must pay for construction or rehabilitation expenses. Refinancings through the Permanent Loan Program are available to properties that have maintained an average occupancy of over 93% (including consideration of rent in arrears) over the most recent 12 months.

Projects must be rental properties of at least five units and must comply with one of the following affordability set-asides for the greater of fifteen years or the life of the loan:

- 20% of all units restricted at 50% AMI or lower
- 40% of all units restricted at 60% AMI or lower

Eligibility Requirements for Elderly and Disabled Projects:

In addition to the requirements above, projects funded through the Elderly and Disabled (E&D) pathway must serve income-eligible households that meet the program definitions and occupancy requirements established under ORS 456.519 and implemented by OHCS in accordance with the rules and requirements set forth in OAR chapter 813, division 30. Eligible tenants must meet the occupancy criteria of an approved Elderly Housing Project or Disabled Housing Project, as defined in OAR chapter 813, division 30, and this manual.

Elderly Housing Projects:

An Elderly Housing project must qualify under one of the Fair Housing Act exemptions for "Housing for Older Persons" and must comply with all applicable federal and state requirements related to age-restricted housing. The following are eligible occupancy structures:

- Housing provided under any state or federal program that the Secretary of Housing and Urban Development has determined to be specifically designed and operated to assist elderly persons (as defined in the state or federal program);
- Housing intended for, and solely occupied by, persons 62 years of age or older; or
- Housing intended and operated for occupancy by persons 55 years of age or older, provided the project complies with all applicable Housing for Older Persons Act (HOPA) requirements, including:
  - At least 80% of occupied units include at least one resident who is 55 years of age or older;
  - The project publishes and adheres to policies and procedures demonstrating the intent to operate as housing for persons 55 years of age or older; and
  - The project complies with applicable U.S. Department of Housing and Urban Development (HUD) age-verification requirements.

Disabled Housing Projects:

A Disabled Housing Project must serve Persons with Disabilities as defined in OAR 813-030-0010.

To qualify as a Disabled Housing Project, the development must meet at least one of the following criteria:

- At least 20% of units are occupied by, or continuously offered to, Persons with Disabilities; or
- At least 20% of units meet fully accessible design standards consistent with ADA accessibility requirements, as referenced in OAR-030-0010.

Third-Party Reports

Permanent Loan Program applicants will be required to satisfy the Third-Party Investigation standards detailed in the ORCA Manual. The following guidelines outline heightened requirements specific to the Permanent Loan Program:

Environmental Studies

Projects seeking to utilize the 542(c) HUD/HFA Risk-Sharing pathway must undergo an environmental review in accordance with the National Environmental Policy Act of 1969 (NEPA) and the related regulations, laws and authorities at 24 CFR Part 58. OHCS will determine the level and scope of the review and, in cooperation with project applicants, complete the Environmental Review Record (ERR) and applicable public notices. The applicant is responsible for all costs associated with environmental review.

The project may not undertake any activities that could have an adverse environmental impact or limit the choice of reasonable alternatives until the environmental review is complete and HUD has issued a Firm Approval Letter for the project. (See OHCS' HUD Environmental Review and Choice Limiting Action Requirements, OHCS Risk-Sharing Program document in the project's Procorem Workcenter.)

OHCS staff will reach out to program applicants during the Impact Assessment phase of the ORCA process to review all requirements. The applicant should be prepared to provide environmental reports and engage an environmental consultant to conduct the review unless OHCS determines a consultant is not required. If there are environmental impacts, then mitigation measures must be completed at the applicant's expense. Environmental review results may have a direct impact on approval/denial of Risk-Share funds.

Market Study

As part of the due diligence process, OHCS requires an independent market analysis and appraisal for each property under consideration for funding. OHCS will initiate and order the market study, and the applicant is responsible for all associated costs.

The market study evaluates a multifamily project's potential for acceptance and absorption in the local market. OHCS uses this analysis to assess:

- Current market conditions

- Anticipated market response to the proposed project
- Project performance under prevailing conditions and in comparison to competing projects

The study will include data on population trends, absorption rates, vacancy levels, and other relevant market characteristics.

Appraisal

Appraiser Selection

Appraisals are ordered during the Financial Eligibility stage of the ORCA application process, once all required documentation is submitted. OHCS selects appraisers from its pre-approved list, published on its website, using a competitive bid process based on location, timing, and cost.

Appraisals must be commissioned directly by OHCS. Reports from other institutions or private parties will not be accepted. For scattered site projects, a separate appraisal is required for each property. Scattered site properties must be within 120 miles of each other.

Applicant Responsibilities

Applicants are responsible for all costs related to market studies and appraisals. OHCS will invoice these expenses in the settlement statement. Reports will be uploaded to Procorem for applicant access prior to financial close.

If an applicant disagrees with the findings of these reports, the applicant may request a second market analysis or appraisal at its own expense from OHCS' approved list during the Financial Eligibility stage or the Commitment stage. Applicants should be aware that such requests may delay closing.

Any material change to the project or scope of work may result in delayed market study or appraisal delivery and additional costs, which the applicant must cover. OHCS reserves the right to order additional appraisals and market studies if determined necessary by OHCS, with the full cost of such appraisals and market studies borne by the applicant. In such cases, OHCS will assign a task in Procorem requiring applicant acknowledgement.

Reasons OHCS may Require a Second Report:

- Disagreement with the appraiser's market assumptions
- Discovery of a conflict of interest following issuance of the report
- Applicant disputes the findings

- Project fails to reach financial close within nine months of the completed report
- Any other reason OHCS may determine casts doubt or concern of accuracy with the original appraisal.

The applicant will be invoiced for all costs incurred, regardless of whether the project reaches financial close.

Capital Needs Assessment & Building Envelope Inspections

Acquisitions without rehabilitation, Substantial Rehabilitations, and refinancings without rehabilitation will require a Capital Needs Assessment that complies with the requirements outlined in the Architectural Index.

If the project was constructed prior to 1978, lead-based paint and asbestos inspection reports will be required and completed by a licensed inspector. If abatement is required, the borrower will comply with lead-based paint requirements in 24 CFR Part 35 and 24 CFR Section 200.820 paragraphs (a) through (d) and any applicable DEQ requirements. Abatement and maintenance plans will be submitted to OHCS for review. Plans must demonstrate compliance with all applicable federal requirements for lead-based paint or the state DEQ requirements for asbestos.

General Building Envelope Inspection Requirements

A comprehensive third-party building envelope inspection dated within 12 months of the funding application submission is required for all acquisition/rehabilitation and acquisition-only Permanent Loan Program applications. Envelope inspections may be included as part of the Capital Needs Assessment (CNA) or a separate, stand-alone report.

Consultant Requirements

The consultant performing the envelope inspection must possess a State of Oregon Architect license, a State of Oregon Professional Engineer license, or a State of Oregon Commercial Construction Contractor license.

The envelope inspection consultant must be in the practice of performing specialized envelope integrity-related consulting that includes both issue identification and providing guidance related to issue resolution.

Identity of Interest

Except for a potential connection to the CNA vendor on the project, the Envelope Assessment vendor must not have an identity of interest with the project owner or any member of the owner's project team.

Scope

At a minimum, the envelope assessment must include the following:

- Complete building envelope evaluation, including, but not limited to roofing, siding, windows, doors, flashing, gutters, downspouts, joints, junctions, and penetrations.
- Identification of areas or conditions where building geometry, changes in surface planes, or material transitions have been designed or constructed in a way that makes the condition especially or uniquely vulnerable to water intrusion. Such conditions should be identified even when there is no current evidence of an envelope performance issue.
- Identification of any conditions that do not (in the inspector's opinion) meet or exceed current industry best practice for materials or methods even when there is no current evidence of an envelope performance issue.
- Identification of suspected contributing factors to any vulnerabilities observed such as, but not limited to, poor or inadequate building HVAC design/management, site surface drainage, and irrigation management.
- Crawlspace and attic inspection/evaluation
- Thermal imaging, as needed
- Recommendation for deeper intrusive (targeted deconstructive evaluation/testing), as deemed prudent

Proposal for Follow-On Remedial Work Consultation *(When deemed prudent by the Envelope Consultant or as requested by the owner)*

A follow-on scope of work outline and fee estimate should be included that covers the following general scope:

- Development of detailed technical guidance (construction ready details/specifications) sufficient for a construction contractor to develop a construction estimate for the recommended work.

- Periodic site visits to evaluate contractor performance and provide construction period support to the owner associated with the corrective scope of work.

Loan Terms and Underwriting Guidelines

Mortgage Credit Review

Financial statements, HUD 2530 Previous Participation Certificates (OHCS will submit to HUD on behalf of the applicant), and other ORCA Due Diligence items will allow OHCS to determine a borrower's creditworthiness. Borrowers must demonstrate adequate financial strength to support the construction and operation of the project long term. OHCS reserves the right to decline an applicant pursuant to the results of a mortgage credit review.

Loan Terms

Rates: Competitive tax-exempt and taxable fixed rates, updated weekly on our website
Amortization: up to 40 Year amortization.
Term: Fully amortizing up to 40 years, with 17-year or 30-Year Balloons available.
Affordability Length: 15 years or the term of the loan, whichever is longer.
Recourse: Non-Recourse, with standard industry carveouts and environmental indemnity.
Payments: monthly amortizing principal and interest payments over the term of the loan, with outstanding principal and interest due at loan maturity. In addition, escrow for taxes and insurance and required reserve accounts.

Affordability Period

Restricted units will be subject to an affordability period that is the greater of 15 years or the term of the loan (while the loan is outstanding). If combined with other funding sources that impose affordability restrictions, the most restrictive terms will control.

Developer Fee Limits

Please refer to the Maximum Developer Fee guidelines in the General Policy and Guideline Manual (GPGM).

Minimum Loan Size

Recommended minimum loan size is $3,000,000. Smaller loans will be considered on a case-by-case basis and will require applicant deference to OHCS' chosen closing timeline. All loans are funded with proceeds from the sale of bonds, and bond sales require a minimum threshold to be economically viable given third-party transaction costs, including fees of bond counsel, financial advisors. By pooling projects into one bond sale and on one timeline, bond issuance costs can be shared by the pooled projects.

Loan-to-Value (LTV) Ratio Limits

Maximum LTV of 90% of a project's As-Restricted Appraised Value, or a maximum Loan-to-Cost (LTC) of 95%, whichever is less. For permanent loans that will finance a cash equity payment to the borrower (a cash-out refi), the Permanent Loan amount will be restricted to no more than 80% of the Project's then current As-Restricted Appraised Value. Exceptions may be made to permit higher LTVs for Projects with Rental Assistance of 75% (percentage of units with project-based assistance) or more with a long-term commitment in excess of 10 years, subject to OHCS approval.

Debt Service Coverage Requirements

Please refer to the Minimum Debt Coverage Ratio requirements in the GPGM.

Reserve Requirements

Please refer to the Minimum Reserves requirements in the "Operating Pro Forma" section of the GPGM.

Subordinate Debt

All other debt secured by all or any portion of the project must be fully subordinate to the Permanent Loan Program loan with no foreclosure or acceleration rights as long as the Permanent Loan Program loan is outstanding, except that LIFT loans and any other loans funded by Article XI-Q bonds may share a first-lien position with any Permanent Loan Program loan. OHCS may consider the exclusion of subordinated debt from the maximum LTV ratio limits in the case of cash flow government-related subordinate debt or other subordinate debt as determined by OHCS.

Prepayment Policy

OHCS will consider prepayment requests after year 10 if the Project is refinancing with an OHCS loan. Otherwise, OHCS will consider prepayment requests after year 15, subject to the borrower agreeing to a five-year extension of the affordability period. In addition, the following requirements will apply to any prepayments agreed to by OHCS:

- Borrowers must make a written request to OHCS for any proposed prepayment. OHCS will take up to 90 days to review, and will consider condition of the physical asset, compliance with the regulatory agreement(s), and financial statement analysis. Proposed prepayment dates may be no sooner than 120 days from the date of submitted prepayment request.
- Borrowers are required to pay all associated costs, including yield maintenance cost, processing cost and any other costs associated with the transaction.

Relative Parity in Mixed-Income Projects

Mixed-Income Projects must include equal access to shared building amenities for all tenants and provide comparably marketable units and opportunities; where unit mix or size is not comparable for affordable and unrestricted units, applicants will need to provide narrative describing the rationale for any disparities, and demonstration of market fit (as evidenced in required third-party reports) specific to both the affordable and unrestricted units for the intended submarket.

Closing Procedures

Construction Closing

OHCS is a required party to all construction loan working group calls ahead of construction closing. The program requires a Good Faith Deposit of $10,000 (to be applied to the bond issuance charge) to begin loan working group calls with legal counsel for all parties and OHCS' financial advisors. Project applicants must satisfy all ORCA Standards and closing items before OHCS will provide a funding commitment. All Permanent Loan Program funding is subject to Housing Stability Council (HSC) approval.

Rate Lock & Closing Timeline

Applicants must work with OHCS to determine a mutually acceptable closing date to match the needs of the associated bond issuance. Please contact your assigned Production Analyst for further details. Loan rates may be locked up to 30 days prior to initial closing. Rate may be locked for the term of the construction period, not to exceed 36 months. At its sole discretion, OHCS may offer up to three 3-month extensions for a fee equal to .25% of the loan amount plus possible additional financial costs related to the extension.

Final Closing / Conversion

OHCS will provide the borrower with a conversion checklist to complete as a condition of final closing. Conversion working-group calls will be held over a period of approximately two months to ensure the successful completion of the conversion checklist. Some items on the conversion checklist include:

- Proof of stabilized occupancy (93% occupancy for a period of 90 consecutive days), evidenced by certified rent rolls signed by the Management Agent and the borrower
- Final Cost Certification
- Updated financial statements
- Sources and Uses allocation

Construction Monitoring

OHCS has implemented a comprehensive plan for construction and rehabilitation oversight of OHCS-funded Projects, which is described in the OHCS Architectural Index. OHCS will review and approve all construction-related documents prior to commencement of construction and will monitor construction progress until Project completion. OHCS will review and approve plans, specifications, and written cost estimates. Plans and specifications must comply with OHCS design and construction standards as described in the OAI.

The construction contracts and other construction documents, including the written scope of work to be performed, must describe the work to be undertaken in sufficient detail to establish the basis for a uniform inspection of the housing to determine compliance with OHCS design and construction standards as described in the OAI. All written cost estimates for construction and/or rehabilitation, as well as change orders, must be reviewed by OHCS and are subject to OHCS' determination that the costs are reasonable.

OHCS staff and/or a qualified third-party inspector approved by OHCS will conduct an initial property inspection and regular progress inspections during construction and/or rehabilitation, including but not limited to at 50%, 90% and 100% completion, to ensure work is completed within OHCS Architectural standards, as described in the Architectural Index. Progress payments must be consistent with the amount of work performed prior to such payments. A final inspection will be conducted in order for OHCS to determine if work was done in accordance with the Project's approved work write-up or plans, and final payment will not occur until OHCS has determined that construction has been completed in accordance with the applicable codes, the construction contract, and other construction documents.

These inspections will be independent of other funders' inspections, including construction lender inspections.

Loan Servicing and Reporting

Risk-Share Reporting

Pursuant to 24 CFR Part 266 OHCS will report on the status of every Risk Share project for OHCS (e.g., current, paid-in-full, in default, acquired, under workout agreement, in bankruptcy) to HUD semi-annually, and track such reporting to ensure timely submission. Those submissions will include:

- Mid-Year Report for the period of January through June will be submitted by Oct. 15 of each year.
- Year-End Report for the period of July through December will be submitted by March 13.

These reports will also include a copy of the OHCS' Audited Financial Statements for the most recent fiscal year-end, along with a summary of actions planned, with target dates, to correct unresolved findings.

Annual physical inspection reports will be submitted to HUD within 72 hours of inspection and will be followed by a certification that the project was either in compliance with the physical conditions requirements, or that a plan of physical deficiency and corrective actions is in place, with target completion dates, to correct unresolved findings and any subsequent certification of compliance. Specific remediation items will be identified in a property's HUD Real Estate Assessment Center (REAC) Property Inspection report.

Loan Servicer Requirements

Mortgage loans made by OHCS are serviced by OHCS or through approved mortgage lenders and servicers. The Servicing Agreement between OHCS and the servicer requires the servicer to promptly collect and remit monthly mortgage payments and mortgage insurance premium payments, to provide a monthly accounting of such payments, and to maintain applicable escrows for the payment of property taxes and insurance premiums as they become due. OHCS currently has one "master loan servicer" for all Permanent Loan Program loans.

For more information on OHCS' ongoing compliance, please see the E&D Compliance Manual and Risk-Share Compliance Manual.

Definitions

Article XI-Q Bonds – A type of Oregon General Obligation bond authority to be used to produce funds to acquire, construct, remodel, repair, equip or furnish real or personal property. In the context of OHCS, these bonds are used to fund the Local Innovation Fast Track, Permanent Supportive Housing, and Preservation programs.

As-Restricted Appraised Value – Appraisal valuation method that ascribes a value to a property with all intended governmental encumbrances in place.

Contingent Liabilities – A potential financial obligation that may or may not occur, depending on the outcome of a future uncertain event.

Loan-to-Cost - The ratio of a loan amount to the total cost of a real estate project, expressed as a percentage, used to assess financing risk and equity requirements.

Loan-to-Value – The ratio of a loan amount to the appraised value of the asset being purchased, expressed as a percentage.

Mixed-Income Project – A residential development that integrates residents from various income levels including low, moderate and market rate households.

Multifamily Housing – A structure or facility

i. Established primarily to provide housing
ii. That provides more than one living unit

Multifamily housing may also provide facilities that are functionally related and subordinate to the living units for use by the occupants in social, health, educational or recreational activities. The living units may include, but are not limited to, individual living units within such structures, mobile home and manufactured dwelling parks and residential facilities licensed under ORS 443.400 to 443.455 and other congregate care facilities with or without domiciliary care.

Non-Recourse– A type of loan or debt where the lender's recovery in case of default is limited solely to collateral, and the borrower is not personally liable for any shortfall.

ORCA Manual – The most current document that provides guidance for the Oregon Centralized Application (ORCA) process.

ORCA Standards – The evaluation standards listed for each step in the ORCA Manual.

Persons with Disabilities - Means a person who has a physical or mental impairment that substantially limits one or more Major Life Activity.

Rental Assistance – A form of financial aid that provides assistance to an individual or family in support of their residential lease obligations. Financial aid can come from a federal, state, local or other third-party source and can be utilized for rent, utilities or security deposit, or some combination thereof. Assistance is generally tied to a qualification requirement such as income. Rental assistance can be tied to the unit, the tenant or the sponsor agency.

REO Schedule – Also referred to as a Schedule of Real Estate Owned (SREO) is a document listing all properties an investor owns, including associated debt, income, and expenses, used primarily for lending, underwriting, and investment purposes.

Substantial Rehabilitation - Occurs when the scope of work to improve an existing project exceeds in aggregate cost a sum equal to the base per dwelling unit limit times the applicable high-cost factor established by the HUD Commissioner, or when the scope of work involves the replacement of two or more building systems and the cost of such replacement exceeds 50% of the cost of replacing the entire system. The base per dwelling unit limit is $19,948 for 2025, and will be adjusted annually based on the percentage change in the consumer price index.

Surety Letter – A legally binding document in which a third party guarantees the obligation of another party, providing assurance to a beneficiary that commitments will be fulfilled.