

Illinois Housing Development Authority



Risk Sharing Program Guidelines

The Illinois Housing Development Authority (IHDA) is offering first mortgage loans financed by the sale of mortgage participation certificates or the issuance of taxable and tax-exempt bonds for qualifying multifamily rental developments. The loans are credit enhanced by FHA mortgage insurance, which is provided jointly by IHDA and HUD pursuant to the Risk Sharing Program. IHDA handles the majority of the loan underwriting and closing process with minimal involvement by HUD.

Development Type:	New construction; substantial rehabilitation; moderate rehabilitation; refinancing requests will be considered on a case by case basis
Loan Amount:	\$2 million - \$25 million for mortgage participation certificates; \$5 million - \$25 million for loans financed by bonds
Loan Term:	Typically, loans fully amortize with terms of 25 – 30 years; 40 years possible for new construction; interest only during construction period.
Debt Coverage Ratio:	1.15:1 for new construction loans; 1.25:1 for rehabilitation and refinancing loans; 1.40 for SLF properties; > 1.25:1 for special purpose properties
Interest Rate:	For bond financed loans: Interest rates will be determined just prior to the time of closing. For mortgage participation-financed loans: Interest rates can be “locked” 45 to 60 days prior to closing.
Low/Moderate Income Requirements:	A minimum of 20% of the units must be set-aside for households earning at or below 50% of the area median income (AMI), or a minimum of 40% of the units must be set-aside for households earning at or below 60% of the AMI. Tenant income restrictions remain in effect for the life of the loan.
Low/Moderate Rent Requirements:	A minimum of 20% of the units must be rented at or below the maximum Rent Limit for households earning at 50% of the area median income (AMI), or a minimum of 40% of the units must be rented at or below the maximum Rent Limit for households earning at 60% of the AMI. Rent Limit restrictions remain in effect for the life of the loan.
Prepayment:	Prepayment is generally prohibited for at least 10 years.
Return on Equity:	Return on equity is established by IHDA and limited to 2 times the yield on a 30 year Ginnie Mae mortgage certificate, as of the date of the loan commitment.
Liability:	Non-recourse after construction, except for usual carve-outs (fraud, environmental, etc.)

Illinois Housing Development Authority



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Fees:

At Application:

Application Fee: For-Profit - \$1,500
100% Not-for-Profit - \$1,000

Prior to Initial Loan Closing ("ILC"):

Fees and Deposits: Approximately \$75,000 - \$90,000
Mortgage Insurance
Premium (MIP): 50% of the annual MIP

At ILC:

Loan Origination Fee: The greater of \$40,000 or
2% of the bond or loan
MIP: .50% of the loan per year;
Fee calculated through Final
Loan Closing + 12 months
Servicing Fee: .25% of the loan; calculated
through Final Loan Closing
Trustee/Other Fees: \$2,500 for 24 mos.
IHDA Legal Fees: \$25,000

After Final Loan Closing (Operating Phase-paid from NOI):

MIP: .50% of the loan amount
Servicing Fee: .25% of the loan amount
Trustee/Other Fees: \$2,500

Reserves:

Replacement Reserve:

\$300 per unit for new elderly developments
\$350 per unit for new family developments
\$350 per unit for rehabilitation and refinanced developments

Real Estate Tax and Insurance Reserves:

Funded in development and operating budgets

Initial Rent-Up Reserve:

The greater of 3% of the loan amount or estimated negative cash flows to break-even operation. Any balance in the reserve will be held until the project achieves the underwritten debt coverage ratio, then the funds will be disbursed to other IHDA held reserves and/or used to reduce the deferred developer fee.

Operating Reserve:

An operating reserve will be established in an amount at 3 months of break-even operations + estimated operating losses during the loan term.

Illinois Housing Development Authority



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Debt Service Reserve:

1- 7 months of debt service (depending on rating)

Letters of Credit:

Construction Completion Assurance:

A minimum of 25% of the construction contract or a 100% payment and performance bond in the amount of the construction contract. The letter of credit will be returned at Final Loan Closing.

Working Capital/Latent Defect:

Assuming no default, the letter of credit of 3% of the loan amount will be returned 12 months after Final Loan Closing.

Timing:

Loan commitment issued approximately 6 months after receipt of complete application.

More Information:

Contact Steve Gladden at 312-836-5200