

## 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.

<b>Development Type:</b>	New construction; substantial rehabilitation; moderate rehabilitation; refinancing requests will be considered on a case by case basis
<b>Loan Amount:</b>	\$2 million - \$40 million
<b>Loan Term:</b>	Typically, loans fully amortize with terms of 25 – 40 years; interest only during construction period.
<b>Debt Coverage Ratio:</b>	1.20:1 for new construction loans; 1.25:1 for rehabilitation and refinancing loans; 1.40 for SLF properties
<b>Interest Rate:</b>	<b>For bond financed loans:</b> Interest rates will be determined just prior to the time of closing.  <b>For mortgage participation-financed loans:</b> Interest rates can be "locked" 45 to 60 days prior to closing.
<b>Low/Moderate Income Requirements:</b>	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.
<b>Low/Moderate Rent Requirements:</b>	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.
<b>Prepayment:</b>	Prepayment is generally prohibited for at least 10 years; may be longer based on financing source.
<b>Return on Equity:</b>	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.
<b>Liability:</b>	Non-recourse after construction, except for usual carve-outs (fraud, environmental, etc.)

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#### Fees:

##### At Application:

Application Fee: \$2,500

##### 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 \$75,000 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 months

IHDA Legal Fees: \$25,000

##### After Final Loan Closing (Operation 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, ≤ 2 bedroom units

\$400 per unit for rehabilitation, refinanced developments, ≥ 3 bedroom units.

##### Real Estate Tax and Insurance Reserves:

Funded in development and operating budgets

##### Initial Rent –Up Reserve:

The estimated negative cash flows during initial rent up period. Any balance in the reserve will be held until the project achieves the underwritten debt coverage ratio for 4 consecutive quarters.

##### 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.

##### Debt Service Reserve:

1 – 12 months of debt service (principal and interest), depending on rating.

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**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 Defects:**

Assuming no default, the letter of credit of 3% of the hard construction costs: returned 12 months after final loan closing.

**Timing:**

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

**More Information:**

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