

Description	<p>For either a taxable 9% deal or a 4% tax-exempt bond deal, IHDA will enter into a Bond Purchase Agreement (BPA) to issue bonds at closing or to issue refunding bonds at project stabilization with an institution selected by the borrower. This institution will normally be the same firm providing the construction financing.</p> <ul style="list-style-type: none"> • Borrower or sponsor selects financial institution that will enter into the forward BPA. <ul style="list-style-type: none"> ◦ Institution must be acceptable to IHDA in all respects. • Fees payable to the financial institution, if any, must be fully disclosed to IHDA at initial application. • IHDA will facilitate all aspects of the closing process related to the permanent financing, the BPA, and the issuance of the bonds. • All costs related to the permanent financing and bond refunding (if applicable) will be paid by the borrower. • The interest rate under the BPA for the permanent period will be set at the initial closing of the construction loan. • IHDA will issue and service the long-term bond(s) with payments flowing through IHDA. • At stabilization, IHDA will deliver either a tax-exempt or taxable bond. • Pricing and pricing methodology must be acceptable to IHDA.
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For more information, please visit IHDA's website: www.ihda.org/developers

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The contents of this overview are for informational purposes only. This overview is not a commitment of any kind. Programs, fees, rates, terms and conditions are subject to change without notice. All applications are subject to the satisfaction of IHDA's review, underwriting and credit approval. IHDA is not obligated to make any financing available. IHDA may accept, modify, or reject an application and/or the terms and conditions of financing, at any time in its sole and absolute discretion. All transactions require the review and approval of IHDA's Board.

Financing the creation and preservation of affordable housing

Effective Date: July 2019

Products & Services	<ul style="list-style-type: none"> • IHDA structures a short-term and/or long-term conduit bond or loan (for tax-exempt transactions). Long-term bonds are issued at closing or at stabilization as part of a refunding. • IHDA allocates 4% or 9% Low Income Housing Tax Credits (LIHTC), subject to the IHDA's Qualified Allocation Plan (QAP) and underwriting requirements. • IHDA provides a permanent, taxable or tax-exempt mortgage.
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For more details	See IHDA Bond Programs information
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Benefits	<ul style="list-style-type: none"> • Long-term, fully-amortizing financing provided by IHDA (up to 40-years). • 100% of the credit risk during the permanent period shared between IHDA and HUD (generally 50% IHDA / 50% HUD). • Strong investor interest for Aaa/AAA-rated, Risk-Sharing credit enhanced securities allows IHDA to provide competitive, long-term mortgage rates. • IHDA will deliver a long-term bond with a rating and a CUSIP to the investor. The HUD Risk-Sharing credit enhancement should equate to a Aaa/AAA rating on the bond. A final rating will be obtained for each deal and is subject to rating agency review.
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Section 542(c) Risk-Sharing Program Information	<p>IHDA has originated and expects to originate loans under the Section 542(c) Risk-Sharing Program. Section 542(c) of the Housing and Community Development Act of 1992, as amended (the "Risk-Sharing Act") authorized the Secretary of HUD to enter into risk-sharing agreements with qualified state or local housing finance agencies ("HFAs") to underwrite and process loans for which HUD, acting through the Federal Housing Administration ("FHA"), will provide full mortgage insurance for eligible developments. HUD has promulgated regulations at 24 C.F.R. Part 266 (the "Regulations") pursuant to the Risk-Sharing Act. The HUD Risk-Sharing Program allows IHDA to carry out certain HUD functions, including the assumption of underwriting, loan management, and property disposition functions and responsibility for defaulted loans, and provide for reimbursement of HUD for a portion of the loss from any defaults that occur while the HUD contract of mortgage insurance is in effect.</p>
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Participating qualified state and local HFAs, including IHDA, may originate and underwrite affordable housing loans including new construction, substantial rehabilitation, refinancing, and housing for the elderly. The program provides full FHA mortgage insurance to enhance HFA bonds to investment grade. IHDA may elect to share from 10 to 90 percent of the loss on a loan with HUD. IHDA reimburses HUD in the event of a claim pursuant to terms of a Risk-Sharing agreement.



DIRECT PURCHASE BOND PROGRAM

SECTION 542(C) RISK-SHARING CREDIT ENHANCED BOND STRUCTURE

Bond Loan Amount	\$3,000,000 to \$75,000,000
Bond Loan Term & Amortization	15-40 years <i>Loan terms with a balloon structure will be considered on a case-by-case basis. Maximum loan term cannot exceed 75% of building's remaining economic life.</i>
Bond Loan-to-Value (LTV) & Debt Service Coverage Ratio (DCSR)	<u>New Construction/Substantial Rehab (up to 40-year term)</u> 1.11 or 90% (greater than 90% of units with long-term rental assistance) 1.15 or 87% (affordable housing transactions) <u>Refinance/Acquisition/Mod Rehab (up to 35-year term)</u> 1.15 or 87% (greater than 90% of units with long-term rental assistance) 1.176 or 85% (affordable housing transactions)
Affordability Requirements	As limited by LIHTC and bond regulatory and extended use agreements
Recourse	<u>Construction:</u> full recourse with full repayment & completion guaranties and environmental indemnity <u>Permanent:</u> non-recourse with standard industry carve outs and environmental indemnity <i>Mortgage Credit Review (MCR) and HUD 2530 clearance required for the sponsor(s), borrower(s), guarantor(s), property manager, general contractor, and any other entity(ies)/owner(s) as required by IHDA and/or HUD.</i>
3rd Party Studies	Sponsors are required to provide studies, reliance letters, and insurance certificates (when required) from vendors that follow IHDA's published standards. Studies include, but are not limited to: market study, environmental, appraisal, insurance, and Property Needs Assessment (PNA).
Bond Loan Lockout	<u>Construction:</u> Pre-payable <u>Permanent:</u> Minimum of 10-years from commencement of amortization
Mortgage Insurance Premium (MIP) & Loan Servicing	0.25% for each (included in bond loan interest rate)
Wage Requirements	Davis Bacon labor standards or Illinois prevailing wage requirements apply.
Subsidy Layering Review	Required on bond loans with LIHTC, HUD/government assistance, and/or Section 542(c) Risk-Sharing
Limited Distributions	Limited distributions, including both the equity base and annual distribution percentage, may be required in accordance with IHDA's limited distribution policy and, if applicable, HUD guidelines.
Fees & Costs	Borrower will pay for or reimburse IHDA for all reasonable and customary costs related to issuing the bonds, closing the bond loan, and award LIHTC and/or other resources required.



DIRECT PURCHASE BOND PROGRAM

SECTION 542(C) RISK-SHARING CREDIT ENHANCED BOND STRUCTURE

Estimated Fees

Preliminary Project Assessment (PPA) Fee: \$750 (non-profit); \$1,500 (for profit)

Application Fee: \$1,500 (non-profit); \$2,500 (for profit)

Bond Origination Fee: 1.75% (short-term <10 years); 1.00% (>10 years)

Loan Origination Fee: 0.75% (when IHDA finances underlying bond loans)

Bond Inducement (if applicable): \$10,000

4% LIHTC Fee: 1.00% of the 10-year credit amount

Bond Counsel Fee: \$50,000 (for deals with a refunding, use \$100,000 total)

Issuer's Counsel Fee: \$17,500 (for deals with a refunding, use \$35,000 total)

Issuer Financial Advisor Fee: \$10,000

Miscellaneous Fees: \$5,000

Rating Agency Fee (if applicable): \$40,000 (estimated)

IHDA Legal Fee: \$35,000 (estimated; varies depending funding sources)

IHDA Cost & Plan Review / Draw Inspection Fee: \$5,000 - \$15,000

Trustee: \$6,000 set-up fee at closing; \$3,000 annually

Mortgage Insurance Premium (MIP) for HUD Risk-Sharing deals: fourteen (14) months of a MIP reserve in the amount of 0.25% of the Permanent Loan Amount must be capitalized and funded by the Borrower prior to closing as follows:

- The borrower shall pay HUD six (6) months of MIP and the IHDA eight (8) months of MIP.
- 0.25% MIP included in rate for ongoing premiums.

Project Reserves: Six months of debt service and operating expenses

Bond Reserves - Maximum Annual Debt Service Reserve (MADS): Estimated at six-months of debt service reserves at to the bond rate for non-conduit deals. Final reserve determined once permanent bond rate is set.

Ongoing Bond Servicing/Administration Fee: 0.25% (0.20% with bond issuance size >\$100 million)
(included in interest rate if using IHDA debt financing)

IHDA Compliance Fee: \$25/unit/year (applies to LIHTC deals and HUD Risk-Sharing deals)

Third-Party Reports: Engaged/paid by construction lender or Borrower (adhering to IHDA standards as posted on the IHDA's website)

Make-Whole Provision: If bonds are repaid prior to year 10, IHDA will charge a fee equal to the amount of the unearned Ongoing Bond Servicing/Admin Fee and the additional bond issuance fee that would have been applicable at closing for short-term bonds < 10-years.

Good Faith Deposit: \$50,000 (credited at closing, payable prior to loan committee and required to engage bond counsel)

The above fees are typical for most bond deals. Actual fees are subject to change and will be determined after a full application is received.