IHDA PORTFOLIO BOND PROGRAM

ILLINOIS HOUSING DEVELOPMENT AUTHORITY

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

Description	IHDA serves as bond issuer and lender and provides a credit enhancement through the **Section 542(c) Risk-Sharing Program**. The developer is able to work with IHDA directly for the bond issuance, bond loan, and 4% LIHTC award.
Products & Services	IHDA will finance, through the sale and/or placement of securities, the construction and/or permanent loan related to the development. IHDA will underwrite the construction and/or permanent loan pursuant to Section 542(c) Risk-Sharing standards. IHDA will underwrite the bond loan to Section 542(c) Risk-Sharing standards. IHDA allocates 4% or 9% **Low Income Housing Tax Credits** (LIHTC).
For More Details	For more information about the program see IHDA's **Bond Programs** web page.
Benefits	• Long-term, fully-amortizing financing provided by IHDA (up to 40-years). • Strong investor interest for Aaa/AAA-rated, Risk-Sharing credit enhanced securities allows IHDA to provide competitive, long-term mortgage rates. • 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.
Section 542(c) Risk Sharing Program Information	IHDA has originated and expects to continue 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. 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.

For more information, please visit IHDA's website: www.ihda.org/developers

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Financing the creation and preservation of affordable housing

Effective Date: July 2019

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Bond Loan Amount	$3,000,000 to $75,000,000
Bond Loan Term & Amortization	15-40 years *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.*
Bond Loan-to-Value (LTV) & Debt Service Coverage Ratio (DCSR)	New Construction/Substantial Rehab (up to 40-year term) 1.11 or 90% (greater than 90% of units with long-term rental assistance) 1.15 or 87% (affordable housing transactions) Refinance/Acquisition/Mod Rehab (up to 35-year term) 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	Construction: full recourse with full repayment & completion guaranties and environmental indemnity Permanent: non-recourse with standard industry carve outs and environmental indemnity *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.*
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	Construction: Pre-payable Permanent: 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.

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 Issuer's Counsel Fee: $17,500 Issuer Financial Advisor Fee: $35,000 Senior Underwriter Takedown Fee: $5.00/$1,000 (varies by deal) Senior Underwriter Management Fee: 0.125% (varies by deal) Senior Underwriter Expenses: 0.125% (varies by deal) Miscellaneous Fees: $5,000 Rating Agency Fee (if applicable): $40,000 (estimated) Trustee: $6,000 set-up fee at closing; $3,000 annually Mortgage Insurance Premium (MIP) for Section 542(c) 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 IHDA eight (8) months of MIP. • 0.25% MIP included in the interest rate for ongoing premiums. Project Reserves: Six months of debt service and operating expenses Bond Reserves - Maximum Annual Debt Service Reserve (MADS): Six-months of debt service reserves at to the bond rate for non-conduit deals. Ongoing Servicing/Administration Fee: 0.25% (included in the interest rate if using IHDA debt financing) IHDA Compliance Fee: $25/unit/year (applies to LIHTC deals and Section 542(c) Risk-Sharing deals) 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. Third-Party Reports: Engaged/paid by construction lender or Borrower (adhering to IHDA standards as posted on IHDA's website) Good Faith Deposit: $50,000 (credited at closing) 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.