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INTRODUCTION

The Housing Development Loan (HDL) program was established by the Ohio Revised Code Chapter 175 and further promulgated in Ohio Administrative Rules Chapter 175. The program provides financial support for the development of housing for low- to moderate-income Ohioans.

The HDL program is administered by the Ohio Housing Finance Agency (OHFA) and is controlled by the OHFA Board whose members are appointed by the Governor. The program receives its funding through unclaimed funds from the Ohio Department of Commerce, and these funds must be repaid to the Department of Commerce. Therefore, these are not “risk-based” loans, and OHFA requires that those seeking funding through the HDL program provide sufficient collateral to ensure repayment of their obligation(s). Those unable to meet the collateral requirement may wish to pursue funding through other OHFA gap financing programs.

All funds awarded through the HDL program are contingent upon the availability of funds to OHFA. These guidelines provide an overview of the current policies, actions, and procedures of OHFA and its Board. These guidelines may be subject to change in the future, pending developments in state legislative requirements and/or Agency policy. OHFA reserves the right to make changes or amendments to these guidelines at any time and to limit loan funding based on funding availability.

All funding requests are subject to approval by the OHFA Board and OHFA’s ability to reserve funds for the development. Funds are reserved for developments based upon the availability of funds through the Department of Commerce’s Unclaimed Funds or other sources available to the Agency.

I. HOUSING DEVELOPMENT LOAN DETAILS

A. Overview

The HDL program offers a flexible loan product for the development of affordable multifamily housing for low- and moderate-income individuals and families. Loans must be used in concert with one of OHFA’s Housing Tax Credit (HTC) programs. The following pages provide details on the loan.

The HDL is a flexible financial tool that can be used for a variety of uses including last-resort construction financing, medium or long-term post-construction financing (OHFA will participate with lead lenders who provide primary financing for the project), or as an Equity Bridge Loan (EBL) providing interim financing at a low-interest rate for deferred equity resulting from the sale of Housing Tax Credits. The applicant must demonstrate that no other equivalent funds exist for the type of financing requested.

As an award of HDL is dependent on a successful application to one of the HTC programs, the request for funding must be submitted with that program’s application.

An applicant/borrower can be awarded several HDLs from OHFA, but there can be only one active loan on the OHFA accounts receivable books at one time per development.

The borrower must complete the Housing Development Loan section of the Affordable Housing Funding Application (AHFA) for the development program to which they are applying.

Underwriting criteria, occupancy, affordability, and local government notification requirements will be consistent with the current Qualified Allocation Plan and the Multifamily Underwriting Guidelines.
B. Eligible Uses

The eligible uses of this loan include, but are not limited to:

**Acquisition**- site acquisition and payments for deposit and/or options utilized in purchase agreements (Term not to exceed 12 months).

**Construction Period**- landscape requirements; real estate taxes during construction; and/or construction interest, land, title and recording expenses.

**Fees**- Agency fees, professional fees, and/or any other legitimate costs related to the construction process (term not to exceed construction period or 24 months).

**Post-construction Period**- medium to long-term financing (term not to exceed 10 years, less the period for construction loan financing).

**Equity Bridge Loan**- When used as an equity bridge loan, the eligible use of this loan is limited to bridge the equity pay-ins from the sale of Housing Tax Credits.

C. Eligible Applicants

Eligible applicants include sponsors and private developers that have been awarded financing through a Housing Tax Credit program.

D. Loan Amount

The maximum loan amount is determined as the lesser of the following:

- $1,500,000; or
- 50 percent of the total residential project cost.

Should additional funds become available, OHFA reserves the right to increase the maximum loan amount for competitive housing tax credit projects that do not receive an award of funds through the Housing Development Assistance Program.

E. Interest Rate and Terms

- The interest rate will be two percent per annum.
- The term will be up to 10 years.

F. Repayment

The repayment of the HDL shall commence on the first anniversary date of the loan closing and must consist of equal annual payments of principal and interest.

G. Funding Availability

Funds will be available to the borrower after the project has received official Board approval and a reservation of funds. In addition, the borrower must submit a formal request to close the loan and provide all items requested by OHFA in the closing checklist. The borrower must demonstrate that the building is completed and ready to be placed-in-service for its intended purpose, which will include submission of certificates of occupancy (for new construction projects); OR an Agency acceptable form for proof of completion (for rehab projects); OR IRS Form 8609.
H. Collateral

Form and value adequate to secure the amount of the loan for the principal and interest for the life of the term. Collateral may include, but is not limited to, the following:

- Qualified investor notes, as defined below;
- Qualified Letter of Credit, as defined below;
- Qualified Corporate Guaranty, as defined below;

The Borrower and the Equity Provider shall execute an election of the collateral and include it with the Affordable Housing Funding Application submitted to OHFA for underwriting.

1. Qualified Investor Note

A qualified investor note is an unconditional, negotiable promissory note that satisfies all of the following criteria:

- The maker of the Investor Note (Maker) is an investor in a duly admitted limited partner or investor member (Equity Provider) of the borrower, or in the Equity Provider’s authorized affiliate, assignee, successor in interest or other duly admitted substitute for the Equity Provider.
- The investor Maker is a public or private corporation that has a Moody’s bond rating (furnished by the Borrower or equity provider) of no less than BBB (or equivalent Standard and Poors rating).
- The Investor Note does not state any payment conditions and does not refer to any extraneous agreements for ancillary terms of payment, or the Partnership agrees to make all agreements available for legal staff review (a “timing or demand” requirement will not render the Investor Note conditional).
- The Investor Maker waives all defenses to payment as to OHFA (or a lender-pledgee of the Note) in language customary for private sector bridge lenders.
- The remaining term of the Investor Note is no less than the term of the EBL.
- The outstanding, original available balance of the Investor Note is no less than the aggregate amount of the principal and interest for the entire EBL term.
- The qualified Investor Notes must be accompanied by a pledge of the equity provider’s ownership interest in the project. Investor Notes that do not meet the above criteria must be accompanied by a Guaranty for the Investor’s corporate parent entity. In lieu of Qualified Investor Notes, where such notes are unavailable, Subscription Agreements can be given as collateral subject to OHFA's review and approval.

2. Qualified Letter of Credit

A Qualified Letter of Credit is an irrevocable letter of credit that is issued by a federally-insured national banking association (“Issuing Bank”) acceptable to OHFA and that satisfies all of the following criteria:

- The Issuing Bank has a Moody’s bond rating (furnished by the Borrower or equity provider) of no less than BBB (or equivalent Standard and Poor’s rating), if applicable;
• The Borrower provides the Issuing Bank’s FDIC Certificate Number to OHFA;
• A Letter of Credit is issued using a format acceptable to OHFA;
• The expiration date for the Letter of Credit must exceed the maturity date of the Note, plus the grace period, if any, following default, by no less than 10 business days;
• Amount of the Letter of Credit must not be less than the aggregate principal and interest of the loan for the entire term of the EBL.

3. Qualified Corporate Guaranty
A Qualified Corporate Guaranty is an irrevocable and unconditional, payment guaranty of the outstanding principal balance, accrued interest, and costs and charges of the EBL that satisfies all of the following criteria:

• Guarantor is a public or private corporation having a Moody’s bond rating (furnished by the Borrower or equity provider) of no less than BBB (or equivalent Standard and Poor’s rating). For those entities that do not have a Moody’s or Standard and Poor’s rating, OHFA will review the most recent audited financial statements evidencing sufficient net worth to support a guarantee;
• Guaranty agreement is in a format acceptable to OHFA;
• Guaranty specifies Franklin County, Ohio as venue for enforcement and specifies Ohio law as the choice of laws;
• Guarantor furnishes resolutions from the corporation’s board specifically authorizing the guarantee. OHFA reserves the right to request that parties other than the director provide evidence of the authority of certain individuals to execute the guarantee; and
• Application must evidence that adequate consideration exists for the Guaranty being offered. OHFA reserves the right to require the Guarantor to furnish an attorney opinion letter stating that there is adequate consideration for the guaranty.

I. Loan Commitment Period
Forty-two months from the date of the Housing Tax Credit Carryover deadline (December 31 of the given year).

J. Permanent Financing
Projects must close on permanent financing prior to or concurrent with the closing of their EBL. If extenuating circumstances prevent this, the borrower must notify OHFA in writing, indicating both the reasons for the delay and the anticipated closing date. Acceptable circumstances that would permit delay include federal insurance or quasi-federal agency insurance to be placed on a loan subject to satisfaction of standard conditions, such as stabilized occupancy. Standard conditions of non-insured loans and mini-perms are not acceptable. Projects will be monitored monthly as to the status of the permanent financing.

For projects that do not have federal insurance or quasi-federal insurance, OHFA will review requests to waive this requirement on a case-by-case basis and will approve only in extenuating circumstances. However, the project will be required to provide a firm commitment letter from the permanent lender which states when the loan will close and any conditions that must be met prior to closing. The project must evidence that they will be able to meet all conditions within 30 – 45 days of closing the EBL. OHFA will reserve making any decisions until such documentation has been reviewed.
Projects that do not have federal insurance or quasi-federal insurance, but are unable to close on the permanent financing either prior to or concurrent with the closing of the EBL, will be required to provide a copy of the firm takeout commitment for any permanent financing loan not yet closed. The lender must disclose all unperformed conditions precedent to the closing of the loan and provide written commitment from the borrower to perform such conditions within a specified period of time after the disbursement of the HDL.

**K. Fees**

- Application Fee: $600
- Servicing Fee: $1000/year, full amount due at closing.
- Closing Fee: $1000 for each limited partner (LP)
- Loan Commitment Extension Fee: $1000 annually, pro-rated monthly
- Subsequent Request: $200 per request, plus $2,000 annually, pro-rated monthly
- Commitment Reinstatement Fee: $1,500 – automatic 12-months
- Late Extension Request: $20 daily from the maturity date to the OHFA approval date
- Changes subsequent to OHFA loan approval: $250
- Adding Limited Partners/Amortization Schedules:
  - After OHFA Board approval but before closing: $1,500 per LP
  - After submitting a closing request: $2,000 per LP
  - Each amortization schedule after the first: $1,000
- Changes in Legal Documents: $250
- Checks that do not clear due to Insufficient funds: $25
II. APPLICATION REVIEW PROCESS

Requests for HDLs are reviewed at the same time as requests for funding through Housing Tax Credit programs.

Once the formal underwriting has begun, the applicant/developer will be sent a list of questions, along with an invoice for the appropriate application fee(s), and credit-worthiness information. The project will not move through the approval process until all of the information requested by OHFA has been received and reviewed. If a project cannot be reviewed in time to have HDAP funds encumbered in the current year due to delays caused by the applicant/developer, loss of HDAP funding may result.

A. Loan Review Schedule

The OHFA staff underwrites new loans and processes requested modifications to existing loan commitments. Loan underwriting and processing is accomplished prior to a formal review process for OHFA management and the OHFA Board. It is therefore important to understand the processing cycle, which precedes each transaction placed on the agenda for review and approval consideration.

<table>
<thead>
<tr>
<th>First Week of the Month</th>
<th>OHFA Peer Review</th>
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<tbody>
<tr>
<td>Second Wednesday of the Month</td>
<td>OHFA Multifamily Committee Meeting</td>
</tr>
<tr>
<td>Third Wednesday of the Month</td>
<td>OHFA Board Meeting</td>
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Any requests for changes to originally approved loan commitments or loan applications must be provided to the OHFA staff 30 days prior to the OHFA Peer Review Meeting. Requests that are not received at least 30 days prior to the initial OHFA Peer Review meeting may be placed on the following month's OHFA Board Agenda.

B. Commitment Letter

After Board approval of an HDL, OHFA will provide the borrower with a written commitment for the loan or approval of the grant along with the approved Amortization Schedule, Executive Summary, and Loan Closing Checklist as necessary. This commitment must be accepted in writing by the Applicant and forwarded to OHFA’s Office of Planning, Preservation & Development (PP&D) within 30 days from the date of the letter.
III. POST APPROVAL

A. Post-Closing Reporting Requirements

OHFA’s Office of Finance maintains Agency accounting records on each project financed by an OHFA loan(s). In conjunction with maintaining those records, finance staff requires the following reports submitted, without fee, to OHFA:

- Annual audited financial statements may be requested. If so, the borrower must provide them within 120 days following the tax or fiscal year end of the project.
- The Borrower must agree to confirm balances annually on June 30, and at other times, as requested.
- Reports from the Issuing Institution (reflecting the interest earned on the Certificate of Deposit and applied to the construction loan; and interest accrued/paid on the construction loan) must be furnished to the Finance Office no later than 10 days following the redemption of the CD (applicable only on Market-Rate Certificates of Deposit).

The Borrower must agree to notify OHFA in writing of any changes of address for the Borrower, change of key personnel, and/or change of entity, during the term of the loan.

Correspondence concerning the above matters should be directed as follows:

Ohio Housing Finance Agency
Director of Finance
57 East Main Street
Columbus, OH  43215-5135

B. Subsequent Changes to a Project

The project ownership is required to contact OHFA immediately in the event any changes occur to a project after it has been approved by the OHFA Board including, but not limited to, changes in the development team (ownership structure, developer, general contractor, limited partner, and/or management company), the unit mix or affordability, nature of the project, etc.

The project owner must submit a formal written request to the Affordable Housing Programs (AHP) Manager explaining the proposed change and why it is being made. The request will be reviewed by OHFA. Once a decision has been made, the project owner will be notified by mail.

OHFA will review the request, along with any supporting documentation and issue a decision.

After approval of a loan by the OHFA Board, OHFA staff will have the authority to approve:

- Removing or modifying loan closing conditions
- Extending the term of the loan
- Adjusting the interest rate of the loan

C. Commitment and Term Extensions

To extend a commitment or term, the borrower, developer, or limited partner must submit a formal written request. OHFA will not accept a request from an attorney’s office.
**D. Request to Extend the Loan Commitment**

It is the borrower’s responsibility to ensure that all commitments are current. PP&D will only review requests to extend a current loan commitment. The granting of an extension will not automatically backup/extend the closing date of any subsequent OHFA loan. Applicants may be required to submit additional documents and a meeting may be scheduled with the Applicant. The combination of all loans will not exceed 120 months in length.

**E. Extensions and Expired Commitments**

To request a commitment or term extension, or if a commitment expires, or if the borrower fails to notify OHFA at least five working days prior to a commitment expiration date, the borrower must submit a formal written request to have the commitment reinstated, which must include:

- The project name and tracking number;
- The reason the additional time is necessary;
- How much additional time will be necessary; and
- What measures will be implemented to ensure the reinstated commitment will not be allowed to expire.

**Reinstatement Fee:**

In addition to the late fee of $250, the project will be invoiced for $1,500 and the commitment will be automatically extended for 12 months.

**F. Request to Extend the Term on a Loan**

Term extensions will be granted for no less than a three-month period. Projects will be invoiced for the full amount. However, if a loan repays prior to the end of the extension, a refund will be issued for any full month(s) not needed. If the term extension affects the commitment period for a subsequent loan, OHFA must receive a request to extend this commitment. Any combination of the above loans cannot exceed 120 months (10 years) in length. A request for an extension does not guarantee approval. Requests are reviewed on a case-by-case basis based on the information provided. OHFA staff will make best efforts to contact the applicant and the developer by phone and by certified mail approximately 30-days prior to the commitment expiration and loan maturity date. The applicant/developer will be given a deadline to submit a formal request to OHFA.

If the borrower fails to notify OHFA within five business days of the maturity date of the loan and the loan matures prior to OHFA’s approval of the extension, OHFA will assess an interim per diem penalty at $20 per day from the loan maturity date to the OHFA approval date of the term extension or notification to repay the loan.

Standard term extension fees and penalties will also be assessed.

**G. Default Penalties**

Penalties are charged when a borrower defaults on an OHFA HDL. If default occurs, the interest charge on the outstanding principal of the entire loan will be the Prime Interest Rate, as reflected in the Wall Street Journal, as of the date of default.
Once a project is in default, OHFA will evaluate the development team and determine which members will be ineligible to participate in future loan applications.

Staff will also determine if the ineligible party is involved in any other application(s) that have not yet closed to determine how OHFA will proceed. OHFA may elect to

- revoke the funding commitment(s);
- require the project(s) to wait until the project in default is current with respect to all OHFA rules, regulations, and agreement; or
- pursue other options OHFA deems appropriate.

Future participation after a cure of default is made is subject to such terms and conditions as OHFA staff and/or the OHFA Board may impose.

H. Other Subsequent Changes

1. The Housing Development Loan and Adjustments to the Housing Tax Credit

Should the project lose major OHFA program funding (HTC, HDGF, etc.) the OHFA loan commitment will be revoked. OHFA’s staff must be notified in writing by the borrower if this situation arises.

2. Waiver of Fees

Applicants may request a waiver of fees due to extenuating circumstances beyond their control. However, it will be the applicant’s responsibility to document these circumstances. Waiver requests will be subject to the approval process.

3. Request to Refinance Primary Debt

Such requests will be evaluated on a case-by-case basis. Conditions for this may include, but are not limited to the following:

- A demonstrated need/benefit to the project
- A hard debt coverage ratio of at least 1.15%
- No cash out to the borrower

Correspondence or telephone calls concerning the aforementioned matters can be directed as follows:

Ohio Housing Finance Agency
Office of Planning, Preservation and Development
Attn: Operations Manager
57 East Main Street
Columbus, OH 43215-5135

I. Notification of Request to Schedule a Loan Closing

A written notice must be provided and all fees must be paid before OHFA will close any loans. OHFA will send the borrower a closing checklist, which will detail all of the standard supporting documentation required for the loan closing along with any “Additional Closing Conditions” unique to the project that are required as a result of the approval process. Once all of the checklist items have been received, the legal staff will
begin drafting closing documents. Correspondence or telephone call concerning the above matters can be directed as follows:

Ohio Housing Finance Agency
Office of Planning, Preservation and Development
Attn: Operations Manager
57 East Main Street
Columbus, OH 43215-5135
614-466-0400