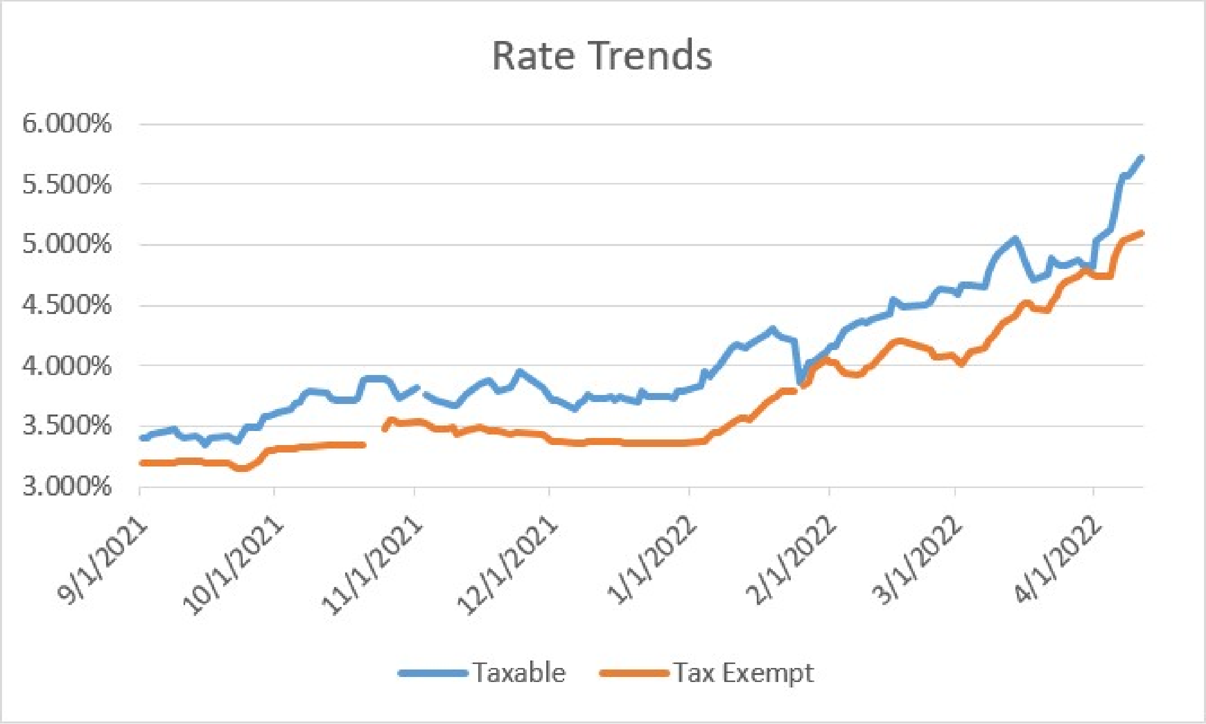
Rental Housing Development

Virginia Housing

April 20, 2022

How to Preserve Deals in a Rising Rate Environment

Many of the applications Virginia Housing has received over the last six months are being stressed with rising construction costs and now rising interest rates. The chart below illustrates the rate trends.



Some of these loans are no longer viable from the borrower's perspective because of the additional equity required to close a resulting funding gap. No one should assume that Virginia Housing will seek to fund any gap that results from higher costs or rates.

Virginia Housing wants to avoid this situation on future deals as there is no reason to believe rates have reached their highs. As a result, we are asking those submitting either taxable or tax exempt loan applications to build in an additional 30 basis points on top of the published rate at the time of submission to include premiums for extended construction times and/or amortization periods beyond 30 years. Being proactive in this regard will lessen the impact of rising rates.

We believe in the power of home to grow thriving communities across Virginia, and we thank you for being part of our mission

for 50 years.

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