September 7th, 2017

VHDA Multifamily Loan Program Updates

VHDA Program Changes

VHDA constantly evaluates its rental housing programs, including consideration of input from various constituents, to make appropriate changes given current market conditions and VHDA's mission. The purpose of these changes is primarily to improve the cost of VHDA financing in relation to other options, and to align certain policies and practices between the taxable and tax-exempt bond funded loan programs. VHDA is pleased to announce the program changes described herein.

Over the course of the last month, VHDA has reinforced its commitment to long-term fixed rate financing by lowering both its taxable and tax-exempt rates. In addition, tax-exempt loans will now have a lower rate during the construction period and a permanent rate that is dependent on the length of the construction contract. While the REACH program will no longer include a half point financing fee discount, all construction/permanent loans greater than $7.5 million will carry combined processing and financing fees of 2% on the first $7.5 million and 1.125% on the balance. While VHDA's rental housing programs are designed to produce loans with terms not to exceed 30 years, VHDA will continue to consider terms up to 35 years, where warranted.

The following is a complete list of changes that are effective immediately:

I. Loan Interest Rates

VHDA multi-family base loan rates have been reduced. This includes interest rates on loans funded with both taxable and tax-exempt debt, but not the REACH program. The daily rate sheet found on our website now reflects the new rates. Furthermore, on tax-exempt debt VHDA now provides a reduced interest rate during the construction period, as currently exists in the taxable program.

II. Loan Fees

1. Application Fee. For all loans, there will continue to be a $10,000 Application Fee submitted with the loan application. The Application Fee will be credited toward the Processing Fee.

2. Processing Fee. For all loans, the Processing Fee will remain at 0.5% of the loan amount, and will be inclusive of the $10,000 Application Fee. However, Processing Fees will now be collected prior to issuance of the Commitment.

3. Financing Fee. In addition to the Application Fee and Processing Fee, Financing Fees will continue to be charged on all loans. Financing Fees remain payable upon acceptance of the Commitment.

a. For permanent loans (both immediate and forward delivery), the Financing Fee remains unchanged at 0.5% of the loan amount.

b. For construction/permanent loans up to $7.5 million, the Financing Fee remains unchanged at 1.5%. However, Financing Fees have been reduced to 0.625% on the portion of any such loan above $7.5 million.

c. For REACH funds, VHDA has historically provided a half point discount on the financing fees charged for the REACH portion of any loan. Going forward fees will be calculated, as described above, on the total loan amount, irrespective of any REACH allocation.

4. Standby Fees. Standby Fees will continue to be required to be paid upon the acceptance of the Commitment and held until loan post-closing items have been submitted. It is our intent to hold three points in aggregate among the Processing, Financing and Standby Fees; thus the Standby Fee will be calculated as 3% of the loan amount minus the sum of the Processing and Financing Fees.

III. Loan Amortization Period

All loan terms reflected on the published daily rate sheet assume a fully amortizing 30-year loan. VHDA will consider amortization periods up to 35 years on a case by case basis. The interest rate on any loan with an amortization period over 30 years will include a rate premium to be determined at the appropriate time.

IV. Prepayment Lockout Period

Current policy for loans funded with taxable debt requires a 10-year loan prepayment lockout period beginning on the date of the Deed of Trust Note. For loans funded with tax-exempt debt, policy requires a 15-year loan prepayment lockout period beginning on the date on which 50% of the units in the development are first occupied, as determined by the Authority.

Going forward, loans funded with taxable debt will have the 10-year loan prepayment lockout period begin with the date on which 50% of the units in the development are first occupied, as determined by the Authority. This change reflects the Authority's desire for the lockout period to begin when the development is majority occupied, thus providing for a longer period of affordability.

V. REACH Funds

REACH funds will continue to be made available as per current policy. The published base rate on REACH funds remains unchanged at 2.95%. For purposes of applying for low-income housing tax credits, you may assume a REACH allocation in accordance with the Increased REACH Allocation Limits that were announced February 17, 2017. [Click here to see that announcement] Please understand that the assumption of any REACH allocation in connection with LIHTC application is primarily for determining the credit amount being applied for and its relation to application scoring. Final REACH allocations will be determined during loan underwriting.

We hope that you find these changes helpful. Feel free to contact Dale Wittie or Bennett Atwill if you have any questions.

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