

2013 MaineHousing Contract Administration Loan Program

Rev. 3/22/14

The purpose of the **MaineHousing Contract Administration Loan Program** (the “Program”) is to ensure preservation of affordability by permitting eligible owners of Section 8 properties with a project-based Housing Assistance Payments (HAP) contract funded by the U.S. Department of Housing and Urban Development (HUD) and administered by MaineHousing to borrow funds for capital improvements, rehab work, energy efficiency improvements, the creation of new units, ownership transfers, and equity takeout.

Eligible properties are those projects in the MaineHousing Contract Administration portfolio that have no current MaineHousing financing.

Applicants must comply with all of the requirements of the Rental Loan Program not specifically addressed in this document. The Rental Loan Program dated July, 2013 can be found at MaineHousing’s website www.mainehousing.org.

MaineHousing reserves the right to suspend or terminate the Program at any time, and to cease processing any project application prior to issuing a financing commitment. MaineHousing is under no obligation to finance a project until a financing commitment has been issued by MaineHousing and accepted by the applicant in accordance with its terms.

Applications are available on MaineHousing’s website at:

<http://www.mainehousing.org/subsequentloan>

Program Requirements

Applications will be processed on a first-come, first- served basis.

Program Eligibility

In order to be eligible for a Contract Administration loan under the Program, a borrower must have an existing Section 8 HAP Contract administered by MaineHousing in good standing and not currently have MaineHousing financing on the property.

Borrowers must be able to obtain an approved Previous Participation Certification (HUD Form 2530) from HUD.

MaineHousing in its sole discretion may direct applicants to other financing programs, as it deems appropriate. MaineHousing will make the final determination regarding whether or not each borrower is eligible for the Program.

Contract Administration Loan Terms

- a. Interest Rate.** The applicable fixed interest rate is reflected in the options listed below unless another rate is established by MaineHousing.
- b. Loan Term.** Borrower may select one (1) of the following four (4) options:
1. An amortizing loan term of five to twenty years with an interest rate of 5.5%. The loan may not be prepaid at any time during the owner-elected term of the loan.
 2. A thirty year amortization schedule, and an interest rate of 5.75%. The loan may not be prepaid in the first ten years. Prepayment is allowed at any time throughout the remaining loan term with a prepayment penalty calculated at 3% of the original loan amount.
 3. A forty year amortization schedule, with a balloon payment in year thirty and an interest rate of 5.75%.

The loan may not be prepaid for the first 15 years. A prepayment penalty calculated at 3% of the original loan amount is applied in years sixteen through twenty.

The loan may be prepaid without penalty after year 20.
 4. A thirty year loan term with an interest rate of 5.5% and an election by the owner of interest-only for thirty years with a balloon payment in year thirty.

The loan may not be prepaid for the first twenty years. No prepayment penalty will apply after the end of the prepayment blackout period.

MaineHousing may waive the prepayment prohibition to allow a borrower to participate in a refinancing under another MaineHousing program for which the project is eligible.

Affordability

- a. Housing Assistance Payments Contracts.** The projects under this Program are subject to Section 8 HAP Contract. The borrower shall comply with the affordability restrictions in the HAP Contract until expiration of the HAP Contract, including any renewals thereof. The borrower shall seek and accept any extensions and renewals of the Section 8 HAP Contract and any comparable replacement assistance of subsidy program offered by HUD.

Upon the expiration of the Section 8 HAP Contract, any extensions or renewals thereof and any comparable replacement assistance of subsidy program, the borrower shall comply with the affordability requirements contained in a financial assistance agreement or declaration of covenants, conditions and restrictions to be executed in connection with each project securing the loan.

In any event, MaineHousing shall require a financial assistance agreement or declaration of covenants, conditions and restrictions, in a form as approved by MaineHousing, which obligates the borrower to comply with one of the minimum affordability restrictions adjusted for family size as follows:

- 20% of the project units at 50% of Area Median Income; or
- 40% of the project units at 60% of Area Median Income.

Any low income units required under the financial assistance agreement, or declaration of covenants conditions and restrictions, must be rent restricted. Maximum rents will be based on 30% of the HUD eligibility income limits, adjusted by the number of bedrooms in the low income units. Income limits for each geographic area are published annually by HUD.

The financial assistance agreement or declaration of covenants, conditions and restrictions shall be recorded in the appropriate registry of deeds, and its covenants and restrictions shall be considered covenants that run with the real estate, and shall bind subsequent owners for the full term of the agreement.

The borrower will comply with the above affordability requirements for the term of the loan.

The following terms apply:

Fees	No application fee or commitment fee applied.
Environmental Review	MaineHousing typically will not require an environmental review.
Market Studies	None required.
Appraisals	In most instances, MaineHousing will require an appraisal. Borrower pays in advance for appraisal.
Capital Needs Assessment	MaineHousing, in its sole discretion, may require an assessment of project capital needs. Borrower pays in advance for the Capital Needs Assessment.
Debt Service Coverage	The minimum debt service coverage is 1.15 for the shorter of 15 years or the term of the loan.
Developer Fee	None
Inducement Form	Needed only if MaineHousing will be financing with tax exempt bonds

Submission Requirements

Applications for Contract Administration Loan Program loans will be reviewed on an on-going, walk-in basis.

Applications shall include the following:

- Cover letter requesting the loan.
- Borrowing resolution from the ownership entity, if applicable.
- Proposed use of loan proceeds including a Sources and Uses schedule of loan proceeds.
- Scope of work, if any, with related budget.
- Current vacancy rates.
- Current operating expense data.
- 5 to 15 year cash-flow projection depending on loan term requested.
- Rent structure and post-rehab operating budget, if any.
- Project audited financial statements for the past three (3) fiscal years.
- Proposed sources of funds, i.e., MaineHousing loan, use of project operating or reserve funds via drawdown or loan, owner contribution, grants, or any combination thereof.

Please contact your Asset Manager for more information.

MaineHousing does not discriminate on the basis of race, color, religion, sex, sexual orientation, national origin, ancestry, physical or mental disability, age, familial status or receipt of public assistance in the admission or access to or treatment in its programs and activities. In employment, MaineHousing does not discriminate on the basis of race, color, religion, sex, sexual orientation, national origin, ancestry, age, physical or mental disability or genetic information. MaineHousing will provide appropriate communication auxiliary aids and services upon sufficient notice. MaineHousing will also provide this document in alternative formats upon sufficient notice. MaineHousing has designated the following person responsible for coordinating compliance with applicable federal and state nondiscrimination requirements and addressing grievances: Louise Patenaude, Maine State Housing Authority, 353 Water Street, Augusta, Maine 04330-4633, Telephone Number 1-800-452-4668 (voice in state only), (207) 626-4600 (voice) or Maine Relay 711.