

Contract Administration Loan Program

Purpose. 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, rehabilitation work, energy efficiency improvements, the creation of new units, the preservation of affordability, ownership transfers, to prepay an existing loan, and equity takeout. On a case by case basis, MaineHousing will also consider making a loan under the Program to a USDA Rural Development property for which MaineHousing has or had Low Income Housing Tax Credit (“LIHTC”) monitoring responsibility. No application fees or points are charged for these loans.

Loan Eligibility. Eligible properties are those projects in the MaineHousing Contract Administration portfolio with an existing Section 8 HAP Contract in good standing that have no current MaineHousing financing or have not had MaineHousing financing in the past six months. Properties that have had MaineHousing financing in the past six months are eligible to reapply for financing under the Subsequent Loan Program.

Borrower Eligibility. An application will not be accepted, processed, or approved by MaineHousing if the applicant or any principal or affiliate or member of its development team:

- has ever been the owner or an involved party of any MaineHousing-financed project in which MaineHousing has foreclosed a mortgage interest or received a deed-in-lieu of foreclosure of a mortgage interest unless previously waived by MaineHousing;
- has been more than 60 days delinquent on any loan with MaineHousing in the past year;
- has been declared in default on any loan with MaineHousing for reasons other than delinquency, unless the default was cured;
- is presently debarred, suspended, proposed for debarment, or excluded from participation in any federal or state programs;
- has in the last 10 years had any proceeding in or for bankruptcy, receivership, reorganization or any other arrangement for relief from creditors commenced against it that was not dismissed within 90 days of commencement, or commenced any proceeding in or for bankruptcy, receivership, reorganization or any other arrangement for relief from creditors; or
- has ever had a professional license to provide the services the party seeks to provide for the project suspended or revoked.

For any proposed changes in ownership, the proposed owner must demonstrate sufficient previous experience in the development of projects of similar scale and complexity. Any commitments by MaineHousing under this program involving an ownership transfer or prepayment of a HUD financed loan will be subject to HUD’s consent. Borrower must agree to comply with any additional HUD requirements as a condition of MaineHousing financing.

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.

Program Requirements

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

MaineHousing in its sole discretion may direct applicants to other financing programs, as it deems appropriate. Applicants seeking new low income housing tax credits are not eligible to apply under this Program. MaineHousing will make the final determination, in its sole discretion, regarding whether or not each borrower is eligible for the Program.

Contract Administration Loan Terms

- a. **Interest Rate.** The applicable program base rate is the Subsequent Loan Program Base Rate posted on MaineHousing's Website: <https://mainehousing.org/programs-services/housing-development/developmentdetails/subsequent-loan-program>
- b. **Equity Takeout.** Equity takeout will be permitted only if MaineHousing, in its sole discretion, determines that capital needs and reserves are adequately addressed and the loan improves the project or preserves, maintains, or extends affordability.
- c. **Loan Term.** Borrower may select one (1) of the following three (3) options:
 1. An amortizing loan term of five (5) to twenty (20) years at the Subsequent Loan Program Base Rate. The loan may not be prepaid at any time, in whole or in part, before the tenth anniversary of the Note without MaineHousing's prior written consent. Thereafter, the following prepayment premium shall be applied to the then-outstanding principal balance:
 - i. From the 10th anniversary of the Note up to but not including the 11th anniversary of the Note: 5% fee.
 - ii. From the 11th anniversary of the Note up to but not including the 12th anniversary of the Note: 4% fee.
 - iii. From the 12th anniversary of the Note up to but not including the 13th anniversary of the Note: 3% fee.
 - iv. From the 13th anniversary of the Note up to but not including the 14th anniversary of the Note: 2% fee.
 - v. From the 14th anniversary of the Note up to but not including the 15th anniversary of the Note: 1% fee.

The note may be prepaid without premium on or after the 15th anniversary of the Note.

2. An amortizing loan with an interest rate 25 basis points below the Subsequent Loan Program Base Rate for twenty-one (21) to thirty (30) years with a thirty (30) or forty (40) year amortization schedule and a balloon payment upon maturity. The loan may not be prepaid before the fifteenth anniversary of the Note. Thereafter, the following prepayment premiums shall be applied to the then-outstanding principal balance:
 - i. From the 15th anniversary of the Note up to but not including the 16th anniversary of the Note: 5% fee.
 - ii. From the 16th anniversary of the Note up to but not including the 17th anniversary of the Note: 4% fee.
 - iii. From the 17th anniversary of the Note up to but not including the 18th anniversary of the Note: 3% fee.
 - iv. From the 18th anniversary of the Note up to but not including the 19th anniversary of the Note: 2% fee.
 - v. From the 19th anniversary of the Note up to but not including the 20th anniversary of the Note: 1% fee.The loan may be prepaid without premium on or after the 20th anniversary of the Note.

3. A thirty (30) year loan term with an interest rate 50 basis points below the Subsequent Loan Program Base Rate and a thirty (30) or forty (40) year amortization schedule or interest- only payments for thirty (30) years all with a balloon payment at year thirty (30). The loan may not be prepaid before the twentieth anniversary of the Note. No prepayment premium will apply after the end of the prepayment prohibition period.

The Developer shall pay an additional prepayment penalty charge equal to three percent (3%) of the outstanding principal balance of this Note in the event of any involuntary prepayment during the period of prepayment prohibition.

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

Affordability

Housing Assistance Payments Contracts. The projects under this Program are subject to a 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 following terms apply:

Fees	No application fee or commitment fee applied.
Environmental Review	MaineHousing typically will not require an environmental review.
Market Studies	None typically 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 1.10 for the shorter of 15 years or the term of the loan. MaineHousing reserves the right to require a 1.15 debt service coverage.
Loan to Value	85%. If MaineHousing determines a project's replacement reserve account exceeds what is adequate for the needs of the project, it may, in its sole discretion, allow some or all of the additional value of the account to be added to the value of the property for purposes of meeting the 85% loan to value requirement..
Developer Fee	None

Recourse/Non-Recourse Debt. The Contract Administration loan will be fully recourse unless prohibited by the ownership structure.

Lien Position. Any Contract Administration loan will be secured by a first mortgage and security agreement on the land and improvements constituting the MaineHousing financed project, and any and all related personal property. If the land and improvements constituting the project are subject to a ground lease, the

ground lease and the lessor's fee interest in the land and buildings must be subordinated to MaineHousing's first mortgage and security agreement upon terms and conditions acceptable to MaineHousing. Please note that no other encumbrances, liens, security interests or mortgages will be permitted on the Development without the prior written consent of MaineHousing

Construction/Rehabilitation Standards. MaineHousing has adopted a *Quality Standards and Procedures Manual and Best Practices Guide*. Any rehabilitation or construction of additional units shall comply with MaineHousing's standards which may be found at www.mainehousing.org. Completed improvements must meet *Maine Uniform Building and Energy Code* (MUBEC) and the applicable standards from the *National Fire Protection Association Codes* (NFPA). The project must meet all state and federal accessibility and adaptability requirements, and all environmental, labor, civil rights, relocation and other requirements. All lead-based paint and asbestos hazards must be addressed according to applicable federal and state laws.

MaineHousing staff will perform periodic and final inspections.

Outreach Efforts to Women and Minority-owned Businesses. Certain federal equal access and affirmative action laws require recipients of federal funding provide job training, employment and contracting opportunities to women- and minority-owned businesses to the greatest extent possible. Accordingly, all developers, applicants and contractors shall solicit bids from women and minority- owned businesses involved in the construction of multi-family housing in Maine. All bid packages for the construction and rehabilitation of multi-family housing must include these requirements.

Design Professional. MaineHousing will determine, in its sole discretion, if a design professional is required. If an architect is needed, he/she must be licensed to do business in the State of Maine, and have experience designing projects of similar scope and magnitude.

Underwriting. MaineHousing will assess whether, in its sole discretion, a project has an acceptable probability of providing the affordable housing for the term required. In underwriting, MaineHousing may consider any combination of the following: capital budgets; operating budgets; long term projected cash flows; collateral value; debt service coverage ratios; the applicant's credit; market evaluations; the capacity of the development team; the capacity of the applicant; performance history of the applicant and its affiliates; credit enhancements such as guarantees, mortgage insurance, and letters of credit; the prior performance of the project; the prior performance of comparable projects; a capital needs assessment; and additional factors that MaineHousing deems necessary for a thorough evaluation of an application.

Financing assumptions, including vacancy rates and trending will vary depending upon local market conditions, relevant federal regulations, the strength of the asset within the market, and the operating history. MaineHousing will review existing escrow balances for adequacy and reserves the right to set levels of replacement reserve funding consistent with an analysis of future capital needs.

Closing Requirements. The owner shall execute the documents MaineHousing determines are necessary or in its best interest including, without limitation and as applicable: promissory note; mortgage and security agreement; financial assistance agreement; declaration of covenants, conditions and restrictions; regulatory agreement; escrow agreement; deposit account control agreement; and fair housing and accessibility act compliance certification. MaineHousing shall require a lender's title insurance policy with mechanics' lien and survey coverage, and liability insurance acceptable to MaineHousing and such other insurance as MaineHousing in its discretion may reasonably require, all containing the standard Maine mortgagee clause with loss payable to MaineHousing. For owners that are other than individuals, MaineHousing shall require

a legal opinion regarding the owner's legal status and authority to receive the financing and execute the loan documents. MaineHousing may require a legal opinion regarding compliance of the project with applicable zoning and land use laws. The owner shall satisfy such other requirements as MaineHousing, in its sole discretion, determines are prudent.

Submission Requirements

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

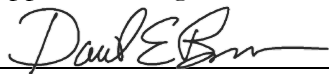
Applications shall include the following:

- 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, 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 or gender, sexual orientation, gender identity or expression, national origin, ancestry, disability, age, familial status, marital 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 or gender, sexual orientation, gender identity or expression, national origin, ancestry, age, 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, 26 Edison Drive, Augusta, Maine 04330--6046, Telephone Number 1-800-452-4668 (voice in state only), (207) 626-4600 (voice) or Maine Relay 711.

Approved: August 12, 2020



Daniel E. Brennan
Director