

# USDA RHS 538 Guaranteed Rural Rental Housing

## New Construction or Substantial Rehabilitation of Multifamily or Senior Housing

Provides mortgage insurance to facilitate the new construction or substantial rehabilitation of multifamily or independent senior rental housing units, or the acquisition, revitalization, repair and transfer costs of existing direct Section 515 housing. This program provides for both construction and permanent financing or permanent financing only. The permanent financing must take out the construction loan.

The program allows for existing RHS 538 GRRHP loans to be modified and lower the interest rate only when market conditions are favorable and the existing prepayment penalties have expired or are reasonable to be paid.

As of May 3rd, 2017 the program now allows for existing RHS 538 GRRHP loans to be refinanced utilizing the RHS 538 GRRHP program.

### Requirements

- Project must be in a designated “Rural Area,” as defined by USDA-population must be less than 25,000. (See USDA RHS Eligibility Map [here](#).)
- Tenant income restrictions of 115 percent of area median income upon initial occupancy. Rents plus tenant paid utilities may not exceed 30 percent of 100 percent of area median income.
- The property must comply with all RHS 538 GRRHP requirements until the loan maturity date, even if the loan is paid in full prior to such maturity date. A waiver may be obtained if affordable housing needs are met in the market.
- Substantial Rehab is a minimum of \$6,500 per unit in repairs.
- Borrowers may be for-profit, nonprofit, individuals, partnerships, state or local public agencies, LLCs, trusts or Indian tribes. Can be a single asset and single purpose entity, or a multiple purpose entity (i.e. portfolio purchase and sub-substantial rehabilitation of multifamily housing) as acceptable to RHS.
- Occupancy Requirement: Prior to closing of the RHS 538 GRRHP Permanent Loan the project must reach sustaining occupancy of 90% Occupancy for 90-Consecutive Days, unless the 2% Conversion/Lease Up Reserve is posted on or prior to closing (see reserves below for more details), and any other requirements conditioned by Rural Development in its Conditional Commitment.

### Terms

<b>Amortization &amp; Term</b>	<p>The maximum mortgage term is the lesser of 40 years (a minimum of 25 years), or the remaining economic life of the project, fully amortizing, 30/360 interest calculation. Amortization begins at the conversion to the permanent loan/final endorsement. The term limit applies to the construction/renovation and permanent phase.</p> <p>The maximum amortization is 40 years and the program does allow for a balloon payment if the term and amortization is different.</p>
<b>Loan Size</b>	There is no minimum or maximum loan size.
<b>Maximum Mortgage</b>	<p>In general, the maximum loan amount is limited to the lesser of (less the amount of grant/loan funds attributable to replacement cost items):</p> <ul style="list-style-type: none"> <li>• Up to the lesser of 90 percent loan-to-cost or loan-to-value ratio for a for-profit enterprise, and up to the lesser of 97 percent loan-to-cost or loan-to-value ratio for nonprofit enterprise.</li> <li>• A mortgage amount supported by debt service coverage of 115 percent.</li> <li>• Statutory per-unit limitation.</li> <li>• Permanent only loans securing GNMA mortgage-backed securities are limited to 70 percent or less loan-to-total development cost unless the project is an existing Rural Development 515 and then the program maximum loan-to-cost and loan-to-value criterion are applicable.</li> <li>• Construction and Permanent loans are currently limited by Rural Development to a 70 percent or less loan-to-total development cost unless the project is an existing Rural Development 515 and then the program maximum loan-to-cost and loan-to-value criterion are applicable.</li> </ul>
<b>Interest Rate</b>	The construction and permanent loan interest rate is fixed at initial closing for the life of the loan. The permanent loan only will be fixed for the life of the loan. During construction, the loan is interest only.
<b>Assurance of Completion</b>	A payment and performance bond is required. As an option, RHS and Lender may accept a completion assurance agreement secured by a cash deposit or Letter of Credit in the amount of 25 percent of the cost of construction or rehabilitation.
<b>Recourse</b>	This is a non-recourse loan. Mortgagor assumes no personal liability.
<b>Prepayment</b>	Variations are possible based upon market conditions and borrower preferences. Typically a 10-year term. Years one and two are locked out then declining 1 percent per year starting in year three at 8%-7%-6%-5%-4%-3%-2%-1%-0%.

## Terms (Cont'd.)

<b>Assumability</b>	The loan can be fully assumable.
<b>Labor Standards</b>	This program is not subject to Davis-Bacon wage rates and reporting requirements.
<b>Replacement Reserves</b>	A \$1,000 per unit balance must be attained by the end of year 3 from when the Permanent Loan closes or converts.
<b>Escrows</b>	Escrows for taxes, insurance, replacement reserves, and the RHS Annual Guarantee Fee are required. Escrow payments will begin upon amortization.
<b>Secondary Financing</b>	A loan can be combined with other financing sources such as: Low Income Housing Tax Credits, ARRA funds, HOME grant or loan, state or local assistance (including tax-exempt bond financing) or secondary financing.
<b>Conditional Commitment</b>	The conditional commitment will have a term of up to 24 months.
<b>Forward Rate Lock</b>	FOR PERMANENT ONLY LOAN - The ability to provide a forward Permanent Only Loan with an interest rate lock of up to 24-months once the RHS Conditional Commitment is received. Please discuss with Bellwether Enterprise in more detail.

## Typical Fees

<b>Developer Fee</b>	A developer fee is allowable under this loan program.
<b>RHS Initial Fee</b>	1.0 percent of the RHS guarantee amount, due at the closing of the loan transaction to RHS (subject to FY NOFA). $(\text{Loan amount}) \times (.90 \text{ RHS Guarantee}) \times (0.1 \text{ FHS}) = \text{RHS Initial Fee}$
<b>RHS Annual Fee</b>	0.5 percent of the outstanding principal amount of the loan as of December 31 of each year and due January 1 of each year to RHS (subject to FY NOFA). $(\text{Loan Balance}) \times (.90 \text{ RHS Guarantee}) \times (.005 \text{ RHS}) = \text{RHS Annual Fee}$
<b>Lender Financing</b>	To be determined and discussed as the Lender fees and costs are determined by the size of the loan, the loan type and complexity of the transaction.
<b>Lender Processing Fee</b>	Typically Between \$3,500 to \$5,000 paid to the lender upon execution of the engagement letter.
<b>Third Party Expense Deposits</b>	Market Study, Appraisal, Phase I with applicable level of NEPA, Capital Needs Assessment (CNA) for substantial rehabilitation projects and a Cost Estimate and Plan and Spec Review Report are estimated at \$33,000 collected at application.
<b>Inspection Fee</b>	The third-party construction inspection fee is approximately \$1,500 per inspection and typically will occur once a month (if required).
<b>Good Faith Deposit</b>	Typically, 0.50 percent of mortgage amount for a construction and permanent loan or immediate permanent loan, and an estimate between 2.00 percent to 3.00 percent for a permanent forward rate lock. Good Faith Deposits are due upon acceptance of the RHS conditional commitment and refunded at closing.

## Reserves

<b>Operating &amp; Maintenance Reserve (O&amp;M)</b>	The borrower must contribute initial operating capital equal to at least 2 % of the loan amount and must be funded by the mortgagor with cash or a letter of credit at the closing of the transaction.
<b>Construction Contingency Reserve</b>	A Construction Contingency Reserve in the amount of 2 percent of the construction contract is required to cover additional costs during construction and must be funded by the mortgagor with cash at the closing of the construction transaction.
<b>Conversion/Lease-Up Reserve</b>	An Operating Escrow Reserve in the amount of at least 2% of the total development cost or appraised value (whichever is greater) may be required to cover operating losses until sustaining occupancy is reached (90% occupancy for 90 days), will then allow conversion to the permanent loan, and must be funded by mortgagor with cash approximately 30-days prior to the issuance of the first Certificate of Occupancy.

**Please contact** Anthea Martin (Senior Vice President) for more detailed information regarding the RHS 538 GRRHP program. You can reach Anthea Martin at 720.891.6537 and at [amartin@bwecap.com](mailto:amartin@bwecap.com).



## Non-traditional financing tools for preservation and rehabilitation

Kristin Blum, Senior Loan Officer

Housing Assistance Council

PWN Rural Housing  
Preservation Academy

June 9, 2021

Mission:  
The Housing Assistance Council  
improves housing conditions  
for the rural poor, with an  
emphasis on the poorest of the  
poor in the most rural places.





HAC is the only national nonprofit and Community Development Financial Institution(CDFI) solely dedicated to helping local rural organizations build and preserve affordable homes.



## Training & Technical Assistance

Developing the capacity of local nonprofit organizations to help their own communities.



## HAC Loan Fund

Providing Capital in the Hardest to Serve Places



## Research & Information

Leading resource on rural housing data and issues



## Policy and Advocacy

Informing Sound Strategies and Policies that Help Improve Housing and Communities Across Rural America



# HAC's Impact

Local Partnerships at Work 50 years

50 States

2,800+ Organizations

\$310 million+ Invested

70,000+ Units



HAC Loan Fund:  
Loan capital for  
rural affordable  
housing  
development  
and preservation

Predevelopment

Site Acquisition

Construction

Mini-Perm/Permanent

# HAC's Preservation Lending

## Types of preservation projects

- USDA RD 515s and 514s
- Section 8 properties
- 'Naturally occurring' affordable multifamily properties

## Financing available for:

- Acquisition
- Predevelopment
- Construction (and construction to perm)
- Permanent



## Preservation Loan Terms

<b>Eligible Borrowers</b>	Nonprofits, housing authorities, tribal entities and for-profit developers
<b>Eligible Projects</b>	Existing affordable or mixed income rental housing (with or without current income restrictions)
<b>Target Locations</b>	Rural areas, by USDA or Duty to Serve definitions*
<b>Uses</b>	Predevelopment, acquisition, site development, construction, bridge and permanent financing.
<b>Loan Size</b>	\$50,000 - \$1,500,000 (larger loans possible in partnership with other lenders).
<b>Interest Rate</b>	4.5% - 5.5%; lower rates for properties with deeper affordability/income restrictions in target states and locations (southeastern US)
<b>Loan Term and Amortization</b>	Short term loans up to 24 months; longer term loans up to 120 -180 months with an amortization period up to 30 years, based on project needs.
<b>Collateral/Security</b>	Real estate collateral preferred; up to 100% LTV; subordinate position possible
<b>Recourse</b>	Full recourse to borrower except permanent financing for LIHTC properties
<b>Fees</b>	1% loan fee (50% due at acceptance of terms; 50% due at closing).

# Preservation with LIHTC

## Camelot and Jamestown Apartments, TN (Hallmark Companies)

- Two 24-unit USDA 515s
- Built in the late 1980s; In need of rehabilitation to meet modern standards
- 100% rental assistance

### Sources

- 9% LIHTC
- HAC construction and permanent financing
- Existing USDA loans reamortized at 1%

### HAC's loan (to each property)

- About \$1,000,000 construction; \$400,000 permanent
- 4.75%; 17 year term/30 year amortization
- 1% loan fee; No legal fees



# Preservation/Rehabilitation without LIHTC

## Amaryllis Gardens (Sec. 514) Diverse Housing Services, Inc. (FL)

### Amaryllis Gardens

- 44-unit USDA 514
- Built in 1992

### Sources:

- HAC financing— acquisition and immediate repairs
- Existing USDA loans reamortized at 1%
- Seeking FHLB and other resources for a larger rehabilitation

### HAC's loan

- \$360,000
- 4.75%; 5 year term, 30 year amortization
- \$50,000 Predevelopment loan



# Repair Loan – 24-unit USDA 515 in Rural Texas

- Sewer line failure; needed funds in excess of reserves to make the repair and return units to habitability
- USDA approved a rent increase (100% RA property) to support the additional debt

## Sources (projected)

- HAC construction and permanent financing
  - Owner equity
- 
- HAC's loan
    - \$325,000 construction to permanent
    - 5%
    - 15 year term/30 year amortization
    - 1% loan fee; No legal fees





# HUD/Section 8 Preservation

New non-profit organization (founded in 2019)

- Purchasing two small 100% Section 8 properties in rural communities in the midwest

HAC Loans

- Construction loans (to bridge USDA 538)
- Permanent subordinate financing



# HAC is a flexible and creative lender

Fill capital and market gaps

Small loans for small projects

'One stop' construction to permanent financing

Flexible underwriting and terms

Low fees and closing costs

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Kristin@ruralhome.org

# SAVE THE DATE

NATIONAL RURAL  
HOUSING CONFERENCE

November 30 – December 3, 2021

Capital Hilton Washington, DC





# Non-Traditional Financing Tools for Preservation in the Pacific Northwest

Enterprise Pacific Northwest Rural Rental Housing Preservation Academy  
June 9, 2021

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Ann Remmers, Director of Lending  
Rob Prasch, Preservation Director







- Certified nonprofit community development financial institution (CDFI)
- Formed in 1990 by Oregon banks to finance multi-family affordable housing
- \$280 million in loan capital administered across several loan programs
- Loan types offered include permanent, short-term acquisition, predevelopment, and tax-exempt bonds
- NOAH historic lending activities:
  - 322 total loans
  - 15,800 total units
  - \$400 million in combined loans
- Affordable housing advocacy and policy including preservation of publicly supported housing and manufactured housing





## Oregon Housing Preservation Project

- Formed in 2007 to develop strategies to preserve affordable housing
- Partners include NOAH, OHCS, the City of Portland, HUD, Rural Development and stakeholders from the public, nonprofit, and private sectors
- Philanthropy played a critical role, particularly Meyer Memorial Trust
- The OHPP Steering Committee established program goals and adopted strategies to respond to the threat of losing thousands of affordable homes
- Promote policy & legislative agenda. Advocate for dedicated preservation funding





## Oregon Prioritizes Preservation

- Robust policy framework includes legislation and significant public resources
- Broad stakeholder base of non-profits, for-profits, housing agencies and legislators
- Since 2007:
  - OHCS has invested \$260 million in soft resources to preserve 15,000 units
  - Tax credit equity invested in preservation transactions exceeds \$700 million
  - Estimated value of long-term subsidy contract extensions exceed \$1.6 billion





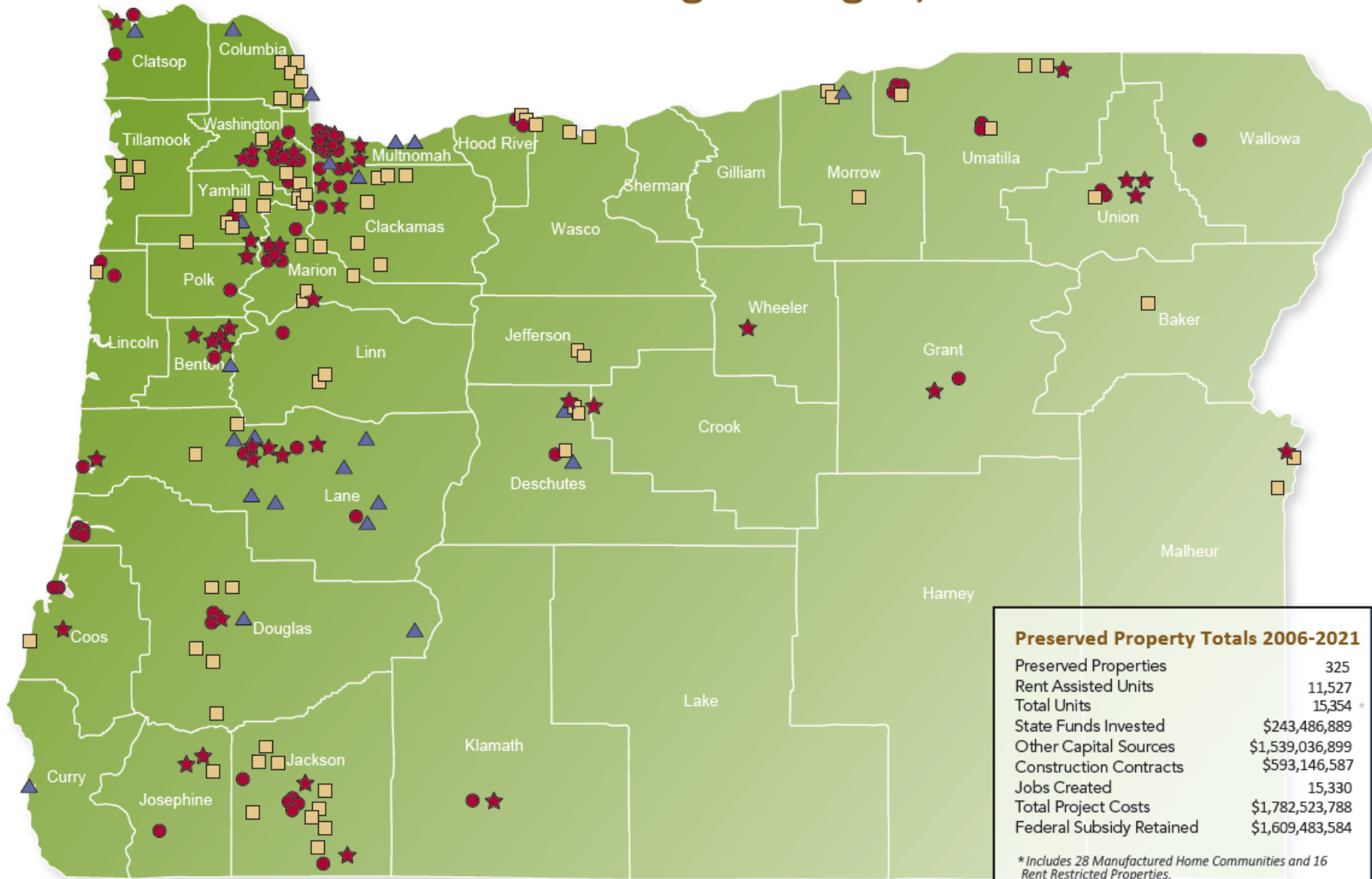
## Rural Preservation a Priority

- 85 Rural Development properties preserved since 2005 (2,397 units with RA)
- 67 rural properties with HUD Project-based Section 8 preserved
- 18 rural manufactured housing communities by NPs or Co-ops (1,174 spaces)
- 103 Oregon cities and towns have a project that has been preserved since 2007
- 59% of the preserved properties are in communities with populations under 35,000
- 36% of the preserved properties are in communities with populations under 10,000





# Preserved Housing in Oregon, 2006-2020



Preserved Property Totals 2006-2021	
Preserved Properties	325
Rent Assisted Units	11,527
Total Units	15,354 *
State Funds Invested	\$243,486,889
Other Capital Sources	\$1,539,036,899
Construction Contracts	\$593,146,587
Jobs Created	15,330
Total Project Costs	\$1,782,523,788
Federal Subsidy Retained	\$1,609,483,584

\* Includes 28 Manufactured Home Communities and 16 Rent Restricted Properties.

Totals include estimates for projects funded but not yet closed.

★ HUD Section 8 New Funding  
 ● No New Funding  
 ■ Rural Development 515  
 ▲ Manufactured Housing Community

As of March 2021 - Includes projects funded after July 2006.



## Oregon Housing Acquisition Fund

- Short-term financing with favorable terms for the acquisition of:
  - Existing federally subsidized multifamily housing
  - Market rate housing for conversion to affordable uses
  - Transit-proximate development sites for affordable housing
  - Manufactured housing communities by non-profits and co-ops
- Higher LTVs to allow for expedited closings; gap financing of up to 120% LTV
- Allows for time in assembling long term financing



## OHAF Capital Sources

Public Resources	3,000,000
CDFI Equity-like Funds - NOAH Gap	4,901,500
Foundation PRI Resources	8,150,000
NOAH Capital	525,000
<u>Senior Bank Capital</u>	<u>20,308,522</u>
Total Committed OHAF Capital	36,885,022



The Greens, Molalla, Section 8

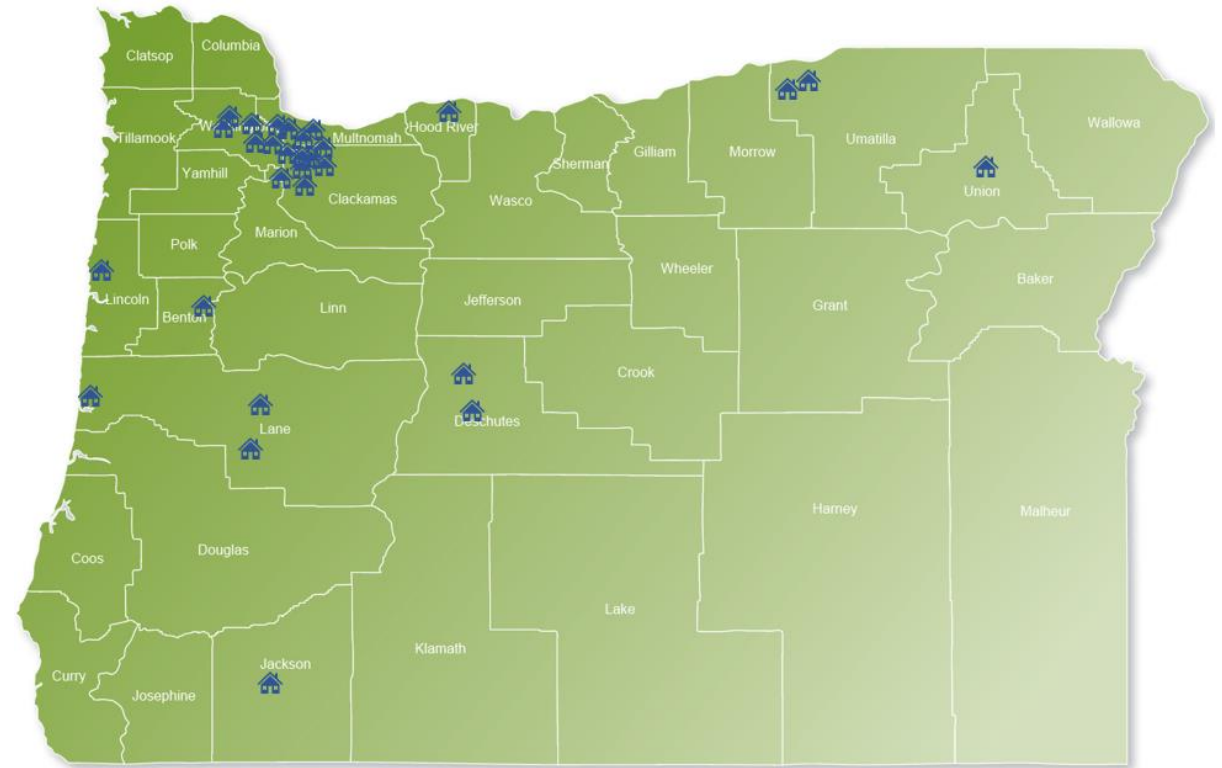


	PRESERVATION (OHAF)			
PROGRAM	Preservation	Gap*	MHP Acquisition	Market Rate Conversion
USES	Short-term secured financing for acquisition of an expiring use project, project subsidies do not have to be secured but exit strategy must be identified	Short-term secured financing for acquisition of HUD / RD expiring use project, project subsidies do not need to be secured but exit strategy must be identified	Short-term financing for the acquisition of manufactured home parks.	Short-term secured financing for acquisition of an existing project to convert to affordable housing, project subsidies do not have to be secured but exit strategy must be identified
LOAN AMOUNT	\$500M to \$5MM	\$10M to \$300M	\$300M to \$8MM	\$300M to \$5MM
LTV	For-profit: 75%; Non-profit: 95%	120% (OHAF + Gap)	95%	For-profit: 75%; Non-profit: 80%
RECOURSE	Full recourse	Full recourse	Full recourse	Full recourse
DSCR	NOAH: 1.20x; All debt: 1.10x	N/A	NOAH: 1.20x; All debt: 1.10x	NOAH: 1.20x; All debt: 1.15x
COLLATERAL	1st deed of trust on secured property; Pledge of reserve accounts	2nd deed of trust on secured property	1st deed of trust on secured property; Pledge of reserve accounts	1st deed of trust on secured property; Pledge of reserve accounts
INTEREST RATE	Blended cost of funds + margin Floor Rate: 5%	3%	Blended cost of funds + margin Floor Rate: 5%	Blended cost of funds + margin Floor Rate: 5%
LOAN TERM	36 months or contract expiration	36 months	36 months	Not to exceed 48 months
EXTENSIONS	Up to 12 months, not to exceed 48 months	Up to 12 months, not to exceed 48 months	Up to 12 months, not to exceed 48 months	Not to exceed 48 months
EXTENSION FEE	0.25% / extension	0.25% / extension	0.25% / extension	0.25% / extension
PAYMENTS	Interest only payable monthly	Principal and interest due at maturity	Interest only payable monthly	Interest only payable monthly
RESERVES	Operations and Maintenance Reserve: Equal to 2 months of Rental Subsidy amount plus \$1,000/unit	None	Operating Reserve: Equal to 3 months of project revenue; Replacement Reserve: \$500/unit minimum based on Capital Needs Assessment	Operating Reserve: Equal to 3 months of Debt Service; Replacement Reserve: \$1,000/unit
FEES	Origination: 1% of loan (\$6.5M min); Doc prep: \$500; Good faith deposit: \$1000 + 3rd party costs	Origination: Included with OHAF Fee; Doc prep: \$250; Good faith deposit: none	Origination: 1% of loan (\$6.5M min); Doc prep: \$500; Good faith deposit: \$1000 + 3rd party costs	Origination: 1% of loan (\$6.5M min); Doc prep: \$500; Good faith deposit: \$750 + 3rd party costs



## OHAF Financing - Two-Step Preservation/Development Process

Total OHAF Loans to Date	38
Number of Units Preserved or Created	2,340
Total Dollar Amount of Loans	72,046,677
Total Amount of Gap Loans	9,230,943
Properties with PBRA - HUD or RD	17
LIHTC Year-15	4
Market to Affordable	4
Manufactured Home Parks	3
<u>Land for Affordable Units</u>	<u>10</u>
<b>Total:</b>	<b>38</b>



	PERMANENT LOAN	
PROGRAM	Permanent Loan	Bonds
USES	Long-term permanent financing or refinancing for projects serving families and individuals earning 80% or less of AMI	Long-term tax-exempt permanent financing for projects serving families and individuals earning 80% or less of AMI
LOAN AMOUNT	\$250M minimum, no max	\$1MM to \$15MM
LTV	80%	80%
RECOURSE	LIHTC: Non-recourse; Non-LIHTC: Full recourse	Limited recourse
DSCR	NOAH: 1.20x; All debt: 1.10x	NOAH: 1.15x; All debt: 1.10x
COLLATERAL	1st deed of trust on secured property; Pledge of reserve accounts	1st deed of trust on secured property; Pledge of reserve accounts
INTEREST RATE	10-yr TCM + 275 bps; Floor Rate: 4.75%	10-year AAA Muni Index + Spread; Spread currently 300 bps
LOAN TERM	20 years	OAHTC: 20 years; Non-OAHTC: 18 years
AMORTIZATION	New Construction and Substantial Rehab: up to 30 years; Rehab: 25 years	New Construction: up to 35 years; Substantial rehab: up to 30 years; Rehab: 25 years
PAYMENTS	Amortizing due monthly	Amortizing due Monthly
RESERVES	Operating Reserve: 3 to 6 months of expenses and debt; Replacement Reserve: Minimum of \$250/unit (seniors) and \$300/unit (family) or based on Capital Needs Assessment	Operating Reserve: 3 to 6 months of expenses and debt; Replacement Reserve: Minimum of \$250/unit (seniors) and \$300/unit (family) or based on Capital Needs Assessment
FEES	Origination: 1-2% of loan (\$6.5M min); Doc prep: \$500 (\$800 seamless); Good faith deposit: \$500 to \$1500	Origination: 1% of loan (\$10M min); Doc prep: \$500 (\$800 seamless); Good faith deposit: \$1M (min)

## NOAH Preservation Perm Loans 2008-2021:

- 56 loans, 2,549 total units
- \$100 million total loan amount
- 29 Oregon cities/towns from Warrenton to Ontario

## Subsidy Types:

- HUD Section 8
- HUD Mod Rehab
- Public Housing Conversions
- Rural Development 515
- LIHTC recapitalizations
- Manufactured Housing Communities
- HUD LIHPRHA (former 236)



## The Oregon Affordable Housing Tax Credit – A Unique Resource

- A state income tax credit that produces lower rents for affordable housing projects
- Banks reduce interest rates on loans for affordable housing by 4% and claim a state income tax credit equal to the lost interest income caused by the lower rate
- Property owners agree to pass 100% of interest savings to low-income tenants in the form of reduced rents (Pass-Through requirement)

***Preservation projects are exempt from the Pass-Through requirement which allows for larger loans reducing the need for other public gap resources!***



## Pre-development Financing

- Flexible funds
- Allows us to be creative
- Land acquisition, predevelopment, gap

	PRE-DEVELOPMENT
PROGRAM	Pre-Development
USES	Short-term secured financing for land acquisition; payment of pre-development costs
LOAN AMOUNT	\$25M to \$1MM
LTV	90% up to \$500M; 80% > \$500M; 100% with approved funding
RECOURSE	Full recourse
COLLATERAL	1st deed of trust on secured property or other collateral, liquid assets or accts receivable
INTEREST RATE	5% + 25 bps if interest accrues
LOAN TERM	36 months
PAYMENTS	Interest only payable quarterly with option to accrue
RESERVES	Reserve for taxes and insurance, as applicable
FEES	Origination: 1-2% of loan (\$4M min); Doc prep: \$500; Good faith deposit: \$500 to \$1500



## How These Loan Products Can Be Used

- Cottonwood I & II – 46 total units located in Hermiston, existing Section 8 contracts
- Used OHAF loans totaling \$1.1MM to acquire the properties. Closed in January 2009
- Closed on tax credits, OHCS Trust Fund, HOME and LIWP funds in July 2009
- Funded permanent loans totaling \$1.2MM in July 2010 after completion of rehab work
- Included a partial and full allocation of OAHTCs



Before



After



Thank you!

Contacts:

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Websites: [noah-housing.org](http://noah-housing.org)

[preserveoregonhousing.org](http://preserveoregonhousing.org)







# **PRESERVATION FOR RURAL PROPERTIES**

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## Multifamily Permanent Loans

<b>Type</b>	Acquisition, rehabilitation, permanent and mini-perm loans on new construction or existing properties
<b>Term</b>	Up to 30-year maturity; 30-year amortization
<b>Loan Fees</b>	Determined at loan application.
<b>Interest Rate</b>	<p>Fixed rate based upon Treasuries of comparable maturities plus a minimum of 2.25%.</p> <p>An interest rate lock is available for a maximum period of 2 years for a fee of .25% of the approved loan amount. The interest rate is set at the time of the election to lock at a rate equal to a minimum of 2.50% over the treasury rate (constant maturity). The election to lock may be exercised anytime within the 24 months from issuance of the commitment, but the rate lock will expire 2 years from the commitment date.</p> <p>Please call Dulcie Claassen at 206-622-6322 or Susan Duren at 206-292-0689 for current rates.</p>
<b>Security</b>	First Deed of Trust
<b>Loan-to-Value</b>	<p>The lower of 80% maximum of appraised value or allowable debt service with reasonable expenses which include acceptable amounts included for reserve for replacement and management expense on for profit loans.</p> <p>Maximum of 90% of all debt is allowed.</p>
<b>Debt Service Coverage</b>	A minimum of 1.10:1 on WCRA debt - 1.0:1 minimum on total debt.
<b>Public Subsidy Allowed</b>	Yes
<b>Prepayment Penalties</b>	No prepayment penalty for loans with a 3, 5 or 7 year term. All other loans have a prepayment penalty fee that declines over time.
<b>Maximum/Minimum Loan</b>	\$7.5 million, no minimum; loans restricted to projects of 5 units or more
<b>Rent Regulatory Agreements</b>	Yes, affordability maintained for the life of the loan

Please contact Dulcie Claassen at 206-622-6322 or Susan Duren at 206-292-0689 with any questions.

**LOAN INTEREST RATES**

<b>Years</b>	<b>Average</b>	<b>May 17 2021</b>	<b>May 18 2021</b>	<b>May 19 2021</b>	<b>May 20 2021</b>	<b>May 21 2021</b>
3	0.34	0.34	0.34	0.35	0.34	0.34
5	0.84	0.84	0.83	0.87	0.83	0.84
7	1.30	1.30	1.29	1.34	1.29	1.29
10	1.64	1.64	1.64	1.68	1.63	1.63
20	2.27	2.27	2.27	2.30	2.25	2.24
30	2.36	2.36	2.37	2.38	2.34	2.33

**Margin:****2.25% to 2.50%**





700



36 units acquisition rehab

Uses

Acquisition	1,542,425
Renovation costs incl. 15% contingency	1,436,791
Developer Fee	332,191
Financing	155,533
Professional Fees	109,000
Other development costs	80,630
Relocation	144,000
Marketing/Leasing	5,000
Capitalized Reserves	140,000
<i>Total Uses</i>	<u>3,945,570</u>

Sources

WCRA	635,000
RD Assumption	588,595
Department of Commerce	390,000
County 2060	10,000
WSHFC	2,157,305
Cash/Replacement reserves	74,400
Deferred developer fee	90,270
<i>Total Sources</i>	<u>3,945,570</u>





DANI TOWING  
925-4151





32-unit acquisition rehab

Uses

Acquisition	1,329,241
Renovation costs incl. 15% contingency	1,169,179
Developer Fee	279,241
Financing	145,583
Professional Fees	109,000
Other development costs	38,765
Relocation	96,000
Marketing/Leasing	4,367
Capitalized Reserves	170,000

*Total Uses* 3,341,376

Sources

WCRA	480,000
RD Assumption	550,062
Department of Commerce	380,000
County 2060	10,000
WSHFC	1,767,574
Existing Cash/Replacement reserves	70,340
Deferred developer fee	83,400

*Total Sources* 3,341,376

# CAPITALPLUS!

<b>Type</b>	Acquisition, rehabilitation and refinancing of third-party loans not originated by WCRA or WSHFC and tenant improvement loans
<b>Term</b>	Up to 10-year maturity with maximum 30-year amortization
<b>Loan Fees</b>	1% - 2% of the loan amount
<b>Interest Rate</b>	4.00%
<b>Security</b>	First Deed of Trust on fee simple or leasehold interest
<b>Loan-to-Value</b>	Total debt may not exceed 100% of appraised value.
<b>Debt Service Coverage</b>	A minimum of 1.1:1 on WCRA debt with a minimum of 1:1 on the total debt. A debt service reserve amount in the minimum of three months' payments will be set aside in a restricted account controlled by WCRA.
<b>Prepayment Penalties</b>	No prepayment penalty
<b>Maximum/Minimum Loan</b>	\$1,500,000; no minimum
<b>Other Conditions of Funding</b>	Applicants should provide community services primarily to lower income persons, persons with special needs, or be organizations that serve a unique or special purpose in the community. Project use may include commercial, social service, public facilities, retail, or housing.

## CAPITAL PLUS!

- Loans for small and emerging non-profits
- Real estate loans 4.0%
- Equipment loans 5.0%
- Maximum loan term 10 years
- Maximum loan amount \$1,500,000
- A lending partnership with WSHFC

## PRESERVE or REFINANCE AFFORDABLE HOUSING

- Finance acquisition of existing properties to preserve affordable housing
- Refinance affordable housing and make improvements
- Wrap rehab costs into loan
- Fixed rate loans with terms from 3 to 30 years
- Statewide lender, both rural and urban
- For-profit and non-profit borrowers eligible
- Local decision making

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Seattle, WA 98101  
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## WCRA Members

1st Security Bank of Washington  
Ally Bank  
Bank of the Pacific  
Bank of the West  
Banner Bank  
Beneficial State Bank  
Cashmere Valley Bank  
Cathay Bank  
Columbia Bank  
The Commerce Bank of Washington  
East West Bank  
First Federal S&L Assoc. of Port Angeles  
First Financial Northwest Bank  
First Sound Bank  
Heritage Bank  
HomeStreet Bank  
JPMorgan Chase, N.A.  
KeyBank  
Kitsap Bank  
MUFG Union Bank  
North Cascades Bank - Division of Glacier Bank  
Northern Trust Bank  
Olympia Federal Savings S&L Assoc.  
Pacific Crest Savings Bank  
Pacific Premier Bank  
Riverview Community Bank  
Seattle Bank  
Timberland Bank  
Umpqua Bank  
Washington Federal  
Washington Trust Bank  
Wells Fargo Bank  
Yakima Federal S&L Assoc.



# Lending Programs



### Tax Exempt Bond

~Housing~

Provides the permanent financing for acquisition and rehabilitation. Bonds are done on a private placement participation basis outside the WCRA lending pools.

### Tax Exempt Bond

~Economic Development~

Provides permanent financing for real estate based economic development projects. Bonds are done on a private placement participation basis outside the WCRA lending pools.



### Special Needs Housing

~Non Profit Developers/Owners Only~

Permanent loans for the development of special needs housing or acquisition and rehabilitation of an existing property.



### Affordable/Low Income Multi-Family Rental Housing

~Non Profit Sponsor~

Permanent loans for multifamily projects including acquisition with moderate rehabilitation and preservation of existing multifamily projects, including mobile home parks, seasonal farmworker, and scattered site projects. There is no minimum loan amount or term and the interest rate is fixed for up to a 30-year amortization and maturity.

### Affordable/Low Income Multi-Family Rental Housing

~For Profit Sponsor~

Permanent loans for multifamily projects including acquisition with moderate rehabilitation and preservation of existing multifamily projects. There is no minimum loan amount or term and the interest rate is fixed for up to a fifteen year term with a 30-year amortization allowed.

### Economic Development Loans

Provides permanent financing for real estate based economic development projects where the project serves a low income population or is located in a low to moderate income census tract or other CRA targeted area.

### Capital Plus! Program

Funds non profit borrowers for a loan of up to \$1,500,000 on any transaction to acquire or develop multi-family rental property, an owner occupied facility, or acquire equipment.



# Capital for Social Good



- Since 1994, Craft3 has invested over \$670 million in entrepreneurs, nonprofits and individuals.
- Craft3 loans align with our mission of strengthening economic, ecological and family resilience.
- Capitalized by diverse investors including foundations, individuals, banks and state/federal government that seek mission alignment.
- 70 employees across eight regional offices.

# 2020 Loan Production

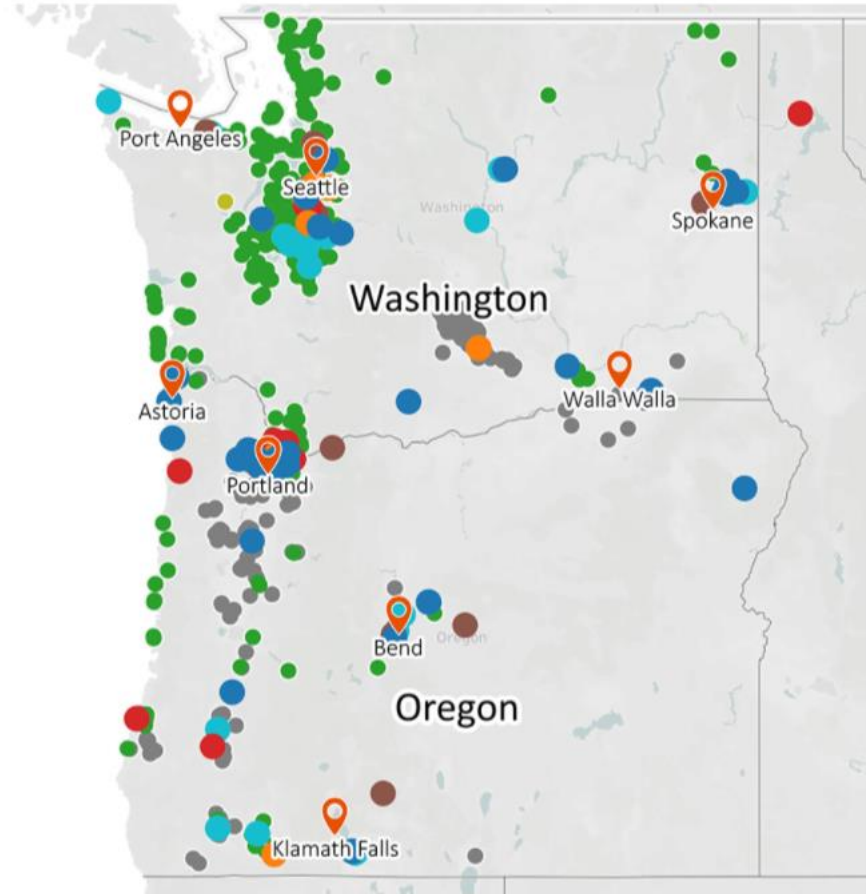
## Commercial Loans

- General Business
- Clean Technology
- Community Facilities
- Food and Agriculture
- Underserved Communities

## Consumer Loans

- Clean Water
- Home Energy
- Other Consumer Loans

📍 Craft3 Office Locations







*Lending to people, Investing for resilience*

# Walt Postlewait

## Craft3

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NMTC Investment Officer

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