



# **MIDLANDS HOUSING TRUST FUND**

## **LOAN POLICIES**

*Approved on 8/29/12*

*Amended 06/24/2015*

*Amended 04/27/2016*

**Midlands Housing Trust Fund**

4300 North Main St.

Columbia, SC 29203

(803) 764-3976

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## **I. Purpose of this Policy**

The policies and procedures outlined in this document provide a framework within which the Midlands Housing Trust Fund (“MHTF”) will operate its lending program directed to affordable housing developers.

This manual is meant to be a working document and a set of guidelines to be used by staff and other participants in MHTF’s lending program. Exceptions or variations from the outlined policies and procedures may be made only with the prior approval of the MHTF Board of Directors. These policies and procedures are designed to be sufficiently flexible to enable the loan program to be responsive to market demands.

These policies will be reviewed at least annually by the Loan Committee to determine whether modifications are necessary or desirable. The Loan Committee shall submit recommendations for amendments to this policy to the Board of Directors. Amendments to this policy shall take effect only upon approval of the MHTF Board of Directors. At a minimum, the Board of Directors will review these policies every three years and will amend specific provisions as appropriate to reflect lending experience and evolving best practices in the CDFI industry.

## **II. Mission and Purpose of Financing**

The MHTF was established in fall 2010 as a South Carolina non-profit. MHTF’s mission is to promote community development through financing, technical assistance, and advocacy for the creation and preservation of affordable housing for households at or below 80% of Area Median Income in the Midlands region of South Carolina.

MHTF focuses on projects serving low to moderate income households who struggle to secure housing including people who work at low wage jobs, people with disabilities and other special needs. The MHTF will serve households at or below 80% of area median income. The MHTF includes funding activities such as financing acquisition, preservation of existing affordable housing, construction and creation of new affordable housing, rehabilitation and the conversion of market rate units to affordable housing. Funding may be provided to projects in the form of secured or unsecured loans.

## **III. Organizational Policies**

### **A. Conflict of Interest**

No member of MHTF’s Board of Directors or its staff having any interest directly or indirectly that would conflict in any manner or degree with the performance of required services shall participate in any deliberations or voting on financing applications in which they have such an interest.

### **B. Confidentiality**

All staff, Loan Committee, and Board members acknowledge that all information collected from or on behalf of Applicants and Borrowers, including analysis done based on such information, is private and confidential. They also acknowledge that this information should only be disclosed for the purpose of carrying out the provisions of this policy to members of the Loan Staff, Loan Committee

or Board of Directors, select funding sources and investors from whom MHTF has received loan capital.

Information from an Applicant or Borrower's file or about an Applicant or Borrower is not discussed, disseminated, distributed, or in any way released to an outside entity (other than those listed above) without the express written consent of the Applicant or Borrower authorizing its release. Violation of any part of this policy will result in disciplinary action by the Board and potential dismissal from the held position.

### **C. Nondiscrimination**

MHTF shall not discriminate unlawfully on the basis of race, color, religion, gender or sexual preference, national origin, age, handicap or familial status or support directly or indirectly any individual or organization that does. MHTF requires all financing recipients to comply with the federal Fair Housing Act, Title VIII of the Civil Rights Act of 1968, and any similar state laws or municipal ordinances. MHTF is an "equal housing opportunity" lender. MHTF reserves the right to give preferences to developments for specific purposes or within specific geographic boundaries in compliance with restrictions in applicable federal, state, local or foundation grants that provide funding to benefit specific residential populations.

## **IV. Applicant Eligibility and Loan Program Terms**

**LOAN AMOUNTS:** Loans generally range from \$10,000 to \$250,000. The Midlands Housing Trust Fund can partner with other loan funds for requests exceeding \$250,000.

**INTEREST RATES:** Rates are between prime and 4 points over prime and may vary with the sources and costs of our capital. Interest rate discounts may apply in some circumstances: up to 0.5% for developments serving households at 80% of area median income and below; up to 1% for developments serving households at 60% of area median income and below; and up to 0.5% for developments that are certified energy efficient by LEED, Green Communities, Earth craft, Energy Star, and NAHB.

**MAXIMUM TERM:** Bridge loans up to 12 months (one year); gap loans up to 24 months (two years); permanent loans (on a very limited basis) up to 240 months (twenty years). Other terms may be negotiated at the discretion of the Loan Committee and Executive Director.

**ELIGIBLE BORROWERS:** Non-profit organizations, for-profit businesses, government entities developing eligible properties, and LLCs.

**ELIGIBLE ACTIVITIES:** Housing development loans can be used for predevelopment, acquisition, infrastructure, rehabilitation, construction, and permanent financing.

**SERVICE AREA:** Abbeville, Aiken, Allendale, Barnwell, Bamberg, Calhoun, Clarendon, Edgefield, Fairfield, Florence, Greenwood, Horry, Kershaw, Lexington, Lee, McCormick, Marion, Newberry, Orangeburg, Richland, Saluda, Sumter, Williamsburg counties in the state of South Carolina.

**TARGETED LENDING:** MHTF will finance Low Income Housing Tax Credit (LIHTC) in our service area.

**SECURITY:** Loans must be secured. Development loans may be secured by a commitment letter for construction financing, permanent financing, grant funding, a promissory note, mortgage, and personal guarantee. Exception: MHTF may accept a written commitment of funds from a government entity or other reliable source as collateral if the purpose of the MHTF loan is to enable the borrower to fulfill the requirements for disbursing those funds.

**SECURITY ASSURANCES:** Appraisal, environmental, title insurance, liability and flood plain insurance, certificate of occupancy, and inspection.

**DEBT SERVICE COVERAGE:** Development loans typically require a minimum of 1.20, with a pre-funded operating reserve on permanent loans.

**EQUITY CONTRIBUTION:** Development loans require a minimum 10% equity contribution, with a pre-funded operating reserve on permanent loans.

**PAYMENT:** Negotiable. Interest-only through construction (negotiable, depending on the project); principal due in full upon construction loan closing. Permanent loans usually have equal monthly payments of amortized principal and interest. However, 5-year and 10-year terms with amortization periods of up to 15 years are allowed with a balloon payment at the end of the 5-year or 10-year term, in order to accommodate the financing needs of the development. Terms are set by the loan committee in collaboration with the executive director.

**FEES:** \$500 non-refundable application fee (may be waived at the Board's discretion); 1.00% - 2.5% origination fee due at closing depending on loan program and affordability percentage (may be waived or reduced at ED's or Board's discretion); 5% late fee of the amount past due after 10-day grace period; returned check fee equal to fees charged to MHTF for each returned check or \$35, whichever is greater.

**CLOSING COSTS:** The borrower is responsible for the expense of attorney's fees (borrower's and lender's), document preparation, and all closing costs.

**HOUSING AFFORDABILITY CONTROLS:** All housing units funded by MHTF must be affordable to households earning at or below 80% of the Area Median Income published annually by the U.S. Department of Housing & Urban Development. Upon project completion, all housing units funded by MHTF are subject to a minimum 20-year restrictive covenant on the property for which the loan is made.

**SUBMISSION OF APPLICATION:** Applicants **must** submit **one (1) hard copy of the application and all supporting materials OR one (1) electronic (PDF) copy of the application and all supporting materials.** The application materials must be accompanied by a \$500 check for the application fee.

Application forms and policies may be found at <http://www.midlandshousing.org>

**Questions may be directed to:**

Midlands Housing Trust Fund  
 4300 North Main Street  
 Columbia, SC 29203  
 (803) 764-3976  
 info@midlandshousing.org

<sup>1</sup> Minimum pre-sale requirement to be determined based on the following factors:

- Developer’s years of track record, with the greatest weight given to over ten years successful sales of single family homes
- Developer’s established relationship with first-mortgage lenders
- Developer either provides first-time homebuyer training and qualifies borrowers or has a well-established relationship with a feeder organization that provides these services
- Due diligence of developer’s pipeline and actual trend in pre-sale qualifications resulting in a completed purchase.

**V. Loan Products, Terms, and Conditions**

**Midlands Housing Trust Fund Loan Products**

	<b>BRIDGE LOAN</b>	<b>GAP LOAN</b>	<b>PERMANENT LOAN</b>
<b>MAXIMUM TERM</b>	Up to 12 months	Up to 24 months	Up to 240 months
<b>ELIGIBLE BORROWERS</b>	Nonprofit, for-profits, government entities, individuals, and LLCs developing eligible properties.		
<b>ELIGIBLE ACTIVITIES</b>	Predevelopment, acquisition, rehab, construction, and permanent		
<b>AFFORDABILITY REQUIREMENTS</b>	At or below 80% of Area Median Income with a mandatory affordability covenant up to 20 years.		
<b>SECURITY</b>	Must be secured by a note and mortgage or other collateral deemed appropriate by the loan committee, willing to subordinate depending on development feasibility.		
<b>TAKEOUT FINANCING</b>	Written construction or permanent financing commitment required.		
<b>DEBT SERVICE COVERAGE</b>	Typically a minimum of 1.20, with a pre-funded operating reserve on permanent loans.		
<b>LOAN AMOUNTS</b>	<ul style="list-style-type: none"> <li>• <u>Minimum</u> loan amount of \$10,000</li> <li>• <u>Maximum</u> loan amount typically equal to the greater of \$250,000 or 50% of total loan capital, or as otherwise approved by the Board.</li> </ul>		
<b>INCENTIVES</b>	Interest rate discounts:		

	<ul style="list-style-type: none"> <li>Up to 0.5% for developments at 50% of area median income and below</li> <li>Up to 1% for developments at 30% of area median income and below</li> <li>Up to 0.5% for developments that are certified green by LEEDS, Earth craft, Green Communities, or NAHB</li> </ul>	
<b>PAYMENT</b>	Bridge and Gap Loans: Negotiable. Potentially interest-only through construction; principal and remaining interest due in full upon construction completion. Financing may cover prefunded interest reserve.	Permanent Loans: Equal monthly payments of principal and interest. <sup>1</sup>
<b>ORIGINATION FEE And OTHER FEES</b>	<b><u>Affordability Percentage of Project</u></b> 51% up to 100% of the units in the project are affordable 26% up to 50% of the units in the project are affordable Up to 25% of the units in the project are affordable (Borrower pays all closing costs and attorneys' fees (lender's and borrower's))	<b><u>Loan Origination Fee</u></b> up to 1.5% up to 2.0% up to 2.5%
<b>SECURITY ASSURANCES</b>	Appraisal, environmental assessment, title insurance, liability and flood plain insurance, certificate of occupancy, and inspection.	
<b>INTEREST RATE(S)</b>	Determined by the Board. Vary according to source(s) and cost of available funds. Generally range from prime to prime + 4%	

<sup>1</sup> Permanent Loans may also be Construction/Permanent loans where interest only is charged during construction and the loan is then converted to a Permanent Loan with Principal & Interest (if any) paid monthly for a term not to exceed 240 months unless otherwise approved by the Board.

**Other loan products may, from time to time, be developed and added to this Loan Policy following approval of the Board of Directors.**

## **VI. Portfolio Diversification**

**Single Borrower Limit:** The total loan principal outstanding to any one borrower at a given time shall be limited to the greater of \$250,000 or 15% of total loan capital (consisting of all capital borrowed from third parties plus net MHTF loan capital assets dedicated or restricted for lending and excluding all MHTF set-asides for affordable housing subsidies).

**Subordinated Lending:** MHTF shall strive to maintain at least 80% of total loans outstanding and committed for affordable housing developments that would otherwise not be feasible without a subordinate loan from MHTF.



## **VII. Loan Staff and Loan Committee**

### **A. Loan Staff**

MHTF's Loan Staff is responsible for implementing the lending components of the mission outlined in MHTF's statement of purpose, articles of incorporation, by-laws and this policy, at the direction of the Board of Directors. Specific responsibilities include: analyzing and recommending loans to the Loan Committee and the Board of Directors, executing loan commitments, review of reports, monitoring portfolio risk, collecting repayments and managing defaults and foreclosures.

The Loan Staff executes the responsibilities outlined above by separating duties into six functional areas: Program Director, Loan Officer, Portfolio Manager, Construction Manager, Finance Manager and Executive Director. One or more of these roles may be assigned to an individual staff member depending on their skills and experience; alternatively, multiple staff members may be needed to manage a single area based on the number of loans in the pipeline or portfolio.

### **B. Loan Committee**

The Loan Committee is a standing committee of the MHTF Board of Directors that meets regularly to provide oversight to staff and to carry out responsibilities as outlined below. Actions of the Loan Committee are reported at the Board's regular meetings.

#### Composition

The Loan Committee is comprised of no fewer than five members. Members are nominated and approved by the Board of Directors. At least two members must be members of the Board of Directors. The remainder may be comprised of non-board, advisory members with full voting rights on the Loan Committee.

#### Members of the Loan Committee have, as a group, the following qualifications:

1. Experience in affordable housing development or community lending in the Target Market;
2. Ability to represent the Target Market based on professional experience, community involvement or as a resident of the Target Market;
3. Lending, legal, accounting, industry or other applicable expertise;
4. Loan portfolio operation and/or management experience, preferably in a community development environment.

The following are ineligible for membership on the Loan Committee:

1. Elected officials of jurisdictions that provide operating funds or loan capital to MHTF.
2. Individuals working under contract with MHTF.
3. Current borrowers of MHTF or who are employed at an organization receiving a loan from MHTF, or who have submitted a loan application that is still under consideration by MHTF.

#### Regulations

1. Meetings of the Loan Committee are confidential and shall be held at least four (4) times per year or more frequently as needed. Meetings may be conducted in person, by email or by teleconference.
2. Terms of Loan Committee members are limited to three years, but members may serve up to three consecutive terms.
3. The MHTF Board shall appoint a Loan Committee Chair from its membership.

4. Members acknowledge that all information collected from or on behalf of the Borrower is private and confidential and should not be disclosed to anyone who is not a member of the Loan Staff, Loan Committee, Board of Directors or a Consultant. Information may be used only for the purpose of performing responsibilities outlined in this policy.
5. No member of MHTF's Loan Committee may recommend or participate in the approval or collections of any loan to a related party or any other area of potential conflict.
6. The Board of Directors, at its discretion, may remove a Loan Committee member. Decisions to remove a committee member require 2/3 majority. Reasons for removal include, but are not limited to, a) activity that is deemed to be against the interest of the organization, b) disclosure of confidential MHTF, loan applicant or borrower information, c) absence without excuse for two consecutive meetings, or d) absence from 50% or more of the committee meetings during any calendar year.

#### Voting

1. A quorum exists when a majority (51%) of members is present.
2. Committee loan and portfolio decisions are made by simple majority.
3. Voting on a loan that has been presented to the Loan Committee can take place by email or conference call, with the Loan Committee Chair's signature on the Approval and faxed to the MHTF office.
4. Members located 20 or more miles from the meeting location may attend by conference call; all other members attend meetings in person.

#### Responsibilities

1. Critically assess and analyze Credit Memos.
2. Approve or deny loans recommended by the Staff, including interest rates charged.
3. Annually recommend interest rates by loan product to the Board of Directors.
4. Approve loan rating assignments.
5. Review and assess quarterly portfolio reports provided by Staff, including portfolio risk and the sufficiency of Loan Loss Reserves.
6. Review delinquent loan status and recommend foreclosure and collection actions to the Board of Directors.
7. Monitor asset-liability matching in accordance with this Loan Policy and the Loan Loss Reserves as specified in Section XI of these policies.
8. Provide overall guidance for MHTF's loan program and submit to Board of Directors, for final approval, any recommended amendments to the loan policy.
9. Execute other special projects assigned by the Board of Directors.
10. The Loan Committee will assess all Affordable Housing Subsidy applications.

## **VIII. Loan Underwriting**

### **A. Application Package**

Prospective borrowers are given the application attached as Exhibit A. MHTF requires a completed Application and receipt of other required application materials in order for an application to be deemed complete. Additional information may be required prior to or during underwriting.

### **B. Initial Screening**

Upon receipt of a complete application, the Loan Officer will check that the loan requested is consistent with: (1) the loan products currently offered by the MHTF; (2) Loan Eligibility Requirements; (3) Portfolio Diversification restrictions; and (4) funding availability for the proposed loan. If the application does not meet these requirements, the Loan Officer will advise the loan applicant of the application deficiencies and possible changes (including requesting additional documents or materials) that could make the loan acceptable upon re-application. If the applicant fails to remit documents or materials requested by the Loan Officer within 90 days of the date of the initial application, the Loan Officer will send a denial letter to the applicant stating that the loan has been denied without prejudice, accompanied by all original documents (other than the application) received to date. MHTF keeps copies of all documents and the Application Fee.

### **C. Due Diligence and Structuring**

The Loan Officer will conduct a complete and thorough due diligence of the proposed loan including: (1) Review of the appraisal, any required environmental assessment, preliminary title reports, development pro formas, cash-flow projections (including assumptions to projections) and developer market studies; (2) Conduct a site visit; (3) Confirm the terms of any additional financing; and (4) Structure loan payments to facilitate the borrower's repayment ability in compliance with these policies.

The due diligence process is finalized when the Loan Officer has 1) obtained and analyzed all the information required for the Credit Memo and 2) proposed a Loan Rating and Loan Loss Reserve in accordance with Exhibit C.

### **D. Credit Memorandum**

For each loan request, the Loan Officer prepares a Credit Memo based on the template attached as Exhibit B. The Credit Memo contains a summarized analysis of all relevant risks, risk mitigation assumptions ascertained by Lending Staff during the due diligence process and the proposed Risk Rating assignment, as described below. The Construction Manager reviews and approves the reasonableness and adequacy of construction cost estimates, schedule and contingencies. Loan Officer and Executive Director are responsible for confirming that all facts presented in the Credit Memo are true and complete and based on all the available data. The Credit Memo also includes a list of conditions that must be satisfied prior to closing.

### **E. Risk Rating and Loan Loss Reserve Allocation**

Based on the Risk Rating Policy detailed in Exhibit C, prior to recommending the loan to the Loan Committee, the Loan Officer will assign a Loan Rating that reflects the risk of the loan in comparison to the loans in the existing portfolio. The Loan Rating is the basis for the Loan Loss Reserve amount allocated to the loan upon closing. Each loan in the loan portfolio will be reassessed for the adequacy of the Loan Loss Reserve upon receipt of required borrower reports.

Using the Loan Rating System in Exhibit C, the Loan Officer includes in the Credit Memo a Loan Rating that reflects the risk of the loan in comparison to the loans in the existing portfolio. The Loan Rating is the basis for the loan loss reserve amount assigned to the loan at closing. MHTF only approves loans that have Risk Rating Categories of I, II and III. Risk Rating Categories of IV and V are reserved for deterioration after loan closing.

## **IX. Loan Approval**

### **A. Staff Recommendation**

The Loan Officer and/or the Executive Director recommends the loan by signing and submitting a draft Credit Memo to the Executive Director for review and comment. The Loan Officer and Executive Director may work together to make changes to the structure of the loan, the risk profile of the loan and/or the Credit Memo if he/she decides to recommend the loan to the Loan Committee. In the absence of a staff loan officer the Executive Director serves the functions of the Loan Officer herein defined.

The Loan Officer schedules the loan for review at the next meeting of the Loan Committee and distributes the Credit Memo to committee members at least five (5) business days before the meeting.

### **B. Lending Authority**

<b>Loan Amount</b>	<b>Approval Required</b>
Up to \$250,000, so long as no exceptions to these lending policies are requested	Lending Staff with Executive Director's signature, Loan Committee approval, with quarterly reports of loans approved to the Board of Directors
Over \$250,001 and all loan requests which require an exception to these lending policies	Lending Staff with Executive Director's signature, Loan Committee, and Board of Directors

### **C. Approval**

Following the loan approval, the Loan Committee Chairman signs and dates the signature page attached to the Credit Memo, making note of any additional terms or conditions imposed by the approving body (the "Loan Approval").

A loan request may be declined for any or all of the following reasons:

- The loan does not fit within MHTF's mission
- The risk of repayment is unacceptable
- The portfolio would be materially out of compliance with established diversification requirements
- Insufficient information
- The loan requires exceptions to this Loan Policy that would unacceptably increase the risk of nonpayment
- Funding for the loan is not available. In this case, the Applicant is informed that the approval is deferred until funding is available. If funding is delayed for six months or longer, Loan Staff will re-underwrite the request and re-submit to the Executive Director and Loan Committee for approval.

Once the required signatures are obtained on the signature sheet, the Credit Memo becomes the “Loan Approval”. MHTF Staff copies and files the original Loan Approval in the borrower’s closing file.

If the Loan Committee determines that the loan should not be approved, the Loan Officer sends the Applicant a letter stating the reason(s) for the denial. In most cases, the Loan Officer includes suggestions to make a future application stronger and refers the borrower to the Program Director if additional technical assistance is deemed desirable. In these cases, the Application Fee will not be refunded but can be applied to one future re-application, if the Applicant re-applies within six months of the date of the letter.

**D. Exceptions may be made to these approval policies on the recommendation of the Loan Committee and the Executive Director, subject to final approval by the MHTF Board of Directors**

## **X. Loan Closing**

### **A. Commitment Letter (loans)**

MHTF uses a commitment letter to summarize the terms and conditions of the Loan Approval for the borrower. The Commitment Letter obligates MHTF to disburse the loan should the Applicant satisfy its obligations, including pre-closing conditions, outlined therein. Upon obtaining a Loan Approval, the Loan Officer drafts a Commitment Letter based on a template approved by legal counsel and submits the Commitment Letter for approval by the Executive Director. The borrower has 10 days to sign and return the original commitment letter.

The loan must close within a prescribed period, usually forty-five (45) days from the date of the commitment letter. If the loan does not close within the prescribed period,

**1. MHTF has the right to withdraw the commitment or**

**2. MHTF may renew the commitment for a specified period of time if MHTF approves of the reason(s) for the delay.**

a. **Loan Extension Fee:** If the loan commitment is extended, MHTF will charge a loan extension fee based on the aggregate cost of its borrowed funds. This fee will be for the period from the original closing date in the commitment letter to the proposed new closing date.

b. **Fee is Non-Refundable:** If the loan closes before the new closing date there is no refund of this extension fee.

c. **Subsequent Delay:** If the loan does not close by the new date MHTF has the right to withdraw the commitment or renew the commitment for a specified period of time if MHTF approves of the reason(s) for the delay.

d. **Subsequent Loan Extension Fee:** The second or any subsequent extension of the closing date will have a loan extension fee of double the MHTF aggregate cost of its borrowed funds.

Changes that would cause the terms of the Commitment Letter to materially deviate from those of the Loan Approval require approval by the original approving parties. This approval can be noted by hand on the Loan Approval or explained in an addendum to the Loan Approval.

The Executive Director has authority to sign the Commitment Letter on behalf of MHTF and does so only after confirming that the terms and conditions of the Commitment Letter and Loan Approval are consistent, in all material respects. The Applicant and any guarantors sign the Commitment Letter on behalf of the Applicant.

## **B. Loan Documentation**

The Loan Officer and/or MHTF's legal counsel prepares draft Loan Documents based on templates maintained by MHTF that reflect the terms and conditions contained in the Commitment Letter, this Loan Policy and other terms that are customary for lending in the geographical area. The Loan Officer obtains proof of property insurance, with MHTF listed as loss payee to the extent of its interest, title insurance, and flood insurance (if applicable). All insurance binders are in-hand prior to closing.

The Executive Director has authority to sign the Loan Documents on behalf of MHTF and does so only after confirming that the terms and conditions outlined in the Loan Documents and Loan Approval are consistent in all material respects. The Executive Director or the Loan Officer will prepare the Lender's Instructions for the escrow company handling recording and closing of the loan. The Lender's Instructions shall have all conditions required by MHTF for escrow to close.

The Loan Officer works with the borrower and the escrow company to schedule a Closing Date by which all conditions to closing will be satisfied. The Loan Officer is responsible for ensuring that liens are recorded so that MHTF's security interest is perfected.

## **C. Loan Disbursement**

At least five business days prior to the closing, the Loan Officer submits a Check Request containing the information outlined in Exhibit D attached to a copy of the Loan Approval. The Finance Manager prepares a check for the disbursement amount in time for the scheduled closing. Someone other than the Loan Officer must sign loan disbursement checks.

For construction loans, the borrower submits an AIA form signed by the proper authorities along with inspection reports from a third party which show work has been successfully completed and inspected. If the project does not have an architect to sign off and submit an AIA for disbursement of MHTF funds, then the Lending Director will make note of this during the application review process and let the borrower know that all work must be inspected by an independent certified architect at the borrower's expense before any disbursement. The Construction Manager will conduct a site visit prior to approving draws on a construction loan to make sure work has been completed as stated on the AIA.

Prior to the closing date, the Loan Officer meets with Borrower to discuss the documentation, and to be sure all conditions are set for close of escrow. Should the applicant plan to bring legal counsel to the closing, the Loan Officer may, with Board approval, arrange to be represented by MHTF's legal counsel.

The Loan Officer postpones the closing date if pre-closing conditions do not look as if they will be satisfied prior to the closing date.

On the closing date, the Finance Manager books the loan and posts the loan loss reserve amount indicated on the Check Request Form. When there are multiple disbursements from a loan closing, the Finance Manager records the amount and reason for disbursement on a Master Disbursement Chart that is kept in the Borrower's file and updated with each new disbursement.

After the loan is closed, the originating Loan Officer becomes responsible for monitoring performance of the loan, underwriting additional loan requests from the borrower, and collecting payments on the loan.

## **XII. Loan Loss Reserves**

Prior to recommending a loan to the Executive Director, the Loan Officer recommends a Loan Risk Rating that reflects relative risk in comparison to the loans in the existing portfolio. The Loan Risk Rating is the basis for the Loan Loss Reserve associated with the loan upon closing. After closing, the Risk Rating is updated to reflect the results of monitoring efforts and delinquency status.

MHTF will maintain a reserve for loan losses for loans made from its permanent loan capital in accordance with Financial Accounting Standards Board (FASB) standards and the Risk Rating Policy included as Exhibit C. The loan loss reserve policy will not apply in the event MHTF should act as a Pass-Through vehicle for grants that do not have to be repaid by the borrower. The Loan Loss Reserve on MHTF's balance sheet is a contra-account to the Notes Receivable asset that is equal to or greater than the aggregate of the Loan Loss Reserves assigned to each loan in the portfolio. The Loan Loss Reserve is re-assessed upon receipt of required reports from the borrower. Any increase to the contra-asset account is accompanied with a Loan Loss Expense (or Provision for Loan Losses) entry on the income statement. The Finance Manager will post changes in the Loan Loss Reserve as directed by the Portfolio Manager, and approved by the Executive Director, accompanied by the appropriate loan loss expense.

If no payment has been received on a loan for 120 days, MHTF will direct the Finance Manager to write-off that portion of the outstanding loan deemed uncollectible at that time. This write-off will be charged against the Loan Loss Reserve Account.

## **XIII. Loan Monitoring**

### **A. Documents and Files**

Loan Files are maintained in MHTF's office in a fire-proof cabinet. For each loan closed, the originating Loan Officer sets up and, together with the Portfolio Manager, maintains a file containing the following:

The Loan File:

- Borrower's application and supporting materials
- Research and analysis upon which Credit Memo was based
- Original copy of Loan Approval
- Executed Commitment Letter and Loan Documentation, including security agreements

- Proof of insurance naming MHTF as loss payee, in an amount equal to the value of the security for casualty and hazard insurance; proof of borrower's commercial liability insurance in a form and amount satisfactory to MHTF
- Any amendments or other legal agreements between MHTF and the Borrower

The Post-Closing File:

- Quarterly financial statements from borrower, including audited financial statements where applicable
- Quarterly updates of development pro formas and development timetables
- Annual tax returns and audited financial statements where applicable
- Annual proof of insurance (as described above)
- Master disbursement schedule, if applicable
- Correspondence with Borrower and log of discussions between MHTF and Borrower, including site visit notes, as applicable
- Payment History

If the underwriting or subsequent portfolio monitoring for a specific loan should indicate increased lending risks (a start-up entity, substantial expansion or other factors are present which indicate increased lending risk), the Loan Officer may recommend increasing required borrower reports to a monthly basis for borrower financial statements and updated development pro formas and development timetables.

## **B. Borrower Payments**

The Portfolio Manager is responsible for 1) confirming whether all payments have been received, 2) recording payments in the loan software and 3) producing loan receivable aging reports. All payments received from borrowers shall be applied first to satisfy any outstanding fees, second to accrued interest, and finally to reduce loan principal. Any discrepancies from amounts due are reported to the Executive Director.

## **C. Periodic Disclosures**

The Loan Officer is responsible for confirming the receipt of applicable periodic disclosures (financial statements, updated development pro formas and timetables, confirmation of insurance, or impact reports) required under the Loan Documents. If disclosures are not received when due, the Loan Officer will contact the Borrower to apprise the Borrower of the requirements under the Loan Documents. Failure to respond on the part of the Borrower constitutes a technical default under the Loan Documents.

Upon receipt, the Loan Officer will review all periodic disclosures to ensure that the Borrower's reporting requirements have been satisfied. The Loan Officer reviews all disclosures from Borrowers to determine whether the financial condition of the Borrower, status of the affordable housing development, or security for the loan has improved or deteriorated since the loan Risk Rating was last reviewed. The Loan Officer reports any material changes to the Portfolio Manager and the Executive Director.

## **D. Monitoring Responsibility**



The Executive Director is responsible for ensuring that Loan Loss Reserves are updated to reflect the current risk profile of each loan in the portfolio in accordance with the Risk Rating System and Loan Loss Reserves described above.

The Executive Director together with the Loan Officer will review the status of each Borrower upon receipt of the borrower's required reports and report any changes in the risk profile of the loan to the Loan Committee and to the Board. An annual review may include annual site visits to assess the physical condition of loan collateral, and maintenance of insurance.

### **E. Loan Activity Report**

At all times, the Portfolio Manager will maintain a list of the loans outstanding showing the name of the borrower, the location of the affordable housing development, original amount of the loan, the disbursement date(s), the interest rate, the outstanding balance of the loan, any disbursements to be made in the future under the existing Loan Documents, the delinquency status, the Risk Rating, and the Loan Loss Reserve (in % and dollar amount) and social impact information such as housing units created or maintained, household income of borrower, jobs created, etc. (the "Loan Activity Report"). The Loan Report will also show other amounts that are due from borrowers including late and/or return check fees.

### **F. Paid Loans**

When a loan is paid in full, the Financial Manager sends the Promissory Note and the Mortgage stamped "PAID IN FULL" back to the borrower and releases all liens on collateral within two weeks of the final loan payment clearing the bank. MHTF retains copies of each document in a fireproof locked cabinet for five years.

## **XIV. Loan Portfolio Management**

The Portfolio Manager is responsible for tracking and reporting to the Executive Director, the Loan Committee and the Board the performance of the portfolio in accordance with these policies.

### **A. Assessment of Sufficiency of Loan Loss Reserve**

At least quarterly, the Portfolio Manager determines the necessary change, if any, to the Loan Loss Reserve to accommodate any changes in the risk profile of the portfolio that are identified by the Loan Officer's periodic portfolio reviews.

The Portfolio Manager will recommend changes in the Loan Loss Reserve to the Executive Director and will request the Finance Manager to post changes in the Loan Loss Reserve, accompanied by the appropriate loan loss expense to the income statement.

### **B. Portfolio Status Reporting**

At least quarterly, the Portfolio Manager will present to the Loan Committee and to the Board:

1. The Loan Activity Report (defined in Section XII, above)
2. The Portfolio Report

A report showing historical total loans and current loans outstanding, current commitments, capital available, total Loan Loss Reserve, YTD loan commitments (number and dollar amount), income and fees, and loan portfolio diversification. The Portfolio Report also includes aged receivables of loans (15, 30, 60, 90+ days delinquent, w/lien position), loans in workout, collection or foreclosure.

3. Recommended Changes to loan loss reserves

### **C. Capitalization Reporting**

At each Board and Loan Committee meeting, the Executive Director presents to the Board a Capitalization Report listing total capital available for lending, including equity capital and debt capital received within the last calendar quarter, total loan portfolio principal outstanding and commitments, plans for capital to be obtained over the next 12 months, total loans outstanding, projected loan activity for next 12 month period, current and projected equity capital ratio and deployment ratio (the "Capitalization Report").

### **D. Loan Equity Capital**

MHTF maintains a net asset balance (*i.e.*, equity capital) of total loan capital of at least 40% of the sum of all borrowed funds plus net assets dedicated or restricted to lending. By limiting borrowed loan capital to 60% or less of total loan capital, MHTF will maintain a loan equity capital ratio of at least 45%. This minimum equity capital ratio will protect MHTF against risk of loss, as well as preserve MHTF's ability to raise loan capital through borrowed funds.

### **E. Loan Capital Investment Guidelines**

All uncommitted loan capital shall be invested in interest-earning accounts in accordance with MHTF's Investment Policy. The Finance Officer will seek the highest interest-bearing bank accounts he/she can find while preserving sufficient liquidity to meet funding requirements over the next twelve months (refer to Asset-Liability matching below).

### **F. Liquidity Reserves**

MHTF maintains two separate loan capital cash reserves:

- MHTF maintains a Borrower Reserve in the amount of 10% of the gross loans outstanding. This reserve shall be used for loan restructuring, refinancing existing loans and other loan-fund related cash requirements.
- MHTF maintains an Investor Liquidity Reserve of either 10% of total borrowed capital or in the amount of six (6) months of anticipated repayments of borrowed loan capital, whichever is greater.

### **G. Asset-Liability Matching**

MHTF does not lend funds at maturities in excess of the terms of its borrowed loan capital. MHTF shall always match the terms of investor notes and borrower loans to provide at least a six-month liquidity difference between investment note maturities and borrower loan repayments. That is, borrower loan repayments totaling an amount equal to investment note maturities shall precede

investment note maturities by at least six months. MHTF will coordinate the maturities of investor notes and loans to borrowers in this manner in order that timely repayment of borrowers' loans would ensure timely repayment of investor notes. This coordination shall be based upon a conservative loan capital cash flow projection that incorporates only loan capital in hand and written investment commitments. MHTF will update the cash flow projection as necessary to reflect the probability of timely repayment by borrowers, including the potential nonpayment of delinquent or nonperforming loans in the MHTF portfolio.

## **XV. Delinquency**

It is MHTF's policy to maintain proactive relationships with all borrowers, regardless of their payment status. However, in delinquency situations, extra care is taken to maintain positive, consistent communications with Borrowers in an ongoing effort to restore the loan to a current status.

The Loan Officer and the Portfolio Manager will maintain a log in the borrower's portfolio of all verbal and written communication with borrowers about past due payments. The Executive Director is authorized to develop a plan for repayment of past due amounts with the Borrower at any time prior to a MHTF board decision to initiate a formal foreclosure proceeding or collection action. Restructuring of the entire loan balance is described below.

A returned check fee will be charged equal to fees charged to MHTF for each returned check or \$35.00 whichever is greater. The Executive Director may waive this fee in unusual circumstances.

### **A. 15 Days Late**

If a payment is more than fifteen days late, the Loan Officer will telephone the Borrower to obtain a commitment for a payment date by which borrower will bring its loan payments to current status. A late payment penalty of 5% of the loan amount past due is assessed after a 10-day grace period. The Executive Director may waive a late fee, but all late payments will be included in the Loan Report.

### **B. 30 Days Late**

If a payment is more than thirty days late, the Portfolio Manager will telephone the Borrower to obtain a commitment for a payment date and mail a written notice of the delinquent payment to the Borrower, as well as possibly scheduling a site visit with the Borrower. The goal of this meeting is to develop a payment plan with the Borrower to bring the Borrower current and/or to identify a co-signer for the loan.

The Portfolio Manager will update the loan software and the Loan Report to reflect the late payment and downgrade the Risk Rating. The Portfolio Manager will also review the file to confirm that collateral, security and other documentation is in place and in order and that all insurances required by the borrower are in place so as to protect MHTF's foreclosure and other rights.

### **C. 45 Days Late**

If a payment is more than 45 days late, the Portfolio Manager will telephone the Borrower to obtain a commitment for a payment date and mail a second written notice of the delinquent payment to the Borrower.

#### **D. 60 Days Late**

By the 60th day of a late payment, the Loan Officer makes a site visit with the Executive Director or Portfolio Manager. At this meeting, they develop an agreed upon payment plan with the Borrower to bring the loan current. If the parties cannot come to terms, or the Borrower is unresponsive, 90-day activities (described below) begin immediately.

The Portfolio Manager reviews the file to confirm that collateral documentation and all required insurances are in place to protect MHTF's collateral, foreclosure and other rights. Legal counsel may be required.

The Portfolio Manager reports the status to the Loan Committee, updates the Loan Report to reflect that the loan payment is more than 60 days past due, downgrades the Loan Risk Rating as applicable and informs the Finance Manager of late fees to be assessed.

#### **E. 75 Days Late**

If the payment has not been received by the 75th day, the Portfolio Manager will telephone the Borrower to obtain a commitment for a payment date and mail a third written notice of the delinquent payment to the Borrower.

The Loan Officer will report to the Loan Committee the nature of the problem and recommend actions that may include but are not limited to:

1. Inspection of the borrower's operations, borrower's books, and the collateral;
2. Issuing the borrower a notice of default;
3. In cases where Lending Staff can demonstrate it is reasonably likely that the borrower can repay the loan in the future, restructuring the loan;
4. Requesting legal counsel to send the borrower a collection letter;
5. Such other action as deemed reasonable by the Lending Staff.

#### **F. 90 Days Late**

At the next Loan Committee meeting, the Executive Director presents a detailed account of borrower's operational information, financial condition, and status of the affordable housing development and a review of the collateral. The Loan Committee will examine the situation and present a report at the next meeting of the Board of Directors. The report will include the Loan Committee's findings and recommendations including any of the following:

1. Loan restructuring and terms;
2. Any further forbearance of action based upon certainty of repayment and confidence of staff in the borrower's operations;
3. Strategy to liquidate the collateral;
4. Notice of default and intention to foreclose sent to borrower by legal counsel;
5. Any action deemed to have a high probability of protecting MHTF's interest in repayment and in the security for the loan, and/or facilitating the borrower's ability to perform on the loan.

#### **G. 120 Days Late/Write-Off**

For all loans 120 days or more past due, the Loan Committee recommends to the Board of Directors that foreclosure or other material legal action be initiated against the borrower to protect MHTF's interest in repayment and in the collateral for the loan. Upon receipt of board approval, MHTF will direct the Finance Manager to write-off that portion of the outstanding loan deemed uncollectible at that time. This write-off will be charged against the Loan Loss Reserve Account.

## **XVI. Restructuring**

MHTF may restructure or extend loan terms when the borrower encounters unexpected obstacles. If the inability to repay in accordance with the original agreement is due to economic or social forces beyond the control of the Borrower, MHTF staff will work with the Borrower to preserve the Borrower's ownership of and equity in the property. Loan restructuring will be pursued only in those instances where the restructuring will significantly improve the Borrower's ability to fully perform under the loan terms.

## **XVII. Loan Foreclosure**

In most instances, a foreclosure on collateral will be viewed as the last option. There are, however, instances when foreclosure is the only remedy to a deteriorating situation. In instances of foreclosure, the Loan Committee will make a detailed assessment in its recommendation to the Board of Directors. The assessment must include a full analysis of the plans and consequences of foreclosure. Foreclosure may only take place with concurrence of the Board of Directors prior to initiation of foreclosure proceedings by the Staff.

All foreclosure proceedings and collection actions are conducted in a way to maximize protection of MHTF's capital and the interests of affected parties, including employees and clients of the Borrower.

Collateral liquidations are used to cover the cost of the outstanding loan principal, any accrued interest and fees, as well as the transaction costs of liquidation (i.e., legal, marketing, staff time).

When the foreclosure is complete, the Finance Manager provides a full written accounting of each transaction to the Borrower and the Loan File. If collected proceeds are not sufficient to cover the entire amount owed, the remaining balance is written off as described below. If collected funds exceed the principal, interest, fees, and expenses owed to MHTF, the remaining funds are returned to the Borrower with the full written accounting within 30 days following the sale of the property.

## **XVIII. Loan Write-Offs and Recovery of Bad Debt**

If further collection efforts seem unlikely to result in the recovery of all or a portion of the unpaid balance of a loan, the Executive Director proposes to the Board that the loan be written off in full. If the Board agrees, the Finance Manager writes off the uncollected principal from the loss reserve account and removes the loan from the balance sheet. The loan loss reserve may then have to be adjusted so that it equals the aggregate of the loan loss reserves assigned to each loan remaining in the portfolio, generating an expense on the Statement of Activities.

In those instances where a loan is written off, MHTF does not stop ongoing loan collection activities, nor does it notify the borrower of the write-off. All recoveries after a write-off are booked as a Recovery of Bad Debt on the income statement.

## Required Read Me Form

Please do not proceed to application form  
without reading and initialling each item below.

**IN ORDER TO SAVE FORM, YOU MUST DOWNLOAD IT TO YOUR COMPUTER.  
PLEASE READ AND INITIAL EACH BOX.**

---

- I agree to read/review the entire loan application before I begin working on it.
- I understand that the loan application fee is \$500.00, payable to the Midlands Housing Trust Fund.  
*The application fee will be deposited once your application has been submitted to the loan committee. We will notify you once your check has been deposited.*
- I understand that the \$500 application fee is non-refundable.
- I understand that the Midlands Housing Trust Fund does not provide financial or other assistance to individuals.
- I agree to only use the pro forma spreadsheets available on the Midlands Housing Trust Fund website for my development and other budgets.  
*You will find these spreadsheets under the Apply for a Loan section on our website.*
- I am aware that Firefox browser does not support fillable PDFs of the MHTF application form.  
*You may use Google Chrome, Safari, Internet Explorer, etc.*
- I understand that loan origination fees are non-negotiable.
- I understand that all loan closing cost (borrower's and lender's) are borne by the borrower.  
*MHTF uses the McNair Law Firm for all loan closings.*
- I understand that origination fees and lender's closing costs are deducted from the loan proceeds at closing (unless prior arrangements have been made).
- I understand that the MHTF is required to collect impact data annually on occupants of housing financed by MHTF.
- I understand that the MHTF requires an affordability covenant on all units financed by the MHTF.  
*This means that the unit(s) must remain affordable for households at or below 80% of area median income for a typical period of no less than 20 years.*
- I understand that the MHTF does not finance any housing units not targeted to serve households at or below 80% of area median income.  
*If mixed income and/or use of development is planned, MHTF will only finance those units.*
- I agree to provide a certified and complete Business Scored Credit Report. If the MHTF has to pull a credit report for you, a \$250 fee will be assessed.  
*Credit reports from Experian, Transunion, Dunn & Bradstreet, etc. are acceptable as long as they include an overall credit score.*

**PROCEED  
TO APPLICATION**

# Exhibit A. Loan Application Form\*

IN ORDER TO SAVE FORM, YOU MUST DOWNLOAD IT TO YOUR COMPUTER.

SECTION 1: LOAN SUMMARY				
<b>1 LOAN TYPE</b>				
	Predevelopment	Bridge	Gap	Permanent
<b>2 ACTIVITY TYPE (Select All that Apply)</b>				
	Acquisition	Infrastructure	Construction/ Redevelopment	Rehabilitation
<b>3 UNIT TYPE (Select All that Apply)</b>				
	Homeownership Single Family	Rental Multi Family	Homeownership and Rental Mixed Use	Transitional Mixed Income
<b>4 PROJECT COST</b>				
TOTAL PROJECT COST: _____				
<b>5 LOAN TERMS</b>				
Amount Requested: _____				
Loan Term Requested: _____				
When do you need the funds? _____				
How will you repay the MHTF loan?		Construction Financing	Permanent Financing	
Source of Committed Funds _____				
What collateral is offered? _____			Valuation of collateral: _____	Less prior liens: _____
SECTION 1B: SUBSIDY SECTION (IF AVAILABLE*)				
Amount Requested: _____				
When do you need the funds? _____				
Why do you need subsidy funds? _____				
*MHTF will keep 25% of its unrestricted capital funds available for subsidies, most of these subsidies will be used for the Home Buyer Assistance program.				
SECTION 2: ORGANIZATION SUMMARY				
<b>1 APPLICANT INFORMATION (IF MORE THAN ONE APPLICANT, FILL OUT SECTION 3 FOR EACH APPLICANT AND INCLUDE ATTACHMENTS)</b>				
Applicant Name: _____				
Contact Name And Title: _____				
Street Address: _____				
City And State: _____				
Zip Code: _____				
Telephone Number: _____				
Fax Number: _____				
Email Address: _____				
Federal Tax Identification #: _____				
Developer Status:		Non-Profit For Profit	Joint Venture Government Entity	
<b>2 ORGANIZATIONAL CAPACITY</b>				
Please provide a brief history of the applicant, related experience, and a description of previous projects successfully completed. If the applicant is <u>not</u> the developer, provide this information for both the applicant and the developer.				



# Exhibit A. Loan Application Form

### 3. REFERENCES

1)	Name _____	Email Address _____	
	Address _____	Telephone Number _____	
	Prior Project(s) in which reference has participated: _____		
2)	Name _____	Email Address _____	
	Address _____	Telephone Number _____	
	Prior Project(s) in which reference has participated: _____		
3)	Name _____	Email Address _____	
	Address _____	Telephone Number _____	
	Prior Project(s) in which reference has participated: _____		

## SECTION 3: PROJECT SUMMARY

### 1. PROJECT INFORMATION

Project Name: \_\_\_\_\_

Street Address: \_\_\_\_\_

City and State: \_\_\_\_\_

Zip Code: \_\_\_\_\_

County: \_\_\_\_\_

TMS Number: \_\_\_\_\_

Census Tract: \_\_\_\_\_

Legislative District Number: \_\_\_\_\_ SC Senate \_\_\_\_\_ SC House \_\_\_\_\_ US Congress \_\_\_\_\_

### 2. PROJECT DISCUSSION

Include a brief discussion of the project for which you are seeking funding. Your discussion should incorporate, but not be limited to: a description of the activity, size and scope of the project; the project location and why it is appropriate; the impact of the project on the neighborhood; anticipated funding sources; when the project construction will begin and when it will be completed. Include other relevant issues not discussed elsewhere in the application.

### 3. HOUSING UNITS

The Recipient shall create \_\_\_\_\_ (number) \_\_\_\_\_ housing units,

of which (number) \_\_\_\_\_ will be affordable to very low income households, (50% of median and below)

(number) \_\_\_\_\_ will be affordable to low income households, (51% to 80% of median)

(number) \_\_\_\_\_ will be affordable to moderate income households, (81% to 120% of median)

and (number) \_\_\_\_\_ will be market rate.

### 4. MHTF FINANCED UNITS

MHTF will finance \_\_\_\_\_ housing units,

of which (number) \_\_\_\_\_ will be affordable to very low income households, (50% of median and below)

(number) \_\_\_\_\_ will be affordable to low income households, (51% to 80% of median)

(number) \_\_\_\_\_ will be affordable to moderate income households, (81% to 120% of median)

### 5. UNIT DESCRIPTIONS

# Units	# Bedrms/Baths	Sq. Ft.	Sales/Rental Price	Moderate, Low, or Very Low

# Exhibit A. Loan Application Form

## SECTION 4: DEVELOPMENT TEAM

### 1. DEVELOPER

Please identify the project developer(s) and other members of the development team. If more than one firm or individual is being identified, please indicate for what portion or phase of the project they will be responsible.

Organization _____	Contact Person _____
Address _____	Telephone Number & Email Address _____
City, State, Zip Code _____	Responsibility _____
Organization _____	Contact Person _____
Address _____	Telephone Number & Email Address _____
City, State, Zip Code _____	Responsibility _____
Organization _____	Contact Person _____
Address _____	Telephone Number & Email Address _____
City, State, Zip Code _____	Responsibility _____

### 2. CONTRACTOR/BUILDER

Organization _____	Contact Person _____
Address _____	Telephone Number & Email Address _____
City, State, Zip Code _____	Responsibility _____

### 3. ARCHITECT

Organization _____	Contact Person _____
Address _____	Telephone Number & Email Address _____
City, State, Zip Code _____	Responsibility _____

### 4. CONSULTANT/PLANNER

Organization _____	Contact Person _____
Address _____	Telephone Number & Email Address _____
City, State, Zip Code _____	Responsibility _____

### 5. PROJECT COORDINATOR

Organization _____	Contact Person _____
Address _____	Telephone Number & Email Address _____
City, State, Zip Code _____	Responsibility _____

### 6. ATTORNEY

Organization _____	Contact Person _____
Address _____	Telephone Number & Email Address _____
City, State, Zip Code _____	Responsibility _____



# Exhibit A. Loan Application Form

## 5. ARCHITECTURAL AND SITE PLANS (If Available)

Status of Site Plans	Conceptual Only	<input type="checkbox"/>	Preliminary	<input type="checkbox"/>	Final	<input type="checkbox"/>
Status of Architectural Plans	Conceptual Only	<input type="checkbox"/>	Preliminary	<input type="checkbox"/>	Final	<input type="checkbox"/>

## SECTION 6: ENERGY EFFICIENCY, ENVIROMENTALLY FRIENDLY STRATEGIES

### 1. Check all of the following certifications you are seeking to obtain for your project and explain each checked item.

- LEED
- Earth Craft
- Energy Star
- Green Communities
- NAHB

### 2. Check all of the following strategies you have incorporated into your project and explain each checked item.

- Use durable materials to minimize maintenance cost, e.g. long lasting exterior finish materials.
- Increase energy and water efficiency by using:
- Properly sized high efficiency Energy Star-compliant heating, cooling, and hot water equipment
- Fully sealed duct system, insulated pipes, water heater jackets
- Passive solar Strategies
- Low e/ low-solar-gain windows
- Water efficient shower heads and toilets
- Energy Star-compliant appliances
- Energy efficient lighting using day lighting when possible and Energy Star compliant lighting fixtures
- Home Energy Rating System (HERS) testing
- Other:
- Increase health and safety with:
- Low toxicity interior paints, finishes, carpets
- Effective mechanical ventilation
- Other:

### 3. Explain each checked item above.

## SECTION 7: MARKET/NEEDS ASSESSMENT

### INTENDED POPULATION

What is the population that you intend to serve with this project? Check all that apply

#### Income Level

<input type="checkbox"/>	Extremely Low Income Household (30% and below of AMI)	<input type="checkbox"/>	Low Income Household (51% to 80% of AMI)
<input type="checkbox"/>	Very Low Income Household (31% to 50% of AMI)	<input type="checkbox"/>	Moderate Income Household (81% to 120% of AMI)

#### Household Information

<input type="checkbox"/>	Single Parent Household	<input type="checkbox"/>	Female Head of Household
<input type="checkbox"/>	Senior Head of Household (Age 62 or older)	<input type="checkbox"/>	Dual Income Household
<input type="checkbox"/>	Disabled Household Member	<input type="checkbox"/>	Homeless

# Exhibit A. Loan Application Form

## 2. SITE SELECTION

Why did you select this site for your project?

## 3. OCCUPANTS

From what geographic area do you anticipate drawing occupants for this project?

## 4. SALES/RENTS OF SIMILAR UNITS IN THE AREA

# of Bedrooms	# of Bathrooms	Market Price or Rent	Your Proposed Sale Price or Rent

What methodology did you use for determining the values listed above?

## 5. SOURCES OF INFORMATION

Sources of Evidence of Project Need in Neighborhood	Check all that apply.	Provide contact person name where appropriate.
Area Realtors	<input type="checkbox"/>	_____
Neighborhood Groups, Churches, Other Developers	<input type="checkbox"/>	_____
Waiting List Data from Municipal or County Housing Authority	<input type="checkbox"/>	_____
Waiting List Data from Section 8 Program	<input type="checkbox"/>	_____
Waiting List Data from Other Affordable Housing Developments	<input type="checkbox"/>	_____
Census Data	<input type="checkbox"/>	_____
Other Source of Information _____ (please specify)	<input type="checkbox"/>	_____
Market Assessment/Analysis _____ (please specify)	<input type="checkbox"/>	_____

## 6. NEIGHBORHOOD DESCRIPTION

How would you describe the neighborhood? Check all that apply.

- |  |                                      |                                |
|--|--------------------------------------|--------------------------------|
| Severely Blighted <input type="checkbox"/> | Gentrifying <input type="checkbox"/> | Urban <input type="checkbox"/> |
| Blighted <input type="checkbox"/>          | Well Kept <input type="checkbox"/>   | Rural <input type="checkbox"/> |

# Exhibit A. Loan Application Form

## SECTION 8: RESOLUTION (To Apply for and Accept MHTF Funds)

**WHEREAS** \_\_\_\_\_ (the applicant) desires to apply for and obtain a \_\_\_\_\_ (loan, affordable housing subsidy) from The Midlands Housing Trust Fund, Inc. in the amount of \$ \_\_\_\_\_ for the purpose of \_\_\_\_\_ (project activity) in the \_\_\_\_\_ project name.

**BE IT THEREFORE RESOLVED**, that \_\_\_\_\_ (the applicant) hereby authorize the application for and the execution of a contract for the receipt of such a loan, and does further, upon the execution of such a contract, authorize the expenditure of such funds pursuant to the terms of said contract between the applicant and MHTF.

**BE IT FURTHER RESOLVED** that the persons whose names, titles and signatures appear below are authorized to sign the application and that they or their successors in said titles are authorized to sign the contract and any other documents necessary in connection therewith:

**SIGNED**

\_\_\_\_\_

**NAME**

\_\_\_\_\_

**TITLE**

**SIGNED**

\_\_\_\_\_

**NAME**

\_\_\_\_\_

**TITLE**

### Board of Directors Certification (if applicable)

I, \_\_\_\_\_ (Name of Secretary, CFO), hereby certify that at a meeting of the \_\_\_\_\_ (Governing Body) held on \_\_\_\_\_ (Date) the above resolution was duly adopted.

\_\_\_\_\_

**DATE**

\_\_\_\_\_

**SEAL OR NOTARY**

## ATTACHMENTS CHECKLIST

Complete and submit forms for all sections of the application. All attachments are required except those listed as “if applicable.” Place attachments at the end of the application in the following order. Label each attachment with the section and title that identifies it in the application. Check all attachments you are submitting. Application is complete when all sections are filled out and all appropriate attachments are included along with a nonrefundable application fee of \$250. Only complete applications will be considered.

<b>SECTION 1</b>	<b>LOAN SUMMARY</b>
	<input type="checkbox"/> Development Budget Worksheet <input type="checkbox"/> Operating Pro Forma Worksheet <input type="checkbox"/> Sources and Uses Worksheet <input type="checkbox"/> Affordability Worksheet
<b>SECTION 2</b>	<b>ORGANIZATION SUMMARY (IF MORE THAN ONE APPLICANT, FILL OUT SECTION 2 FOR EACH APPLICANT AND INCLUDE ATTACHMENTS)</b>
	<input type="checkbox"/> Copy of 501(c)(3) Designation Letter (if applicable) Copy of Articles of Incorporation (if applicable) Certificate of Good Standing from the SC Secretary of State <input type="checkbox"/> If developer is a 501(c)(3) non-profit corporation attach list of the Board of Directors and the staff <input type="checkbox"/> W-9 Request for Taxpayer Identification Number and Certification <input type="checkbox"/> Copy of Annual Report (if applicable) <input type="checkbox"/> Copy of Most Recent Audited Financial Statement (if applicable) <input type="checkbox"/> Dunn & Bradstreet Report and Scored Credit Report on all principals <input type="checkbox"/> Status of other Projects <input type="checkbox"/> Three years of Tax Returns and Current Year to Date Financial Statements <input type="checkbox"/> List any litigation the company or its principals are involved in or litigation on the project and the disposition of this litigation
<b>SECTION 3</b>	<b>PROJECT SUMMARY</b>
	<input type="checkbox"/> Attach maps of the neighborhood that clearly show the project site and the project’s location within the municipality <input type="checkbox"/> Attach photographs of the site and structures, if available, and the adjacent properties <input type="checkbox"/> Directions to project site
<b>SECTION 4</b>	<b>DEVELOPMENT TEAM</b>
	<input type="checkbox"/> Resumés and relevant experience of the developer, contractor/builder, and the consultant/ planner (if applicable.)
<b>SECTION 5</b>	<b>PROJECT TIMETABLE</b>
	<input type="checkbox"/> Attach copies of all available documents referenced in this section: <input type="checkbox"/> A copy of site control documentation and deed restrictions Title (if applicable) <input type="checkbox"/> A copy of the executive summary and/or conclusions of asbestos removal, paint removal, and/or environmental or soil surveys <input type="checkbox"/> Copies of additional approvals <input type="checkbox"/> For new construction, attach conceptual plans <input type="checkbox"/> For rehabilitation or adaptive reuse of a vacant building, attach work write-up(s) and cost estimate and attach certification from a licensed architect or engineer that the building is structurally sound and appropriate for the intended use and that the reconstruction is achievable or within the cost structure proposed in this application <input type="checkbox"/> Supplement this information to the greatest extent possible with site plans, floor plans and architects and/or engineer report <input type="checkbox"/> For Acquisition and Pre-development: Sales contract, site information
<b>SECTION 6</b>	<b>ENERGY EFFICIENCY</b>
<b>SECTION 7</b>	<b>MARKET NEEDS ASSESSMENT</b>
<b>SECTION 8</b>	<b>RESOLUTION</b>



# Exhibit B. Credit Memo Template\*

**IN ORDER TO SAVE FORM, YOU MUST DOWNLOAD IT TO YOUR COMPUTER.**

<b>1. MHTF INFORMATION</b>		
Date Presented: _____	Loan Rating: _____	
Lending Staff: _____	Referral Source: _____	
<b>2. APPLICANT INFORMATION</b>		
Applicant Name: _____		
Contact Name and Title: _____		
Street Address: _____		
City and State: _____		
Zip Code: _____		
Telephone Number: _____		
Fax Number: _____		
Email Address: _____		
Officers/Principals:	[NAME]	[ADDRESS]
	_____	_____
	_____	_____
	_____	_____
Applicant Status:	<input type="checkbox"/> NON-PROFIT <input type="checkbox"/> FOR PROFIT <input type="checkbox"/> GOVERNMENT ENTITY <input type="checkbox"/> JOINT VENTURE	
	<input type="checkbox"/> LIMITED DIVIDEND ENTITY <input type="checkbox"/> OTHER	
<b>3. PROJECT INFORMATION</b>		
Project Name: _____		
Street Address: _____		
City and State: _____		
Zip Code: _____		
County: _____		
Anticipated Construction Start Date: _____		
Anticipated Occupancy Date: _____		
<b>4. ACTIVITY TYPE</b>		
Select all that Apply:	<input type="checkbox"/> ACQUISITION	<input type="checkbox"/> PREDEVELOPMENT
	<input type="checkbox"/> CONSTRUCTION	<input type="checkbox"/> REHAB
		<input type="checkbox"/> INFRASTRUCTURE
		<input type="checkbox"/> MORTGAGE BUY DOWN
<b>5. UNIT TYPE</b>		
Select all that Apply:	<input type="checkbox"/> HOME OWNERSHIP	<input type="checkbox"/> RENTAL
	<input type="checkbox"/> SINGLE FAMILY	<input type="checkbox"/> MULTI-FAMILY
		<input type="checkbox"/> MIXED USE (includes commercial)
		<input type="checkbox"/> TRANSITIONAL



# Exhibit B. Credit Memo Template\*

## 6. HOUSING UNITS

The Recipient shall create (number) \_\_\_\_\_ housing units,  
of which (number) \_\_\_\_\_ will be affordable to very low income households, (50% of median and below)  
(number) \_\_\_\_\_ will be affordable to low income households, (51% to 80% of median)  
(number) \_\_\_\_\_ will be affordable to moderate income households, (81% to 120% of median)  
and (number) \_\_\_\_\_ will be market rate. (121% and above)

## 7. MHTF FINANCED HOUSING UNITS

MHTF will finance (number) \_\_\_\_\_ very-low income units, (50% of median and below)  
(number) \_\_\_\_\_ low-income units, (51% to 80% of median)  
(number) \_\_\_\_\_ moderate-income units, (81% to 120% of median)

## 8. LOAN DESCRIPTION

Loan Type: _____	Amortization Schedule Attached <input type="checkbox"/> YES <input type="checkbox"/> NO
Loan Amount: _____	Debt Service Coverage Ratio: _____
Interest Rate: _____	Source of Repayment: _____
Fees: _____	Secondary Source: _____
Other Charges: _____	
Note: _____	

## 9. SOURCE OF FUNDS

Source: _____	Amount: \$ _____	Committed <input type="checkbox"/>	Anticipated <input type="checkbox"/>
Source: _____	Amount: \$ _____	Committed <input type="checkbox"/>	Anticipated <input type="checkbox"/>
Source: _____	Amount: \$ _____	Committed <input type="checkbox"/>	Anticipated <input type="checkbox"/>
Source: _____	Amount: \$ _____	Committed <input type="checkbox"/>	Anticipated <input type="checkbox"/>
<i>List additional sources on separate sheet.</i>		Total Sources: \$ _____	

## 10. USE(S) OF FUNDS

Use: _____	Amount: _____
Use: _____	Amount: _____
Use: _____	Amount: _____
Use: _____	Amount: _____
<i>List additional uses on separate sheet.</i>	
Total Uses: _____	

## 11. COLLATERAL

Description and Lien Position	Valuation	Less: Priors Lien(s)	Discounted Value
(1) _____	_____	_____	_____
(2) _____	_____	_____	_____
(3) _____	_____	_____	_____
(4) _____	_____	_____	_____

## 12. GUARANTORS

Name	Address	Amount and Comments
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

## 13. PROJECTED IMPACT

Leveraged Funds \_\_\_\_\_  
Other Social Impacts \_\_\_\_\_

# Exhibit B. Credit Memo Template\*

## 14. STRENGTHS

1.

2.

3.

4.

## 15. WEAKNESSES

1.

2.

3.

4.

## 16. CREDIT POLICY EXCEPTIONS

1.

2.

3.

4.

## 17. RECOMMENDED CONDITIONS TO CLOSING

1.

2.

3.

4.

## 18. ADDITIONAL TERMS AND CONDITIONS

### IF LOAN COMMITTEE APPROVAL IS REQUIRED

Members Voting \_\_\_\_\_  Approve  Deny

### IF BOARD OF DIRECTORS APPROVAL IS REQUIRED

Members Voting \_\_\_\_\_  Approve  Deny

### REQUIRED SIGNATURES

Signature

Title

Date

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

## Exhibit C. Risk Rating System

Risk Category	Loan Loss Reserve	Security	Repayment		Financial Condition	Payment History
			Multifamily	Single Family/ Homeownership		
I	5%	Combined LTV ≤ 80%	Debt Service Coverage Ratio >1.25	Pre-sale commitments of 75% to 100%	Strong financial condition, remains steady or improving	No 30-day late payments in preceding 12 months
II	7%	Combined LTV ≤ 90%	Debt Service Coverage Ratio >1.20 with prefunded operating reserve	Presale commitments of less than 75%	Average financial condition or has experienced loss of over 3% of operating profit over preceding 12 months	Up to 1 30-day late payment in preceding 12 months
III	10%	Combined LTV ≤ 100%	Debt Service Coverage Ratio >1.15 with prefunded operating reserve	Presale commitments of less than 50%	Below average financial condition or has experienced loss of over 5% of operating profit and net assets declining by over 5% during preceding 12 months	1 60-day late payment or 2 30-day late payments in preceding 12 months
<i>The following risk ratings are reserved for deterioration after closing</i>						
IV	15%	Combined LTV exceeds 100%	Debt Service Coverage Ratio falls below 1.10	Trend in presale commitments actually closing is 25% or less	Deteriorating financial condition as evidenced by loss of greater than 5% of operating profit and net assets declining by over 10% during preceding 12 months	More than 2 30-day late payments or 2 60-day late payments in preceding 12 months
V	Minimum 20%, up to 100%	15% - 50%: At least 3 consecutive non payments, continued deterioration of borrower's financial condition, the security for the loan and/or project feasibility, doubtful collection of some portion of loan principal, borrower nonresponsive to MHTF work-out efforts  50% - 100%: Foreclosure action or other material legal action commenced				

# Exhibit D. Application and Certification for Payment\*

FROM CONTRACTOR:

VIA ARCHITECT:

PERIOD TO:

	CONTRACTOR

PROJECT NOS:

CONTRACT FOR:

CONTRACT DATE:

## CONTRACTOR'S APPLICATION FOR PAYMENT

Application is made for payment, as shown below, in connection with the Contract. Continuation Sheet, AIA Document G703, is attached.

- |   |    |                   |   |
|---|----|-------------------|---|
| 1. ORIGINAL CONTRACT SUM  |    | \$                | <span style="background-color: yellow; display: inline-block; width: 100%; height: 15px;"></span> |
| 2. Net change by Change Orders  |    | \$                | 0.00  |
| 3. CONTRACT SUM TO DATE (Line 1 ± 2)  |    | \$                | 0.00  |
| 4. TOTAL COMPLETED & STORED TO DATE (Column G on G703)  |    | \$                | 0.00  |
| 5. RETAINAGE:   |    |                   |   |
| a. <span style="background-color: yellow; display: inline-block; width: 40px; height: 15px;"></span> % of Completed Work (Column D + E on G703) | \$ | 0.00              | \$0.00  |
| b. <span style="background-color: yellow; display: inline-block; width: 40px; height: 15px;"></span> % of Stored Material (Column F on G703)    | \$ | Included in above |   |
| Total Retainage (Lines 5a + 5b or Total in Column I of G703)  |    | \$                | 0.00  |
| 6. TOTAL EARNED LESS RETAINAGE (Line 4 Less Line 5 Total)   |    | \$                | 0.00  |
| 7. LESS PREVIOUS CERTIFICATES FOR PAYMENT (Line 6 from prior Certificate)   |    | \$                | <span style="background-color: yellow; display: inline-block; width: 100%; height: 15px;"></span> |
| 8. CURRENT PAYMENT DUE  |    | \$                | 0.00  |
| 9. BALANCE TO FINISH, INCLUDING RETAINAGE (Line 3 less Line 6)  | \$ |                   | 0.00  |

The undersigned Contractor certifies that to the best of the Contractor's knowledge, information and belief the Work covered by this Application for Payment has been completed in accordance with the Contract Documents, that all amounts have been paid by the Contractor for Work for which previous Certificates for Payment were issued and payments received from the Owner, and that current payment shown herein is now due.

CONTRACTOR:

By:  Date:

State of:  County of:   
 Subscribed and sworn to before me this  day of   
 Notary Public:   
 My Commission expires:

## ARCHITECT'S CERTIFICATE FOR PAYMENT

In accordance with the Contract Documents, based on on-site observations and the data comprising the application, the Architect certifies to the Owner that to the best of the Architect's knowledge, information and belief the Work has progressed as indicated, the quality of the Work is in accordance with the Contract Documents, and the Contractor is entitled to payment of the AMOUNT CERTIFIED.

AMOUNT CERTIFIED . . . . . \$

*(Attach explanation if amount certified differs from the amount applied. Initial all figures on this Application and on the Continuation Sheet that are changed to conform with the amount certified.)*

ARCHITECT:  
 By:  Date:

This Certificate is not negotiable. The AMOUNT CERTIFIED is payable only to the Contractor named herein. Issuance, payment and acceptance of payment are without prejudice to any rights of the Owner or Contractor under this Contract.

CHANGE ORDER SUMMARY	ADDITIONS	DEDUCTIONS
Total changes approved in previous months by Owner		
Total approved this Month		
<b>TOTALS</b>	\$0.00	\$0.00
NET CHANGES by Change Order	\$0.00	

\*This Excel document may be downloaded at <http://midlandshousing.org/index.php/applications-policies/>

