RIHousing

Preservation Program Term Sheet

Product Description:	Permanent loan used for the purpose of extending the affordability of an existing Section 8 development.
Eligible Properties:	Properties with existing HAP contracts

Underwriting Parameters

Maximum Loan Amount:	Maximum 90% of the appraised value
Debt Service Coverage:	1.15x proforma Net Operating Income based upon the lower of appraised market or current Section 8 rents. RIHousing reserves the right to require a higher DSC depending on deal specifics.
Loan Term:	Both 30 and 40 year fully amortizing terms available.
Credit Enhancement:	Credit enhancement is typically provided through the HUD/HFA Risk Sharing Program. Permanent or construction/permanent loans available depending on level of rehabilitation.
Recourse:	Loans are non-recourse secured by a first mortgage lien on both land and improvements.
Prepayment:	15 years after Loan Closing
Existing Reserves:	Existing reserves are available to the seller to facilitate the transaction to the extent allowed by HUD

Rates & Fees

Interest Rates:	RIHousing has both taxable and tax exempt financing. A fixed rate will be determined based on our cost of funds

dependent on market conditions. Please contact the Development Division for current rates.

Credit Enhancement Fee:	Credit Enhancement is typically provided through the HUD Risk Sharing Program; cost is generally 25 basis points; first year premium due at closing.
Origination Fee:	2% of the first $5,000,000; 1% thereafter
Application Fee:	For projects not currently financed by RIHousing, $2,500 prior to Preliminary Commitment by our Board of Commissioners
LIHTC Allocation Fee: (***if applicable***)	4%: 1 percent of 10-year allocation 9%: .5 percent of 10-year allocation

Due Diligence Requirements

Rehabilitation:	Based on Capital Needs Assessment (CNA). Repair funds to be escrowed with and administered by RIHousing.
Environmental:	Phase 1 required
New Reserves:	The combination of the initial Operating and Replacement Reserves will be sized to equal six months of operating expenses and six months of debt service. Of this amount, the initial Replacement Reserve will generally be equal to $2,000 per unit. We reserve the right to require a higher Replacement Reserve based upon the CNA's 20 year projections.
Tax and Insurance:	Borrower will be required to capitalize 6 months tax and insurance escrows and make monthly payments equal to one-twelfth of the annual premiums.
Third Party Fees:	The Borrower will be responsible for paying all third party expenses required to complete the due diligence and close the transaction, including legal fees and any costs of issuance

associated with bond transactions. Costs may be capitalized in the development budget.

Developer Fee:	5% of acquisition plus 10% of rehabilitation and soft costs but not including new reserves.
Regulatory Agreement:	Borrower is required to sign a new affordability agreement restricting the units for 40 years from closing.
Affordability Requirements:	A minimum of 20% of the units must be affordable to households earning less than or equal to 50% of the Area Median Income.

This is not an offer to make a loan. This term sheet serves as an outline of this program's underwriting criteria and is for discussion purposes only. For more information, contact Anne Berman, Asst. Director of Development, at (401) 457-1269.

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