



PROGRAM BULLETIN

Date: September 26, 2024

To: Developers

From: Anne Berman, Director of Real Estate Development

Subject: Tax Exempt Bond Requirements

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This Program Bulletin outlines Rhode Island Housing and Mortgage Finance Corporation’s (“RIHousing”) requirements when issuing tax-exempt bonds (the “Bonds”) for a 4% low-income housing tax credit (“LIHTC”) transaction, and the Bonds will be issued as part of a public offering utilizing RIHousing’s existing bond indenture.

RIHousing’s preferred structure is to be the sole construction lender. In such an instance, RIHousing will issue the Bonds under one of two scenarios: either (i) a construction to permanent loan (with or without a balloon payment) or (ii) a construction loan that is fully repaid at completion. Such a structure reduces the legal costs of the development project (the “Development”) since there is only one lender, simplifying the loan documentation.

In instances in which Bonds are requested, and the borrower elects to work with another construction lender (e.g. the investor in the LIHTC syndication) who will participate in the construction lending process by making a construction loan before the issuance of the Bonds, RIHousing requires that its Bonds be issued no later than 50% completion and that when those Bonds are issued, RIHousing’s construction loan assumes a first position lien on the development.

If a cash collateralized bond structure is being requested, the Borrower must demonstrate that the structure is cost-effective and that RIHousing or state soft resources are not funding the additional costs associated with such a structure. Additionally, when a cash collateralized structure is utilized, RIHousing Bond Counsel must be included in all loan structuring negotiations, with sign-off on loan terms, including maturity dates and prepayment options to ensure alignment with optimal bond structuring and bond issuance documentation. Borrower will be responsible for any additional bond counsel costs related to the transaction.