LOUISIANA HOUSING CORPORATION
PRESERVATION RISK SHARING LOAN PILOT INITIATIVE

PROGRAM OVERVIEW

The Louisiana Housing Corporation (the "**LHC**") is proposing a Preservation Risk Sharing Loan Pilot Initiative (the "**Preservation Pilot Initiative**") by activating its HUD/HFA Risk Sharing Program to refinance or to finance the acquisition, recapitalization and rehabilitation of existing affordable multifamily housing developments throughout the State of Louisiana. The Preservation Initiative will

(i) require the submission of a complete LIHTC Application, including an independent Capital Needs Assessment which will serve as the basis of establishing the minimum rehab budget (not less than the minimum rehab required under Sections 42 and 142(d) of the Internal Revenue Code) and the reserve for replacement requirements (not less than the minimum in the State's 2014 QAP);

(ii) for appropriate projects, offer Soft Funds in the form of a subordinate mortgage loan in an amount equal to the lesser of (a) twenty percent (20.0%) of a project's post-completion appraised value or (b) $10,000 per unit (**Soft Funds Investment Minimum**) payable annually from 50% of surplus cash (LHC will budget Soft Second HOME and/or CDBG Loan Funds to the Preservation Pilot Initiative);

(iii) mandate that any development costs in excess of Completed Valuation may only be financed with a Deferred Developer Fee not exceeding 50% of the Developer Fee or with not more than 50% of any tax credit equity from low-income housing credits ("**LIHTCs**") made available in connection with the rehabilitation;

(iv) evenly (50%) split with FHA the LHC share of a Level I Risk Sharing Loan;

(v) limit all Level I Risk Sharing Loans to 80% or less of an affordable housing development's post-completion appraised value (**LTV Limit**);

(vi) require debt service coverage ratio (**DSCR**) of not less than 1.2 for all Level I Risk Sharing Loans;

(vii) require asset management in the same manner associated with TCAP and 1602 funded projects; and

(viii) either limit the number of housing units in a single building following a review of the building's base flood elevation or require replacement cost supplemental flood insurance.

APPLICATION GUIDELINES

All applicants should obtain a copy of and review the Corporation's Section 542(c) HFA Risk Sharing Multifamily Underwriting Bond Financing Program Guide (the "**LHC Risk Sharing Guide**"). Applicants should then discuss their projects with LHC staff and LHC's Teaming Partner prior to submitting a complete electronic LIHTC Application that constitutes the Risk Sharing Application.

The Preservation Pilot Initiative has four stages which incorporate elements of HUD's Multifamily Accelerated Processing (MAP) Guide as amended November 23, 2011 (the "**MAP Guide**").

The stages are:

(1) Letter of Interest and submission of the LIHTC Application for the proposed project;
(2) Meeting with LHC staff to discuss underwriting and financing parameters;
(3) Board Eligibility and Preliminary Bond Approval/Inducement Resolution;
(4) Conditional Underwriting Approval/Final Bond Resolution; and
(5) Pre-Closing Documentation.

ELIGIBLE PROJECTS

While the LHC Risk Sharing Program Guide permits the construction of new rental housing units, the FHA Risk-sharing loan guarantees in the Preservation Pilot Initiative will be limited to (a) existing residential rental developments in which at least seventy five percent (75.0%) of the units are subsidized with project based rental assistance subsidies and/or (b) existing residential rental developments that (i) are sponsored by a development team which is in good standing with the LHC and HUD and which development team does not include anyone as a consultant, developer, manager of the development who are not in good standing with LHC or HUD, (ii) are beyond their initial 15-year Compliance Periods associated with the prior allocation of LIHTCs and/or (iii) are beyond their periods of affordability if the project previously received any assistance with HOME Funds.

LHC RISK MANAGEMENT GUIDELINES

In order to protect the LHC from the risks inherent in an existing project that is substantially rehabilitated, certain risk mitigation measures must be provided by developers:

- Construction period letter of credit or guarantees from high net worth/liquid guarantors for principal amount of Risk Sharing Loan
- Construction guarantee from a creditworthy institution or high-net worth individual
- Fixed price construction contract
- Construction performance bonds in place
- Continuous asset management by LHC using AMEC Model

LHC REVENUE BONDS AS FUNDING SOURCE

All Risk Sharing Loans will be financed with revenue bonds issues by the LHC.

BOND AND RISK SHARING FEE SCHEDULE	
Bond Application Fee (non-refundable)	$1,000.00 per project
Bond Financing Fee	Annual 0.1% of Bond Amount required to finance the Risk Sharing Loan
Risk Sharing & Tax Credit Application Fee	$1,000 for 5-32 units $1,500 for 33-60 units $2,500 for 61-100 unit $5,000 for over 100 units
Sec. 542(c) HUD/LHC Risk-Sharing Program - *2.0 % Financing Fee of Risk Sharing Loan* - *1.0 % Placement Fee of Risk Sharing Loan*	 2.0% x $1 million = $20,000 1.0% x $1 million = $10,000