

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
Low Income Housing Tax Credit Program

POLICY STATEMENT

FINANCIAL CAPACITY AND CREDITWORTHINESS

The applicant, general contractor, and non-profit (if applicable) will be evaluated and approved for financial capacity and creditworthiness based on the following.

1. Review of Financial Capacity:

Required Documentation: (applies to individual or corporate sponsors)

Option 1: Audited or Reviewed Financial Statements dated within six months of the application due date.

Plus

If Reviewed Statements: A statement from the chief executive or operating officer and the chief financial officer of the applicant or corporation stating the reviewed financial statements presents fairly the financial position of the corporation to the best of each person's knowledge and belief

Option 2: Audited or Reviewed Financial Statements dated within fifteen months of the application due date.

Plus

An Interim Balance Sheet dated within six months of the application due date. The balance sheet can be prepared by an independent CPA or by a CPA who is an employee of the proposed applicant. However, the balance sheet must be in a form substantially the same as the audited balance sheet dated within fifteen months of the application due date.

Plus

A statement from the chief executive or operating officer and the chief financial officer of the applicant or corporation stating the balance sheet presents fairly the financial position of the corporation to the best of each person's knowledge and belief.

Plus

(i) A statement from independent CPA (if applicable) stating the CPA has reviewed and prepared the balance sheet from the books and records of the

applicant or corporation *or* (ii) a statement from the CPA who is an employee of the proposed applicant (if applicable) stating although the CPA has not performed an audit of the balance sheet and furthermore is employed by the applicant or corporation and thus is not independent, to the best of the CPA's knowledge and belief the balance sheet accurately reflects the financial position of the applicant or corporation.

Financial Thresholds:

Applicants (sponsor):	Required to have net liquid assets at least equal to 3% of the permanent mortgage loan(s) of the proposed project, plus permanent mortgage loan(s) for project(s) that have been approved previously and have not placed in service (i.e. projects currently in the development process).
General Contractor:	Required to have net liquid assets at least equal to 3% of the construction contract of the proposed project, plus the construction contract for project(s) that have been approved previously and have not submitted contractor cost certifications to MSHDA (i.e. projects currently in the development process).

2. Review of Creditworthiness:

Tax Liens and Credit History:

The Authority will not approve the allocation of tax credits if the applicant, general contractor, or the non-profit (if applicable) has outstanding tax liens, or does not have a reasonable credit payment history. To expedite the credit review of corporate applicants, general contractors, and non-profits (if applicable), it is recommended that current financial information be on file with Dun & Bradstreet.