

## MHDC Guidelines for Preliminary Financing Commitments

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Conditional commitments (or their equivalent) for all non-MHDC debt and equity must be included with the application and are required to be updated at the time of firm submission.

### Debt

All commitments submitted at application for hard and soft construction and permanent debt must include the following:

1. Loan Amount
2. Loan Term
3. Loan Amortization
4. Annual Interest Rate
5. Loan Fees

If the project is proposing the use of deferred developer fee as a source of financing, a letter from the developer indicating the amount, interest rate and expected payback period of the fee should be included with the application.

If the project is assuming debt that currently encumbers the property at application, a copy of the current note and a letter from the lender indicating that the loan can be assumed by the proposed ownership entity if all the lender's assumption requirements are met.

If a source of funding is being applied for or will be applied for (e.g. FHLB AHP) a letter from the source indicating acknowledgement that the applicant has/is expected to submit an application for the funds must be provided. The letter should indicate the amount of funds requested and when funding announcements will be made.

An updated commitment letter must be provided with the firm submission and should update the information from the commitment provided at application. Debt, except for assumed debt, must have a commitment letter at the time of firm submission. Assumed debt should include a letter from the lender indicating what needs to be done for the assumption to be finalized and when that is expected to occur.

### Equity

If all the various types of tax credit equity are to be provided by the same syndicator, one commitment letter meeting all the requirements below will be sufficient.

Conditional Commitments for tax credit equity must include the following information at the time of application:

1. Credit Amount: The amount of each federal and state credit expected to be available to the project owner and being purchased by the investor.
2. Investor Share of Expected Credits: The percentage of all federal and state credits available that are being purchased by the equity provider.
3. Price per dollar of Credit: The amount of equity being contributed to the partnership for development costs must be shown.
4. Fees: Include the amount and escalation of any fees that will require payment from cash-flow prior to the repayment of deferred fee, soft loans and any other distributions.
5. Reserves: Describe any reserves funded by the project that are to be held with the partnership. Include what the requirements for withdrawal are and the timing for release of control of those reserves.

Commitments for Historic Rehabilitation tax credit equity must, in addition to the requirements above, include the eligible basis calculated for both the state and federal historic credits.

At firm submission Commitments for tax credit equity must include an update of all the information provided with the application and also include the following information:

1. Capital Contribution Timing and Amounts: Must be detailed to include either by date or milestone when and how much equity will be contributed to the partnership. It should be clear how much equity will be available during construction to pay for development costs.
2. Description of Development Costs Attributed to Limited Partner: If any costs in the development budget are described as limited partner costs or syndication costs, provide a description of those costs including an estimate of the amount.

If a bridge loan is to be provided by the equity investor the terms and conditions of that loan can be included with the equity commitment and do not need to be presented in a separate commitment letter.

If you have any questions in regard to what is or is not a valid commitment letter for application or firm submission please contact MHDC prior to submission.