

## MHDC Guidelines for Preliminary Financial Commitments

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MHDC requires a preliminary commitment letter at the time of application for all non-MHDC sources of financing.

### **Debt/Grant Commitments**

Any debt or grant funds that will be a part of the development's financing must have a commitment letter or a letter stating that an application has been received for the source in question. Commitment letters must indicate the:

1. Loan or grant amount.
2. Loan term and amortization.
3. Interest rate.
4. Fees associated with the loan or grant.
5. Reserve requirements.
6. Lien position of the loan.
7. Relevant requirements that may affect other financing sources or the operations of the property.
8. Contact information for the person providing the commitment and to whom MHDC's questions can be directed.

***Commitment letters are required for both construction and permanent sources.***

If a loan is going to be assumed or an existing loan is to be restructured, you must provide a copy of the current note and a letter from the lender that states 1) that the loan can be assumed and 2) the terms and conditions of any assumed or restructured note. This is of particular applicability to HUD and RD financed developments that are being preserved.

If a loan/grant has been applied for, or will be applied for, from a competitive source (e.g. city funds, Federal Home Loan Bank), a letter of acknowledgement that the funds have been applied

for or verification that a funding round is coming up and the applicant is eligible to apply is required. The letter should indicate the amount of funds requested and the timing for funding decisions. Applicants should be prepared to explain alternative plans if they are not successful in any non-MHDC competitive funding rounds.

### **Equity Commitments**

Any development with tax credit equity listed as a source must include a preliminary commitment letter or letter of interest. The letter must indicate the:

1. Ownership percentage and amount of annual credits to be purchased by the equity provider.
2. Price paid per dollar of annual credit purchased.
3. Total amount of capital contributions.
4. Amount of equity paid in during the construction period.
5. Any fees, such as an asset management fee, that must be paid over the compliance period.
6. Any reserve requirements.
7. Contact information for the person providing the commitment and to whom MHDC's questions can be directed.

All equity commitments must be signed by the provider of the commitment and dated within 45 days of the application deadline.