



HOME/TAX CREDITS TERM SHEET 2010 HOUSING TAX CREDIT ROUND

BACKGROUND For many years MFA has awarded HOME Investment Partnership funding, in the form of second mortgages, together with the annual Housing Tax Credit (HTC) round. The rationale included a desire to simplify the process, ensure that the project's financing was complete at the time of commitment of Tax Credits, and enhance affordability. The level of demand for HOME has outstripped supply, and to ensure that HOME funds are being used strictly to fill the gaps in financing and enhance affordability, HOME/Tax Credit funds will be rationed through mechanisms described below.

PURPOSE The purpose of this term sheet is to advise developers preparing proposals as to the standards their projects must meet to obtain HOME/Tax Credit funding, and to the limits to be imposed for various types of projects.

UNDERWRITING CRITERIA All HOME/Tax Credit requests will be fully underwritten as the proposed project is reviewed for Tax Credit purposes. Standards applied to the HOME loans will include the following:

- ✓ Debt service coverage for all senior and subordinate debt may not fall below 1.15 or above 1.30, except in the case of very small projects for which coverage of 1.30 generates \$10,000 or less in annual cash flow.
- ✓ HOME funds cannot be used as a substitute for market rate first mortgage debt unless the conventional 1st mortgage debt amount would be less than \$150,000: Excess coverage will result in a requirement to obtain such debt and allocate HOME accordingly.
- ✓ If project cash flow cannot support amortization of the HOME loan within the DCR range above, then the award will be structured as a non-amortizing, interest only loan with a rate of 1% to 3%. Projects targeting populations at or below 30% of area median income are eligible for forgivable loans or amortizing loans with a 0% interest rate. Loan terms may extend up to 40 years.
- ✓ MFA must determine that the overall financing gap (after inclusion or re-sizing of a first mortgage) can be satisfied within the annual HOME limits, structured according to parameters described above. When all financing sources are committed to the project, MFA will perform a final underwriting and may restructure the HOME loan according to the above criteria.

CONSTRUCTION LOANS Because MFA is at risk for repayment when HOME funds are expended and units are never produced, the use of funds for construction will be allowed only when the borrower is a CHDO or when a Principal(s) acceptable to MFA provide limited guarantees during the construction period. Other HOME loans will be drawn on completion.

HOME/TAX CREDIT LOAN AMOUNTS

Overall limits include \$20,000 per unit or \$500,000 per project total, according to the 2010 Action Plan. For the 2010 HTC round, additional limits detailed below will apply. The purpose of these additional limits is to focus the use of HOME funding on the most needy counties and the most affordable projects within the state.

AREA ¹	Counties with Median Income Less than Non-Metro Median ²			All Other Areas			
	Project Size	Small Projects	Medium Projects	Large Projects	Small Projects	Medium Projects	Large Projects
AGMI ³ 51% or Above		\$14,000	\$10,500	\$7,000	\$10,500	\$7,000	\$5,250
AGMI 46-50%		\$16,000	\$12,000	\$8,000	\$12,000	\$8,000	\$6,000
AGMI 41-45%		\$18,000	\$13,500	\$9,000	\$13,500	\$9,000	\$6,750
AGMI 40% or less		\$20,000	\$15,000	\$10,000	\$15,000	\$10,000	\$7,500

HOME AWARDS

HOME/Tax Credit awards require successful competition of the proposed projects in the Tax Credit round. Following underwriting and processing, successful projects will be rank ordered according to Tax Credit scores, and HOME funds will be awarded to the highest scoring projects first, then to lower scoring projects until all available funds have been awarded.

FOR FURTHER INFORMATION

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¹ Small projects are those with 30 or fewer units, medium projects are 31-60 units, large projects are those with 61 units or more. Projects to be located on adjacent sites proposed by the same Applicant in the same allocation round will be treated as a single Project.

² Counties currently include Catron, Chaves, Cibola, Colfax, Curry, DeBaca, Farmington MSA (Farmington and San Juan), Eddy, Grant, Guadalupe, Harding, Hidalgo, Las Cruces MSA (Las Cruces and Dona Ana), Lea, Luna, McKinley, Mora, Otero, Quay, Rio Arriba, Roosevelt, San Miguel, Sierra, Socorro, Taos, and Union. Subject to change when HUD publishes the median income levels effective for 2010,

³ Average Gross Median Income calculated for HTC Scoring Purposes.