California Community Reinvestment Corporation

Underwriting Terms & Conditions

Background:

CCRC was incorporated in 1989 as a federally tax-exempt nonprofit organization to make loans for affordable low income housing in the state of California. Formed as a nonprofit mortgage-banking consortium in response to the serious shortage of affordable housing statewide, CCRC has member banks on a statewide basis.

With its blind pool funding, CCRC provides permanent long-term financing for affordable multi-family low-income housing projects, technical assistance to affordable housing project sponsors and assistance to government entities in achieving maximum leverage of public and private funds to increase the supply of available affordable housing.

Eligible Borrowers:

Nonprofits and for-profits with demonstrated development experience.

Property Types:

Multi-family and senior housing, new construction, acquisition/ rehabilitation projects and, on a limited basis, special needs housing and SRO housing, throughout California.

Eligible Transactions:

CCRC provides permanent loans for new construction, acquisition/ rehab, or acquisition of completed projects.

CCRC will refinance permanent loans in those cases where the new loan will significantly enhance affordability and/or where the lack of appropriate takeout financing jeopardizes project affordability.

Low Income Affordability:

Project must be affordable for the life of the loan where "affordable" is defined as a household payment of no more than 30% of household gross income.

Low Income Units:

Affordable unit rents must be at least 10% below area market rents and projects must include sufficient affordable low income units to satisfy one of the following three affordability requirements:

	% of Units Affordable to Households	% of Area Median Income Adjusted for Household Size
1)	51% or more	80% or less
2)	40% or more	60% or less
3)	20% or more	50% or less

Section 8 & Other Project-Based Subsidies:

Underwriting rents to be the lesser of subsidy contract rents or market rents.

Loan Commitments:

Loan commitments are made on either an immediate delivery or forward basis.

Immediate Delivery:

Loans scheduled to close within 90 days or less of commitment are considered immediate delivery transactions. The interest rate on such transactions is fixed at the applicable interest rate 10 days prior to close.

Forward Commitments: Forward commitments are available for up to 36 months. For a rate lock period longer than 24 months the interest rate spread is increased. Borrower can exercise a lock-in (subject to an increased spread) or wait until not later than 10 days prior to loan close to fix the interest rate at no additional charge.

Security: First deed of trust against land and improvements. Deed restrictions or other recorded agreements affecting property value (such as affordability requirements) must be subordinated to CCRC's lien or taken into consideration for loan sizing. If there is a ground lease, CCRC will require leasehold interest and an accommodation deed of trust unless lessor is a government agency, the lease term is at least 55 years, and the ground rent is capitalized and paid up front or is a nominal amount.

Assumability: Loans are non-assumable.

Loan Term & Amortization: Mortgage products can have a 30 year amortization and 18 year due, or they can have a 30 year amortization and 30 year due. Interest rates are adjusted at year 16 on 30/30 products. The rate adjustment is floored at the initial rate and the spread at adjustment is higher than the initial spread.

For bond loans, amortizations and terms of 35 years are available.

Loan-to-Value Ratio: The permanent loan-to-value ratio is not to exceed 85% of the stabilized value after construction and/or rehabilitation appraised on the basis of restricted rents. The loan-to-value ratio on a decontrol basis is not to exceed 75%. For properties with a HUD-sourced project-based subsidy such as Section 8 or SPRAC:

- 80% of market value with subsidy income if the subsidy contract is deemed to be renewing in perpetuity
- 85% of the restricted value plus the net present value of the subsidy over the term of the subsidy contract if the subsidy contract is deemed to have a finite term

Debt Service Coverage: Minimum coverage of 1.15:1.00.

Equity: At conversion, 90% of tax credit investor equity shall have been paid into the partnership.

Interest Rate: CCRC's index for permanent mortgage loans is the 10 year US Treasury Note. The interest rate will be set 10 days prior to funding (immediate) or construction loan close (forward).

CCRC's index for bond loans is the 15 year muni-bond yield.

Prepayment: Prepayment of the loan is subject to a Yield Maintenance Formula for the first 15 years of the loan but in all cases will be at least 1% of the outstanding principal balance throughout the term of the loan.

Fees: Fees are typically the greater of $7,500 or 1% of the loan amount payable at commitment plus a $2,000 application fee, appraisal, appraisal and environmental review, and lender's legal costs. Loan increases after commitment may also be charged the greater of 1% or $5,000.

CCRC requires a deposit of $5,000 at inception of the application. This deposit will be applied towards a nonrefundable application fee of $2,000, which includes a $500 contribution to the CCRC Scholarship Fund, and the balance will be applied as a credit at construction loan closing. Should the closing not take place, the deposit will be applied to costs incurred by CCRC, including but not limited to legal fees.

Legal Fees: Legal fees are paid by the borrower and vary depending on the type and complexity of the transaction. CCRC will generally quote a maximum fee which would apply except in cases of unusual problems or extensive negotiation of loan documents by the borrower.

Appraisal: A current appraisal and appraisal review commissioned by CCRC is a prerequisite for commitment. The appraiser must be approved by CCRC and must meet current appraisal guidelines as provided by Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) and the Uniform Standards of Professional Appraisal Practice (USPAP). A new appraisal or market rental study may be required at funding, depending on prevailing market conditions. All appraisal, appraisal review, and market rental study costs are to be paid by the borrower.

Environmental: A Phase I Environmental Site Assessment report and, if structures built prior to 1981 are present on the property, an asbestos report and lead-based paint report acceptable to CCRC is a closing prerequisite for all loans. Any adverse conditions cited in the engineer's conclusion must be resolved in a manner acceptable to CCRC prior to loan funding. (NOTE: CCRC requires removal, encapsulation, or operation and maintenance plans for all friable asbestos and/or lead based paint)

Replacement Reserves: Replacement reserves at a minimum rate of $250 per unit for new construction and $300 per unit for rehabilitation are required and usually will be impounded by CCRC.

Property Management: CCRC stresses the importance of property management by requiring agents to have at least five years experience in low-income housing management.

Lease-Up Requirement: CCRC will not advance funds until the property has achieved a minimum of 95% occupancy.

Application Procedure: See CCRC's website (www.e-ccrc.org) for information about the due diligence process or call today.

If you would like to discuss CCRC financing, please contact
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