



OREGON HOUSING ACQUISITION FUND (OHAF) PRESERVATION LOAN TERM SHEET

Description: The Oregon Housing Acquisition Fund Loan Program (OHAF) provides short-term financing for the acquisition of affordable multifamily housing projects with expiring federal rental subsidies (HUD or RD) or Section 42 tax credits approaching their expiration.

Acceptable Borrowers: For- and non-profit entities including corporations, partnerships, limited liability companies, municipal or public corporations, or individuals that are duly authorized to conduct business in the state of Oregon.

Acceptable Property Types: Multifamily rental housing with expiring federal rental subsidies (HUD or RD) or Section 42 tax credits approaching their expiration. Each loan will have no less than 5 dwelling units, together or in aggregate, as collateral. Mixed use properties with housing and commercial are acceptable provided that the effective gross income from commercial tenants cannot exceed 20% of the total effective gross income.

Minimum Affordability: Affordability to be guaranteed for the original term of the loan.

1. 51% or more of the units are to be rented to households earning 80% or less of median income as defined by HUD; or
2. 40% or more of the units are to be rented to households earning 60% or less of median income as defined by HUD; or
3. 20% or more of the units are to be rented to households earning 50% or less of median income as defined by HUD.

Loan Amount: \$500,000 minimum and up to \$5,000,000 maximum, generally.

Maximum LTV:

1. Non-profit borrowers up to 95% of the lesser of "hypothetical" market value, or "as is" restricted value;
2. For-profit borrowers up to 75% of the lesser of "hypothetical" market value, or "as is" restricted value.

Minimum Debt Service Coverage Ratio

(DCR): 1.20x on NOAH first mortgage payment;
1.10x on all scheduled debt payments.

Recourse to Borrower: Fully recourse to the borrower. Sponsors will be required to provide a full payment and performance guaranty if a single asset entity owns, or will own, the property. Individuals will be required to guaranty a loan to a for-profit entity.

Security: 1st lien Deed of Trust with an Assignment of Leases and Rents on Secured Property whenever member bank funds are used to fund the loan; otherwise a lower lien position may be acceptable. Interest in personal

property in addition to an Assignment of the Rental Assistance Contract and pledge of reserve accounts.

Interest Rate: Between 5% and 7%. Calculated by NOAH based on its blended cost of funds plus a margin. Current rate is 5%.

Term: Lesser of 36 months or HUD/RD contract expiration. Extension of up to 12 months, not to exceed 48-month maximum loan term.

Amortization: N/A

Payments: Monthly interest only payments with principal due at loan maturity. In addition, escrows for taxes and insurance (as applicable) and a monthly deposit to the operating and maintenance reserve.

Pre-Payment Premium: None.

Fees: Origination fee of 1% of the loan amount (\$6,500 minimum);
Document preparation fee of \$500.
Good Faith Deposit of \$750.
Borrower is responsible for all transaction costs.

Maximum Forward Commitment: 12 months.

Initial Term of Commitment: The term of any commitment will be nine months to allow time for completion of acquisition.

Standard Reserves: Operating and Maintenance reserves will be required. In addition, a surplus cash reserve is required to be funded each year out of project operations. The amount of such annual reserve contribution will be equal to the amount of surplus cash, if any, stated in the annual project audit. Borrower may withdraw funds from this account for pre-development purposes with NOAH's permission.

Property Management: NOAH will require a qualified professional property management firm or agency, acceptable to NOAH, be engaged to manage the property for the term of the loan.

Required Third Party Reports: FIRREA compliant appraisal, ordered by NOAH, setting forth "hypothetical" market value and "as-is" restricted value.

Appraisal review if loan amount exceeds \$500,000.

Phase I Environmental Report and Environmental Questionnaire.

Capital Needs Assessment which addresses:

1. overall condition of the project;
2. life/safety issues; and,
3. compliance with Fair Housing and the Americans with Disabilities Act.

Pest and Dry Rot Report.

Market Study (if not included in the appraisal).

Other reports as requested by NOAH.

General Funding Conditions: ALTA Lender's Title Insurance policy insuring 1st lien position or such other lien position. All other funding sources will be subordinate with terms acceptable to NOAH.

Flood Hazard Determination (obtained by NOAH).

Evidence of insurance for casualty, public liability, rental interruption and if applicable flood and boiler and machinery insurance.

Operations and Maintenance plans as required per the environmental review.

Confirmation from OHCS that the proposed exit strategy is feasible.

Receipt by NOAH of copies of all tenant notices required by HUD or OHCS regarding ownership transfer or HUD contract transfer.

Assignment to NOAH of the rental assistance payment contract.

Borrower to review:

1. Fair Housing and ADA non-compliance issues reported in the Capital Needs Assessment; and
2. the Department of Justice publication "Readily Achievable Barrier Removal" to determine what modifications are required to comply with Fair Housing and/or ADA.

If the Borrower identifies readily achievable modifications, NOAH will require a reserve equal to 110% of the cost of the modifications be established at closing, and that the repairs be completed within 180 days of closing. Should the Borrower determine that no modifications are "readily achievable" they will be required to provide a certification at closing that they have received and read the publication "Readily Achievable Barrier Removal" and that no modifications are required at present.

Immediate repair reserve required for any Life/Safety issues identified in the Capital Needs Assessment which will not be addressed prior to OHAF loan closing. Reserve amount to be established at 110% of the cost of the estimated repairs.

Read and rely letter from the environmental consultant/engineer.

- Underwriting Checklist:**
1. Signed Letter of Interest and Deposit
 2. Fee Deposit
 3. Preliminary Title Report with copies of all exceptions

4. Financial Pro forma inclusive of Income and Expense Statement and Statement of Sources and Uses for:
 - Interim OHAF period
 - Long term take out scenario with timeline
5. Sponsor / General Partner financial information
 - Financial Statements for the last three fiscal years inclusive of Income and Expense Statement, Balance Sheet and Statement of Cash flows (preferably audited)
 - Year-to-date Financial Statement inclusive of Income and Expense Statement and Balance Sheet (dated within last three months)
 - Schedule of Real Estate Owned
6. Property information, including:
 - Operating Statements for the last three fiscal years and year-to-date, including rent rolls
 - Capital Needs Assessment
 - Pest and Dry Rot Inspection
 - Operations and Maintenance plans for properties with Asbestos and/or Lead-Based Paint
 - Evidence that project contractor is licensed lead abatement activities, if the project was constructed prior to 1978
 - Zoning Letter/Evidence of current zoning
7. Contract Information:
 - Copy of HAP or RD contract and all amendments
 - Determinative Criteria Package (HUD)
 - Consent from OHCS to pre-pay debt
 - Consent to transfer contract and OHCS/HUD/RD approvals to use cash flow for new debt, as applicable
 - Comfort letter from HUD re: renewing contract at expiration for new regulation transactions
8. Market Study
9. Appraisal
10. Plans and Specifications (as applicable)
11. Description of Quality Control protocols utilized by General Contractor specifically any that address building envelope installation oversight / testing (as applicable)
12. Environmental Phase I – from consultant with \$1 million in E&O Insurance
13. Environmental Engineer E & O Insurance Certificate evidencing \$1 million in coverage
14. Environmental Reliance Letter (NOAH to provide form)
15. Environmental Questionnaire or OHCS Environmental Review Checklist with Certification (NOAH to provide forms)
16. Subsidy Documents from Non-OHCS Funding Sources
17. Letters of intent - tax credit investor
18. Evidence of property tax exemption
19. Information about property management agent/plan
20. Development team information

21. Consolidated Funding Cycle Application (as applicable)
 - Reservation from Oregon Housing and Community Services
 - LIHTC:** OHCS 9% LIHTC Reservation and Extended Use Agreement
 - OAHTC:** Oregon Affordable Housing Tax Credit Program Low—Income Housing Project Reservation letter
 - HOME:** Home Investment Partnership Program Grant Agreement and Home Investment Program Declaration of Land Use and Restrictive Covenants
 - Trust Fund/GHAP:** Grant Program Project Use Agreement, Or, Loan documentation if structured as a loan
 - Weatherization Grant:** Project Use Agreement, Declaration of Restrictive Covenants and Equitable Servitude, Low-Income Weatherization Program
22. BOLI Determination Letter (as applicable)

Borrower Reporting Requirements:

During the first year of the loan:

1. Quarterly Project Status reports detailing actions taken to obtain needed public and private subsidies in addition to other development activities.
2. Quarterly operating statements and rent rolls for the project
3. Annual Borrower financial statements and/or tax returns
4. Annual Sponsor financial statements and/or tax returns
5. Annual Guarantor financial statements and/or tax returns, if applicable.

Thereafter:

1. Quarterly Project Status reports detailing actions taken to obtain needed public and private subsidies in addition to other development activities.
2. Annual operating statements and rent rolls for the project
3. Annual Borrower financial statements and/or tax returns
4. Annual sponsor financial statements and/or tax returns
5. Annual Guarantor financial statements and/or tax returns, if applicable.

As applicable:

1. 1-year Opt-Out Notice
2. 150-Day Financing Plan
3. 120-Day Opt-Out Notice

NOAH reserves the right to request more frequent reporting or such additional documentation as it deems necessary to adequately monitor project operations.

Please be advised that this term sheet is provided for informational purposes only, does not constitute a commitment or any offer from NOAH and is subject to change at any time. Please contact NOAH for questions related to your request or if you require additional information.