THE NEW HUD MAP GUIDE AND SUBORDINATE/BRIDGE LOANS

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I. MAP Guide – See Exhibit 8-1

A. Subsidy Layering Review (§14.4)

1. Not required if only federal financing is HUD-insured mortgage and LIHTC

2. Other financing services (e.g. HOME) may require a subsidy layering review

B. Treatment of HAP Contract Renewals (§14.7)

1. Should be 20-year Project Based Rental Assistance Section 8 Housing Assistance Contract or a 15-Year Project Based Voucher Contract

2. Rent Comparability Studies are generally required

3. Separate rules for RAD/LIHTC projects

C. Developer Fees

1. Treated as mortgageable costs so long as they are 1) in amounts approved by the project's LIHTC allocation agency, and 2) scheduled for payment in amounts and at times agreed on with the syndicator

2. Cannot claim BSPRA or SPRA when developer fees are in project budget

3. Deferred developer fees can be characterized as deferred debt or equity. If debt, it must meet §14.14 of the MAP Guide.

Deferred Developer Fees. Deferred developer fees are deducted from equity prior to the calculation of the required equity pay-in schedule. These fees may be converted to notes secured by the property and paid from surplus cash, but then they must be included as debt in the 100% of total project cost limit calculation. Deferred developer fees may also be treated as equity, in which case they are not secured with the property and may be paid only through surplus cash. Further detail on developer fees in Tax Credit Projects is included in Section 14.13.

D. Structuring Secondary Debt (§14.14)

1. Limitation of loan-to-value limits do not apply in LIHTC transactions. However, the following conditions apply:

a. Payments on all secondary debt are restricted to 75% or less of the annual surplus cash, or from the proceeds of a sale or refinancing of the property. (See 24 CFR 200.85(b).) This limit applies cumulatively to all secondary debt, private and public, to ensure that at least 25% of the surplus cash remains as an incentive to the owner. Owners may make additional payments on the debt out of their remaining 25% of cash flow, or from other sources.

b. The total combined private secondary debt does not exceed the limit of 100% of total project costs as confirmed by the HUD Underwriter's analysis of a comprehensive Source and Uses of Funds Statement. (Public secondary debt is not included in this calculation.)

c. The maturity date of the secondary debt must be coterminous with, or later than that of the first mortgage.

d. The secondary debt can reasonably be expected to be paid off over its term of 75% of the project's surplus cash.

e. The debt is documented in HUD's form of Surplus Cash Note (92223M) or subsequent version; or simple interest. However the lender should provide a thorough analysis demonstrating that project cash flow will be sufficient to avoid accruals of interest that would undermine the long term financial and physical integrity of the project, and all other risks have been adequately mitigated.

f. Private debt of up to 100% of Total Project Costs may be secured with the project but it must be subject to automatic re-subordination in any refinancing of the first mortgage.

E. Publicly Funded Secondary Financing

1. Loans funded with HOME funds or other federal, state or local public sources, as well as those funded by quasi-public agency programs such as the Federal Home Loan Bank's Affordable Housing Program (AHP), may be granted or lent directly to HUD's borrower, or to the GP or sponsor of the borrower, who will then loan it to HUD's borrower.

2. All such sources will be treated as public secondary financing sources, and as such need not be included in the calculation of the 100% of total project cost limit applied to private secondary debt.

3. However, none of these sources may be substituted for Tax Credit Equity required by the pay-in schedule provided below and all remain subject to the 75% cap on payments from surplus cash.

F. Tax Credit Equity Pay-In

1.

Benchmarks for Equity Installments	Minimum Equity Installment
On or Before Closing (223(f)) or Initial Endorsement (221(d)(4))	20% of Total Equity
At 65% Completion of Repairs (223(f)) or Construction Completion (221(d)(4))	37.5% of Net Equity
At 100% Completion of Repairs (223(f)) or Final Endorsement (221(d)(4))	62.5% of Net Equity

2. The term "Net Equity" is equal to Total Equity less 1) Deferred Developer Fees that are documented in a note and paid from project surplus cash, not equity, 2) "Delayed" Developer Fees for amounts due after the completion of repairs or construction, but not included in the Deferred Developer Fee Note, and 3) predetermined reserve amounts to be held by the investor for project uses after the time of the final pay in noted in the schedule above. Reserves allowed for this calculation may include only amounts that are required in the project's Partnership Agreement or LLC Operating Agreement. These include Lease Up Fees and Escrows, Operating and Debt Service Reserves, Section 8 HAP Contract Transition Reserves, Replacement Reserves, and State Agency Administrative Fees or Escrows. When calculating the pay-in amounts, owners must first reduce the total amount of equity committed to the project by the amount of these costs, and apply the payment percentages above to the remaining or "Net" Equity. No other costs may be deferred. This calculation, specifying each applicable use, must be provided to HUD in the FHA insurance application.

G. Equity Bridge Loans

1. EBLs may not be secured by a lien on the real estate or on any other mortgaged property as defined in the Security Instrument, although they may be secured with a pledge of Tax Credits and/or of limited partners' or investor members' interests in the project's ownership entity.

2. EBLs must be non-recourse to the Borrower, and the bridge lender shall have no claim even in an event of default against the Borrower, the Project, FHA mortgage loan proceeds, or any reserve or deposit made with the FHA Lender, or otherwise required by HUD.

3. In the event HUD acquires title to the Project by foreclosure or deed in lieu of foreclosure, the bridge loan documents automatically terminate and the Borrower shall be released of all of its obligations with respect to the EBL.

4. The obligations must be evidenced by a promissory note.

5. The term of the note may last through the construction or rehabilitation period but must be paid in full no later than the following dates:

    a. In the case of EBLs provided by private, for-profit lenders, at 100% Completion of Repairs for 223(f) loans, or at Final Endorsement for 221(d)(4) loans (the time of the final equity pay-in); and

    b. In the case of EBLs provided by not-for-profit, public sector or quasi-public sector entities, no later than ten (10) years following 100% Completion of Repairs for 223(f) loans, or Final Endorsement for 221(d)(4) loans.

6. The borrower must provide evidence to the lender's satisfaction that the bridge loan has been paid in full at the times noted above.

7. At Firm Application, or as soon as the need for a bridge loan is known, the lender must submit a term sheet describing the key terms of the bridge loan, as well as a certification that a) the loan will be secured only by a pledge of partnership interests or tax credit benefits and not by the project, and b) that the bridge lender will have no claim against the mortgaged property, mortgage proceeds, any reserves or deposits, or against the rents or other income from the property for repayment of the bridge loan.

8. Bridge loans for other purposes (i.e. that are not used to advance equity in tax credit projects) are described in Chapter 8.

H. Syndication Fees

I. Vacancy Rates

J. Miscellaneous

1. Lien Priority

2. Tax Credit LURAs