

## Single Family Lease-Purchase Development Loan

To revitalize neighborhoods, we extend intermediate term mortgage loans to for-profit and non-profit developers for the lease/purchase of new and rehabilitated single-family structures. These projects generally meet the housing needs of individuals who have participated in a homeownership counseling curriculum and the ability to repay, but have currently unbankable credit histories.

### Requirement for Community Needs Tracking

- Project must target individuals or families earning 80% or less of area median income.
- Periodic reporting is required.

### Project/Borrower Characteristics

- Developer should have experience in real estate development and a history of successful project initiation and completion.

### Other Conditions

- Borrower must be a legally organized entity.
- Borrower should demonstrate the financial resources and capacity to carry any existing or projected short-term operating deficit. Borrower must be able to demonstrate and/or provide a minimum of two months debt service reserve.
- Market demand must be adequately demonstrated by pre-lease/sale contracts or existing market data, current market study, property operating statistics and survey of realtors operating in the project market area.
- Underlying transactions must be to future homeowners with demonstrated need and the capacity to repay. Debt coverage ratio must be adequate to service the debt being extended and any other personal outstanding obligations.
- Preliminary and ongoing homebuyer education and counseling required, either by the developer or a qualified home counseling organization. Periodic reporting required.
- Underwriting based on cash flow from home lease projections; experience and history of the entity developing the project; and the contribution of the project to the community. General community support, impact and the economic contribution of the program to the community will be considered in underwriting.
- As individual properties are sold, the developer will pay off a pro-rata portion of the loan's principal balance based on selling price and loan balance.

### Loan Amounts

Minimum: \$100,000  
Maximum: \$1,000,000

### Rate Structure

Based on current market conditions and risk analysis; underlying individual transactions generally priced at closing

### Maturity Terms

Loans may be extended up to 12 months on an interest only basis during the rehabilitation and construction period, with conversion upon completion to a 30 year monthly amortization, with a 5 year call provision

### Collateral

An assignment of loans and an adequate loan loss reserve based on historical portfolio management

### Origination Fees

1 to 2% depending on transaction size and complexity

### Late Payment Fees

5% to a maximum of \$250 after the 10th day

### Prepayment Penalty

None

### Loan-to-Value Guidelines

Up to 85% loan-to-value available based on risk analysis

### Guarantees

Property owners, principals, partners or majority stockholders generally required

### Environmental Assessments

Housing transactions may require environmental due diligence; remediation required

### Acceptable Equity

Existing equity or enhanced equity appreciation based on appraisal

