

MISSISSIPPI HOME CORPORATION NATIONAL HOUSING TRUST FUND (HTF) COMMITMENT/ PROCEDURES & GUIDELINES

1. Conditional Award Letter

Applications scoring above the published minimum threshold will be issued a conditional award letter containing the following information:

- (a) The loan terms,
- (b) Conditions that must be met before the loan documents are executed. The conditions for funding are listed along with a timeline for providing a response.
- (c) If conditions are not met within the specified timeline, then MHC reserves the right to withdraw the funding commitment. Federal regulation requires that all HTF funds must be committed by MHC within twenty-four (24) months and expended within five (5) years of HUD's agreement with MHC.

2. Funding Notification

MHC will make every effort to make its funding decisions within ninety (90) days of the application due date, depending upon the number and complexity of the applications received.

3. Terms of Assistance

- (a) Financing will be available only to the extent it is needed as determined by MHC's underwriting guidelines.
- (b) HTF awards are made in the form of a loan.
- (c) Loans are structured as payable from available cash flow
- (d) **The interest rate is 1.75% simple interest.**
- (e) Payments are set at 20% of the average annual Net Income after debt service over the first 15 years of the pro forma. The amount of payment is calculated based on audited financial statement submitted by June 30 of the year following the audited year. Actual payment required will be set not to exceed 75% of Net Income.
- (f) The term is 15 years.

- (g) The recipient must be eligible under MHC HTF guidelines and Federal statute and regulation, and have a legal structure enabling it to enter into a loan agreement with MHC, if funded.

4. Loan Disbursement Process

- (a) Recipient's representative will schedule a meeting with MHC to go over the following:
 - (i) Loan closing requirements,
 - (ii) Contracting and Fair Labor Standards requirements as applicable,
 - (iii) The Request for cash/invoice submission process,
 - (iv) Inspection of work to ensure compliance with HTF requirements,
 - (v) Close-out procedures, and
 - (vi) Required reporting during the affordability period.
- (b) MHC may identify "Special Conditions" that must be satisfied prior to the drawdown of HTF funds. Special Conditions may arise due to documentation required to comply with MHC's policy and procedures, federal HTF regulations and other federal crossing cutting requirements compliance.
- (c) It is expected that HTF awards will be disbursed **at 50% of project completion and final disbursement at 100%** completion. At MHC's sole discretion an alternative disbursement schedule may be considered at the request of the owner. MHC will not permit drawing 100% of funds at closing. MHC requires property to be inspected to confirm that the HTF development units conform to the phases of completion.

5. Loan Closing

MHC legal counsel will serve as loan closing agents for the HTF Program.

- (a) **The following loan closing documents will be provided in advance of closing:**
 - (i) Promissory Note
 - (ii) Loan Agreement
 - (iii) HTF Written Agreement
 - (iv) Deed of Trust, Assignment of Rents & Leases, Security Agreement & Fixture Filings
 - (v) Declaration of Restrictive Covenants

- (b) The Funding Agreement will contain the following:
- (i) Certifications by the Eligible Recipient to comply with all HTF requirements and associated federal and state laws and regulations;
 - (ii) Performance goals and benchmarks consistent with MHC proposed accomplishments (Scope of Work);
 - (iii) Restrictions to use funds for eligible project costs (Budget); and
 - (iv) Requirement for completing the project in timely manner (Schedule of Completion).

Upon loan closing, post-closing documents will be forwarded and maintained at MHC Federal Grants division. MHC's Construction Lending Department will service all HTF loans.

6. Post-Closing Requirements

In accordance with 24 CFR 93.302, recipient must commit that all HTF units in the rental development will be kept affordable to target income households for a minimum of 30 years. Affordability requirements apply without regard to the term of any loan or mortgage, repayment of the HTF investment or the transfer of ownership. A Declaration of Restrictive Covenants for Housing Trust Fund will be executed in accordance with HTF requirements.

7. Federal Requirements

- (a) Compliance with Federal Regulation

24 CFR part 93 applies to developments receiving HTF. Projects receiving federal HTF funding must comply with federal cross-cutting requirements. Recipient's administrative procedures must be in compliance with 2 CFR Part 200.

- (b) Environmental Review

The environmental effects of each project carried out with HTF funds must be assessed in accordance with the provisions of the National Environmental Policy Act of 1969 (NEPA) (42 U.S.C. 4321).

All new construction, acquisition, or acquisition/rehabilitation activities must meet the applicable environmental requirements specified in 24 CFR Part 93.301(f) for historic preservation, archaeological resources, farmland, airport zones, Coastal Barrier Resource System, coastal zone management, floodplains, wetlands, explosives and hazards, contamination, noise, endangered species, wild and scenic rivers, safe drinking water and sole source aquifers. Applicants should refer to 24 CFR Part 93.301(f), as well as CPD Notice 16-14.

Prior to final project approval and execution of loan documents and initial disbursement of funds, the required environmental review must be completed. Upon submittal of an application,

pursuant to HUD environmental review regulations, no additional activities can take place on the project. Because of the likelihood that federal funds will be awarded, recipient must refrain from undertaking activities that would have an adverse environmental impact or would otherwise limit the choice of reasonable alternatives between the time of application issuer and completion of the environmental review process.

(c) Lead Based Paint

Housing assisted with HTF funds is subject to the regulations at 24 CFR Part 35, subparts A, B, J, K, and R.

(d) Affirmative Marketing

Each HTF recipient must adopt and follow affirmative marketing procedures and requirements for rental projects containing five (5) or more HTF-assisted housing units. Affirmative marketing steps consist of actions to provide information and otherwise attract eligible persons in the housing market area to the available housing without regard to race, color, national origin, sex, religion, familial status or disability. Applicants should see 24 CFR Part 93.350 and HUD Form 935.2 for additional detail regarding the Affirmative Marketing requirements of the HTF program.

(e) Tenant Selection

Tenant selection policies will be in compliance with all provisions of 24 CFR 93.350 and 24 CFR 93.303 (d) (3). Per Federal and MHC requirements, recipients are required to re-examine tenant incomes annually to ensure that tenants continue to meet the income requirements. Rents and tenant incomes will be annually reviewed for compliance by MHC. It is the recipient's responsibility to satisfy themselves of the applicable rules for each funding program prior to applying to HTF for funding.

(f) Section 3

Federally funded projects are subject to HUD Section 3 requirements. Section 3 of the Housing and Urban Development Act of 1968 requires that recipients of HUD dollars spent for housing rehabilitation, housing construction or public construction, and their subcontractors, must provide to the greatest extent feasible, employment, training and contracting opportunities to low and very-low income people and businesses. If a project is awarded funding, Section 3 requirements and reporting requirements are triggered. Details will be outlined in the contract entered into between MHC and the funding recipient.

(g) Section 504

Eligible projects must provide accessibility in accordance with the applicable provisions of 24 CFR part 8 (implementing section 504 of the Rehabilitation Act of 1973) and Titles II and III of the Americans with Disabilities Act implemented at 28 CFR parts 35 and 36. Eligible projects that are "covered multifamily dwellings," as defined at 24 CFR 100.205, must meet standards that require the housing meets the design and construction requirements at 24 CFR 100.205.

(h) Uniform Relocation Act

The development of housing with HTF assistance is required to follow the requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970. The Act applies to persons both temporarily and permanently relocated as a result of the HTF-assisted project. Owners should see 24 CFR Part 93.352 for additional detail regarding the Uniform Relocation Act.

MHC's policy is for projects to make all efforts to avoid or minimize displacement of current occupants of proposed housing development projects, and that recipients avoid permanent displacement if at all possible. Federal and state relocation laws will apply to projects funded by MHC; including those that will temporarily or permanently displace residential occupants, and relocation assistance and benefits may be required.

(i) Construction and Rehabilitation Standards

Rehabilitation projects must adhere to MHC's National Housing Trust Fund Rehabilitation Standards. (Posted on MHC's website at: www.mshc.com)