

Subordination and Refinancing Approval Criteria

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| Appraisal or Letter of Value | In some cases, an appraisal or opinion of value will be required to determine the value, as restricted, of the property. |
| Term of Loan | The term of the new loan must not be shorter than the length of the term of the original loan. Minimum term should be fifteen years. |
| Interest Rate | The rate should be competitive and fixed for the entire term of the loan- usually a minimum of 15 years. |
| Borrower Capacity and Record | The borrower must be current in all HIF, CBH or FCF reporting requirements, in compliance with program requirements, and must submit a year-to-date financial statement, most recent audit and management letter. |
| Use of Proceeds | <p>The borrower must demonstrate that the proceeds from the refinancing inure to the benefit of the project. If the proceeds from the refinancing exceed the amount of existing amortizing debt on the project, then the borrower must outline the proposed uses of such net surplus proceeds, including such uses as capital improvements, extraordinary repairs, or to fund a capital or operating reserve account.</p> <p>Documented cash advances, loans, or deferred developer fees from the borrower organization to the project may be repaid with review and approval by CEDAC. If cash flow is increased due to reduced debt service, then proposed uses of the increased cash flow must be provided. Acceptable uses can include: increased level of supportive services to the residents; increased debt coverage ratio up to allowed levels; funding for capital or operating reserves; asset management fee for borrower at an amount approved by CEDAC, in consultation with DHCD.</p> |
| Capital Needs Analysis | The borrower should submit a capital needs analysis and improvement plan, if appropriate. |
| Feasibility | <p>The project must demonstrate the following:</p> <ul style="list-style-type: none"> • Adequate debt coverage ratio and reserves • Market for units • Adequate service plan for resident population (if appropriate) |
| Security | The HIF, CBH or FCF loan position will not be any lower than it is currently. HIF, CBH or FCF projects MAY NOT be used as collateral for lines of credit for the borrower organization or as collateral for other loans (i.e. no cross collateralization). |
| Documentation | <ul style="list-style-type: none"> • Compliance with all HIF, CBH or FCF reporting requirements • 20 year cash flow analysis • Capital needs assessment, if appropriate • Loan commitment or term sheet for the refinancing • Proposed use of proceeds • Appraisal or opinion of value, if required |

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| Land Use Restriction | CEDAC will require that borrowers enter into a new Land Use Restriction in conjunction with all subordination and refinancing requests for projects with no existing HIF/FCF/CBH Land Use Restriction on the property. |
| Extension of Affordability | CEDAC reserves the right to request the extension of the HIF/FCF/CBH term of affordability of the project by requesting an amendment to the promissory note or existing Use Restriction. |
| Portfolio Management Fee & Legal Expenses | Borrower will be charged a transaction fee which will be determined based on the nature and complexity of the request. It is expected that this fee will be paid at closing. Borrower will also be expected to cover any legal expenses incurred by CEDAC in connection with the review and processing of the subordination/refinancing request. |
| Notification | A minimum thirty-day notice must be provided in order for CEDAC to review and approve all subordination and refinancing requests. Borrowers are encouraged to provide as much advance notice to CEDAC as possible. |
| Post-Closing Items | Documentation of deposits to replacement or operating reserves may be requested as a post-closing item. CEDAC may employ third party services at the borrower's expense to monitor capital improvement projects related to refinancing and subordination requests where CEDAC's consent is required. |

*CEDAC, at its sole discretion, reserves the right to waive any of these requirements.