

Loan Guarantee Program

(Program Factsheet)

Housing Finance Loan Closer

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Page 1 of 2 (Created on 04/12/2007 10:40 AM)

Program Overview

The Loan Guarantee Program provides guarantees to lenders to assist in the financing of new housing construction or for the acquisition and/or rehabilitation of existing housing for low- and very low-income families. Guarantees may be up to 25 percent of the original principal amount of a loan. To participate, the lender submits an application for the loan guarantee for the project that requires the credit enhancement necessary to obtain the loan. Preference is given to projects offering long term affordability and a special needs service program. The annual charge for the guarantee is one percent of the guarantee amount. The loan amount is determined through the underwriting process.

Eligibility

Eligible lenders include state and federal regulated banks, credit unions, savings and loans, savings banks, finance companies, life insurance companies, pension funds, mortgage bankers, public or private lending consortiums, etc. Government entities that offer loan funds are also eligible as lenders.

All lenders shall be subject to the approval of Oregon Housing and Community Services Department (OHCS). The Department reserves the right to restrict the servicing of loans to lenders who have significant experience in the administration of multifamily housing loans. Servicers are expected to have an experienced staff in addition to adequate delinquent loan monitoring, record keeping and control systems.

Permanent (term) loans are eligible for the program. Construction loans are eligible if the construction loan has a take-out or permanent loan commitment. Loans can originate from any of the sources included under eligible lenders and can include proceeds from bond sales provided the property is adequately secured. All loans must be recourse and may not be amortized for more than 35 years. The following types of loans are eligible to receive a Loan Guarantee:

- Purchase or Acquisition
- Rehabilitation and/or Renovation
- Construction

Eligible properties must be located within the State of Oregon. The site and building must be free of hazardous or toxic materials and comply with all applicable state and federal requirements, including, but not limited to: Americans with Disabilities Act requirements, Uniform Federal Accessibility Standards, and Fair Housing Guidelines.

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Page 2 of 2 (Created on 04/12/2007 10:40 AM)

Eligible borrowing entities include individuals, partnerships, joint ventures, corporations, government entities, and any combination thereof. Additionally, both nonprofit and for-profit borrowers are eligible for Loan Guarantee under the program.

Program Requirements

Loan Guarantees are made to finance the construction, development, acquisition or rehabilitation of housing for low-income households, defined as a person(s) at or below 80 percent of the area median income as published annually by the U.S. Department of Housing and Urban Development (HUD). The program does not require that the entire development be dedicated to low- or very low-income households, although the amount of the Loan Guarantee will be based proportionally on the qualifying low- and very low-income units.

Charges

The nonrefundable application charge is \$250 and is due at time of application submission to the Department.

Annual charge is one percent of the guaranteed amount.

- For construction loan guarantees the one percent is due at the time of construction loan closing. If construction loan closing does not occur within three months of the executed date of the Loan Guarantee Commitment, then an extension charge will be due.
- For permanent loan guarantees, the one percent annual charge is due at the time the Loan Guarantee Commitment is executed to hold the reservation of the guarantee amount until the permanent loan is funded.

The charge is due even if the borrower is in default, or is in arrears in payments. Once set, the charge will remain constant over the life of the loan.

For More Information

For more information, contact **Becky Baxter**, Loan Closer, at 503.986.2074 or by E-mail Becky.Baxter@hcs.state.or.us.

To talk with someone about developing affordable housing in your area, contact a **Regional Advisor to the Department** at 503.986.2000.

OHCS is the state housing finance agency, providing financial and program support to create and preserve opportunities for quality, affordable housing for lower income Oregonians. The agency also administers federal and state antipoverty, homeless and energy assistance community service programs.

