MassHousing Bridge Loan Financing | Underwriting Standards

**Loan Terms:**

**Maximum Loan Amount:**
The sum of the bridge loan and any MassHousing construction/permanent loan may not exceed 90% of Total Development Cost.

The sum of the bridge loan and the initial capital contribution may not exceed 60% to 90% of the gross syndication raise, depending on the terms and conditions of subsequent capital contributions.

In general, the amount of the MassHousing Bridge Loan to be funded with tax-exempt bond proceeds shall be the minimum amount necessary to ensure that over 50% of the aggregate basis of the Development is funded with tax-exempt bond proceeds (the "50% Test"), as determined in accordance with applicable tax code provisions.

**Interest Rates:**
Both taxable financing and tax-exempt financing are available. Underwriting rates are established monthly. The actual rate is locked in when the bonds are issued. For current rates see [MassHousing Interest Rates schedule](#).

**Term/Amortization:**
1-2 years for construction period bridge loan.

**Schedule:**
3-7 years for construction period and lease-up bridge loan.

Principal and interest will be repaid in accordance with the investors’ scheduled capital contributions. At minimum, principal amortization will be on an annual basis with monthly interest payments. Loan terms and amortization may be modified based on MassHousing’s review of the Partnership Agreement.

**Non-Recourse Debt:**
Bridge loans are non-recourse debt. The Borrower will execute a promissory note for the Bridge Loan secured by a mortgage in favor of MassHousing, both in a form acceptable to MassHousing’s General Counsel.

**Pro Forma Components:**
Underlying construction/permanent financing must meet established Agency underwriting guidelines.

**Development Team Requirements:**

**Eligible Borrowers:**
Project sponsors must be organized as a partnership or limited liability company with the general partner or managing member having commitments from each investor to contribute equity to the project in exchange for an ownership interest conveying the tax credits, losses or other tax benefits that the project generates.

**Eligible Investors:**
The syndicator/investor must demonstrate the financial and managerial resources to contribute the required equity to the development.
Environmental: A Phase I Environmental Site Assessment (ESA), completed within six (6) months of application. The ESA must follow the most recently revised version of ASTM Standard Practice E-1527 and must include a visual assessment of potentially hazardous building materials/components. If the subject property is a disposal or release site, the ESA must also include the report content described in the M.G.L. 21E Phase 1 Initial Site Investigation Report standards of 310 C.M.R.40.

Mass Housing may require environmental insurance on a case-by-case basis.

Bridge Loan Conditions:

Investor: Investor must either (i) have at least investment grade rating by a national investment advisory service (Moody's BAA or better, Standard and Poor's BBB or better), or (ii) provide a letter of credit from an entity meeting the same rating requirements; or (iii) pledge government securities acceptable to the Executive Director in an amount equal to the investor's subscription in the project partnership. The equity investor may not transfer its interest to investors whose credit ratings are below those mentioned above.

General Partner: General Partner must have sufficient resources to fund any loan security requirements of the investor.

Partnership Agreement: Partnership Agreement must be acceptable to MassHousing.

The General Partner shall (in the Partnership Agreement or in such other documents as are approved by MassHousing's General Counsel): (a) pledge to MassHousing such capital contributions as are necessary to pay the MassHousing Bridge Loan upon completion of the Development and agree that MassHousing may receive such contributions directly from the equity partner; (b) assign its interests under the Partnership Agreement to MassHousing in the event of a default under MassHousing's loan documents; (c) provide for MassHousing or its designee, in the event of a default, to serve as the Special Limited Partner, if any, or exercise the rights of such entity under the Partnership Agreement, including the right to receive scheduled capital contributions to complete the construction and oversee management of the Development pursuant to the terms and conditions of the Partnership Agreement.

If the selected investment (upper tier) partnership has or will invest in real estate ventures other than this Development, the Borrower will submit for review and approval by the Agency's Director of Rental Lending a copy of the investment partnership's offering memorandum, partnership agreement, audited financial statements for the past two years, and the latest report(s) to investors. Alternatively, the investment partnership's counsel may certify to the Agency that the investment partnership's obligations to make capital contributions to this Development shall not be adversely affected by the performance of the investment partnership's other investments.

Unless otherwise approved by MassHousing's Director of Rental Lending capital contributions identified for project uses other than payment of developer fee and overhead shall not be subject to reduction on account of the operating performance of the Development, downward adjusters, recapture, or financial covenants relating to the Borrower, its principals or controlling entities, or withdrawal of the tax credit investor as a result of the required repurchase and/or rescission of investor interests prior to repayment of Agency loan.

The Borrower must submit for review and approval by the Director of Rental Lending the final LIHTC equity syndication agreement including the total amount and timing of investor contributions as well as the proposed plan for funding of and disbursement
controls on required escrows, if any. To the extent that any tax credit equity is structured as a loan, the equity loan documents shall be subordinate to MassHousing’s loans and shall be satisfactory to MassHousing’s General Counsel.

The Borrower will submit a tax opinion acceptable to the Agency’s General Counsel with respect to compliance of the proposed syndication structure with applicable IRS and Treasury regulations.

Unless otherwise approved by MassHousing’s Director of Rental Lending, the tax credit partnership agreement (the “Partnership Agreement”) for the Development shall provide for a minimum capital contribution of 10% of the total tax credit equity raise at closing, which shall be applied toward project uses approved by MassHousing’s Director of Rental Lending.

Low Income Housing Tax Credits:

The Borrower shall provide evidence of approval by DHCD for the use of 4% Credits as contemplated herein in form and substance satisfactory to the Director of Rental Lending and subject to such documents and instruments as shall be approved by MassHousing’s General Counsel. In connection with the use of the 4% Credits, the Borrower shall provide the Agency, on or prior to the Construction Loan Closing, with projections in form and substance satisfactory to the Director of Rental Lending showing that the application of bond funded loan proceeds shall satisfy the so-called fifty percent test.

The Borrower shall use commercially reasonable efforts to maximize the tax-credit equity raise or shall secure alternative equity on terms acceptable to MassHousing’s Director of Rental Lending.

For additional information, contact Daniel Staring, Relationship Manager
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