



OHIO LIHTC LEASE PURCHASE LOAN FUND PILOT PROGRAM

Notice of Participation

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INTRODUCTION

Since the inception of the federal Low-Income Housing Tax Credit program in 1987, the Ohio Housing Finance Agency has collaborated with private industry and nonprofit organizations to develop single-family lease purchase homes. The number of lease purchase homes built every year increased beginning in the 1990s, along with the growing incentives in the QAP. This resulted in the development of about 8,600 lease purchase units across the state, about half of which have reached the end of their compliance period and are ready to be sold to residents or other income qualified tenants.

OHFA is collaborating with CHN Housing Partners to establish and administer a LIHTC Lease Purchase Loan Fund that will provide first mortgage financing to residents of lease purchase homes who are unable to obtain financing through a private lender.

NOTICE OF PARTICIPATION PURPOSE

OHFA's goal is to open the program to eligible owners and residents beginning June 1, 2021 through July 1, 2025 or until all funds have been reserved, whichever is first. The first two years of the program will be a pilot phase during which OHFA and CHN Housing Partners can test and refine the procedures and process for the program. The pilot phase will begin on June 1, 2021 and run through May 31, 2023 or until all homes in the pilot phase are sold to residents, whichever is first. During the pilot phase, OHFA is seeking the participation of two owners of LIHTC projects consisting of a combined total of 100 lease purchase homes that completed their 15-year compliance period in calendar year 2020 and whose current occupants intend to purchase their homes.

During the pilot phase, residents from the two selected properties will have access to mortgage financing.

ELIGIBILITY

Owners and their projects must meet all of the following eligibility requirements to participate in this pilot phase:

1. Projects must consist of no more than 50 single family homes, the majority of which were placed in service during calendar year 2005.
2. OHFA staff must have completed physical inspections of the homes, as required by the LIHTC program, no earlier than 5/21/2016.
3. The project must not have any outstanding uncured 8823 forms issued during the past five years.

APPLICATION PROCESS

Owners interested in participating in the pilot phase must submit the following to OHFA prior to the submission deadline and time listed on the program calendar:

1. A completed copy of the Excel application.
2. Narratives addressing the following topics:
 - a. Description of the current condition of each home including dates of the last significant property improvements. Include recent pictures of each house.
 - b. Confirmation that the current residents intend to purchase their homes in the next two years. Provide documentation if possible.
 - c. Description of owner's efforts to prepare residents for eventual homeownership.
 - d. Description of the dissolution of the ownership limited partnership or LLC.
 - e. Description of the owner's calculation of the estimated sales price for each home.
 - f. Description of the owner's prior experience in unwinding a LIHTC lease purchase project after the compliance period and transferring homes to the residents.
 - g. Description of owner's plan to maintain homes that are not sold and to assist residents who choose not to purchase their homes and remain as renters.
3. Payment for an application processing fee of \$500 to help cover OHFA's upfront administrative costs.

4. Copies of the past four years of audited financials for the project
5. Copy of the most current internal financial statements for the project not older than April 2021, including balance sheet, revenue and expense statement against budget, rent roll, aging of tenant accounts receivables and payables.

PILOT PROGRAM SELECTION CRITERIA

Applications will be scored by OHFA staff using the following criteria:

1. Owners that have experience unwinding a LIHTC lease purchase project and successfully transferring homes to residents will receive **10 points**
2. Strength of efforts to prepare residents for eventual homeownership: Sponsor or co-sponsor is required to be a HUD certified homebuyer counseling agency and has a track record of helping people in the community achieve homeownership - up to **15 points**
3. Current condition of units up to **25 points**
4. Residents' ability to afford a loan - up to **25 points**
 - a. Between 50% and 75% of the residents can afford a \$20,000 mortgage based on the following not exceeding their current net rent: (i) principal and interest payments on an interest rate of 5% and fully amortizing over an up to 10- year term, (ii) estimated property taxes and assessments, and (iii) estimated insurance cost will receive 10 points
 - b. Between 75% and 100% of the residents can afford a \$20,000 mortgage based on the following not exceeding their current net rent: (i) principal and interest payments on an interest rate of 5% and fully amortizing over an up to 10- year term, (ii) estimated property taxes and assessments, and (iii) estimated insurance cost will receive 15 points
 - c. 100% of the residents can afford a \$20,000 mortgage based on the following not exceeding their current net rent: (i) principal and interest payments on an interest rate of 5% and 10- year term, (ii) estimated property taxes and assessments, and (iii) estimated insurance cost will receive 25 points.
5. Residents' rental history - up to **25 points** (Note: On time rent means full payment received on or before the lease rent due date plus any written grace period provided within the lease.)
 - a. Between 50% and 75% of the residents have a track record of thirty-six (36) months of on time, in full rent payments will receive 10 points
 - b. Between 75% and 100% residents have a track record of thirty-six (36) months of on time, in full rent payments will receive 15 points
 - c. 100% of the residents have a track record of thirty-six (36) months of on time, in full rent payments will receive 25 points.

The maximum total score is **100 points**.

PILOT PROGRAM OWNER PARTICIPATION REQUIREMENTS

If selected to participate in the pilot program, the owner will be required to enter into a participation agreement with CHN Housing Partners and OHFA that will detail the owner's responsibilities including, but not limited to the following:

1. Provide CHN Housing Partners and OHFA all necessary documentation required to determine the appropriate sales price for each home.
2. Assist CHN Housing Partners and OHFA as needed to evaluate the homebuyer counseling/coaching provided to residents who confirmed their intent to purchase their homes and take steps to address any gaps identified by CHN Housing Partners and OHFA.
3. Using available project replacement reserves, complete any outstanding maintenance issues to ensure the homes are free of health and safety concerns upon transfer to the residents.
4. Market the program to the residents and assist CHN Housing Partners with the loan origination and underwriting process as needed.
5. Loan proceeds may only be used to pay off existing must pay first mortgage debt on the LIHTC project and closing costs. Cash out to the project owner and/or developer will not be allowed.

After the Owner Participation Agreement is executed, OHFA will reserve to the residents of the funds from the Ohio Lease Purchase Loan Fund in an amount equal to \$20,000 multiplied by the number of homes in the project.

PROGRAM CALENDAR

4/30/21 - NOP is released to public and distributed to eligible owners.

5/7/21 - Virtual Q&A forum for potential owner/applicants

5/21/21 - NOP responses are due.

6/4/21 - NOP results are released

6/11/21 - Owner Participation agreements are issued.

June, 2021 - Program materials and application training is provided to residents in participating projects

9/30/21 - Goal deadline to close first loan and transfer a home to a resident.

5/31/23 - Deadline to close and transfer all homes to residents who wish to purchase their homes. Pilot program ends.

LOAN FUND FIRST MORTGAGE LOAN TERMS FOR RESIDENTS

1. Maximum loan amount: \$20,000
2. Annual Interest Rate: 5.00%
3. Five or ten year amortization and term
4. Monthly payments of principal, interest, taxes, and insurance must not exceed resident's current monthly rent. Sales price and loan amortization and term amount will be adjusted as necessary.
5. Buyer must show a track record of thirty-six (36) months of on time, in-full rent payments.
6. Completion of pre-purchase homebuyer counseling/coaching approved by CHN Housing Partners and OHFA is required.
7. Please note that CHN Housing Capital, the affiliate mortgage lender of CHN Housing Partners that will serve as the lender for the project residents, has additional underwriting criteria that it will consider as part of the resident underwriting process (for example, debt to income ratios). This list is not exclusive but intended to provide a snapshot of terms and underwriting criteria for the loans to project residents.