Missouri Housing Development Commission (MHDC)

- Distinct entity – separate from state
  - Board of Commissioners
    - Approval of funding recommendations using any type of MHDC funds
  - 100% self funded
MHDC Fund Balance

- Money from MHDC’s investments
  - MHDC standard conservative investments
  - MRB loans – First Time Homebuyer Program
  - Tax exempt bond financing
  - MHDC loans – multi family
  - 5 year projection of assets helps determine level of funding
  - No state revenue funds
MHDC Fund Balance

- Amount of funding is described in the LIHTC NOFA
  - 2018
    - $20 million – construction only
    - $20 million – construction / perm
  - 2017
    - $18.3 million – construction only
    - $18.7 million – construction / perm
MHDC Fund Balance

- 5 year funding history - perm
  - 14 - average loans per year
  - $11,426,650 - average amount per year
  - $840,195 - average amount per loan
  - 3.29% - average % rate

- 2017 - used all available MHDC Fund Balance construction money in NOFA

- Yearly interest rate is established in conjunction with MHDC’s ongoing strategic planning taking into consideration market conditions
MHDC Fund Balance - Construction

- Terms – 2018 (Evaluated each year)
  - 3.25%
  - 1% origination fee
  - First position
    - Lenders may take a second position during construction
  - Set-Aside (Special Needs / Vulnerable Population)
    - 2.0%
    - 1% origination fee
    - Construction Only
MHDC Fund Balance - Perm

- **Terms – 2018** (Evaluated each year)
  - Interest rate – 3.25%
  - Term
    - 18 year – single family rental
    - 20 year – multi family rental
  - Amortization
    - 25 year – single family rental
    - 30 years – multi family rental
  - 1% origination fee
  - First Position
  - Must be put in during construction
MHDC Fund Balance

- Benefits
  - Loan rate is lower than conventional rate
  - MHDC underwrites proposal – not private bank
  - Lower soft costs – legal
  - Quicker to close - internal
  - Recycle and increase funds
  - Secure investment
  - Works well with family / metro proposals
  - MHDC monitors draws during construction
MHDC Fund Balance

• Drawbacks
  ▫ First position
  ▫ Always hard debt
  ▫ Competition with private banks
  ▫ Limited funds – especially construction
  ▫ Doesn’t work well with 4% LIHTC proposals
    • Fund Balance not take a 2\textsuperscript{nd} to TE Bonds
    • Will work as perm only on 4% LIHTC proposals
MHDC Participation Loan

- Mix MHDC Fund Balance with private lender funds
- Co-first position loans
- Must use Participating Loan Agreement
  - Construction loan – 3.5% plus LIBOR (would entertain a fixed rate participation if rate is competitive)
  - Perm loan interest rate from private bank – market
- Blended rate (for perm only)
  - MHDC Fund Balance blended at 3.25%
MHDC Participation Loan

- Requirements to be a participating lender – MHDC comfort with lender
  - Balance sheet
  - Experienced team
  - MO presence
- Terms set each year
- Construction loans more frequent than perm
- Perm blended rate has been around 4.75% – Firm Commitment will state variable rate – may see the interest rate rise this year
MHDC Participation Loan

- Benefits
  - Leverage’s MHDC resources
  - Safe investment for participating lender
  - Minimal due diligence
    - Participating lender becomes comfortable with MHDC due diligence over time
  - Interest rate below private financing
MHDC Participation Loan

• Drawbacks
  ▫ Interest rate higher than straight MHDC Fund Balance
  ▫ Additional due diligence – participating lender
  ▫ Participating lender must accept MHDC Participation Loan Agreement
Contact Information

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