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Term sheet | Massachusetts Tax-exempt Credit for Housing (MATCH)

Obtaining tax-exempt financing has long been a challenge for affordable housing developers. Recognizing that small- and medium-scale affordable rental housing is needed in all areas of the Commonwealth, MassDevelopment and the Massachusetts Housing Partnership (MHP) have teamed up to offer The MATCH Program – Massachusetts Tax-exempt Credit for Housing.

The MATCH Program gives owners of affordable multi-family housing permanent tax-exempt bond financing. Bonds are guaranteed by a letter of credit from the Federal Home Loan Bank, giving them an AAA credit rating and the lowest possible rates.

Summary of Terms

Eligible Borrowers: Both non-profit and for-profit developers of affordable housing are eligible for MATCH financing. 501(c)(3) non-profit organizations are eligible for the issuance of 501(c)(3) bonds. Other affordable housing developers may be eligible for private activity bonds subject to the state's volume cap. These volume cap bonds may also make the sponsors eligible for an allocation of 4% low-income housing tax credits.

Financing Available: Eligible projects are multifamily rental housing developments with at least 20% of the units affordable to renters earning up to 50% of area median income, or at least 40% of the units affordable to renters earning up to 60% of median area income. Financing is available in amounts ranging from \$3-\$15 million per project. If feasible, projects exceeding \$15 million may be financed with additional debt. Bond proceeds may be used for acquiring expiring use properties, refinancing existing properties, or take-out financing for newly constructed properties. Minimum debt service coverage ratio is 110%; maximum loan-to-value ratio is 85%. Assistance in obtaining construction financing will be provided if needed.

How Bonds Work: Bonds are issued by MassDevelopment on behalf of MHP. MHP gives the project sponsor a mortgage loan for the full amount of the bond issue. Mortgage loans are secured by a first lien on the property and rental revenues. Bonds are issued for a 20-year term with a 30-year amortization, leaving a balloon payment due at maturity. Bonds are credit-enhanced by a 20-year AAA-rated letter of credit from the Federal Home Loan Bank.

Expected Fees

and Interest Rates:

Bonds can be issued on a fixed or variable interest rate basis, with variable rate bonds typically incorporating an interest rate swap for a long-term fixed rate. Please call for current interest rates. In addition to interest payments, an annual letter of credit fee of 0.75%-1.25% is due depending on the amount borrowed and credit profile. Closing costs are dependent in part on the amount financed, and can be financed in an amount not to exceed 2% of the total bond issue. Borrowers may request a full estimate of closing costs before submitting an application. There is a 10 basis point application fee due to MHP at time of application.

Application Process:

A completed application is submitted to MHP and MassDevelopment for review. Upon approving the project's eligibility and credit, MHP's and MassDevelopment's boards of directors will vote on the project and the bonds can proceed to closing. Borrowers should allow a minimum of 90 days from application to closing.

About MassDevelopment and MHP

MassDevelopment is the Commonwealth's economic development authority, providing real estate development and financial support to projects that provide community benefits. Products are offered to support projects at every stage, from predevelopment and environmental remediation funding to tax-exempt bonds and loans and guarantees for real estate and equipment. MassDevelopment is one of the largest issuers of tax-exempt bonds in the state, having issued over \$12.8 billion in bonds for over 3000 projects.

The Massachusetts Housing Partnership (MHP) is a primary lender for the development and financing of affordable housing in the Commonwealth. MHP provides a variety of innovative financing programs ranging from working capital lines to long-term financing for multifamily properties. Established in 1985, MHP has helped nearly 10,000 families buy their first home, financed the production of more than 13,000 housing units and supported local housing initiatives in 315 of the state's 351 communities.

For more information please call MHP at 617-330-9955, or MassDevelopment's marketing department at 800-445-8030. Or visit our websites at www.mhp.net or www.massdevelopment.com.