



Section 8 Housing

2017 Targeted Affordable Housing Seller Workshop



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Types of Section 8 HAP Contracts

- Long-term HAP contract
 - » a HAP contract equal to or longer than the term of the loan
 - » a HAP contract of at least 20 years
- Short-term HAP contract
 - » Any HAP contract that does not meet the definition of a long-term HAP contract described above



- Transition Reserve is required for all loans with Section 8 Contracts, however:
- For long-term HAP contracts, the Transition Reserve is not required when all of the following conditions are met:
 - » Borrower Principal net worth is 2x the loan amount for a loan less than \$15 million, and 1x the loan amount for a loan greater than or equal to \$15 million
 - » Borrower Principal liquidity is equal to 12 months of debt service for a loan less than \$15 million or equal to 6 months of debt service for a mortgage equal to or greater than \$15 million
 - » Borrower Principal owns at least five Section 8 properties, including the subject property, and has at least 10 years' experience in affordable housing development

- Let us know upfront since it may impact the loan term, amortization and pricing
- With a long-term HAP contract
 - If it passes the FM Refi Test (market rents w/ the requested loan amount!!), regardless of the loan term
 - THEN... underwrite with the HAP rents
 - If it fails the FM Refi Test?
 - May lower loan amount
 - Shorten the amortization
 - May lengthen the loan term