

LOAN TERMS FOR AFFORDABLE HOUSING PROGRAM RESOURCES

Affordable Housing Advisory Committee

SEPTEMBER 9, 2020

In order to allow the Affordable Housing Program resources to grow over time and to have a greater long-term impact on the community, the City of Bend has a policy of providing loans, rather than grants, whenever possible. A copy of the policy is available upon request.

Under the policy, Public Services projects [i.e. projects which meet HUD's Public Services criteria, as outlined in the CDBG regulations at 24 CFR 570.201(e)] will be provided CDBG assistance in the form of grants. Public Services projects are generally on-going community services in such areas as youth services, drug treatment services, employment, child care, health care, food access, fair housing and other areas. All other projects will be provided assistance in the form of loans.

When considering loan term options, the Affordable Housing Advisory Committee reviews market conditions before Request for Proposals are issued for funding. Current market conditions are unprecedented. As the pandemic continues, the fallout is still uncertain. Below are possible options to consider. Please remember these are high risk loans that traditional lenders cannot offer.

Option 1

No change to the following loan term options:

- Homebuyer Assistance—silent non-amortizing for 30 years. In year 31, becomes fully amortized at 5% for a term of 10 years. Repaid by year 40. Repaid upon transfer or affordability non-compliance.
- Acquisition for land trust – silent until year 20 at 0% interest with terms revisited at year 20.
- Acquisition, construction, rehabilitation, land development, infrastructure - 40 year amortizing at 1%.
- Acquisition, construction, rehabilitation, land development, infrastructure - 40 year interest only for first 10 years, amortizing at 3%.
- Shelters - due upon sale, refi, or non-compliance, 0% interest.

Option 2

Lower interest rate for non-profit organizations for the following loan term options (homebuyer assistance, land trust, and shelter terms would remain the same):

- Non-profit acquisition, construction, rehabilitation, land development, infrastructure - 40 year amortizing at 0.5%.
- For-profit acquisition, construction, rehabilitation, land development infrastructure – 40 year amortizing at 2%.
- Acquisition, construction, rehabilitation, land development, infrastructure - 40 year interest only for first 10 years, amortizing at 3%.

Option 3

Lower interest rate for the following loan term options (homebuyer assistance, land trust, and shelter terms would remain the same):

- Acquisition, construction, rehabilitation, land development, infrastructure - 40 year amortizing at 1.5%.
- Acquisition, construction, rehabilitation, land development, infrastructure - 40 year interest only for first 10 years, amortizing at 3%.

All loan recipients may request shorter repayment timeframes without pre-payment penalty. Developments repaying within 5 years may qualify for 0% interest, with the approval of AHAC and City Council. Any alternative loan terms must be requested within the proposal and presented before AHAC and approved by City Council.

