

**State of Wisconsin Housing Tax Credit  
Subordinate Debt Financing Term Sheet**

<b>Criteria</b>	<b>Loan Policy</b>
<b>Purpose</b>	Subordinate financing is available for 4% tax credit transactions - in specific geographic areas. Repayment of the loans will be made from available cash flow from operations Subordinate loans will not be provided for properties with locally-issued or privately-placed tax exempt bonds.
<b>Eligible Borrowers</b>	For-profit, qualified non-profits, housing authorities, or other entities meeting criteria established by WHEDA.
<b>Eligible Developments</b>	Must be paired with WHEDA long term bonds and State of Wisconsin Housing Tax Credits.
<b>Minimum Set-Aside</b>	20% of all units set-aside for households with incomes not exceeding 50% of County Median Income (CMI). <b>OR</b> 40% of all units set-aside for households with incomes not exceeding 60% of CMI.  Total rent plus utilities cannot exceed 30% of the respective CMI levels.
<b>Rate</b>	2.5%: Counties That are Not Located in a Metropolitan Statistical Area <ul style="list-style-type: none"> <li>- Defined as any county that is not identified as a metropolitan county on <a href="https://www2.census.gov/geo/maps/metroarea/stcbsa_pg/Feb2013/cbsa2013_WI.pdf">https://www2.census.gov/geo/maps/metroarea/stcbsa_pg/Feb2013/cbsa2013_WI.pdf</a></li> <li style="text-align: center;">and</li> <li>- Eligible in RD USDA approved non-metro counties. <a href="https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do">https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do</a></li> </ul> 3.0%: Southeast Wisconsin (limited to new construction of non-age-restricted housing) <ul style="list-style-type: none"> <li>- Defined as any property in: <ol style="list-style-type: none"> <li>a. Kenosha County</li> <li>b. Racine County</li> <li>c. The Milwaukee County communities of Franklin, Oak Creek, Hales Corners, Greenfield, Greendale, St. Francis, Cudahy and South Milwaukee.</li> <li>d. The Waukesha County communities of Big Bend, Muskego, New Berlin, the Village of Mukwango and the Town Vernon.</li> </ol> </li> </ul>
<b>Term</b>	17 years, 2 years of interest only.
<b>Amortization</b>	35 years amortization
<b>Credit Enhancements</b>	Guarantees may be required
<b>Loan-to-Value Ratio (LTV)</b>	95% LTV for non-profit Borrowers taking into account all WHEDA financing. 95% LTV for-profit Borrowers taking into account all WHEDA financing.  Based on market and/or investment value determined by an appraisal contracted by and acceptable to WHEDA. * Excludes any WHEDA financed TIF.
<b>Loan Sizing</b>	Counties That are Not Located in a Metropolitan Statistical Area <ul style="list-style-type: none"> <li>- No more than \$1 of subordinate loan proceeds for every \$6 of permanent tax-exempt bond debt</li> </ul> Southeast Wisconsin

	<ul style="list-style-type: none"> <li>- No more than \$1 of subordinate loan proceeds for every \$10 of permanent WHEDA tax-exempt bond loan proceeds.</li> </ul>
<b>Debt Coverage Ratio (DCR)</b>	1.05 taking into account all WHEDA financing. * Excludes any WHEDA financed TIF.
<b>Origination Fee</b>	1.5% of mortgage loan commitment amount.
<b>Prepayment Provision</b>	WHEDA soft funds can be prepaid at any time post conversion. WHEDA soft funds must be prepaid at or before prepayment of WHEDA 1st mortgage.
<b>Developer Fees</b>	<p>Borrower must request full 20% developer fee (as defined in WHEDA LIHTC Appendix J)</p> <ul style="list-style-type: none"> <li>- A minimum of 50% of the developer fee must be deferred</li> <li>- The application must include evidence that the deferred fee can be repaid through future cash flows at the property within the 15-year LIHTC compliance period.</li> </ul>
<b>Payment</b>	Commencing on the Closing Date, Borrower will make monthly interest-only payments on the Cash Flow Note until the conversion Date. Commencing on the Conversion Date, the payments of principal and interest will be due annually. Such annual payments shall be made on January 1st unless Borrower notifies WHEDA 30 days prior there is no available surplus cash. In the event a 30 day notification is received prior to the annual payment due date, WHEDA will review Borrower's annual audited financial statements to determine no surplus cash was available at time of payment. If any annual payment is not paid in full, then the unpaid amount will be carried forward and added to the next annual payment. Additionally, the unpaid principal will continue to accrue interest.
<b>Cash Flow Waterfall</b>	<ul style="list-style-type: none"> <li>i) Tax Credit Equity Investor Asset Management Fee;</li> <li>ii) WHEDA Subordinate Note annual payment;</li> <li>iii) Deferred Developer Fee; and</li> <li>iv) 50% of the remaining surplus cash pays the principal amount due and owing on the Subordinate Note</li> <li>v) All Non-WHEDA Subordinate Debt</li> </ul>
<b>Conditions to Funding</b>	<p>The following conditions must be met prior to the funding of the mortgage loan:</p> <ul style="list-style-type: none"> <li>• Must be paired with WHEDA long term permanent financing</li> <li>• Subordinate loans will not be provided for properties with locally-issued or privately-placed tax-exempt bonds</li> </ul>
<b>Loan Structuring Fee</b>	One-half of the origination fee is payable upon acceptance of the Mortgage Loan Commitment Letter; this fee is credited toward the loan origination fee at closing.
<b>For More Information</b>	<p>WHEDA Madison Office 1-800-334-6873 201 West Washington Ave., Suite 700 Madison, WI 53703</p> <p>WHEDA Milwaukee Office 1-800-628-4833 611 W. National Avenue, Suite 110 Milwaukee, WI 53204</p> <p>TTY/TTD 1-800-943-9430 (Teletypewriter/Telecommunication Device for the Deaf) www.wheda.com</p>

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