

PROGRAM: The MFA 542(c) FHA-Insured Multifamily Loan Program

AGENCY: The Mortgage Finance Authority

DESCRIPTION: This loan program is for construction and permanent loans for affordable rental developments.

ELIGIBILITY: Eligible borrowers include single asset mortgagors, including nonprofit organizations, for profit corporations, joint ventures, limited liability companies, and partnerships.

- Eligible projects include new construction, substantial rehabilitation, refinancing or acquisition of projects having no less than five units per site. Detached, semi-detached, row houses or multi-family structures are also included.

STRUCTURE:

- Loan terms are not to exceed 35 years for existing properties, and 40 years for new construction projects.
- Maximum loan amount will be the lesser of
 - 85% of value for existing properties, or 90% for new construction projects as determined by MFA appraisal;
 - The MFA approved costs of a refinancing, or
 - The loan amount which allows for a total debt service coverage ratio greater than 110%.

QUALIFICATIONS/CRITERIA:

- MFA mortgage must be the first lien on the property. Secondary financing allowed, subject to MFA approval.
- Actual interest rates are based on market rates and are fixed prior to loan closing or bond issue date. Advance rate locks are also available, at an additional cost to the borrower.
- For new construction, Latent defects reserve of 2.5% of initial loan amount, operating deficit reserve or sustaining occupancy prior to permanent loan closing, and ongoing replacement reserve contributions.
- For rehabilitation, completion of repairs or escrow of 150% of repair costs, latent defects reserve of 2.5% of initial loan amount, and initial replacement reserve based on MFA reserve needs study. Operating deficit reserve or sustaining occupancy prior to permanent loan closing and ongoing replacement reserve contributions are required.
- Owners must meet one of two minimum set-aside requirements which include both income and rent restrictions.
 - Option A:
40% of the units must be rented to households whose annual income does not exceed 60% of area median income; and an additional 20% of the units must be rented to households whose income does not exceed 120% of area median income, adjusted for family size as determined by HUD.
 - Option B:
20% of the units must be rented to households whose annual income does not exceed 50% of area median income; an additional 5% of the units must be rented to households whose income does not exceed 80% of area median income; and an additional 35% of the units must be rented to households whose income does not exceed 120% of area median income, adjusted for family size, as determined by HUD.

Rent requirements are the rent plus utility costs for the units set aside for households earning less than 60% of median income shall not exceed 30% of the median income levels specified.

- Visit <http://www.housingnm.org/Developer/542c.htm> , the MFA's homepage at <http://www.housingnm.org/> , or call (505) 843-6880 (800) 444-6880 (Toll free in New Mexico)