

PERMANENT LOANS

An Overview of Permanent Loans

Network for Oregon Affordable Housing (NOAH) is a non-profit consortium of Oregon Banks created to provide long-term financing for multi-family rental housing which is affordable to lower-income populations.

Eligible Projects

Newly constructed or substantially rehabilitated properties with five or more rental housing units:

- At least 51% of the rental units are to be rented to households earning 80% or less of median income as defined by HUD; or
- 40% or more of the units are to be rented to households earning 60% or less of median income as defined by HUD; or
- 20% or more of the units are to be rented to households earning 50% or less of median income as defined by HUD.

Projects that include commercial space may be eligible, provided that most of the project income is derived from rental housing units.

Borrowers

Non-profit, for-profit, or government entity developers of affordable housing are eligible for NOAH's program.

Loan Terms

Fixed-rate, up to 30-year fully amortizing permanent mortgages, in first lien position. Commitments are generally issued on a forward basis, for twelve months. Extension options are provided with payment of extension fees.

Interest Rates

Generally, interest rates are a minimum spread of 2.75% over [Ten-year Treasury Constant Maturities](#) yield. NOAH is able to utilize the [Oregon Affordable Housing Tax Credit Program](#). Forward interest rate lock for length of commitment is available at no additional cost.

Fees

Loan fees are tied to the size of the loan, but generally range from 1.5% to 2.0% of the loan amount. A portion of this is payment at the time of application; the majority is due at loan commitment; a portion is due at loan closing.

Loan Underwriting

[Debt Service Coverage Ratios](#): NOAH requires a 1.15:1 DCR on NOAH debt service, and a 1.10:1 DCR on all debt service.

[Loan-to-Value Ratio](#): Maximum 75%, measured against stabilized market value.

[Appraisals](#): A full narrative appraisal is required prior to loan commitment. NOAH generally is able to coordinate appraisal engagements with the sponsor's construction lender, so that only one appraisal is required. NOAH also requires that appraisers re-certify, upon completion of construction, that the project as built is consistent with the assumptions used in valuing the project.

[Environmental](#): A Phase I Environmental Site Assessment as per (ASTM E1527-05) is required prior to loan commitment. Any recommended remediation is required to be completed prior to loan closing.

[Property Management](#): A qualified third-party property management firm is required to be engaged to manage the property. In certain circumstances, exceptions to this policy may be provided, at NOAH's discretion.

[Reserves for Replacement](#): Required reserves generally range from \$250-\$300/unit/year and are funded monthly out of operations and pledged to NOAH as additional collateral.

[Operating Reserves](#): If operating reserves aren't required by other funders, NOAH may require the capitalization of an operating reserve prior to closing. Amounts vary, but are usually equal to six months of operating expenses and debt service.

[Recourse](#): The loan will be fully recourse to the assets of the borrower. The loan will be non-recourse to the assets of the general partner, except for limited recourse under certain conditions.

[Funding Requirements](#): Projects must have obtained at least a 1.15X DCR and 95% occupancy for at least one full month prior to closing.

Loan Process

NOAH can issue a letter of interest upon satisfactory review of project information, including market information to demonstrate need and rent affordability, project financial feasibility information, project sources and uses, project design, sponsor capacity, and development team qualifications. Letters of interest can be issued in connection with sponsor's application for subsidies, such as through [Oregon Housing and Community Services Departments Consolidated Funding Cycle](#).

Appraisals can be ordered in conjunction with proposed construction lenders upon confirmation of subsidy award and completion of architectural plans.

Loan review, underwriting, and commitment is generally completed with 30 days of receipt of all necessary documentation, including appraisal, environmental reports, financial documentation.