



# Multifamily Lending Program USDA Section 538 Loans

## Program Overview

The USDA Section 538 program is designed to support the construction, acquisition/rehabilitation and preservation of affordable rental housing in rural communities by combining attractive loan terms with a 90% Federal loan guarantee.

Applying for a USDA 538 loan guarantee is a two-step process. First, CICCAR submits a pre-application package called a “NOFA (Notice of Funds Availability) Response” to USDA. Following USDA’s approval of the NOFA Response, CICCAR is invited to submit a formal application to USDA. If approved, USDA issues a conditional commitment for the loan guarantee.

USDA 538 loans may be combined with other financing sources such as Low Income Housing Tax Credits, HOME funds or other sources of state or local assistance.

## Eligibility Requirements

All loan applications must meet the following criteria:

- Multifamily (5+ unit) housing properties, including:
  - New construction;
  - Acquisition/rehabilitation (minimum \$6,500/unit cost); or
  - Revitalization, repair or transfer of existing properties with USDA Section 515 direct financing.
- Project must be located in an eligible rural area (generally <= 20,000 persons) in GA, NC, SC, TN, VA or WV
- Tenant income cannot exceed 115% of area median income
- Rents, including utilities, cannot exceed the applicable low income rent ceiling based on 30% of household income.
- Qualified units must remain occupied by low income tenants while financing remains in place.

<b>Product</b>	Permanent financing for new construction and acquisition/rehabilitation projects, with 90% USDA Section 538 loan guarantee
<b>Loan Terms</b>	<ul style="list-style-type: none"> <li>• Maximum loan amount: \$2 million</li> <li>• 25 year balloon term, with amortization up to 40 years (or remaining economic life of the project)</li> </ul>
<b>DSC</b>	Minimum of 1.15x
<b>Loan-to-Value</b>	Up to 80%, based on restricted income value at stabilized occupancy
<b>Appraisal</b>	<ul style="list-style-type: none"> <li>• Appraisal must be engaged by CICCAR and conform to CICCAR’s Appraisal Policy.</li> <li>• Applicant is responsible for the cost of the appraisal, with payment made to CICCAR.</li> </ul>
<b>Security</b>	First lien Deed of Trust / Mortgage only
<b>Fees</b>	<ul style="list-style-type: none"> <li>• CICCAR Fees:               <ul style="list-style-type: none"> <li>– Application Fee: \$3,500</li> <li>– Commitment Fee: 1% (\$7,500 minimum, non-refundable)</li> <li>– Loan Fee: 1% (\$7,500 minimum, due at closing)</li> </ul> </li> <li>• USDA 538 Program Guarantee Fees:               <ul style="list-style-type: none"> <li>– Initial guarantee fee of 1.00% of guaranteed loan amount, due at issuance of guarantee;</li> <li>– Annual guarantee renewal fee of 0.50% of outstanding principal balance as of December 31st.</li> <li>– Borrower shall be responsible for any additional fees assessed or required by USDA</li> </ul> </li> </ul>
<b>Commitment Term</b>	<ul style="list-style-type: none"> <li>• Up to 24 months</li> <li>• Extensions granted subject to USDA approval and fee requirements</li> </ul>
<b>Pricing</b>	<ul style="list-style-type: none"> <li>• Fixed rate during the loan term</li> <li>• Pricing set and locked upon approval and receipt of USDA Conditional Commitment</li> </ul>
<b>Recourse</b>	All CICCAR loans are non-recourse, with the exception of standard industry carve-outs
<b>Additional Security</b>	All projects will be controlled by a recorded Regulatory Agreement
<b>Reserves &amp; Escrow</b>	Lender-controlled escrows for taxes, insurance, replacement reserves, operating reserves and USDA RHS annual guarantee fee are required and must be maintained during life of the loan.
<b>Legal Fees</b>	To be paid by Borrower at time of permanent loan closing

All terms subject to periodic review/revision by the Board of Directors