Proposed FCRHA Funding Guidelines
Loan Adjustment and Additional Financing Policy

This policy amends and restates the former "FCRHA Refinancing and/or Subordination Policy" adopted by the Fairfax County Redevelopment and Housing Authority (FCRHA) on March 7, 2013.

In addition to all other financing conditions contained in the applicable FCRHA loan documents, the following conditions must be met for all FCRHA loans for the acquisition or rehabilitation of affordable units or third party loans proposed for properties already being used as security for an FCRHA loan:

- **No other financing may be placed against the secured property that includes cross-collateralization or cross-default provisions.** This requirement ensures that in the event of a default, the other lender can foreclose only on the loan and secured property in question, and will not be able to foreclose on any other property within a portfolio.

- **No cash out financing will be permitted.** This requirement ensures that the properties are not over-leveraged and that the FCRHA's equity share is not put at risk.

- **A minimum Debt Service Coverage Ratio for all the financing on the property of 1.0 must be met.** This requirement ensures that the properties have sufficient revenue to meet operating expenses and pay the debt on additional must-pay loans.

- **Loan-to-Value (LTV) of all financing on the property may not exceed 100 percent of the appraised value of the property (with the appraisal acceptable to Housing and Community Development staff).** This requirement ensures that the property is not burdened with more debt than it can support and minimizes FCRHA risk.

  An exception to the required LTV will be made for FCRHA rehabilitation loans meeting all of the following conditions:

  - 100 percent of the loan goes to the rehabilitation work;
  - Loan proceeds are federal funds;
  - The properties for which the loan proceeds will be used are owned by the non-profit borrower and are either scattered site properties or are five or less units in a multi-family development;
  - The properties serve households specified in the borrowers' procurement awards;
  - The loan proceeds allocated to each property may not exceed $20,000 per property;

    - LTV not to exceed 120 percent based on assessed value.

- **Fixed interest rate, fully amortizing mortgages (with terms that are the same as the corresponding amortization periods) with no balloon payment(s) will be preferred over other types of financing.** This requirement ensures that the debt service expense is predictable and can be accurately included in future budgets.

- **Funding of an "FCRHA Reserve Account" to backstop balloon payments, if any, will be required.** If the FCRHA consents to additional financing with a balloon payment, this requirement ensures that the borrower has funds available to be used at the time of refinancing of the balloon payment.

- **Any other factors may be considered as deemed necessary after review and evaluation by the Department of Housing and Community Development's Loan Underwriting Committee and approved by the FCRHA.**

- **Changes in terms beyond a change in the interest rate must be approved by the FCRHA.**

- **Exceptions to the policy must be approved by the FCRHA.**