

## **Equity Takeout Loans**

Equity take-out loans are available for Section 8 and Section 236 developments that meet the following qualifying conditions and considerations:

1. Strong, continuing market – 95% or greater occupancy for prior two years with reasonable expectation that this occupancy level will be continued into the future.
2. All necessary repairs and replacements have been completed and all reserve levels after completion of repairs are at \$3,000 per unit for elderly and \$5,000 per unit for family developments.
3. Owner must have demonstrated in the past a willingness to make necessary repairs and replacements on a timely basis.
4. Prior two years inspection reports must indicate a high level of resident satisfaction.
5. A rent comparability study must have been completed which demonstrates that the development would be likely to receive rent increases under a rent comparability test similar to that required by HUD Notice H95-12 issued March 7, 1995.
6. The equity takeout loan term would be equal to the remaining term of the assistance payments contract(s) and debt service coverage including the first mortgage and the equity takeout loan would be 1.15 or greater.
7. In consideration of receiving an equity takeout loan, the owner must agree to remain in the assisted housing program for the maximum term of the assistance payments contract(s) and agree not to prepay the first mortgage loan for a minimum of ten years.

Staff Contact:

Steve O'Brien at (651) 297-4065