

**Financial Institutions Housing Opportunity Pool
Information for Financial Institutions
2004**

FIHOP Purpose

Financial Institutions Housing Opportunity Pool ("FIHOP") was established by Financial Institutions operating in Mississippi ("Members") and The Mississippi Home Corporation ("MHC") to assist in the construction of residential housing in Mississippi for persons of low to moderate income.

I. FIHOP ADMINISTRATION

Administrator – MHC shall be the administrator of the fund handling applications, disbursements, collections, inspections, and reporting. From time to time MHC may seek and request assistance from a Member in the administration of a loan within the Member's lending area.

Administrative Fund – An account administered by the FIHOP Board of Directors to fund the startup and ongoing administrative costs of FIHOP.

FIHOP Escrow Account – Upon notice by MHC of loan closing, a Member shall deposit, within 24 hours, its Participation amount into this account.

Member – A financial institution operating in Mississippi with a minimum commitment to FIHOP as required in Section IIB hereof.

Participant – A Member with monies distributed to the FIHOP Escrow or a Loan funded under the FIHOP Program. A member is committed to participation in a loan for the duration of that loan.

FIHOP Board of Directors – Eight (8) representatives shall be elected, each from a different Member, to direct the activities of FIHOP. The Representatives shall meet quarterly and shall serve staggered terms of three (3) years each. MHC shall appoint a representative that will be the ninth (9th) member. MHC's representative shall serve continuously and not be subject to the three (3) year term limitation as long as MHC is Administrator.

Loan Committee - Eight (8) appointees of eight (8) different Members plus one appointed by MHC. The Loan Committee shall meet as directed by the Chair, elected by the Members and serve a two (2) year term. Five (5) members must approve a loan for participation in FIHOP.

II. SOURCES OF FUNDS

A. MHC

A commitment equaling a 10% Participation by MHC in each loan, not to exceed a total commitment of \$2,000,000.

B. Members

The minimum commitment for Participation in FIHOP by a Member will be based on asset size. A Member may commit to a larger amount without increasing the administrative fee for its asset size.

<u>Asset Size</u>	<u>Loan Commitment</u>	<u>Administrative Fund</u>
1. Less than \$100 Million	\$100,000	\$1,000
2. \$100 to \$250 Million	\$175,000	\$1,750
3. \$250 to \$500 Million	\$375,000	\$3,750
4. \$500 to \$1 Billion	\$750,000	\$7,500
5. Over \$1 Billion	\$1,000,000	\$10,000

The Administrative Fund must be remitted with the executed Commitment to Participate agreement. Ongoing administrative expenses of FIHOP shall be funded with ten percent (10%) of interest earnings and 100% of any Commitment Fee being placed in the Administrative Fund.

III. BASIC PROGRAM REQUIREMENTS

A. Eligible Borrowers will be the Tax Credit Developers that receive a tax credit allocation from MHC.

B. Loan Parameters

FIHOP shall be used to assist in the development of housing needs that provide safe, decent and affordable housing for the people in Mississippi:

Permanent Loans to allow the ultimate pooling of loans for bonds securitization or other financing.

C. FIHOP Priority

Assisting developers in creating new multi-family developments located in targeted counties or census tracts under the Mortgage Revenue Bond Program or in areas identified as "Difficult to Develop, Qualified Census Tracts, or Area of Chronic Economic Distress" under the Low Income Housing Tax Credit Program.

IV. LOAN APPROVAL GUIDELINES

Loan Type: First Mortgage Loans.

Loan Term: Maximum 15 year maturity with 30 year amortization.
Exception: 20 year fully amortizing when HOME funding or Federal Home Loan Bank Grants are available to the development.

Loan Size: \$250,000 to \$5,000,000.

Loan to Value: 80% or less of market value and the funded value of the tax credits received. Market value shall include the value of the rent and occupancy restricted (LURA) development plus the relevant intangible assets to value that would survive a foreclosure; i.e.: the value of the right to tax credits, the value of any favorable financing structure that may remain in place post foreclosure.

Rent Restrictions: Pro-forma rents must be no greater than 90% of comparable market rents within the development's market area.

Vacancy Factor: The greater of 7% or the rate defined in the market study.

Guarantee: All loans are non-recourse, but will contain a "Claw-back Clause" for instances of Fraud or Misrepresentation.

Equity Requirement: The minimum equity requirement shall be 5% of CPA certified project costs.

Debt Service Ratio: Debt Service Coverage (DSC) of 1.15 to 1.30 per the QAP. Subordinate financing of HOME or other approved loans that require repayment within the term of the FIHOP loan will require a minimum DSC of 1.15 for 20 year amortization and 1.20 for 30 year amortization loan terms.

Operating Expenses: Minimum operating expenses per unit per year must not be less than \$2,700.00.

Replacement Reserves: Minimum replacement reserves per unit per year must not be less than \$250.00.

V. THE LENDING PROCESS

A. The Loan Approval

MHC shall process each loan request. A completed application should meet the general underwriting requirements as established by the FIHOP Loan Committee and adopted by the FIHOP Board of Directors. The application will be forwarded to the Loan Committee for approval or denial. Each Loan request will appear before the Loan Committee.

B. Member Participation

1. Any elected representative that does not attend two (2) consecutive quarterly meetings or any appointed that does not participate in three (3) consecutive loan committee meetings shall be replaced by an appointee of another Member nominated by the remaining representatives.
2. Member shall participate in a loan to the extent of its dollar commitment to the fund as a percentage of the dollars available to the fund at the time of the loan funding.

3. Upon Loan Committee approval, MHC will notify all Members of the approval.
4. MHC shall notify each Member of the available participation and of the percentage of participation and the dollar amount to be funded. Upon receipt of the notification the Member shall remit, to MHC its executed agreement to participate within three (3) business days.
5. A Member shall receive its portion of principal repayment interest earnings, expenses and any loss incurred based on their percentage interest in the participation.

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