



Nonprofit Backstop Guaranty Term Sheet

August 23, 2011

In certain instances strong community development organization (CDO) sponsors of low- income housing tax credit (LIHTC) projects are falling short of requirements being imposed by construction lenders and/or equity investors in the current climate.

The purpose of the nonprofit backstop guaranty (Guaranty) offered by LISC is to induce lenders and investors to participate in LIHTC projects so that more low income families have safe, decent, affordable housing available to them.

Eligible Borrower:	A limited partnership or limited liability company formed to develop a LIHTC project and controlled by a sponsor acceptable to LISC.
Eligible Sponsor:	CDO in a local LISC program or one that is a national program partner. CDO must have a successful track record, preferably with LISC. Tax credit equity in the LIHTC is to be provided by the National Equity Fund (NEF) (exceptions to be considered only if another syndicator's or investor's equity bid is materially better than NEF's, in LISC's sole discretion).
Guaranty Type:	Payment Guaranty with 90 day standstill period. ¹
Guaranty Amount:	Lesser of a stated percentage of construction loan indebtedness outstanding from time to time or a stated dollar amount. Maximum guaranty amount is \$2,500,000.
Use of Guaranty Proceeds:	Amount paid under the guaranty can be used to pay construction loan principal, interest, costs of collection, and other costs.
Beneficiary of Guaranty:	Construction lender.

¹ The payment guaranty will provide that, for a period of 90 days after written demand upon the borrower for repayment of the loan following an event of default, the lender shall endeavor to pursue its rights and remedies against the borrower and any other guarantors of the loan, and against any collateral securing the loan, to the exclusion of any rights or remedies under the payment guaranty.

Guaranty Expiration Date	Placed in service date or, in appropriate cases approved by LISC, achievement of qualified occupancy.
Guaranty Fee:	Up to 3.00% per annum, due at closing and annually thereafter. ²
Legal Fee:	Up to \$5,500.00, due at closing.
Recourse/Reimbursement Note:	Payments under the guaranty will be full recourse to the borrower, evidenced by a reimbursement note executed by the borrower in favor of LISC.
Term of Reimbursement Note:	Due and payable upon demand.
Interest Rate on Reimbursement Note:	6.00% per annum. [LISC's interest rates are reviewed periodically and adjusted on such dates as LISC deems appropriate, so that the interest rate will be the applicable rate in effect at closing.]
Guaranties of Reimbursement Note	Required. Full payment guaranties by the sponsor and affiliated entities of the borrower.
Collateral/Security for Reimbursement Note:	Required. Nature and priority of collateral to be determined and may include a subordinate mortgage on the project real estate, assignment of equity payments or developer fees, and/or such other collateral as may be required by and acceptable to LISC.
General Contractor:	To be approved by LISC. Must be bonded or provide acceptable letter of credit.

² Upon a release, cancellation, or other termination of the payment guaranty during any annual period of 12 months, a portion of the guaranty paid by the borrower for such annual period shall be refunded by LISC to the borrower, on a pro rata basis.