

## MORTGAGE REVENUE BONDS REFUNDING GUIDELINES

**PURPOSE:** The following represent guidelines of the Orange County Housing Finance Authority (the “Authority”) for the refunding of revenue bonds.

### **Refunding of Bond Issues:**

The Authority’s staff shall, from time to time, review the outstanding multi-family bond issues to determine whether or not a refunding of any of such bond issues or a refunding of a portion of such bond issues would create a sufficient cost savings to be in the best interests of the Authority and the public.

At such time, as the Authority’s staff makes a determination that a refunding would create a sufficient cost savings to be in the best interest of the Authority and the public, it shall cause to be placed on the Authority’s meeting agenda for consideration by the Authority at a regularly scheduled Authority meeting with a recommendation for a refunding of such bonds.

If the Authority determines after review and consideration that a refunding of a bond issue or a portion of a bond issue would create a sufficient cost savings so as to be in the best interests of the Authority and the public and in the best interests of the particular bond program, then the Authority may direct staff in conjunction with financial advisor, bond counsel, underwriters and Authority counsel to take the action necessary to cause a refunding of a particular bond issue or portion of such bond issue.

### **Application Process:**

- (1) Borrowers whose multi-family projects have been financed under one of the Authority’s multi-family bond programs may apply to the Authority for a refunding of such bonds or a portion thereof by providing the Authority’s Executive Director with a written request for consideration at least 21 days prior to the Authority’s next regularly scheduled meeting. Such request shall contain a minimum of the following information:
  - (a) Name and address of borrower.
  - (b) Description of the bonds to be refunded.
  - (c) Current status as to the multi-family project for which the bonds were issued, setting for the stage of construction, the number of units, the number of units set aside for low-income persons, the occupancy level, the completion date of the project and the date the bonds were originally issued.
  - (d) A written description of the proposed financing for the refunding of the bonds.
  - (e) The public purpose to be served by the refunding of the bonds.
  - (f) The estimated cost savings to be provided by the refunding of the bonds.
  - (g) Information regarding any undue economic hardship affecting the project which has the potential of causing a default under the loan and which would be alleviated by the proposed refunding.



- (2) Increased set-asides for residents who are eligible to receive assistance payments from an approved housing assistance program, residents eligible for "Section 8" housing, or other residents whose incomes are at or below 50% of the median income in the area;
- (3) The Authority shall review the borrower's application at a scheduled Authority meeting and shall either approve or reject the Developer's application based on the following factors:
  - (a) The cost savings to be realized in connection with the refunding.
  - (b) The public purpose to be served.
  - (c) Market conditions.
  - (d) The proposed financing structure.
  - (e) Any undue economic hardship affecting the property which might be alleviated by refunding the bonds. The protection and best interests of the Authority and the public.
- (4) Should the Authority approve the Developer's application, the Authority shall direct its staff, in conjunction with the Authority Counsel and its Financial Advisor, to take the necessary action to prepare a loan commitment agreements setting out the terms and conditions under which the refunding bonds shall be issued and the loan made to the borrower, and to begin the necessary work for the preparation of program documents in order to proceed to a closing of the refunding bonds.
- (5) The borrower will be required to pay the Authority fees as follows:
  - (i) 1.50% for the first Five Million Dollars (\$5,000,000) of bonds in an issue.
  - (ii) 0.85% of the amount of bonds issued in excess of Five Million Dollars (\$5,000,000).
  - (iii) An annual administrative fee of 20 basis points.

The Authority shall require the developer to deliver to the Authority, or at the request of the Authority, directly to the Trustee, on or before the date of delivery of the bonds, a cost issuance fee in an amount determined by the Authority to be sufficient to pay costs and expenses relating to bonds.

- (iv) Of the above required bond financing fees, 40 basis points must be submitted with the developer's/sponsor's application for bond financing. In the event bonds are not issued,  $\frac{1}{4}$  of the 40 basis points will be non-refundable, and the remaining, subject to professional services expenses; the residual will be refunding to the applicant.
- (6) If services are required the developer will also pay the fees associated with credit underwriting and the Authority's Financial Advisor.
- (7) The developer shall agree to execute or cause to be executed all of the program loan documents required by the Authority to ensure that the bonds are properly refunded and to secure the unconditional repayment of the refunding bonds.
- (8) The Authority shall require that the repayment of the bonds be guaranteed or collateralized or other secured to the extent necessary to protect the Authority and the bondholders.

