

Multifamily NIBP Frequently Asked Questions

PROGRAM TYPES

Moderate Rehabilitation Transactions

Execution Path GSE Enhanced and 4th Rail

Question How will Mod Rehab transactions be executed under NIBP?

Program Rule Mod Rehab transactions may either utilize the Construction Program Bond path with 4 year I/O and bond amortization required beginning in month 49, or may use the standard Program Bond track which provides for amortization to begin immediately.

In a Construction Program Bond transaction, the bond mortgage reimbursement agreement will require that amortization (P&I) commence at stabilization with principal payments being made to a principal reserve fund. In such case, optional redemptions would be required at stabilization (for any required equalization payment) and on the semi annual payment dates between stabilization and month 49. For those transactions using standard Program Bonds, amortization would commence at origination.

The term of any Construction Program Bonds must not exceed 34 years, and the term of non-Construction Program Bonds may not exceed 30 years from the Release Date. Total term of the bond mortgage credit enhancement in the Construction Program Bond context (for GSE executions) would generally not exceed 32 years (2 years I/O pre-stabilization followed by 30 years amortizing), although the bond mortgage term could be as long as the program limitation of 34 years.

GAP BONDS

Construction Program Bonds: NIBP Gap Bonds

Execution Path	GSE Credit Enhanced and 4 th Rail
Question	Can NIBP Bonds be used as “gap bonds”?
Program Rule	Yes. NIBP bonds may be used as “gap bonds” and may be variable (if “Variable Rate Construction Program Bonds”) or fixed. There may be both a fixed rate NIBP bond mortgage and a variable rate NIBP bond mortgage during the construction phase.

Gap Bonds: Market Bonds that are Subordinate

Execution Path	All
Question	Can HFAs issue bonds under the NIBP Indenture that are subordinate?
Program Rule	Yes, provided the form of subordination meets GSE credit and product requirements, this may be permitted. No subordinate variable rate bonds are permitted.

Gap Bonds: Subordinate Bonds under a Separate Indenture

Execution Path	All
Question	Can HFAs issue gap bonds that are subordinate under a separate indenture?
Program Rule	Yes.

Gap Bonds: 40% Test Limitations

Execution Path	All
Question	Do gap bonds count against the 40% test (Section 2.13 of the form NIBP multifamily indenture appendix, which limits the amount of market bonds issued under the NIBP Indenture to 40% of the sum of the Market and NIBP Bonds)?

Program Rule Gap bonds would be subject to the limitations of the Section 2.13 tests only if issued as parity bonds under the NIBP indenture. Gap bonds issued on a subordinate basis or under a separate indenture do not need to be tested against the limitations of Section 2.13.

Gap Bonds: Variable Rate Options

Execution Path All

Question Under what circumstances may Non-NIBP gap bonds be issued with a variable rate?

Program Rule Gap bonds may be issued with a variable rate under a separate indenture, subject to the following restrictions: (i) they must mature within 4 years (but they cannot mature or be subject to optional redemption in less than 18 months), (ii) the real estate security supporting the bonds must be subordinate to the real estate security supporting the NIBP bonds, and (iii) they cannot use an auction rate or a variable rate demand (“put”) bond structure (but they can bear interest at a rate tied to an established index, such as LIBOR or SIFMA).

END OF CREDIT ENHANCEMENT

Maturity Dates & Credit Enhancement Term

Execution Path GSE Enhanced

Questions Must the Credit Enhancement termination date be the same as the Bond Mortgage Maturity date?

What is the maximum amortization period?

Program Rule For GSE Credit Enhancements:

- The Credit Enhancement term need not match the NIBP Bond maturity, but must provide for payment in full of all amounts owing to Treasury prior to maturity.
- The amortization period will be per GSE credit policy.

Depending on the length of the credit enhancement term, there may be a balloon at the end of the credit enhancement term.

Maturity Dates: Extension

- Execution Path** FHA/GNMA
- Question** Can the maturity date of the released bonds be extended to coincide with the GNMA maturity?
- Program Rule** No. The maturity date of the NIBP Bonds cannot be extended beyond the maturity limits applicable to the NIBP.

Mandatory Redemption at the End of the Term of the GSE Credit Enhancement

- Execution Path** GSE Credit Enhanced
- Question** Is redemption “mandatory”?
- Program Rule** Yes. Any time a GSE Credit Enhancement terminates prior to the scheduled maturity of the NIBP Bonds, a mandatory redemption (or purchase in lieu of redemption) at the end of the bond mortgage credit enhancement is required under the program (and for rating agency purposes). There cannot be a substitute credit enhancement for the remainder of the bond mortgage term so long as the Bonds are held by Treasury.

Bond Refunding at End of Credit Enhancement Term

- Execution Path** GSE Enhanced
- Question** Can there be a bond refunding on or before the end of the GSE bond mortgage credit enhancement term?
- Program Rule** Yes, in which event the Program Bonds will be paid in full.

Substitute Credit Enhancement at End of Credit Enhancement Term

- Execution Path** GSE Enhanced and 4th Rail
- Question** Is substitute credit enhancement permitted at maturity of the bond mortgage credit enhancement term?

Program Rule Treasury must be paid in full for Program Bonds it holds at the end of the credit enhancement term from proceeds of the applicable credit enhancement or other permitted funds. Such payment may take the form of a redemption, a refunding, a purchase in lieu of redemption or a mandatory tender. Once Treasury has been paid, the Bonds, if any remain outstanding, will no longer be NIBP Bonds and may be remarketed with substitute credit enhancement (subject to HFA, rating and document limitations).

Substitute Credit Enhancement: GSE Credit Enhancement for FHA Guaranty

Execution Path FHA

Question Can GSE credit enhancement be substituted for an FHA Guaranty?

Program Rule GSE credit enhancement may replace an FHA guaranty structure provided such substitution is pursuant to a forward commitment by the applicable GSE issued prior to or contemporaneously with the Release Date in accordance with GSE requirements and provided, further, that the GSE credit enhancement does not become effective prior to the completion of construction/rehabilitation. The reverse, however (using a GSE Credit Enhancement from the outset (during the construction period) followed by an FHA Guaranty) will not be permitted.

Two Phase Credit Enhancement

Execution Path All

Question Can an issuance and credit enhancement of Market Bonds occur prior to the Release Date relative to the applicable NIBP Bond?

Program Rule No. Program Bonds must be released and Market Bonds must be issued simultaneously.

ESCROW RELEASE

Bridge Lending by 3rd Parties/Short-term Financing

Execution Path All

Questions Is bridge lending permissible? Can short-term financing be used in the escrow release process?

Program Rule Yes, so long as such short-term or bridge financing does not require modifications to the terms of the NIBP or the related documents or otherwise compel a takeout by NIBP funds.

Interest Payment Date

Execution Path All

Question May the original semi-annual interest payment dates reflected in the NIBP Indenture be changed to different months (e.g. January 1 and July 1 changing to April 1 and October 1) such that they match the normal bond conventions for the month of the bond release?

Program Rule Yes. Interest payment dates may be changed to different months; however, this issue *should not* be confused with changing payments to different days of a month, which is not permitted.