

*WEST ARBOR:
RFP FOR FUNDING
PARTNERS*

PERMANENT DEBT

CAPITAL FUND
SERVICES



February 6, 2015

Jennifer Hall
Ann Arbor Housing Commission
727 Miller Avenue
Ann Arbor, MI 48103

Re: **Permanent Mortgage Loan Commitment for West Arbor Limited Housing Dividend Association Limited Partnership**

A 46 unit Multifamily Rental Housing Project, known as West Arbor ("Project")

Located in Ann Arbor, Michigan ("Property")

Dear Ms. Hall,

This letter will serve as notice that the request by the Borrower for a Permanent Mortgage Loan Commitment for the referenced Project has been reviewed and conditionally approved by Capital Fund Services, Inc. ("CFS"). This Loan Commitment will be offered through February 27, 2015 and that date will be the Final Delivery Date unless as extended by mutual written agreement between CFS and the Borrower.

The Mortgage Loan will be made upon the following terms and conditions.

1. Borrower. Borrower shall hold legal title to the Property at Closing and, for the entire term of the Mortgage Loan, and shall have no assets, legal purpose or business other than ownership and operation of the Project. Any change in Borrower's organizational documents, structure or composition, or in the ownership of interests in Borrower, from that previously disclosed to CFS and relied upon by CFS in issuing this Commitment shall need to be reviewed and approved in writing by CFS.
2. Mortgage Loan Amount. The maximum principal amount of the Mortgage Loan will be One Million Eight Hundred Sixty Two Thousand Five Hundred Dollars (\$1,862,500) ("the Loan Amount"). This is subject to a debt service coverage

ratio of 1.15 at conversion to the permanent loan and a maximum Loan to Value of 90% of appraised value.

3. Interest Rate. Based on the Application Submission, the Mortgage Loan has been underwritten at the fixed interest rate to Borrower of 5.80% per annum, which rate is not fixed at this time. At closing, CFS shall advise Borrower of the available rate, and if acceptable, Borrower shall sign and return a fully completed Confirmation of Note Rate. CFS shall acknowledge Borrower's acceptance of the Note Rate by delivering a counter-signed copy of the confirmation to Borrower, at which time the Note Rate will be finalized. Note, this is a rate for a forward conversion.
4. Mortgage Loan Term and Payments. The term of the Mortgage Loan shall be a period of thirty (30) years from the first day of the month following the Closing (or from the date of Closing, if it falls on the first day of a month). The mortgage shall be subject to a fifteen (15) year yield maintenance period ("Yield Maintenance Period"). At Closing, CFS will collect prepaid interest through the last day of the month in which the Closing occurs. Thereafter, commencing on the first day of the second month following the Closing, the Mortgage Loan shall be repaid through level payments of principal and interest [calculated on the basis of a 360-day year consisting of twelve (12) thirty (30) day months] on the basis of a thirty (30) year amortization period.

The forward commitment period is 24 months. Loan closing and funding must occur prior to the expiration of the forward period.

The project is required to have 90% occupancy for 90 days based on physical occupancy in order to convert.

5. Complete Agreement; Amendment and Waiver. This Commitment, and the General Conditions and Exhibits attached hereto, contain the complete and entire understanding of the parties hereto of CFS's agreement to provide the Mortgage Loan as described in this Commitment. No changes or amendments to this Commitment shall be valid unless made in writing and similarly executed by the parties hereto.
6. Survival Conflicting Provisions. The terms and conditions of this Commitment shall survive Closing. In the event of any conflict between the terms and conditions of this Commitment and the terms and conditions of the Mortgage Loan Documents, the latter shall control.
7. Restrictions on Assignment by Borrower. The Commitment may not be assigned by Borrower without CFS's prior written consent, which CFS may withhold in its sole discretion; provided that following Borrower's default under the construction loan for the Project, a "Substitute Borrower" may assume the rights and obligations of Borrower under this Commitment, but such Substitute Borrower

must have acceptable net worth and experience, as determined by CFS's sole discretion.

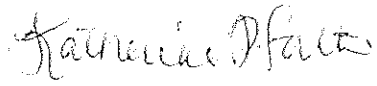
8. Borrower's Compliance; Events of Default. Time is of the essence with respect to all provisions of this Commitment. Borrower agrees that, following acceptance of this Commitment, it will proceed diligently to satisfy all of its obligations hereunder for timely closing of the Mortgage Loan in accordance with the terms hereof.

Should any one of the following Events of Default occur prior to Closing, CFS may cancel this Commitment and have no further obligations to Borrower or any other party hereunder:

- (a) Material failure of the Borrower to comply with any of the terms and conditions of this Commitment;
 - (b) Failure of the Borrower to satisfy the General Conditions or Loan Specific Conditions;
 - (c) Destruction or damage to the Project deemed substantial by CFS;
 - (d) A material and adverse change in the Borrower's financial or the Project's operating condition, as deemed by CFS in its sole discretion; and
 - (e) Discovery of any material misrepresentation in Borrower's application, submissions, or representations;
9. The Mortgage Loan will be subordinate in priority to the LIHTC Regulatory Agreement.
10. Termination of Commitment. If CFS terminates this Commitment pursuant to any of its provisions, CFS shall be relieved of any obligation to make the Mortgage Loan and of any further liability or obligation to Borrower under the Commitment or otherwise, and except as otherwise specifically provided in this Commitment, CFS shall be entitled to retain all fees and charges collected from Borrower.
11. Brokerage Indemnity. Borrower agrees to indemnify and hold CFS, its officers, agents and employees, harmless, from and against all claims, demands and liability for brokerage commissions, finder's fees or the like, arising from the issuance of this Commitment or from CFS's making of the Mortgage Loan, and asserted by a broker or finder claiming to have represented Borrower in connection with this loan.
12. Applicable Law. The rights and obligations of the parties with respect to this Commitment shall be determined in accordance with the laws of the State of Michigan.
13. Counterparts. This Commitment may be executed in any number of counterparts, each of which together shall constitute one and the same instrument.

14. Charges and Fees to be Paid by Borrower. Upon completion of the due diligence process and approval of the loan by the Board of Directors of CFS, the Borrower will be required to pay the following fees.
- a. Application Fee. This has been waived.
 - b. Origination Fee. At acceptance of the loan commitment, the Borrower shall pay CFS a commitment fee in the amount of 1.50%, or Twenty Seven Thousand Nine Hundred Thirty Seven (\$27,937) dollars of the Loan Amount ("Commitment Fee"), which shall be deemed earned by CFS and non-refundable upon receipt.
 - c. CFS's Counsel Fees. At acceptance of the loan commitment, the Borrower shall pay CFS \$6,250 to be applied to CFS's Counsel's fees and expenses. CFS has agreed to cap the total legal fees and expenses of its counsel at \$12,500 based on the assumptions that (i) Borrower will not attempt to negotiate substantial changes to the mortgage loan documents (ii) Borrower has reasonably described the material elements of the transaction aside from the CFS loan, including significant atypical problems requiring legal attention in order to close. If these assumptions prove to be incorrect, CFS reserves the right to raise legal fees as circumstances warrant.
 - d. Underwriting Fees. The undersigned also agrees to pay CFS \$13,000 for out-of-pocket, third-party costs, and underwriting fee's incurred by CFS in originating the mortgage loan. The major due diligence costs that will be incurred are travel, appraisal, environmental assessment (Phase I), and a physical needs assessment. The undersigned remits the sum of \$13,000 as an advance for the third party cost expenses. The undersigned acknowledges that such deposit is non-refundable to the extent funds are spent by CFS in obtaining such reports, regardless of whether CFS issues a commitment acceptable to Borrower. *Costs of environmental reports beyond a Phase I will be the responsibility of the Borrower and will be billed separately. Please note: A new appraisal will not be required at conversion.*
 - e. Forward Commitment Deposit. At acceptance of the loan commitment, the Borrower shall deposit with CFS two percent (2.0%) of the Loan Amount ("Forward Commitment Deposit"), or Thirty Seven Thousand Two Hundred Fifty dollars (\$37,250), with CFS and execute a Delivery Assurance Certificate to secure the performance of Borrower's obligations under this Commitment. The Forward Commitment Deposit shall be in the form of cash. At the conversion of the commitment to a permanent mortgage loan, the Forward Commitment Deposit shall be refunded back to the Borrower.

Sincerely,



Katherine Forth
President, Capital Fund Services
Vice President, Great Lakes Capital Fund

Accepted:

By: _____
Jennifer Hall
Ann Arbor Housing Commission

Date: _____

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COMMUNITY
DEVELOPMENT TRUST



CDT Affordable Multifamily Lending Program
LIHTC Forward Commitment Term Sheet
As of September 30, 2014

- Eligible Loans**.....Individual newly originated first mortgage loans
- Loan Amount Range**..... \$500,000 to \$10,000,000; larger loans considered.
- Term/Amortization**.....18 to 30-year term; amortization period of 30 years; 35-year amortization available on a waiver basis subject to underwriting criteria.
- Forward Commitment Period**..... Up to 30 months
- Interest Rate**..... Fixed at spread over comparable term U.S. Treasury rates
- Payment Basis**..... Actual/360
- Prepayment Terms**..... Fannie Mae yield maintenance formula. Prepayment premium greater of 1% or yield maintenance. Following yield maintenance period, 1% prepayment premium due. No premium due three months prior to loan maturity.
- Rate Lock Parameters**.....CDT requires additional spread for forward commitments. Rate locked at commitment.
- Rate Lock Security**..... Deposit Fee of 2% of loan amount required. In addition, CDT requires Delivery Assurance Fee secured by a subordinate mortgage lien on the Property. Breakage fee for Delivery Assurance calculated based on the higher of pair-off formula or amount equal to present value of difference of forward interest rate and current investor minimum acceptable rate over life of the loan. Minimum breakage fee is greater of pair-off or 2% of loan amount, inclusive of the Deposit Fee.
- Loan Re-sizing**..... At time of conversion to permanent mortgage, loan subject to maximum upward or downward adjustment of up to 5% without change interest rate for increased loans or breakage fees for decreased loans. Shortfall breakage fees apply to downward adjustments of more than 5%. Loan resizing of greater than 15% considered *material* and will require new underwriting and approval.
- Extensions**.....Subject to approval, prevailing interest rates and extension fees at time of request.
- Guaranty/Recourse**.....Execution of an exception to non-recourse obligations is required.
- Affordability Requirements**.....All properties must be affordable based on extended-use restrictions and/or in-place regulatory agreements. For seasoned LIHTC properties, remaining extended-use period must be longer than requested term of new loan.
- Occupancy Requirements**.....90% physically and economically occupied for 3 months prior to closing.
- Eligible Properties**..... Affordable multifamily rental housing projects with at least 24 units. All projects must satisfy Community Reinvestment Act (CRA) criteria.
- Loan to Value Ratio (LTV)**.....Maximum LTV of 90%. Lower maximum LTV *may* apply to loan requests over \$8 million. Please contact CDT to preview large loan requests. . Based on market conditions, maximum LTV requirement may be *lower* in certain locations. LTV includes *all* loans requiring debt service payments.
- Debt Coverage Ratio (DCR)**..... Minimum DCR of 1.15. Higher minimum DCR *may* apply to loan requests over \$8 million. Please contact CDT to preview large loan requests. Based on unit size, minimum 1.15 DCR for properties more than 40 units; minimum 1.20 for properties with 40 or less units. Subject to market conditions, minimum DCR requirement may be *higher* in certain locations. DCR includes *all* loans requiring debt service payments.

Appraisal Report	New report required as part of initial underwriting submission. Updated appraisal required at time of conversion if original appraisal is <i>more than 30 months old</i> at time loan closing.
Phased Developments	Subject to minimum physical occupancy of at least 90% for previous 180 consecutive days prior to closing.
Subordinate Financing	All subordinate financing must have a term that is at a minimum coterminous with the term of the first mortgage. Soft subordinate financing permitted, subject to execution of acceptable subordination agreement. Hard subordinate financing permitted only from public/nonprofit lenders and subject to minimum combined DCR, LTV and other requirements.
Project-Based Rental Subsidy Contract	Loan request is subject to CDT's loan sizing criteria for project with project-based rental subsidy contract. Generally, project-based rental subsidy contract should be longer than or coterminous to the first mortgage.
Loan Documentation	Standard Fannie Mae documentation
Property Insurance	Standard Fannie Mae requirements
Escrows/Reserves	Escrows required for property taxes and insurance. The following reserves, held by CDT or its designee, are based on the minimum requirements listed: <ul style="list-style-type: none"> • Replacement: <ul style="list-style-type: none"> > Minimum for all properties - \$250/unit/year > Properties with 40 units or less - \$300/unit/year > CDT may require higher reserve levels for certain properties, including rehab transactions. > All replacement reserves reviewed after 5 years. • Debt Service and Operating: <ul style="list-style-type: none"> > The greater of \$25,000 or 3-months of debt service; > The greater of \$25,000 or 4-months of debt service for properties with 40 units or less. > Fully funded at closing. > CDT reserves right to require additional reserves depending on market conditions and transaction features.
Application Fee	\$5,000 due at application; up to \$2,000 of fee applied as credit to legal review/ closing-related costs.
Third-party Reports	\$12,000 due at application for third-party reports, including appraisal, environmental, physical needs assessment (if required), zoning and other required reports. CDT bills actual report costs. Total fee may be higher or lower. CDT will notify borrower of any credits or additional fees due. Current third-party reports from approved CDT bank clients may be acceptable. Such reports would be assigned to CDT for reliance.
Commitment Fee	1%; minimum of \$10,000.
Legal Fees	Legal fees typically between \$10,000 and \$12,000. Higher fees may apply for more complex transactions. Loans are closed by CDT approved attorneys.

Please be advised that this term sheet is provided for informational purposes only, does not constitute a commitment or any offer from CDT and is subject to changes at any time. Please contact CDT for questions related to your loan request or if you require additional information.