



To: Real Estate Department Partners

Notice: **RED-20-26**

From: Real Estate Department

Date: May 6, 2020

**Re: Debt Service Relief for Development Fund, HOME, and CDBG-D Loans**

### **Background**

As the COVID-19 pandemic continues to impact the economy, IHCDA is aware that renters throughout Indiana have experienced changes in income and may be struggling to make rent payments. When rental properties receive less monthly rent, owners of those properties are then at risk of being unable to pay for costs such as staffing and maintenance and to make their loan payments.

IHCDA is implementing the following policy to promote housing stability and to respond to concerns raised by IHCDA partners and affordable housing advocates. By deferring their IHCDA loan payments, owners of rental properties can use their available cash flow to cover operating costs and to pay other debt service to avoid instances of default or foreclosure. In turn, those properties are under less pressure to collect rent to make loan payments and can work with renters on payment plans, using eviction or termination of tenancy only as a last resort.

### **Policy**

In response to the COVID-19 pandemic and current economic conditions, IHCDA is implementing the following policy for debt service relief (this “**Relief Policy**”). This Relief Policy is designed to promote housing stability and to respond to concerns raised by IHCDA’s partners and affordable housing advocates. In order to reduce paperwork and streamline the processing for borrowers, this Relief Policy shall automatically apply to all Development Fund, HOME, and CDBG-D loans made by IHCDA that have converted to permanent financing. Borrowers do not need to contact IHCDA to request debt service relief pursuant to this Relief Policy.

- During the period commencing May 1, 2020 and ending April 30, 2021 (the “**Covered Period**”), all borrowers experiencing a financial hardship due, directly or indirectly, to the COVID-19 emergency may defer any or all principal payments due and payable



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during the Covered Period, provided that the borrower continues to comply with all other terms and conditions of the loan. Any such deferred principal will be added to the balloon payment due at loan maturity.

- A borrower who has already submitted a May 2020 payment may contact IHCD A to request a refund of the principal payment.
- Interest payments remain due on the scheduled payment due date.
- IHCD A will not recalculate the original amortization schedule for the loan based on the principal deferral.
- A borrower shall have the option to discontinue the deferral provided for hereunder at any time.
- If an applicable loan matures during the Covered Period, the date of maturity shall be extended to the last day of the Covered Period (April 30, 2021), provided that the borrower continues to comply with all other terms and conditions of the loan.
- IHCD A will not amend loan documents or otherwise modify loan terms. The provisions outlined above automatically apply to all eligible loans without need for a modification request. Borrowers shall be required to obtain any necessary approvals and consents from any other lenders, investors or other third parties and by electing to defer any payments, as provided in this Relief Policy, a borrower shall be deemed to have represented and certified to IHCD A that all such approvals and consents have been obtained.

This policy does not alter a borrower's responsibility to pay construction period interest, to meet any other requirements to convert from construction financing to permanent financing, or to make payments on bridge loans. The debt service relief provided in this Relief Policy is only for permanent financing.

This Relief Policy will impact the recycling of funds through the Development Fund. Therefore, IHCD A will keep the Development Fund closed for stand-alone applications (i.e. those requests not in conjunction with a tax credit or HOME application as gap financing) for the remainder of 2020. Development Fund will remain available as gap funding on tax credit and HOME applications and can be requested through those funding rounds. IHCD A will reevaluate the opening of the fund in 2021.

Borrowers are advised to check with their accountants and legal counsel to understand any financial and tax implications of utilizing this Relief Policy.

### **Questions**

Questions about this notice should be directed to Jerri Bain, Director of Real Estate Lending via [jbain@ihcda.in.gov](mailto:jbain@ihcda.in.gov) or Jack Powell, Closing Agent via [japowell1@ihcda.in.gov](mailto:japowell1@ihcda.in.gov).