



# FHA Tax Credit Project Equity Pay-In Requirements for all Low Income Housing Tax Credit projects – Pilot and non-Pilot

Introduction to The Tax Credit Wheelbarrow  
Module validating compliance with the 2016  
MAP Guide requirements

# FHA Tax Credit Equity Pay-In Requirements

The 2016 MAP Guide Tax Credit Equity Pay-In rules in Chapter 14.15 supersede the “old” Tax Credit Equity project Pay-in rules promulgated through the Metcalf memo of January 30, 2015.

The new rules substitute new minimum requirements that are more complex, but generally more consistent with industry norms, and therefore more likely to enable FHA to do more Tax Credit housing which benefits lower income people.

*For details about the “old” rules which might provide some useful points for comparison with the current rules, please see the end of this presentation.*

# FHA Tax Credit Equity Pay-In Requirements

The “new” 2016 MAP Guide rules are now in force.

The rules are designed to:

- Retain the idea of minimum cumulative pay-ins to protect FHA as the project is built, rehabbed, repaired or otherwise made ready for occupancy.
- Insure that funds will be available to complete the project

# FHA Tax Credit Equity Pay-In Requirements

The 2016 MAP Guide rules:

- Recognize that Equity payments often are a source of funding or liquidity for developer loans that take the form of Deferred Developer Fees.
- Add a concept of Net Equity alongside Total Equity. This change reflects the facts that
  - some portion of Total Equity usually does not fund construction or otherwise provide income-producing assets that initially enhance FHA's guarantor position, and
  - FHA's mission is not served by over-capitalizing a project with high-cost equity either earlier than is needed, or in amounts that provide marginally little additional risk mitigation.

# FHA Tax Credit Equity Pay-In Requirements

## The MAP Guide sets forth the new rules in Section 14.15, Tax Credit Equity Pay-In Schedule

(excerpted portions appear below, separated into additional paragraphs for easier comprehension.)

FHA requires minimum Tax Credit equity contributions according to the following pay-in schedule for all LIHTC transactions.<sup>(6)</sup>

Filled in with actual total equity and net-equity amounts, the schedule is to be added as a special condition to the Firm Commitment for all Tax Credit Projects and used as a method of checking proposed disbursement schedules.

Waivers of the first 20% equity pay-in will not be considered and neither bridge loans nor other sources, such as publicly funded loans or grants may be used to fund the first, 20% equity pay-in amount. Waivers of subsequent payment amounts will generally not be approved either.

<sup>(6)</sup> This schedule does not apply to equity derived from New Market or Historic tax credits.

# FHA Tax Credit Equity Pay-In Requirements

## The MAP Guide sets forth the new rules in Section 14.15, Tax Credit Equity Pay-In Schedule

(excerpted portions appear below, cont'd.)

Here are the Current requirements.

Note:

The first minimum installment is measured in Total Equity *(20% of Total Equity)*

The second and third installments are measured in Net Equity *(100% of Net Equity)*

After the third installment, up to 25% of Total Equity may remain unpaid under the guidelines.

*(1<sup>st</sup> pmt=20% of Total Equity+2<sup>nd</sup>&3<sup>rd</sup> pmts=100% of Net Equity, and Net Equity maxes out at 55% of Total Equity, so 20%+55%=75%).*

<b>Benchmarks for Equity Installments</b>	<b>Minimum Equity Installment<sup>78</sup></b>
On Or Before Closing (223(f)) or Initial Endorsement (221(d)(4))	20% of Total Equity
At 65% Completion of Repairs (223(f)) or Construction Completion (221(d)(4))	37.5% of Net Equity
At 100% Completion of Repairs (223(f)) or Final Endorsement (221(d)(4))	62.5% of Net Equity



# FHA Tax Credit Equity Pay-In Requirements

## **The MAP Guide sets forth the new rules in Section 14.15, Tax Credit Equity Pay-In Schedule**

(excerpted portions appear below, cont'd.)

Here are the Current requirements. (continued)

The Guide also discusses bridge loans:

Equity investors may fund all or part of the required equity pay-ins defined above, with the exception of the first 20% payment, with equity bridge loans that meet the requirements described in Section 14.16 below. However, investors may not substitute any grant or loan funds, other than funds in the form of Equity Bridge Loans as described in Part 14.16 below, for the equity payments described in the chart above.

# FHA Tax Credit Equity Pay-In Requirements

## The MAP Guide sets forth the new rules in Section 14.15, Tax Credit Equity Pay-In Schedule

### Section 14.15.A. Definition of Net Equity

(excerpted portions appear below, recast for easier comprehension)

- A. Definition of “Net Equity”. The term “Net Equity” is equal to Total Equity less
- 1) Deferred Developer Fees that are documented in a note and paid from project surplus cash, not equity,
  - 2) “Delayed” Developer Fees for amounts due after the completion of repairs or construction, but not included in the Deferred Developer Fee Note and
  - 3) predetermined reserve amounts to be held by the investor for project uses after the time of the final pay in noted in the schedule above.
- Reserves allowed for this calculation may include only amounts that are required in the project’s Partnership Agreement or LLC Operating Agreement. These include
    - Lease Up Fees and Escrows,
    - Operating and Debt Service Reserves,
    - Section 8 HAP Contract Transition Reserves,
    - Replacement Reserves, and State Agency Administrative Fees or Escrows.



# FHA Tax Credit Equity Pay-In Requirements

## The MAP Guide sets forth the new rules in Section 14.15, Tax Credit Equity Pay-In Schedule

### Section 14.15.A. Definition of Net Equity

(excerpted portions appear below, recast for easier comprehension, cont'd.)

When calculating the pay-in amounts, owners must first reduce the total amount of equity committed to the project by the amount of these costs, and apply the payment percentages above to the remaining or “Net” Equity. No other costs may be deferred. This calculation, specifying each applicable use, must be provided to HUD in the FHA insurance application.

# FHA Tax Credit Equity Pay-In Requirements

## The MAP Guide sets forth the new rules in Section 14.15, Tax Credit Equity Pay-In Schedule

### Section 14.15.B. Example of calculation of Net Equity

(excerpted portions appear below, recast for easier comprehension)

B. An example of the calculation of the Net Equity amount, and the resultant pay-in schedule, is provided below:

Total Equity or Gross Proceeds = .....\$7,500,000

Net Equity = Total Equity Minus Allowed Reductions and Equity Pay In #1

Less Payment #1 (20% of Total Equity Above)..... - \$1,500,000

Remaining Equity (80% of Total Equity Above) ..... = \$6,000,000

Less: Allowed Reductions

Not to Exceed 25% of Total Equity (25% x \$7,500,000) = ..... - \$1,875,000

Minimum Net Equity = \$7,500,000-\$1,500,000-\$1,875,000 =.....\$4,125,000

# FHA Tax Credit Equity Pay-In Requirements

## The MAP Guide sets forth the new rules in Section 14.15, Tax Credit Equity Pay-In Schedule

### Section 14.15.B. Example of calculation of Net Equity

(excerpted portions appear below, recast for easier comprehension, cont'd.)

#### Sample Owner's Proposed Reductions:

Delayed Developer Fee.....	\$500,000
Deferred Developer Fee.....	\$300,000
Lease Up Fees and Escrows.....	\$175,000
Operating Reserves .....	\$145,000
Debt Service Reserves .....	\$200,000
Section 8 HAP Contract Transition Reserves.....	\$235,000
Replacement Reserves .....	\$300,000
State Agency Administrative Fees or Escrows.....	<u>\$45,000</u>
Total.....	\$1,900,000

This total would be disallowed, as the \$1.9 million exceeds the 25% of total equity (\$1.875 million) allowed. Accordingly it is reduced by \$25,000 in the following calculations. Net Equity is the Balance, after Total Equity is reduced by Payment #1, and by the Allowed Reductions of \$1,875,000, or \$4,125,000. This number would be adjusted if the owner were to claim less than the maximum Allowed Reductions.



# FHA Tax Credit Equity Pay-In Requirements

## The MAP Guide sets forth the new rules in Section 14.15, Tax Credit Equity Pay-In Schedule

### Section 14.15.B. Example of calculation of Net Equity

(excerpted portions appear below, recast for easier comprehension, cont'd.)

Payment	Description	Formula	Amount
Equity Pay I #1	20% of Total Equity	$20\% \times 7,500,000 =$	\$1,500,000
Equity Pay In #2	37.5% of Net Equity (\$4,125,000) (7,500,000- 1,500,000-1,875,000) =	$37.5\% \times \$4,125,000$	\$1,546,875
Equity Pay In #3	62.5% of Net Equity (\$4,125,000)	$62.5\% \times \$4,125,000$	\$2,578,125

# FHA Tax Credit Equity Pay-In Requirements

This is a snip of the updated Tax Credit Wheelbarrow Pay-In module. It looks and operates like the “older” version. It still has user input sections (light blue only) and indicates compliance.

Section C - Tax Credit Equity and Permanent Capital Sources - page 2 of 2					Equity Pay-In Requirement Compliance 4.1				
THIS SECTION IS DESIGNED TO VALIDATE COMPLIANCE WITH FHA'S TAX CREDIT EQUITY PAY-IN REQUIREMENTS									
<b>Status: Pay-in Meets FHA Guidelines</b>									
<i>Note: Input only in blue-background cells.</i>									
Instructions to validate compliance	Equity Pay-in condition	Choose either \$ or % below (Other column must be 0 or blank)		Calculated \$ Pay-in this period	Calc't'd Cumulative Total Equity %	Rqd TotEq Cum. %	Actl TotEq Cum. %	% of Net Equity Pay-in this period	Cumulative % of Net Equity
		Input \$ Pay-in or	Input % Pay-in						
Write all pre-closing and closing pay-ins in these 3 rows (Requirement for Pay-In at or before closing for an (f) or before Initial Endorsement for a (D)(4))	Closing		5.0%	\$ 254,664	5.0%			NA	NA
			15.0%	\$ 763,993	20.0%			NA	NA
			0.0%	\$ -	20.0%	20.0%	20.0%	NA	NA
						Has the above requirement been met?		YES	<--- End Total Equity % req.
Begin Net Equity % requirements									
Write all post-closing through 65% construction completion pay-ins in these rows (Requirement for Pay-In at or before 65% Completion of repairs if an (f), or compltn. of construction if a (D)(4))	Construction start		10.0%	\$ 509,329	30.0%			18.2%	18.2%
	50% completion		12.0%	\$ 611,194	42.0%			21.8%	40.0%
				\$ -	42.0%			0.0%	40.0%
		\$ -		0.0%	\$ -	42.0%	37.5%	40.0%	0.0%
						Has the above requirement been met?		YES	
Write all post-65% construction through completion pay-ins in these rows	75% Completion		10.0%	\$ 509,329	52.0%			58.2%	58.2%
	90% Completion		10.0%	\$ 509,329	62.0%			76.4%	76.4%
	100% completion		15.0%	\$ 763,993	77.0%	100.0%	103.6%	103.6%	103.6%
						Has the above requirement been met?		YES	
Write all post completion, rent-up, breakeven, and stabilization, (i.e., 6 mos. @ DSC of 1.0 or better), 8609, etc. in these rows	50% rent-up		10.0%	\$ 509,329	87.0%			121.8%	121.8%
	Stabilization @ 6mos 1.0 DSC		10.0%	\$ 509,329	97.0%			140.0%	140.0%
	8609 Delivery		3.0%	\$ 152,799	100.0%			145.5%	145.5%
				\$ -	100.0%	NA	NA	145.5%	145.5%
Check % and \$ Pay-in totals below:									
Total % Pay-ins and Total Equity:	100.0%	\$5,093,286	Calc. NetEq pmts	\$ 3,412,502	Act. Total Equity	Calc'd diff.	Req'd 20% d	Allowed deductns	Net Equity
	0.00000%	\$0.00	Calc. TotEq pmts	\$ 5,093,286	\$5,093,286	\$0.00	-\$1,018,657	-\$1,273,322	\$2,801,307



# FHA Tax Credit Equity Pay-In Requirements

The module minimizes lenders' effort to validate compliance.

It requires only that lenders categorize the project's Low Income Housing Tax Credit equity pay-in by FHA benchmark.

To do so users input the pay-in for each benchmark either as \$ figure or as a % figure but not both - in fact the empty column needs to have blanks or 0s in the cells.

<i>Note: Input only in blue-background cells.</i>		Choose either \$ or % below (Other column must be 0 or blank)	
Instructions to validate compliance	Equity Pay-in condition	Input \$ Pay-in <u>or</u> Input % Pay-in	
Write all pre-closing and closing pay-ins in these 3 rows (Requirement for Pay-In at or before closing for an (f) or before Initial Endorsement for a (D)(4))	Closing		5.0%
			15.0%
			0.0%



# FHA Tax Credit Equity Pay-In Requirements

To make completion of the module easier, the section of the Wheelbarrow that first requires details of the project's Equity is reproduced in non-printing cells adjacent to the module.

Section C - Tax Credit Equity and Permanent Capital Sources - page 2 of 2		Equity Pay-In Requirement Compliance 4.1																																																																																																																																																																																																								
<p><b>THIS SECTION IS DESIGNED TO VALIDATE COMPLIANCE WITH FHA'S TAX CREDIT EQUITY PAY-IN REQUIREMENTS</b></p> <p><b>Status: Validation not completed/Pay-in does not meet FHA Requirements</b></p> <p>Note: Input only in blue-background cells.</p> <p>Choose either \$ or % below (Other column must be 0 or blank)</p> <table border="1"> <tr> <th>Instructions to validate compliance</th> <th>Equity Pay-in condition</th> <th>Input \$ Pay-in or Input % Pay-in</th> <th>Calculated Total Equity %</th> <th>Rqd TotEq Cum. %</th> <th>Act'l TotEq Cum. %</th> <th>% of Net Equity Pay-in</th> <th>Cumulative Net exceed</th> <th>% of req'd</th> </tr> <tr> <td rowspan="3">Write all pre-closing and closing pay-ins in these 3 rows (Requirement for Pay-In at or before closing for an (f) or before Initial Endorsement for a (D)(4))</td> <td>Closing</td> <td>5.0%</td> <td>\$ 254,664</td> <td>5.0%</td> <td></td> <td>NA</td> <td></td> <td></td> </tr> <tr> <td></td> <td>15.0%</td> <td>\$ 763,993</td> <td>20.0%</td> <td></td> <td>NA</td> <td></td> <td></td> </tr> <tr> <td></td> <td>0.0%</td> <td>\$ -</td> <td>20.0%</td> <td>20.0%</td> <td>20.0%</td> <td>NA</td> <td></td> </tr> <tr> <td colspan="4"></td> <td>Has the above requirement been met?</td> <td>YES</td> <td>End Total Equity %</td> <td></td> <td></td> </tr> <tr> <td colspan="2"></td> <td></td> <td></td> <td>Rqd NetEq Cum. %</td> <td>Act'l NetEq Cum. %</td> <td>Begin Net Equity requirements</td> <td></td> <td></td> </tr> <tr> <td rowspan="4">Write all post-closing through 65% construction completion pay-ins in these rows (Requirement for Pay-In at or before 65% Completion of repairs if an (f), or compltn. of construction if a (D)(4))</td> <td>Construction start</td> <td>0.0%</td> <td>\$ -</td> <td>20.0%</td> <td></td> <td>0.0%</td> <td>0.0%</td> <td></td> </tr> <tr> <td>50% completion</td> <td>12.0%</td> <td>\$ 611,194</td> <td>32.0%</td> <td></td> <td>21.8%</td> <td>1.8%</td> <td></td> </tr> <tr> <td></td> <td></td> <td>\$ -</td> <td>32.0%</td> <td></td> <td>0.0%</td> <td>1.8%</td> <td></td> </tr> <tr> <td></td> <td>0.0%</td> <td>\$ -</td> <td>32.0%</td> <td>37.5%</td> <td>21.8%</td> <td>0.0%</td> <td>1.8%</td> </tr> <tr> <td colspan="4"></td> <td>Has the above requirement been met?</td> <td>NO</td> <td></td> <td></td> <td></td> </tr> <tr> <td rowspan="3">Write all post-65% construction through completion pay-ins in these rows</td> <td>75% Completion</td> <td>10.0%</td> <td>\$ 509,329</td> <td>42.0%</td> <td></td> <td>40.0%</td> <td>0.0%</td> <td></td> </tr> <tr> <td>90% Completion</td> <td>10.0%</td> <td>\$ 509,329</td> <td>52.0%</td> <td></td> <td>58.2%</td> <td>8.2%</td> <td></td> </tr> <tr> <td>100% completion</td> <td>15.0%</td> <td>\$ 763,993</td> <td>67.0%</td> <td>100.0%</td> <td>85.5%</td> <td>8.5%</td> <td></td> </tr> <tr> <td colspan="4"></td> <td>Has the above requirement been met?</td> <td>NO</td> <td></td> <td></td> <td></td> </tr> <tr> <td rowspan="4">Write all post completion, rent-up, breakeven, and stabilization, (i.e., 6 mos. @ DSC of 1.0 or better), 8609, etc. in these rows</td> <td>50% rent-up</td> <td>10.0%</td> <td>\$ 509,329</td> <td>77.0%</td> <td></td> <td>103.6%</td> <td>3.6%</td> <td></td> </tr> <tr> <td>Stabilization @ 6mos 1.0 DSC</td> <td>10.0%</td> <td>\$ 509,329</td> <td>87.0%</td> <td></td> <td>121.8%</td> <td>1.8%</td> <td></td> </tr> <tr> <td>8609 Delivery</td> <td>3.0%</td> <td>\$ 152,799</td> <td>90.0%</td> <td></td> <td>127.3%</td> <td>7.3%</td> <td></td> </tr> <tr> <td></td> <td></td> <td>\$ -</td> <td>90.0%</td> <td>NA</td> <td>NA</td> <td>127.3%</td> <td>7.3%</td> </tr> <tr> <td colspan="2">Check % and \$ Pay-in totals below:</td> <td>Error % total</td> <td>Error \$ Total</td> <td>Calc NetEq pmts</td> <td>\$ 2,903,173</td> <td>Act Total Equity</td> <td>Calc'd diff.</td> <td>Req'd 20% of Allowed deducts</td> <td>Net Eq</td> </tr> <tr> <td colspan="2">Total % Pay-ins and Total Equity:</td> <td>100.000000%</td> <td>\$509,328.60</td> <td>Calc TotEq pmts</td> <td>\$ 4,583,957</td> <td>\$5,093,286</td> <td>-\$1,018,657</td> <td>-\$1,273,322</td> <td>\$2,807</td> </tr> <tr> <td colspan="2">4.1 Tax Credit Project Presentation Sequence</td> <td>Calc % paid</td> <td>90.000%</td> <td>version:</td> <td>2/2/2015</td> <td></td> <td></td> <td></td> <td>30 in cells</td> </tr> </table>												Instructions to validate compliance	Equity Pay-in condition	Input \$ Pay-in or Input % Pay-in	Calculated Total Equity %	Rqd TotEq Cum. %	Act'l TotEq Cum. %	% of Net Equity Pay-in	Cumulative Net exceed	% of req'd	Write all pre-closing and closing pay-ins in these 3 rows (Requirement for Pay-In at or before closing for an (f) or before Initial Endorsement for a (D)(4))	Closing	5.0%	\$ 254,664	5.0%		NA				15.0%	\$ 763,993	20.0%		NA				0.0%	\$ -	20.0%	20.0%	20.0%	NA						Has the above requirement been met?	YES	End Total Equity %							Rqd NetEq Cum. %	Act'l NetEq Cum. %	Begin Net Equity requirements			Write all post-closing through 65% construction completion pay-ins in these rows (Requirement for Pay-In at or before 65% Completion of repairs if an (f), or compltn. of construction if a (D)(4))	Construction start	0.0%	\$ -	20.0%		0.0%	0.0%		50% completion	12.0%	\$ 611,194	32.0%		21.8%	1.8%				\$ -	32.0%		0.0%	1.8%			0.0%	\$ -	32.0%	37.5%	21.8%	0.0%	1.8%					Has the above requirement been met?	NO				Write all post-65% construction through completion pay-ins in these rows	75% Completion	10.0%	\$ 509,329	42.0%		40.0%	0.0%		90% Completion	10.0%	\$ 509,329	52.0%		58.2%	8.2%		100% completion	15.0%	\$ 763,993	67.0%	100.0%	85.5%	8.5%						Has the above requirement been met?	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Total % Pay-ins and Total Equity:		100.000000%	\$509,328.60	Calc TotEq pmts	\$ 4,583,957	\$5,093,286	-\$1,018,657	-\$1,273,322	\$2,807																																																																																																																																																																																																	
4.1 Tax Credit Project Presentation Sequence		Calc % paid	90.000%	version:	2/2/2015				30 in cells																																																																																																																																																																																																	

| **THIS SECTION REPRODUCES THE PROJECT'S EQUITY PAY-IN, INPUT IN SECTION C, ABOVE LEFT (CELLS BD2:BM14)**  **and is shown here to facilitate the completion of the Equity Pay-In compliance validation section at left**  DO NOT INPUT ANY VALUES INTO THE CELLS BELOW   | Short Payment Description                    | Amount      | 92264A line | Settlmnt amt | Dev Fee amt | Payment Condition - later of: |                          |                  |                |                   | |----------------------------------------------|-------------|-------------|--------------|-------------|-------------------------------|--------------------------|------------------|----------------|-------------------| |                                              |             |             |              |             | Proj. Date                    | Relative to Constr       | Relty to Rent-up | Relty to Brkvn | First Year K-1    | | Closing                                      | \$1,018,657 | III.k       | \$1,018,657  | -           | 8/29/2013                     | -                        | -                | -              | -                 | | Construction start                           | \$763,993   | 92264A line | -            | -           | 8/28/2014                     | start                    | -                | -              | -                 | | 50% completion                               | \$763,993   | -           | -            | \$500,000   | -                             | -                        | 50%              | -              | -                 | | Completion                                   | \$763,993   | -           | -            | \$750,000   | -                             | -                        | 100%             | -              | -                 | | 50% Rent-up                                  | \$763,993   | -           | -            | \$250,000   | -                             | -                        | -                | 50%            | -                 | | Stabilization (6 months @ >=1.0 DSC)         | \$763,993   | -           | -            | \$250,000   | -                             | -                        | -                | 100%           | -                 | | 8909 delivery                                | \$254,664   | -           | -            | \$250,000   | -                             | -                        | -                | -              | Delivery Delivery | | Interim (non-permanent, incl bridge) funding |             |             | \$5,042,353  |             |                               |                          |                  |                |                   | | Totals                                       | \$5,093,286 |             | \$6,061,010  | \$2,000,000 |                               | Equity Bridge Available? |                  |                | \$4,907,528       | | | | | | | | | | | | |


After inputting \$ or %, the module calculates

the Cumulative Total Equity pay-in in brown cells

and the

Period and Cumulative Net Equity pay-in green cells, as is

necessary since the MAP Guide use both measures.

Calculated \$ Pay-in this period	Calc't'd Cumulative Total Equity %	Rqd TotEq Cum. %	Actl TotEq Cum. %	% of Net Equity Pay-in this period	Cumulative % of Net Equity
\$ 254,664	5.0%			NA	NA
\$ 763,993	20.0%			NA	NA
\$ -	<b>20.0%</b>	20.0%	20.0%	NA	NA
Has the above requirement been met?			<b>YES</b>	<--- End Total Equity % req.	
		Rqd NetEq Cum. %	Actl NetEq Cum. %	Begin Net Equity % requirements	
\$ 509,329	30.0%			18.2%	18.2%
\$ 611,194	42.0%			21.8%	40.0%
\$ -	42.0%			0.0%	40.0%
\$ -	<b>42.0%</b>	37.5%	40.0%	0.0%	40.0%
Has the above requirement been met?			<b>YES</b>		
\$ 509,329	52.0%			18.2%	58.2%
\$ 509,329	62.0%			18.2%	76.4%
\$ 763,993	<b>77.0%</b>	100.0%	103.6%	27.3%	103.6%
Has the above requirement been met?			<b>YES</b>		
\$ 509,329	87.0%			18.2%	121.8%
\$ 509,329	97.0%			18.2%	140.0%
\$ 152,799	100.0%			5.5%	145.5%
\$ -	<b>100.0%</b>	NA	NA	0.0%	145.5%





The module includes other useful calculations such as

Net Equity Pay-In this period .

It also notes when the MAP Guide requirement metric shifts

from Total Equity pay-in to the Net Equity pay-in.

Calculated \$ Pay-in this period	Calc't'd Cumulative Total Equity %	Rqd TotEq Cum. %	Actl TotEq Cum. %	% of Net Equity Pay-in this period	Cumulative % of Net Equity
\$ 254,664	5.0%			NA	NA
\$ 763,993	20.0%			NA	NA
\$ -	<b>20.0%</b>	20.0%	20.0%	NA	NA
Has the above requirement been met?			<b>YES</b>	<--- End Total Equity % req.	
		Rqd NetEq Cum. %	Actl NetEq Cum. %	Begin Net Equity % requirements	
\$ 509,329	30.0%			18.2%	18.2%
\$ 611,194	42.0%			21.8%	40.0%
\$ -	42.0%			0.0%	40.0%
\$ -	<b>42.0%</b>	37.5%	40.0%	0.0%	40.0%
Has the above requirement been met?			<b>YES</b>		
\$ 509,329	52.0%			58.2%	58.2%
\$ 509,329	62.0%			76.4%	76.4%
\$ 763,993	<b>77.0%</b>	100.0%	103.6%	103.6%	103.6%
Has the above requirement been met?			<b>YES</b>		
\$ 509,329	87.0%			121.8%	121.8%
\$ 509,329	97.0%			140.0%	140.0%
\$ 152,799	100.0%			145.5%	145.5%
\$ -	<b>100.0%</b>	NA	NA	145.5%	145.5%

Most usefully, the module automatically calculates the actual installment cumulative pay-ins, both Total Equity and Net Equity, and compares the Required % installment totals to the Actual % paid.

	Calculated Cumulative Total Equity %	Rqd TotEq Cum. %	Actl TotEq Cum. %
Calc'd \$ Pay-in			
\$ 254,664	5.0%		
\$ 763,993	20.0%		
\$ -	<b>20.0%</b>	20.0%	20.0%
Has the above requirement been met?			<b>YES</b>
		Rqd NetEq Cum. %	Actl NetEq Cum. %
\$ 509,329	30.0%		
\$ 611,194	42.0%		
\$ -	42.0%		
\$ -	<b>42.0%</b>	37.5%	40.0%
Has the above requirement been met?			<b>YES</b>
\$ 509,329	52.0%		
\$ 509,329	62.0%		
\$ 763,993	<b>77.0%</b>	100.0%	103.6%
Has the above requirement been met?			<b>YES</b>
\$ 509,329	87.0%		
\$ 509,329	97.0%		
\$ 152,799	100.0%		
\$ -	<b>100.0%</b>	NA	NA

The module compares the cumulative pay-ins to the FHA requirements at each benchmark...

and answers the question, “Has the above requirement been met?” for each benchmark, displaying **YES** in a large green font if it does meet the requirement, and **NO** in a large red font, if it does not meet the requirement.

Calculated \$ Pay-in this period	Calc't'd Cumulative Total Equity %	Rqd TotEq Cum. %	Actl TotEq Cum. %
\$ 254,664	5.0%		
\$ 763,993	20.0%		
\$ -	<b>20.0%</b>	20.0%	20.0%
Has the above requirement been met?			<b>YES</b>
		Rqd NetEq Cum. %	Actl NetEq Cum. %
\$ 509,329	30.0%		
\$ 611,194	42.0%		
\$ -	42.0%		
\$ -	<b>42.0%</b>	37.5%	40.0%
Has the above requirement been met?			<b>YES</b>
\$ 509,329	52.0%		
\$ 509,329	62.0%		
\$ 763,993	<b>77.0%</b>	100.0%	103.6%
Has the above requirement been met?			<b>YES</b>
\$ 509,329	87.0%		
\$ 509,329	97.0%		
\$ 152,799	100.0%		
\$ -	<b>100.0%</b>	NA	NA

# FHA Tax Credit Equity Pay-In Requirements

The module indicates clearly if the pay-in meets the overall pay-in requirement by indicating a “Status” as shown below.

- If all the benchmarks are met:

**Status: Pay-in Meets FHA Requirements**

- If the module has not been completed or if any one of the benchmarks has not been met:

**Status: Validation not completed/Pay-in does not meet FHA Requirements**

# FHA Tax Credit Equity Pay-In Requirements

The module also offers the user error messages if the user's input of \$ or pay-in percentages or do not add up to the actual total equity pay-in, or to 100%.

When the numbers are wrong:

<i>Check % and \$ Pay-in totals below:</i>	<i>Error % total</i>	<i>Error \$ Total</i>	Calc NetEq pmts	\$ 2,903,173	Act Total Equity	<i>Calc'd diff.</i>
Total % Pay-ins and Total Equity:	10.00000%	\$509,328.60	Calc TotEq pmts	\$ 4,583,957	\$5,093,286	\$509,328.60

When the number are right:

<i>Check % and \$ Pay-in totals below:</i>	100.0%	\$5,093,286	Calc NetEq pmts	\$ 3,412,502	Act Total Equity	<i>Calc'd diff.</i>
Total % Pay-ins and Total Equity:	0.00000%	\$0.00	Calc TotEq pmts	\$ 5,093,286	\$5,093,286	\$0.00

# FHA Tax Credit Equity Pay-In Requirements

We will shift now to the portion of the Tax Credit Wheelbarrow Pay-In module that allows a user to calculate Net Equity using inputs from other sections of the Wheelbarrow that already are part of the Wheelbarrow.

Section H - MAP Guide Chapter 14, Section 15 - Net Equity determination 16

**Calculations Used in MAP Guide Section 14.15, Tax Credit Equity Pay-In Schedule**

**Total Equity and Net Equity Calculations for use in determining compliance with required minimum pay-in schedule**

See instructions in Red below for general guidance (beginning at Q125), but the key to this section is the user's handling of entries in the turquoise cells from W104 to Y114 (instruction beginning at Q129).

	\$	Note: % of Total Equity
Total Equity or Gross Proceeds from the sale of Tax Credits	\$ 5,093,286	100.0%
Net Equity Calculations:		
Total Equity minus (a) Minimum Equity Pay-In required at closing and (b) Allowed Reductions		
(a) Minimum Equity Pay-In required at closing (cal't'd. as a % of Total Equity)	20.0% \$ (1,018,657)	-20.0%
(a) Subtotal: Gross Equity less Closing minimum pay-in	\$ 4,074,629	80.0%
(b) Calculated Allowable Reductions (subject to maximum % of Total Equity)		
<b>Possible Allowable Reductions listed in Uses:</b>	<b>\$1,706,935</b>	
<b>Amt. in Uses:</b>		
<b>Use this? Yes/No</b>		
<b>Override? Use this amount</b>		
Deferred Dev. Fee	\$1,506,935	29.6%
Cash Escrow funds - Non FHA	\$0	0.0%
Dep to Reserves allowed on 2264, G. Lines 70,71,72	\$24,000	0.5%
Deposit to Reserve (HUD or Non-HUD required)	\$0	0.0%
Funded Reserves HUD or Non-HUD required)	<del>\$176,000</del>	0.0%
Cash Escrow funds - FHA (e.g., 20% of repairs)	\$0	0.0%
LOC Escrow funds - FHA	\$0	0.0%
LOC Escrow funds - Non FHA	\$0	0.0%
Operating Reserves split the total above	\$76,000	1.5%
Replacement Reserves split the total above	\$100,000	2.0%
MAP Guide example list /user entry: Tenant Services	\$236,000	4.6%
1. Subtotal: Gross Allowed Reductions subject to maximum	\$ 1,706,935	33.5%
2. Less Maximum Allowed Reductions (cal't'd. as a % of Total Equity)	25.0% \$ (1,273,322)	-25.0%
Equals Allowed Reductions exceeding/(below) max. permitted amt.	\$ 433,614	8.5%
Lesser of 1. Allowed Reductions subject to maximum, or 2. Maximum Allowed Reductions	\$ (1,273,322)	-25.0%
Net Equity equals to Total Equity less (a) and (b)	\$ 2,801,307	55.0%

Note: Total Equity as % of Net Equity: 182%



# FHA Tax Credit Equity Pay-In Requirements

As an aside we can return to later, here is a snip of the portion of the Tax Credit Wheelbarrow that is included below the Net Equity calculations section that has more detailed instructions about completing the Net Equity section.

Guidance with regard to the Tax Credit Equity Pay-in module which includes to sections above and above right.

This module works to calculate Net Equity using some developer-written formulas, but it relies on the user to determine Allowable Reductions to Total Equity. It pulls figures from elsewhere in the spreadsheet as a basis for its calculations, but gives the user flexibility to ignore, alter or override figures and choose categories of Allowable Reductions not specified in the Wheelbarrow's entries.

Handling entries in the turquoise cells from W104 to Y115.

In column W, the user chooses "Yes" or "No" determine if the description from this spreadsheet's source should be included among the list of Allowed Reductions to calculate Net Equity, subject to the maximum. After choosing Yes or No, the user may choose to override the \$ entry by inputting a different number into Column X. Beginning at Row 112, the user may choose from a list of possible Allowed Reductions from the list of items in the MAP Guide example or specify by typing another entry in column R after which the user would input a \$ amount in Column U.

There is also space to add a short note in column R related to any of the WB categories or to further describe a MAP Guide example category.

MAP Guide example list of deductions to calculation Net Equity/user entry:

- Delayed Developer Fee
- Deferred Developer Fee (other)
- Lease Up Fees and Escrows
- Operating Reserves
- Debt Service Reserves
- Section 8 HAP Contract Transition Reserves
- Replacement Reserves
- State Agency Administrative Fees or Escrows
- User chosen entry

# FHA Tax Credit Equity Pay-In Requirements

## More about Net Equity Calculations.

Suffice it to say that not only is the concept of Net Equity unusual, its calculation is not straight-forward. We've tried to simplify it.

In our effort to allow lenders to make use of data already included in the Wheelbarrow and to use the categories of Uses that already exist in the Wheelbarrow, we have added a section that provides users a somewhat automated path to identifying those expenditure items and calculating Net Equity.

It is worthwhile to point out that the calculations in the module limits the allowable deductions the 25% of Total Equity that is set out in the MAP Guide.

In many cases projects available deductions exceed this threshold, as the example included shows. In a sense, then, it becomes less important to identify all of the reductions if they add up to more than 25% of Total Equity.



Here is the section of the module that calculates Net Equity showing the presence of the categories from the initial Wheelbarrow entry section and the amounts the user would have entered into those categories.

Below is a section of the categories from the MAP Guide in a pull down menu available for use by the user.

Section H - MAP Guide Chapter 14, Section 15 - Net Equity determination 16

**Calculations Used in MAP Guide Section 14.15, Tax Credit Equity Pay-In Schedule**

**Total Equity and Net Equity Calculations for use in determining compliance with required minimum pay-in schedule**

See instructions in Red below for general guidance (beginning at Q125), but the key to this section is the user's handling of entries in the turquoise cells from W104 to Y114 (instruction beginning at Q129).

							Note: % of Total Equity
						\$	
Total Equity or Gross Proceeds from the sale of Tax Credits						\$ 5,093,286	100.0%
<b>Net Equity Calculations:</b>							
Total Equity minus (a) Minimum Equity Pay-In required at closing and (b) Allowed Reductions							
(a) Minimum Equity Pay-In required at closing (cal't'd. as a % of Total Equity)	20.0%					\$ (1,018,657)	-20.0%
(a) Subtotal: Gross Equity less Closing minimum pay-in						\$ 4,074,629	80.0%
(b) Calculated Allowable Reductions (subject to maximum % of Total Equity)							
Possible Allowable Reductions listed in Uses:	\$1,706,935	Amt. in Uses:	Use this? Yes/No	Override? Use this amount			
Deferred Dev. Fee		\$1,506,935	yes		\$1,506,935		29.6%
Cash Escrow funds - Non FHA		\$0	yes		\$0		0.0%
Dep to Reserves allowed on 2264, G. Lines 70,71,72		\$24,000	yes		\$24,000		0.5%
Deposit to Reserve (HUD or Non-HUD required)		\$0	yes		\$0		0.0%
Funded Reserves HUD or Non-HUD required)		\$176,000	no		\$0		0.0%
Cash Escrow funds - FHA (e.g., 20% of repairs)		\$0			\$0		0.0%
LOC Escrow funds - FHA		\$0			\$0		0.0%
LOC Escrow funds - Non FHA		\$0			\$0		0.0%
Operating Reserves	split the \$176K total above	\$76,000	yes		\$76,000		1.5%
Debt Service Reserves	split the \$176K total above	\$100,000	yes		\$100,000		2.0%
User chosen entry	Tenant Services- non FHA	\$236,000	yes		\$236,000		4.6%
1. Subtotal: Gross Allowed Reductions subject to maximum						\$ 1,706,935	33.5%
2. Less Maximum Allowed Reductions (cal't'd. as a % of Total Equity)	25.0%					\$ (1,273,322)	-25.0%
Equals Allowed Reductions exceeding/(below) max. permitted amt.						\$ 433,614	8.5%
Lesser of 1. Allowed Reductions subject to maximum, or 2. Maximum Allowed Reductions						\$ (1,273,322)	-25.0%
Net Equity equals to Total Equity less (a) and (b)						\$ 2,801,307	55.0%

Note: Total Equity as % of Net Equity: 182%



Closer view showing the:

Listing of categories of possible deductions from Total Equity that lead to Net Equity.

**Calculations Used in MAP Guide Section 14.15, Tax Credit Equity Pay-In Schedule**

**Total Equity and Net Equity Calculations for use in determining compliance with required minimum pay-in schedule**

See instructions in Red below for general guidance (beginning at Q125), but the key to this section is the user's handling of entries in the turquoise cells from W104 to Y114 (instruction beginning at Q129).

		\$	Note: % of Total Equity
Total Equity or Gross Proceeds from the sale of Tax Credits		\$ 5,093,286	100.0%
Net Equity Calculations:			
Total Equity minus (a) Minimum Equity Pay-In required at closing and (b) Allowed Reductions			
(a) Minimum Equity Pay-In required at closing (cal't'd. as a % of Total Equity)	20.0%	\$ (1,018,657)	-20.0%
(a) Subtotal: Gross Equity less Closing minimum pay-in		\$ 4,074,629	80.0%
(b) Calculated Allowable Reductions (subject to maximum % of Total Equity)			
Possible Allowable Reductions listed in Uses:	\$1,706,935	Amt. in Uses:	Use this? Yes/No
			Override? Use this amount
Deferred Dev. Fee		\$1,506,935	yes
Cash Escrow funds - Non FHA		\$0	yes
Dep to Reserves allowed on 2264, G. Lines 70,71,72		\$24,000	yes
Deposit to Reserve (HUD or Non-HUD required)		\$0	yes
Funded Reserves HUD or Non-HUD required)		<del>\$176,000</del>	no
Cash Escrow funds - FHA (e.g., 20% of repairs)		\$0	
LOC Escrow funds - FHA		\$0	
LOC Escrow funds - Non FHA		\$0	
Operating Reserves	split the \$176K total above	\$76,000	yes
Debt Service Reserves	split the \$176K total above	\$100,000	yes
User chosen entry	Tenant Services- non FHA	\$236,000	yes
1. Subtotal: Gross Allowed Reductions subject to maximum		\$ 1,706,935	33.5%
2. Less Maximum Allowed Reductions (cal't'd. as a % of Total Equity)	25.0%	\$ (1,273,322)	-25.0%
Equals Allowed Reductions exceeding/(below) max. permitted amt.		\$ 433,614	8.5%
Lesser of 1. Allowed Reductions subject to maximum, or 2. Maximum Allowed Reductions		\$ (1,273,322)	-25.0%
Net Equity equals to Total Equity less (a) and (b)		\$ 2,801,307	55.0%

Note: Total Equity as % of Net Equity: 182%



The section also includes:

Numerical calculations of Net Equity following the MAP Guide Rules

**Calculations Used in MAP Guide Section 14.15, Tax Credit Equity Pay-In Schedule**

**Total Equity and Net Equity Calculations for use in determining compliance with required minimum pay-in schedule**

See instructions in Red below for general guidance (beginning at Q125), but the key to this section is the user's handling of entries in the turquoise cells from W104 to Y114 (instruction beginning at Q129).

		\$	Note: % of Total Equity
Total Equity or Gross Proceeds from the sale of Tax Credits		\$ 5,093,286	100.0%
Net Equity Calculations:			
Total Equity minus (a) Minimum Equity Pay-In required at closing and (b) Allowed Reductions			
(a) Minimum Equity Pay-In required at closing (cal't'd. as a % of Total Equity)	20.0%	\$ (1,018,657)	-20.0%
(a) Subtotal: Gross Equity less Closing minimum pay-in		\$ 4,074,629	80.0%

**(b) Calculated Allowable Reductions (subject to maximum % of Total Equity)**

Possible Allowable Reductions listed in Uses:	Amt. in Uses:	Use this? Yes/No	Override? Use this amount		
Deferred Dev. Fee	\$1,506,935	yes		\$1,506,935	29.6%
Cash Escrow funds - Non FHA	\$0	yes		\$0	0.0%
Dep to Reserves allowed on 2264, G. Lines 70,71,72	\$24,000	yes		\$24,000	0.5%
Deposit to Reserve (HUD or Non-HUD required)	\$0	yes		\$0	0.0%
Funded Reserves HUD or Non-HUD required)	<del>\$176,000</del>	no		\$0	0.0%
Cash Escrow funds - FHA (e.g., 20% of repairs)	\$0			\$0	0.0%
LOC Escrow funds - FHA	\$0			\$0	0.0%
LOC Escrow funds - Non FHA	\$0			\$0	0.0%
Operating Reserves	\$76,000	yes	split the \$176K total above	\$76,000	1.5%
Debt Service Reserves	\$100,000	yes	split the \$176K total above	\$100,000	2.0%
User chosen entry	\$236,000	yes	Tenant Services- non FHA	\$236,000	4.6%
1. Subtotal: Gross Allowed Reductions subject to maximum				\$ 1,706,935	33.5%
2. Less Maximum Allowed Reductions (cal't'd. as a % of Total Equity)	25.0%			\$ (1,273,322)	-25.0%
Equals Allowed Reductions exceeding/(below) max. permitted amt.				\$ 433,614	8.5%
Lesser of 1. Allowed Reductions subject to maximum, or 2. Maximum Allowed Reductions				\$ (1,273,322)	-25.0%
Net Equity equals to Total Equity less (a) and (b)				\$ 2,801,307	55.0%

Note: Total Equity as % of Net Equity: 182%



It is worthwhile to point out that this section limits the allowable deductions to the 25% of Total Equity that is set out in the MAP Guide as the maximum reduction.

In many cases projects available deductions exceed this threshold, as is the case in the example. In this case, available deductions exceed the 25% limit by \$433,614.

1. Subtotal: Gross Allowed Reductions subject to maximum		\$ 1,706,935
2. Less Maximum Allowed Reductions (cal'cd. as a % of Total Equity)	25.0%	\$ (1,273,322)
Equals Allowed Reductions exceeding/(below) max. permitted amt.		\$ 433,614
Lesser of 1. Allowed Reductions subject to maximum, or 2. Maximum Allowed Reductions		\$ (1,273,322)
Net Equity equals to Total Equity less (a) and (b)		\$ 2,801,307

Again a closer view:

Possible Allowable deductions are shown along with options to override the amount

(b) Calculated Allowable Reductions (subject to maximum % of Total Equity)

Possible Allowable Reductions listed in Uses:	Amt. in Uses:	Use this? Yes/No	Override? Use this amount
Deferred Dev. Fee	\$1,506,935	yes	
Cash Escrow funds - Non FHA	\$0	yes	
Dep to Reserves allowed on 2264, G. Lines 70,71,72	\$24,000	yes	
Deposit to Reserve (HUD or Non-HUD required)	\$0	yes	
Funded Reserves HUD or Non-HUD required)	<del>\$176,000</del>	no	
Cash Escrow funds - FHA (e.g., 20% of repairs)	\$0		
LOC Escrow funds - FHA	\$0		
LOC Escrow funds - Non FHA	\$0		
Operating Reserves	split the \$176K total above	yes	
Debt Service Reserves	split the \$176K total above	yes	
User chosen entry	Tenant Services- non FHA	yes	

Three user input lines that allow categories in the MAP Guide, a notes section and amounts.



It is below the Net Equity calculations section that the instruction set for this portion of the module appears. The MAP Guide categories of potential deductions in the user pull-down is here also.

Guidance with regard to the Tax Credit Equity Pay-in module which includes to sections above and above right.

This module works to calculate Net Equity using some developer-written formulas, but it relies on the user to determine Allowable Reductions to Total Equity. It pulls figures from elsewhere in the spreadsheet as a basis for its calculations, but gives the user flexibility to ignore, alter or override figures and choose categories of Allowable Reductions not specified in the Wheelbarrow's entries.

Handling entries in the turquoise cells from W104 to Y115.

In column W, the user chooses "Yes" or "No" determine if the description from this spreadsheet's source should be included among the list of Allowed Reductions to calculate Net Equity, subject to the maximum. After choosing Yes or No, the user may choose to override the \$ entry by inputting a different number into Column X. Beginning at Row 112, the user may choose from a list of possible Allowed Reductions from the list of items in the MAP Guide example or specify by typing another entry in column R after which the user would input a \$ amount in Column U.

There is also space to add a short note in column R related to any of the WB categories or to further describe a MAP Guide example category.

MAP Guide example list of deductions to calculation Net Equity/user entry:

- Delayed Developer Fee
- Deferred Developer Fee (other)
- Lease Up Fees and Escrows
- Operating Reserves
- Debt Service Reserves
- Section 8 HAP Contract Transition Reserves
- Replacement Reserves
- State Agency Administrative Fees or Escrows
- User chosen entry

# FHA Tax Credit Equity Pay-In Requirements

## Wheelbarrow mimicking the MAP Guide example

What follows are additional slides that show a tax credit project artificially created to mimic the MAP Guide example in Section 14.15.

This example includes Uses which reflect all of the categories and amounts of potential reductions in the Total Equity amount to calculate Net Equity per the MAP Guide example in Section 14.15.

For your cross-reference ease, the relevant MAP Guide page excerpts – already produced once in earlier slides - are reproduced on the next three slides.

Following those three slides are screenshots from the Pay-In module reflecting the MAP Guide example.

# FHA Tax Credit Equity Pay-In Requirements

## Wheelbarrow mimicking the MAP Guide example

The next three slides give the details of MAP Guide's example in MAP Guide Section 14.15.B.

Snips from a completed Wheelbarrow Pay-In module appear thereafter, showing how the MAP Guide example's calculations are handled within the Wheelbarrow.

B. An example of the calculation of the Net Equity amount, and the resultant pay-in schedule, is provided below:

Total Equity or Gross Proceeds = .....	\$7,500,000
Net Equity = Total Equity Minus Allowed Reductions and Equity Pay In #1	
Less Payment #1 (20% of Total Equity Above) .....	- \$1,500,000
Remaining Equity (80% of Total Equity Above) .....	= \$6,000,000
Less: Allowed Reductions	
Not to Exceed 25% of Total Equity (25% x \$7,500,000) = .....	- <u>\$1,875,000</u>
Minimum Net Equity = \$7,500,000-\$1,500,000-\$1,875,000 = .....	\$4,125,000



# FHA Tax Credit Equity Pay-In Requirements

## Wheelbarrow mimicking the MAP Guide example

The MAP Guide example continues with potential allowable reductions for calculating Net Equity.

### Sample Owner's Proposed Reductions:

Delayed Developer Fee.....	\$500,000
Deferred Developer Fee.....	\$300,000
Lease Up Fees and Escrows.....	\$175,000
Operating Reserves .....	\$145,000
Debt Service Reserves .....	\$200,000
Section 8 HAP Contract Transition Reserves .....	\$235,000
Replacement Reserves .....	\$300,000
State Agency Administrative Fees or Escrows.....	<u>\$45,000</u>
 Total.....	 \$1,900,000

This total would be disallowed, as the \$1.9 million exceeds the 25% of total equity (\$1.875 million) allowed. Accordingly it is reduced by \$25,000 in the following calculations. Net Equity is the Balance, after Total Equity is reduced by Payment #1, and by the Allowed Reductions of \$1,875,000, or \$4,125,000. This number would be adjusted if the owner were to claim less than the maximum Allowed Reductions.

# FHA Tax Credit Equity Pay-In Requirements

## Wheelbarrow mimicking the MAP Guide example

The MAP Guide example continues with acceptable levels of installments

Payment	Description	Formula	Amount
Equity Pay I #1	20% of Total Equity	$20\% \times 7,500,000 =$	\$1,500,000
Equity Pay In #2	37.5% of Net Equity (\$4,125,000) (7,500,000- 1,500,000-1,875,000) =	$37.5\% \times \$4,125,000$	\$1,546,875
Equity Pay In #3	62.5% of Net Equity (\$4,125,000)	$62.5\% \times \$4,125,000$	\$2,578,125

# FHA Tax Credit Equity Pay-In Requirements

## Wheelbarrow mimicking the MAP Guide example

Screenshot 1 shows details of a project back-constructed to mimic the MAP Guide Pay-In example. This snip shows Uses for one such project with \$1,900,000 in Net Equity-deductible items as part of a project with \$20,113,281 of total uses.

Section B - Mortgageable Costs and Consolidated Uses - page 1 of 1

Mortgageable/Non-Mortgageable Costs Summary		Input Market Value	\$10,000,000	Units	150
Enter Figures in light blue background cells below.		Acquisition Price	\$10,000,000	Repairs - Critical	\$0
(See below for discussion of "mortgageable" vs. "non-mortgageable" costs.)		Unrealized Gain/(loss)	\$0	Repairs - Non-Critical	\$40,000
				Total/unit	\$40,000
	Column 1 Use figures from	Column 2	Column 3	Column 4	
	PCNA & 92264- allowable figures	Mortgageable- directly funded with FHA mortgage	Non Mortgageable- funded by Non-FHA sources - figures from below	Consolidated Uses-funded by all sources	
1	Acquisition Price	\$10,000,000	NA (see prop debt & equity)		
2	Debt on the property	\$0	\$0		\$0
3	# Acq. Px. minus debt - (cash basis owner's Equity in the property)	\$10,000,000	NA	\$10,000,000	\$10,000,000
4	# Unrealized Owner's property equity gain/(loss)	\$0	NA	NA	\$0
5	Land Improvements	\$0	\$0		\$0
6	Repairs - Critical	\$0	\$0		\$0
7	Repairs - Non-Critical	\$6,000,000	\$2,250,000	\$3,750,000	\$6,000,000
8	Fees - Soft Costs & Contingency	\$2,013,281	\$1,800,000	\$213,281	\$2,013,281
9	Financing Costs - excluding title & recdg (T&R)	\$0	\$0	\$0	\$0
10	Title and Recording	\$0	\$0	\$0	\$0
11	Leg & Org and 3rd-party Reports	\$0	\$0	\$0	\$0
12	Dep to Reserves allowed on 2264, G. Lines 70,71,72	\$300,000	\$300,000	\$0	\$300,000
13	Developer Fee	\$1,000,000	\$0	\$1,000,000	\$1,000,000
14	Deposit to Reserve (HUD or Non-HUD required)	\$145,000	\$0	\$145,000	\$145,000
15	Funded Reserves HUD or Non-HUD required)	\$435,000	\$0	\$435,000	\$435,000
16	Misc. costs/synd/closing (non-HUD)	\$0	\$0	\$0	\$0
17	Repayment of debt other than acquisition debt above		\$0	\$0	\$0
18	Cash Escrow funds - FHA (e.g., 20% of repairs)	\$0	\$0	\$0	\$0
19	LOC Escrow funds - FHA	\$0	\$0	\$0	\$0
20	Cash Escrow funds - Non FHA	\$220,000	\$0	\$220,000	\$220,000
	LOC Escrow funds - Non FHA	\$0	\$0	\$0	\$0
	Total Uses (including owners unrealized gain)	\$20,113,281	\$4,350,000	\$15,763,281	\$20,113,281
	Total Est. Development cost (lines 4-11)	\$8,313,281	\$4,350,000		
	Land Existing indebtedness	\$0	\$0		
	Total Est. Replacement cost	\$8,313,281	\$4,350,000		
	# With unrealized gain/(loss) excluded: Cash Basis Uses:	\$20,113,281	<-should=2264-A use	High Cost factor adjusted amt=	\$2,250,000
	\$6,000 per unit x cost adjustment is payable from FHA proceeds. The amount/unit assumed to be paid directly from FHA x # of		1	=	\$15,000

Is project subject to the 223(f) limits?  
Yes

3 Tax Credit Project Presentation Sequence 15 input cells



# FHA Tax Credit Equity Pay-In Requirements

## Wheelbarrow mimicking the MAP Guide example

Screenshot 2 shows this back-constructed project's \$7,500,000 Equity Pay-In, along with \$800,000 in Deferred/Delayed Developer Fee, an \$8,000,000 FHA Loan, \$3,300,000 in soft funding, and \$13,281 in owner cash.

tion C - Tax Credit Equity and Permanent Capital Sources - page 1 of 2

Tax Credit Equity					Payment Condition - later of:				
Short Payment Description	Payment	92264A line	Settlmnt amt	Dev Fee amt	Proj. Date	Relative to Constr	Reltv to Rent-up	Reltv to Brkvn	First Year K-1
Closing	\$1,500,000	III,k	\$1,500,000		8/29/2013				
Construction start	\$0	92264A line			8/28/2014	start			
50% completion	\$1,546,875			\$200,000		50%			
Completion	\$2,578,125			\$200,000		100%			
50% Rent-up	\$0						50%		
Stabilization (6 months @ >=1.0 DSC)	\$750,000			\$250,000			100% + 3 months		
8909 delivery	\$1,125,000			\$350,000					Delivery
<b>Interim (non-permanent, incl bridge) funding</b>		III, l	<b>\$0</b>						
<b>Totals</b>	<b>\$7,500,000</b>		<b>\$1,500,000</b>	<b>\$1,000,000</b>		Equity Bridge Available?		<b>\$6,000,000</b>	

Permanent Capital Sources other than Tax Credit Equity										
(input any interim, bridge or temp funding above)				\$12,600,000	Mndtry DS?	Available ~	Coupon	Term	Amort? #yrs or	Accrual?
Source	Principal	92264A line	Settlmnt amt	hard/soft	constr?		(years)	No	Yes/No	
1 FHA Mortgage	\$8,500,000	B,4,a	\$8,500,000							
2 County CDBG loan	\$3,300,000	III,a	\$3,300,000							
0 Sub-debt	\$0	III,b	\$0		Yes					
0 Bridge Loan		III,c	\$0							
0 Non FHA Source 4	\$0	III,d								
0 Non FHA Source 5	\$0	III,e								
0 Non FHA Source 6	\$0	III,f								
0 Transferred Reserves	\$0	III,g								
0 Cash Escrow Transfers	\$0	III,h	\$0							
3 Deferred Dev. Fee	\$800,000	92264A line	\$800,000							
0 LOCs	\$0	III,i	\$0							
4 Owner Cash	\$13,281	III,j								
0 Interim Cash Income from property	\$0	III,j								
0 Implied cash basis property equity (acq)	\$0	92264A line								
Subtotal Excluding Tax Credit Equity	\$12,613,281	Settlmnt amt:	\$12,600,000						\$12,613,281	
0 Tax Credit Equity	\$7,500,000	Settlmnt amt:	\$1,500,000							
Total Sources	\$20,113,281	Tot Settlmnt:	\$14,100,000	Sttlmnt gap	-\$250,000	Total Sour	\$20,113,281			
# Unrealized Owner's property equity g:	\$0			Tot Sttl Uses	\$14,350,000	Total Settl	\$14,350,000		\$0	



# FHA Tax Credit Equity Pay-In Requirements

## Wheelbarrow mimicking the MAP Guide example

Screenshot 3 shows the \$1,900,000 in deductible items in the section of the module that calculates Net Equity. It also shows the deduction limit of 25% of Total Equity which limits the reductions to \$1,875,000.

### Section H - MAP Guide Chapter 14, Section 15 - Net Equity determination

16

#### Calculations Used in MAP Guide Section 14.15, Tax Credit Equity Pay-In Schedule

##### Total Equity and Net Equity Calculations for use in determining compliance with required minimum pay-in schedule

See instructions in Red below for general guidance (beginning at Q125), but the key to this section is the user's handling of entries in the turquoise cells from W104 to Y114 (instruction beginning at Q129).

			\$	Note: % of Total Equity
Total Equity or Gross Proceeds from the sale of Tax Credits			\$ 7,500,000	100.0%
Net Equity Calculations:				
Total Equity minus (a) Minimum Equity Pay-In required at closing and (b) Allowed Reductions				
(a) Minimum Equity Pay-In required at closing (cal't'd. as a % of Total Equity)	20.0%		\$ (1,500,000)	-20.0%
(a) Subtotal: Gross Equity less Closing minimum pay-in			\$ 6,000,000	80.0%
(b) Calculated Allowable Reductions (subject to maximum % of Total Equity)				
Possible Allowable Reductions listed in Uses:	\$1,900,000	Amt. in Uses:	Use this? Yes/No	Override? Use this amount
Deferred Dev. Fee		\$800,000	yes	\$800,000 10.7%
Cash Escrow funds - Non FHA		\$220,000	yes	\$220,000 2.9%
Dep to Reserves allowed on 2264, G. Lines 70,71,72		\$300,000	yes	\$300,000 4.0%
Deposit to Reserve (HUD or Non-HUD required)		\$145,000	yes	\$145,000 1.9%
Funded Reserves HUD or Non-HUD required)		\$435,000	yes	\$435,000 5.8%
Cash Escrow funds - FHA (e.g., 20% of repairs)		\$0		\$0 0.0%
LOC Escrow funds - FHA		\$0		\$0 0.0%
LOC Escrow funds - Non FHA		\$0		\$0 0.0%
Operating Reserves				\$0 0.0%
Debt Service Reserves				\$0 0.0%
User chosen entry				\$0 0.0%
1. Subtotal: Gross Allowed Reductions subject to maximum			\$ 1,900,000	25.3%
2. Less Maximum Allowed Reductions (cal't'd. as a % of Total Equity)	25.0%		\$ (1,875,000)	-25.0%
Equals Allowed Reductions exceeding/(below) max. permitted amt.			\$ 25,000	0.3%
Lesser of 1. Allowed Reductions subject to maximum, or 2. Maximum Allowed Reductions			\$ (1,875,000)	-25.0%
Net Equity equals to Total Equity less (a) and (b)			\$ 4,125,000	55.0%

Note: Total Equity as % of Net Equity: 182%



# FHA Tax Credit Equity Pay-In Requirements

## Wheelbarrow mimicking the MAP Guide example

Screenshot 4 shows the Pay-in per the MAP Guide example, and its compliance with the MAP Guide Pay-In schedule requirements. Note the “Status: **Pay-In Meets FHA Guidelines**” and the “**YES**” indicators in bold green type.

Section C - Tax Credit Equity and Permanent Capital Sources - page 2 of 2 Equity Pay-In Requirement Compliance 4.1

**THIS SECTION IS DESIGNED TO VALIDATE COMPLIANCE WITH FHA'S TAX CREDIT EQUITY PAY-IN REQUIREMENTS**

**Status: Pay-in Meets FHA Guidelines**

*Note: Input only in blue-background cells.*

Instructions to validate compliance	Equity Pay-in condition	Choose either \$ or % below (Other column must be 0 or blank)		Calculated Cumulative Total Equity %	Rqd TotEq Cum. %	Actl TotEq Cum. %	% of Net Equity Pay-in	Cumulative % of Net Equity exceeding req'd pay-in		
		Input \$ Pay-in	or Input % Pay-in						Calc'd \$ Pay-in	Total Equity %
Write all pre-closing and closing pay-ins in these 3 rows (Requirement for Pay-In at or before closing for an (f) or before Initial Endorsement for a (D)(4))	Closing		20.0%	\$ 1,500,000	20.0%		NA	NA		
				\$ -	20.0%		NA	NA		
				\$ -	<b>20.0%</b>	20.0%	20.0%	NA	NA	
					Has the above requirement been met?		<b>YES</b>	<--- End Total Equity % req.		
						Rqd NetEq Cum. %	Actl NetEq Cum. %	<--- Begin Net Equity % requirements		
Write all post-closing through 65% construction completion pay-ins in these rows (Requirement for Pay-In at or before 65% Completion of repairs if an (f), or compltn. of construction if a (D)(4))	Construction start			\$ -	20.0%		0.0%	0.0%		
	50% completi	\$ 1,546,875		\$ 1,546,875	40.6%		37.5%	37.5%		
				\$ -	40.6%		0.0%	37.5%		
		\$ -		\$ -	<b>40.6%</b>	37.5%	37.5%	0.0%	37.5%	
					Has the above requirement been met?		<b>YES</b>			
Write all post-65% construction through completion pay-ins in these rows	75% Completion			\$ -	40.6%		37.5%	37.5%		
	90% Completion			\$ -	40.6%		37.5%	37.5%		
	100% complet	\$ 2,578,125		\$ 2,578,125	<b>75.0%</b>	100.0%	100.0%	100.0%		
					Has the above requirement been met?		<b>YES</b>			
Write all post completion, rent-up, breakeven, and stabilization, (i.e., 6 mos. @ DSC of 1.0 or better), 8609, etc. in these rows	50% rent-up			\$ -	75.0%		100.0%	100.0%		
	Stabilization	\$ 750,000		\$ 750,000	85.0%		118.2%	118.2%		
	8609 Delivery	\$ 1,125,000		\$ 1,125,000	100.0%		145.5%	145.5%		
				\$ -	<b>100.0%</b>	NA	NA	145.5%	145.5%	
					Has the above requirement been met?		<b>YES</b>			
Check % and \$ Pay-in totals below:	<b>Error % total</b>	\$7,500,000		Calc NetEq pmts	\$ 4,125,000	Act Total Equity	Calc'd diff.	Req'd 20% d Allowed deductns	Net Equity=	
Total % Pay-ins and Total Equity:	<b>100.00000%</b>	<b>\$0.00</b>		Calc TotEq pmts	\$ 7,500,000	\$7,500,000	\$0.00	-\$1,500,000	-\$1,875,000	\$4,125,000

4.1 Tax Credit Project Presentation Sequence

Calc % paid

20.000%

version:

2/2/2015

30 input cells



# FHA Tax Credit Equity Pay-In Requirements

As before, the updated module is a simple addition to lenders' Tax Credit Wheelbarrows.

- The module is a simple substitution of cells into the pre-set print area in the Comprehensive S&U tab.

The screenshot displays a complex Excel spreadsheet with multiple tabs and data tables. The main window shows a formula bar with the formula  $=IF(ISBLANK(+(B6)=TRUE,"",B6))$ . The spreadsheet is divided into several sections, including:

- Top Section:** A large table with columns for various metrics, likely related to tax credit equity pay-in requirements.
- Middle Section:** A table titled "Sector: Pay-In Meets FHA Guidelines" which is circled in red. It contains data for different sectors and their compliance with FHA guidelines.
- Bottom Section:** A summary report with columns for "Index", "Tax Credit Report", "Draw Schedule", "Comprehensive S&U", "92264-A Data", "Output- HUD Summary Report", and "HUD Data Input-S&U".

The spreadsheet also includes various navigation buttons like "Workbook Views", "Show", "Zoom", and "Window".





# FHA Tax Credit Equity Pay-In Requirements

- The module can be copied and pasted into lenders' existing (often linked) Wheelbarrow workbook files to minimize disruption to lenders operations or cause technical difficulties.
- The module will print automatically as a page of the printout and need only be put in sequence.
  - The module takes space that the last pay-in module occupied.



# To add the module to Existing Tax Credit Wheelbarrow worksheets

1. Open the attached file called "Tax Credit Wheelbarrow with MAP Pay-in module, 7.15.2016" to the "Comprehensive S&U" tab.
2. Copy the cells o92:bz165 section (74 columns by 64 rows) that looks like this:

The screenshot displays a multi-tabbed spreadsheet. The active tab is 'Equity Pay-in Requirements', which contains several data tables and instructions. Key sections include:

- Section 1: Validation and Compliance** - A table with columns for 'Equity Pay-in', 'Construction', '20% Completion', and '25% Completion', with rows for '20% Completion' and '25% Completion'.
- Section 2: Payment Schedule** - A table with columns for 'Short Payment Description', 'Amount', '2025A Invoice', '2025B Invoice', '2025C Invoice', '2025D Invoice', '2025E Invoice', '2025F Invoice', '2025G Invoice', '2025H Invoice', '2025I Invoice', '2025J Invoice', '2025K Invoice', '2025L Invoice', '2025M Invoice', '2025N Invoice', '2025O Invoice', '2025P Invoice', '2025Q Invoice', '2025R Invoice', '2025S Invoice', '2025T Invoice', '2025U Invoice', '2025V Invoice', '2025W Invoice', '2025X Invoice', '2025Y Invoice', '2025Z Invoice', '2026A Invoice', '2026B Invoice', '2026C Invoice', '2026D Invoice', '2026E Invoice', '2026F Invoice', '2026G Invoice', '2026H Invoice', '2026I Invoice', '2026J Invoice', '2026K Invoice', '2026L Invoice', '2026M Invoice', '2026N Invoice', '2026O Invoice', '2026P Invoice', '2026Q Invoice', '2026R Invoice', '2026S Invoice', '2026T Invoice', '2026U Invoice', '2026V Invoice', '2026W Invoice', '2026X Invoice', '2026Y Invoice', '2026Z Invoice'.
- Section 3: Instructions** - Textual instructions regarding the use of the spreadsheet, including a note about the '20% Completion' and '25% Completion' milestones.

3. And paste the section into your existing spreadsheet at cell o92; this should allow all formulas with references to other spreadsheet cells to function properly.



*You may have done this to your spreadsheet when the “old pay-in module was added, but we repeat this instruction from our 2015 pay-in module addition instruction set here in case you didn’t add the reference.*

## To add a reference to the module page to your Tax Credit Wheelbarrow Index Page (cont’d)

2. Paste that copied section into your Tax Credit Wheelbarrow spreadsheet file’s Comprehensive S&U tab after anchoring your cursor on its cell BB92.



A screenshot of a spreadsheet grid. The grid shows rows 1, 2, 92, and 93. Column B contains a plus sign (+) in row 1, is empty in row 2, contains 'BEBC' in row 92, and contains 'Section C' in row 93. A red arrow points to cell B92.

1	+
2	
92	BEBC
93	Section C

# To add a reference to the module page to your Tax Credit Wheelbarrow Index Page

We have altered the Index page to note the addition of the Equity Pay-In requirement as a new page 4.1

Mortgageable/Non-Mortgageable Costs Summary	3	Section B - Mortgageable Costs a
Equity Pay-In Requirement Compliance	4.1	Section C - Tax Credit Equity and P
Draw Schedule	5	Section D - Draw Schedule - page 1

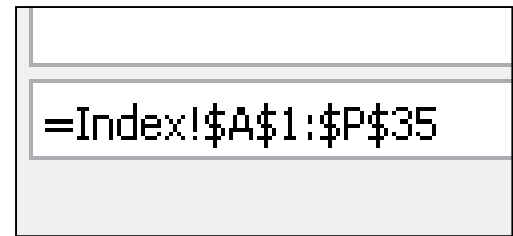
(Creating a new page 4.1 instead of repaginating avoids requiring lenders to alter other sections and cells of the spreadsheet)

Note: when assembling the printout, insert the new page 4.1 in the appropriate sequence after page 4.

# To add a reference to the module page to your Tax Credit Wheelbarrow Index Page (cont'd)

To make this change most simply, we can replace the cells of the existing worksheet that contain the Index. (Changing the Index is not as important as adding the module, so skip this step if making the changes to the Index proves to be too difficult.)

1. Open the attached file called “Tax Credit Wheelbarrow with Pay-in module, 2.2.2015” to the “Index” tab.
2. Copy the cells that contain the Index section, A1:P35, as indicated here:
3. Paste that copied section into your Tax Credit Wheelbarrow spreadsheet file’s Index tab after anchoring your cursor on its cell A1.
4. Save the file.





# FHA Low Income Housing Tax Credit Project Equity Pay-In Requirements for all projects – Pilot and non-Pilot

For questions, please contact John Bell

[john.c.bell@hud.gov](mailto:john.c.bell@hud.gov)

# FHA Tax Credit Equity Pay-In Requirements

## Old Requirements described

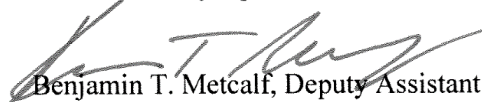
As of January 30, the “old” Equity Installment requirements went into effect. That pay-in requirements applied to all LIHTC projects. They applied to the LIHTC equity pay-in. They did not apply to Historic Tax Credit project equity or New Markets Tax Credit equity.



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410-8000

JAN 30 2015

MEMORANDUM FOR: All Multifamily Regional Center/ Hub Directors  
All Multifamily Satellite Office/ Program Center Directors  
All Multifamily Operations Officers

FROM:   
Benjamin T. Metcalf, Deputy Assistant Secretary,  
For Multifamily Housing Programs, HT

SUBJECT: Affordable Housing Clarifications

# FHA Tax Credit Equity Pay-In Requirements

## Old Requirements described (continued)

Summary of the “old” rules was on Page 3 of the January 30, 2015 memo describes the pay-in requirement as clarifying the February

1. **Equity Pay-In.** The “generally pari passu” language we provided previously resulted in multiple interpretations and a lack of consistency across our platform. Going forward, we will underwrite the fixed minimum pay-in schedule summarized below for all LIHTC transactions (Pilot and non-Pilot). This approach has three major benefits: 1) it aligns our standards to those of conventional lenders and tax credit investors, 2) it simplifies the calculations, and 3) it eliminates varied treatment by HUD Offices. The new standard maintains a “generally pari passu” structure that is not precisely proportional to advanced FHA insured loan funds, and therefore more flexible than the prior approach.

# FHA Tax Credit Equity Pay-In Requirements

## Old Requirements described (continued)

Specific language uses certain benchmarks for minimum cumulative pay-in totals designed to assure FHA that our exposure is pari passu.

<b>Benchmarks for Equity Installments</b>	<b>Minimum Equity Installment (Percent of Total Equity)<sup>1</sup></b>	<b>Cumulative Equity Paid In<sup>2</sup></b>
On Or Before Initial Closing	20%	20%
At 65% Construction Completion	30%	50%
At Stabilization <sup>3</sup>	45%	95%
At Delivery of IRS Form 8609 or, Within one year of the Date of Delivery of the Form to Investors	5%	100%

As described in more detail below, equity investors may substitute bridge loan proceeds for all or part of the payments defined above, until the date of the final deadline when the bridge loan must be repaid in full.



# FHA Tax Credit Equity Pay-In Requirements

## Old Requirements described (continued)

Please note that the memo's benchmarks and pay-in percentages are not mandates to investors and lenders to use the stated benchmarks or percentages.

Investors/Lenders may choose their own pay-in benchmarks or %s, or add, delete or vary any of FHA's, as long as the cumulative minimum pay-in percentages are achieved.

# FHA Tax Credit Equity Pay-In Requirements

## Old Requirements described (continued)

This is a snip of the older version of the Wheelbarrow showing the 2015 standards and compliance test

Section C - Tax Credit Equity and Permanent Capital Sources - page 2 of 2				Equity Pay-In Requirement Compliance #			
THIS SECTION IS DESIGNED TO VALIDATE COMPLIANCE WITH FHA'S TAX CREDIT CUMULATIVE MINIMUM EQUITY PAY-IN REQUIREMENTS							
Investors/Lenders may choose their own pay-in %s or benchmarks, or add, delete or vary any of FHA's, as long as the cumulative minimum pay-in %s are at least 100%.							
Status:				Pay-in Meets FHA Guidelines			
Note: User should complete only blue-background cells. One example of pay-in terms is shown below for illustrative purposes.							
Instructions to validate compliance	Input Equity Pay-in benchmark/condition	Input % Pay-in	Calcd \$ Pay-in	Calcd Cum.%	Pay-in Requirement benchmark	Pay-in % to meet cumulative minimum %	Minimum Cumulative Pay-in Requirement %
Write all pre-closing and closing pay-ins in these 3 rows	Closing	20%	\$ 1,018,657	20%	At or before closing.	20%	20%
			-	20%			
			-	20%			
Has the above requirement been met? YES							
Write any and all post-closing and pre-65% construction completion pay-ins in these 5 rows	Construction start	15%	\$ 763,993	35%	At or before 65% Construction Completion.	30%	50%
	50% completion	15%	\$ 763,993	50%			
			-	50%			
			-	50%			
			-	50%			
Has the above requirement been met? YES							
Write any and all post-65% construction completion, rent-up, breakeven, and stabilization (i.e., 6 mos. @ DSC of 1.0 or better) pay-ins in these 5 rows	Completion	15%	\$ 763,993	65%	At or before Stabilization.	45%	95%
	50% rent-up	15%	\$ 763,993	80%			
	Stabilization @ 6mos 1.0 DSC	15%	\$ 763,993	95%			
			-	95%			
			-	95%			
Has the above requirement been met? YES							
Write any and all post-stabilization thru 8609 delivery pay-ins in these 3 rows. (Option allows final pmt @ 8609+1 year)	8609 Delivery	5%	\$ 254,664	100%	At or before the final delivery of the units.	5%	100%
			-	100%			
			-	100%			
Has the above requirement been met? YES							
Total % Pay-ins and Total Equity:		100%	\$ 5,093,286	100%	\$ 5,093,286	Sum of above %: as the above requirement been met? YES	

4.1 Tax Credit Project Presentation Sequence

version: 2/2/2015

30 input cells

