

**Financial Institutions Housing Opportunity Pool
Program Information for Developers
2004**

FIHOP Purpose

Financial Institutions Housing Opportunity Pool ("FIHOP") was established by Financial Institutions operating in Mississippi ("Members") and The Mississippi Home Corporation ("MHC") to assist in the construction/development of residential housing in Mississippi for persons of low to moderate income.

I. FIHOP ADMINISTRATION

Administrator – MHC shall be the administrator of FIHOP, until such time as FIHOP becomes self-sufficient, handling applications, disbursements, collections, inspections, and reporting. From time to time MHC may seek and request assistance from a Member in the administration of a loan within the Member's lending area.

Member – A financial institution operating in Mississippi with a minimum commitment to FIHOP as required in Section IIB hereof.

FIHOP Board of Directors – Board Members are elected, each from a different Member, to direct the activities of FIHOP. The Directors shall meet quarterly and shall serve staggered terms of three (3) years each. MHC shall appoint a representative that will be the ninth (9th) member. MHC's representative shall serve continuously and not be subject to the three (3) year term limitation as long as MHC is Administrator.

Loan Committee – The Loan Committee is appointed by the FIHOP Board of Directors from eight (8) different Members plus one from MHC. The Loan Committee shall meet as directed by the Chair, elected by the Members, and serve a two (2) year term. Five (5) members must approve a loan for participation in FIHOP.

II. SOURCES OF FUNDS

A. MHC

A commitment equaling a 10% Participation by MHC in each loan, not to exceed a total commitment of \$2,000,000.

B. Financial Institutions

The minimum commitment for participation in FIHOP by a Member will be based on bank assets in Mississippi.

III. BASIC PROGRAM REQUIREMENTS

A. Until further notice, Eligible Borrowers will be the Tax Credit Developers that receive a 9% tax credit allocation from MHC.

B. Loan Parameters

FIHOP shall be used to assist in the development of housing needs that provide safe, decent and affordable housing for the people in Mississippi:

Permanent Fixed Rate Loans to allow the ultimate pooling of loans for bonds securitization or other financing.

C. FIHOP Priority

Assisting Developers in the construction or development of residential housing, in Mississippi, for persons of low to moderate income.

IV. THE LENDING PROCESS

A. The Loan Approval

MHC shall process each loan request. A completed application should meet the general underwriting requirements as established by the FIHOP Loan Committee and adopted by the FIHOP Board of Directors. The application will be forwarded to the Loan Committee for approval or denial. Each Loan request will appear before the Loan Committee.

B. Member Participation

1. Member shall participate in a loan to the extent of its dollar commitment to the fund as a percentage of the dollars available to the fund at the time of the loan funding.
2. Upon Loan Committee approval, MHC will notify all Members of the approval.
3. MHC shall notify each Member of the available participation and of the percentage of participation and the dollar amount to be funded.
4. A Member shall receive its portion of principal repayment, interest earnings, expenses and any loss incurred based on their percentage interest in the participation.

V. APPLICATION

A. Fees

All fees are payable to and for the benefit of Mississippi Home Corporation (MHC), except the commitment fee. The Commitment Fee shall be payable to and for the benefit of FIHOP. All Fees must be paid at the time specified and are non-refundable.

1. A \$350.00 FIHOP Application Fee must be included with the application.

2. A Commitment Fee of 1.5% of the amount of the commitment shall be payable as follows:
 - a. .5% upon acceptance of the commitment by the developer.
 - b. 1% upon receipt of a tax credit allocation from MHC. This portion of the fee must be received by FIHOP within 10 days of the allocation date.
3. Any and all other fees or charges incurred in association with the tax credit allocation, the loan closing, or any funding shall be paid by the developer.
4. No prepayment penalty shall be charged.

B. Loan Term

The Loan shall be a fixed rate loan for a term of 15 years. Loan amortization may be up to 30 years.

C. Interest Rate

The Interest Rate shall be indexed to the Federal Home Loan Bank of Dallas CIP Rate plus 275 basis points. Each commitment issued by FIHOP shall have a cap stated therein as to the maximum rate to be charged at the loan closing. Currently the FIHOP Board of Directors has set this cap at 9% (February 2004).

D. Commitment Term

1. The Term of the Commitment shall not exceed 18 (eighteen) months.
2. Commitment Extensions will be considered by FIHOP upon receipt of updated application information and a Commitment Extension Fee of not less than .6%, nor more than 1% of the Commitment Amount.

E. Loan Limitations

1. FIHOP will only consider new construction developments.
2. FIHOP will not consider loans that have any excess land.
3. Geographical Diversity of the loan portfolio shall be top priority by the FIHOP Loan Committee

VI. LOAN APPROVAL GUIDELINES

Loan Type: First Mortgage Loans.

Loan Term: Maximum 15 year maturity with 30 year amortization.

Exception: 20 year fully amortizing when HOME funding or Federal Home Loan Bank Grants are available to the development.

Loan Size: \$250,000 to \$5,000,000.

Loan to Value: 80% or less of market value and the funded value of the tax credits received. Market value shall include the value of the rent and occupancy restricted (LURA) development plus the relevant intangible assets to value that would survive a foreclosure; i.e.: the value of the right to tax credits, the value of any favorable financing structure that may remain in place post foreclosure.

Rent Restrictions: Pro-forma rents must be no greater than 90% of comparable market rents within the development's market area.

Vacancy Factor: The greater of 7% or the rate defined in the market study.

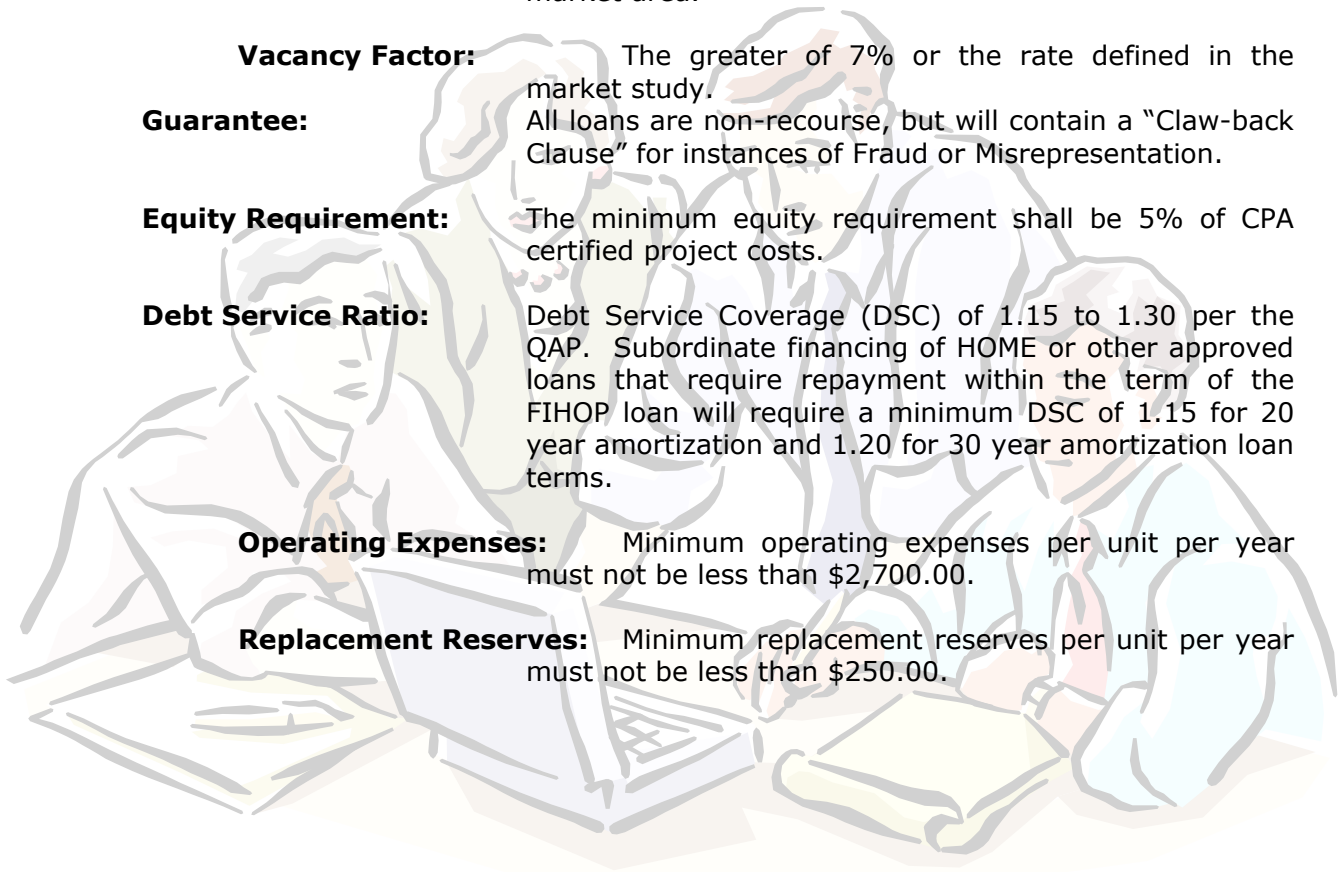
Guarantee: All loans are non-recourse, but will contain a "Claw-back Clause" for instances of Fraud or Misrepresentation.

Equity Requirement: The minimum equity requirement shall be 5% of CPA certified project costs.

Debt Service Ratio: Debt Service Coverage (DSC) of 1.15 to 1.30 per the QAP. Subordinate financing of HOME or other approved loans that require repayment within the term of the FIHOP loan will require a minimum DSC of 1.15 for 20 year amortization and 1.20 for 30 year amortization loan terms.

Operating Expenses: Minimum operating expenses per unit per year must not be less than \$2,700.00.

Replacement Reserves: Minimum replacement reserves per unit per year must not be less than \$250.00.



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