

Glossary

Administrative Fees:	A fee payable to a management agent of a property for accounting and bookkeeping services, as allowed by PHFA or HUD. This fee is eligible only to properties constructed prior to 1987 as part of the Section 8 Housing Program. The maximum allowable fee for properties where PHFA is the Section 8 Contract Administrator as of the date of this manual is \$6 per subsidized unit per month up to a maximum of \$7,200 per year.
Cost Certification:	The process of finalizing the cost of constructing the rental property. During this process, the amounts of loan funding and equity contributions are also finalized. The cost certification also establishes the initial amount of owner's equity to be used to calculate owner return and the date from which return is eligible.
Debt Service:	The interest and principal due on a mortgage note. It does not include impounds or reserve fund contributions, but can include Mortgage Insurance Premium, Mortgage Service Fees, and late fees. Please note that the Agency's billing on the first of each month represents the debt service payment due for the current month.
Development Contingency Fund:	PHFA requires that the owner establish a Development Contingency Fund (DCF) to cover any contingencies that may arise during construction and after completion of construction to provide a ready source of funds. The DCF may be held in the form of cash or an unconditional Letter of Credit. The DCF shall be held for two years after construction completion or the Agency's cost certification, whichever is later. Upon release of the DCF by the Agency, any cash deposit will be used to repay the loan to the Agency or the Letter of Credit will be returned to the owner. Please refer to your individual DCF agreement for any other specific terms.
Family Supportive Services Program (FSSP):	PHFA program in which an escrow is established at initial loan closing to provide for future services to the residents and their families. One-half of the funding comes from Agency loan proceeds and one-half is provided by the owner.
Financial Spreadsheet (Form 1):	The loan underwriting document utilized by the Pennsylvania Housing Finance Agency. The operating budget establishes the expenses that can be paid from operating revenue.
Housing Assistance Payment (HAP):	Represents the difference between the gross rent and the tenant portion of the rent. HAP includes both revenue to the property and the utility allowance, where applicable.
HOMES:	A lending program of the Pennsylvania Housing Finance Agency which provided low interest deferred payment loans for the construction of multifamily housing. This program was subsequently replaced by the PennHOMES lending program.

HUD:	The United States Department of Housing and Urban Development. A Federal Agency established to provide a decent, safe, and sanitary home and suitable living environment for every American.
Identity-of-Interest:	This term applies to a management agent and other parties having business relationships with the property owner or any officer, director or partner of the mortgagor. Such a relationship should be construed to exist when the owner and the management agent are not the same person but (1) the property owner; or (2) any officer or director of the property owner; or (3) any person who directly or indirectly controls 10 percent or more the property owner's voting rights directly or indirectly owns 10 percent or more of the management agent. For purposes of this definition, the term <i>person</i> includes any individual, member of the Board of Directors, partnership, corporation, or other business entity. Any ownership, control or interest held or possessed by a person's spouse, parent, child, grandchild, brother or sister is attributed to that person.
Initial Occupancy:	The date at which the property receives its certificate of occupancy after which residents may move into the property.
Interim Income:	Income generated during a staged rent-up from the occupancy of the initial unit of the property until the final unit has been certified for occupancy.
Investor Service Fee:	The fees that are charged by the tax credit syndicator to monitor the property. The operating budget on the financial spreadsheet determines whether this fee may be paid with operating revenues. If not considered on the operating budget during underwriting, these fees must be paid from Agency approved return on equity. They may be accrued as a development expense.
Management Agreement:	An agreement between a property owner, a management agent and PHFA which specifies the duties and responsibilities of managing the property. The compensation of the management agent is also outlined in this agreement.
Mortgage Insurance Premium (MIP):	A payment made to HUD for insurance to protect the lender against any failure by the mortgagor to make payments on a HUD-Insured mortgage loan. Paid by the mortgagor through the lender, it amounts to one-half of one percent (0.5%) annually of the unpaid balance of the mortgage loan.
Operating Deficit Fund:	Cash account or letter of credit established at initial loan closing for the purpose of funding any operating loss projected during the initial year of operations. The fund shall be held until sustaining occupancy and income has been achieved in two financial reporting periods and, additionally, as determined by the Agency upon review of future projected cash flow deficits of the property as reflected in the Financial Spreadsheet at final loan closing and the current operating budget. One-half of the funds may be released after achievement of the first period of sustaining occupancy and income.

Operating Deficit Reserve:	Cash account established at initial loan closing for the purpose of funding projected operating deficits that have been projected on the financial spreadsheet.
Operating Report (QOR):	A report of the financial operations of a property which is submitted to PHFA, as required by the terms of the property's management agreement.
Operating Reserve Agreement:	Please refer to item number 9 on page 9 of this manual.
Painting & Decorating Reserve:	The Regulatory Agreement may require an owner to establish and maintain a reserve for painting and decorating. The reserve provides cash for the painting and decorating of individual apartment units within the property.
PennHOMES:	The current lending program of the Pennsylvania Housing Finance Agency that provides deferred principal payment loans for the construction of multifamily housing.
PHFA:	The Pennsylvania Housing Finance Agency, an agency of the Commonwealth of Pennsylvania established for the purpose of providing financing for the purchase and construction of single family and multifamily housing.
Regulatory Agreement:	The Regulatory Agreement lists the management and reporting requirements that the government body and the lender impose upon the owner in conjunction with the mortgage. The Regulatory Agreement also specifies what actions the lender and/or the government body may take if the owner does not carry out its obligations under the Regulatory Agreement so long as the mortgage is in effect.
Rent Up Period:	The length of time that it takes for a property to attain full occupancy after it initially opens. During this period it is not unusual for a property to incur one time, non-recurring expenses related to the initial renting of the units. Additional advertising, staff training, etc. are some examples of rent up expenses. Expenses related to rent-up should be budgeted as a development cost during the underwriting process so that these items are funded from loan proceeds or equity contributions and not from first year operations.
Reserve for Replacements:	The Regulatory Agreement requires the property to establish and maintain a reserve for replacements. The reserve provides cash for the replacement of equipment, appliances and major building items. The Financial Spreadsheet determines the initial required annual deposit.
Residual Receipts:	Any cash remaining at the end of an annual fiscal period after deducting from surplus cash the amount of owner distributions. See also Surplus Cash.

Return on Equity:	The amount of surplus cash that can be paid annually to an owner of a property, based upon a specific percentage of owner's equity.
Self-Insurance Fee:	A fee payable to PHFA for insurance to protect the Agency against any failure by the mortgagor to make payments on the mortgage loan. It amounts to one-quarter of one percent (0.25%) annually on the unpaid balance of the mortgage loan. This item is also referred to as Credit Enhancement Fee.
Surplus Cash:	The cash remaining after all necessary and reasonable expenses of the property have been paid or funds have been set aside for such payment and all reserve requirements have been met.
Sustaining Occupancy and Income:	The condition in which a property has achieved a sufficient level of occupancy to generate rental income in excess of operating expenses (positive cash flow) and accumulate surplus cash. Sustaining occupancy and income is evaluated over the period of the financial reporting year of the property.
Tax Credit Assistance Program: (TCAP)	A multifamily funding program established through HUD by the American Recovery and Reinvestment Act (ARRA) of 2009. It provides supplemental funding to the sale of low income housing tax credits.
Tax Credit Exchange Program:	A multifamily funding program established through the US Treasury Dept. by the American Recovery and Reinvestment Act to provide funding in place of low income housing tax credits.