

HOUSING TRUST FUND SUBSIDY RESERVE POLICY

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Purpose of Housing Trust Fund (HTF) Subsidy Reserve

The HTF Subsidy Reserve account holds funds set aside to provide payment of the HTF loan balance or if necessary, to fund operating deficits. The application of HTF Subsidy Reserve funds towards the HTF loan balance depends on the accumulated funds in the reserve and the liquidity of operations. money

Contributions to HTF

The primary contributions to HTF Subsidy Reserve come from deposits of 50% of surplus cash available for distribution as determined on the annual audit schedule. Funds on deposit in the HTF Subsidy Reserve account are invested by the Authority's Finance division and remain in control of the Authority until disbursement. Interest earned on the funds deposited in the HTF Subsidy Reserve, if any, accumulates in the HTF Subsidy Reserve account and is treated in the same manner as other HTF Subsidy Reserve funds.

Residual Receipts and Cost savings

Fifty percent (50%) of any cost savings and residual receipts identified by the cost certification or final closing audit that may be used to pay down the deferred developer fee must be deposited in the HTF Subsidy Reserve.

Eligible Expenses

The HTF Subsidy Reserve funds may be used to repay the expenses with the following priority:

1. HTF loan periodic payments if accumulated funds warrant it.
2. Pay down of the HTF loan balance, at the end of the loan term.
3. Operating deficits, as necessary.

The HTF Subsidy Reserve funds used to repay the HTF loan are distributed on the following priority:

1. Accrued interest first,
2. Current interest and principal
3. Monthly principal and interest as it accrues through the end of the loan.

The HTF Subsidy Reserve funds may also be used for operational deficits based on the priority set forth in the Management Agreement under Section 5m – Expense Management. Eligible expenses include:

- Payments to maintain the fiscal integrity of the development, which are not eligible for reimbursement from the Replacement Reserve.
- Expenses/payables projected to come due without operating funds being available in the next 30 days.

Funds in this reserve **cannot** be used to:

- Provide one month's gross rent potential for onsite operating cash.
- Pay Identity of Interest vendors

Requests for HTF Disbursement

The owner/Agent must exhaust other options for funding operational deficits from the Operating Reserve Cash, Operating Deficit Reserve, and the Operating Assurance Reserves before considering the use of HTF Subsidy Reserve funds. To request a disbursement from the HTF Subsidy Reserve, the Owner/Agent must submit a written request to the assigned Asset Manager. *Disbursement requests* from the HTF Subsidy Reserve for an operational deficit must include the following:

- An explanation of the intended use of the funds.
- Evidence of the current liquidity position of the development in addition to the Operating Cash Reserve, Operating Deficit Reserve and Operating Assurance Reserve balances.
- The amount of the request.

Mortgage Loan Payment

Upon payment in full of the first Mortgage Loan, the HTF Subsidy Reserve funds will be used to repay all or part of the HTF loan. First mortgage loan payments will proceed to pay down the HTF loan and the HTF Subsidy Reserve will be discontinued. If the HTF loan has been paid in full, disbursement of excess funds will be governed by the legal documents and applicable laws.

Forms and Attachments

512A – HTF Subsidy Draw Request Form