

Sec. 8-218c-6. Terms and conditions of rehabilitation loans

(a) Interest rates

Interest rates shall be recommended by the CHDC to the Commissioner and should not be less than 5% unless the CHDC demonstrates that a lower rate is necessary to make the project feasible. The interest rate requested will be based on the loan amount needed to construct or rehabilitate the property, the operating costs of the building (including all debt service), and the potential income derived from the property after construction or rehabilitation.

(b) Terms of loan

The CHDC may make interim construction or rehabilitation loans and/or permanent loans from their allocation. The term of the interim construction loan shall not exceed one year. However, in the event that it is determined and can be demonstrated by the CHDC that the best interests of the project will be served by extending this one year period, such an extension may be requested by the CHDC, and may be granted by the Commissioner. The term of the permanent financing shall not exceed twenty years, unless it can be demonstrated by the CHDC that the best interests of the project will be served by extending the term. In this instance, the Commissioner may extend the term to not more than thirty years.

(c) Security

All loans made by the CHDC out of its allocation shall be secured by a mortgage on the property which will be immediately assigned to the Commissioner. In the event of default, the Commissioner may foreclose on the property, or take any steps deemed necessary to protect the financial interests of the State.

(d) Repayment

Repayment of interim loans shall be due in one lump sum payment at the time of the closing of the permanent financing. Such lump sum payment shall include all principal and interest. For projects which involve the sale of individual units, the interim loan shall be repaid as each unit is sold. Interest and principal payments shall be prorated based on the value of the unit to the value of the whole project and the length of time the loan was outstanding for each unit. Repayment of permanent loans shall be based on a monthly repayment schedule over the life of the loan. The interim loan may either be converted to a permanent loan or repaid directly to the Commissioner. Payments on any permanent loan shall be made directly to the Commissioner.

(Effective May 23, 1986)