

Southeast Texas Housing Finance Corporation

Rules for Loans in Connection with Tax Credits for Multifamily Residential Rental Projects

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Southeast Texas Housing Finance Corporation

Rules for Loans in Connection with Obtaining Tax Credits for Multifamily Residential Rental Projects

I. PURPOSE AND SCOPE

Southeast Texas Housing Finance Corporation (the "Corporation") was created as a public non-profit corporation under the provisions of the Texas Housing Finance Corporations Act, as amended, Texas Local Government Code, Chapter 394 (the "Act"). The Corporation's primary purpose is to assist individuals of low and moderate income to obtain decent, safe, sanitary, and affordable housing. The Corporation is authorized by the Act to make loans to further its purposes thereunder. Applications for loans will be considered in connection with developments located in one or more of the following: Counties of Austin, Brazoria, Chambers, Galveston (excluding the City of Galveston), Liberty, Matagorda, Walker, Waller and Wharton, Texas and the Cities of Baytown, Deer Park, Dickinson, La Marque, La Porte, League City, Pasadena, Santa Fe, Shoreacres, Texas City and Tomball, Texas (collectively, the "Program Area") or by a request from a Local Political Subdivision outside of the Program Area. The Corporation has adopted these Rules to set forth the general requirements and procedures applicable to qualifying for a loan in connection with obtaining tax credits from the Texas Department of Housing and Community Affairs in connection with applicant's residential development.

A. Application of Rules. These Rules apply to specific multifamily rental residential developments for which an applicant or a Local Political Subdivision on behalf of an applicant requests the Corporation to make a loan to obtain tax credits in connection with such development.

B. Waiver of Rules. Specific provisions of these Rules may be waived by a majority vote of the Board of Directors or the Management Committee of the Corporation.

C. Amendment of Rules. These Rules may be amended, revised, repealed or otherwise altered by a majority of the Board of Directors or the Management Committee of the Corporation at any time and from time to time and with or without notice.

II. GENERAL REQUIREMENTS

The Corporation will not make a loan of funds to any applicant in connection with any financing for any residential development that has not satisfied, as determined by the Corporation, general requirements set forth in this Article II. The Corporation reserves the right to impose additional specific requirements with respect to any particular residential development. Compliance with these Rules does not and shall not be deemed to constitute a commitment or assurance that financing will be provided by the Corporation. In completing and executing the Application for Loan attached below, the applicant hereby represents and warrants or covenants with respect to the residential development for which tax credits are being obtained as follows:

III. FILING AND PROCEDURAL REQUIREMENTS

A. Preliminary Applications. Any person desiring that the Corporation make a loan to facilitate obtaining tax credits in connection with the financing or refinancing for a residential development shall complete and file with the Corporation an Application for Loan attached to these Rules as Exhibit "A". Such Application for Loan shall be accompanied by: (1) a completed copy of the Residential Development Financing Questionnaire attached to these Rules as Exhibit "B"; (2) the nonrefundable loan application fee described in Article IV of these Rules; (3) an executed copy of the Indemnity Agreement attached to these Rules as Exhibit "C"; and (4) a copy of the Pre-application or Intent to Request submitted to the Texas Department of Housing and Community Affairs in accordance with the Qualified Allocation Plan. The original application and all attachments shall be filed with the Corporation by mailing or delivery to:

Executive Director
Southeast Texas Housing Finance Corporation
11111 S. Sam Houston Parkway East
Houston, Texas 77089

A separate Application for Loan shall be filed for each residential development. The Corporation will consider such completed Application for Loan on scheduled meeting dates. Applications will be considered administratively complete when all required items are received by the Corporation. The requirements described herein are separate and apart from the requirements of the Corporation to obtaining multifamily bond financing for qualified residential rental projects. In order to apply for such financing from the Corporation a different application must be completed and submitted to the Corporation.

B. Preliminary Approval. If the Corporation finds that the Application is correct and complete, the Corporation shall submit to the applicant a "preliminary approval" consisting of a term sheet containing the significant terms and conditions of the loan. After written execution of the term sheet by the Corporation and the applicant, the Corporation will consider such completed Application for Loan and the adoption of resolution approving the loan based on the terms and conditions contained in the term sheet on the next scheduled meeting date for which proper notice can be given. The Corporation will notify the applicant's contact of the date, time and place of the meeting. If requested by the Corporation, a representative of the applicant may be required to appear at the Board of Directors' or Management Committee's meeting to answer questions about the project and the loan. The Corporation's adoption of a resolution does not obligate the Corporation to make the loan. No person may represent, directly or indirectly, to a potential purchaser of any bonds relating to the project, or to anyone else, except the Texas Department of Housing and Community Affairs, that the Corporation has agreed to make a loan to the applicant.

C. Additional Filing Requirements. Following the adoption by the Corporation of a resolution declaring the Corporation's intent to make a loan to the applicant, the applicant shall file with the Corporation such additional materials as the Corporation may reasonably request in writing. At this time the Applicant shall pay to the Corporation the Loan Commitment Fee as described in Section IV.

D. Preparation of Documents. Upon approval of the Application for Loan and the adoption of the resolution authorizing the Corporation to make the loan to the applicant, and payment of the Loan Commitment Fee (specified in Section G.) the Corporation or its legal counsel shall prepare and deliver to the applicant the loan documentation based on the terms and conditions contained in the term sheet approved by the applicant and the Corporation. On or prior to the closing of the loan, the applicant shall deliver fully executed original signature pages to all loan documentation. Following such approval, the Corporation, the applicant, and other parties involved in the transaction shall proceed to close the loan at a time and place to be determined by the Corporation.

E. Rejection of Application. The Corporation may reject the Application for Loan in its sole discretion for any reason, including but not limited to, if it is not received by the Corporation on or before the application deadline; if it is not accompanied by the application fee or if the application is incomplete and the applicant fails to complete it within a reasonable time after the Corporation's request for completion.

F. Expiration of Application. An Application for Loan expires if it is withdrawn by the applicant; if the Corporation does not adopt a resolution within 90 days from the date of the application; or if the applicant does not close on the financing for its project by the date specified in the application (unless such date is extended and agreed to by the Corporation in its sole discretion). The Corporation's action taken on an Application for Loan becomes void when such Application for Loan expires.

G. The Loan Commitment shall expire if the Loan Commitment Fee (or any applicable renewal or extension fee) is not timely paid by Applicant.

H. Sale of Residential Developments. Any loan made by the Corporation to the applicant is not assumable and must be prepaid in full upon transfer of the residential development.

IV. FEES AND COSTS

- A. Loan Application Fee. The non-refundable Loan Application fee is payable by a check in the amount of \$4000 payable to the Corporation at the time of submission of the request for a Loan. The Loan request will not be processed until such fee is paid.
- B. Commitment Fee. A Commitment Fee of \$3500 is due and payable upon issuance by the Corporation of a Loan Commitment, and shall apply toward a Commitment Period of 120-days. If the Loan is not closed/funded within 120-days of the Loan Commitment Date, the Borrower shall submit a request for a Commitment Extension of 90-days subject to review/approval by the Corporation. An additional \$3000 fee will be due for each 90-day extension period granted.
- C. Closing Fees and Costs. The applicant is responsible for any of the Corporation's legal counsel's fees and expenses in connection with preparing the loan documentation, performing due diligence on the applicant, and any other fees and costs in connection with closing the Loan as directed by the Corporation in its sole discretion. These fees and costs are payable at closing and are separate and apart from the Loan Application Fee, Commitment Fee, and the Loan Origination Fee as described herein.
- D. Collateral for the Loans. The Loan shall be secured and collateralized at all times by an irrevocable standby letter of credit in substantially the form of Exhibit D attached hereto. Such letter of credit shall: (1) be issued by a financial institution reasonably acceptable to the Corporation and in accordance with the Corporation's *Approval Policy for Letter of Credit Providers* as attached hereto as Exhibit E, (2) be in an amount equal to 100% of the original principal amount of the Loan plus 12-months' interest on the Loan.
- E. Letter of Credit. The Letter of Credit must be for a minimum term of 1-year plus 120-days. Upon maturity/expiration of the initial 12-month Letter of Credit Term, the Letter of Credit must be renewed or extended (or replaced by an approved and similarly qualified Letter of Credit Provider) for an additional 6-month term plus 120-days, and then be so renewed, extended or replaced every 6-months so long as the Loan is outstanding.
- F. Loan Origination Fee. A Loan Origination Fee will be due and payable to the Corporation at the time of Loan Closing. An amount of 6% of the Loan Principal Amount will be due at closing. An additional 3% Fee will be due after the 12-month anniversary of the Loan Date, and an additional 3% Fee will be payable upon each 6-month anniversary thereafter, so long as the Loan is outstanding.
- G. Loan Term and Interest Rate. The term of the Loan and Interest Rate will be in accordance with the State of Texas' Qualified Allocation Plan in effect for such Program Year as applicable.

EXHIBIT A

APPLICATION FOR LOAN

<u>For Use by Corporation Only:</u> Application No.: _____ Date Received: _____ Date Admin. Complete: _____ Resolution Date: _____ Closing Deadline: _____ Closing/Withdrawal Date: _____		<u>Intake Checklist</u> Signed Application _____ All Fees Received _____ Questionnaire Complete _____ Indemnity Signed _____ Admin. Complete _____
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TO: Southeast Texas Housing Finance Corporation

I, the undersigned duly authorized representative of _____ (the "Applicant"), do hereby make application to Southeast Texas Housing Finance Corporation (the "Corporation") in accordance with the Corporation's Rules for Loans in Connection with Obtaining Tax Credits for Multifamily Residential Rental Projects (the "Rules"). In connection therewith, I do hereby declare and represent as follows:

1. The Applicant intends to (check all that apply)
 develop, construct and operate
 acquire, rehabilitate and operate

a multifamily rental residential development and desires that the Corporation make a loan to the Applicant to facilitate the Applicant's receipt of tax credits from the Texas Department of Housing and Community Affairs in connection with such development.

2. The Applicant desires a loan from the Corporation in the principal amount of \$ _____ and requests that such amount be paid to the Applicant on _____, _____.

3. The Applicant intends to close the financing for the proposed residential development on _____, _____.

4. The Applicant has received a copy of and reviewed the Rules, and hereby agrees to comply with all terms and provisions thereof, except as such provisions may be expressly waived by the Board of Directors or the Management Committee.

5. The Applicant has submitted herewith a completed copy of the Residential Development Financing Questionnaire attached to the Rules as Exhibit "B" and to the best of my knowledge, the information contained therein is true and correct.

6. The Applicant has submitted herewith an executed copy of the Indemnity Agreement attached to the Rules as Exhibit "C" and the Applicant has sufficient financial resources to fulfill any obligations that may arise under the Indemnity Agreement.

7. The Applicant has submitted herewith the Loan Application Fee in amount of \$4,000 and agrees to pay all Fees and Costs as outlined in Article IV of the Rules.

8. Based on the foregoing, the Applicant requests preliminary approval of this Application for Loan in accordance with the Rules.

9. WITNESS MY HAND THIS _____ day of _____, _____.

(Name of Applicant)

By: _____
Name: _____
Title _____

EXHIBIT B

RESIDENTIAL DEVELOPMENT FINANCING QUESTIONNAIRE

I. INFORMATION RELATING TO THE APPLICANT

1. Owner / Applicant Information:

Full Legal Name _____
Mailing Address (street) _____
City _____ State _____ Zip _____
Phone _____ Fax _____
Soc. Sec. # or Fed. I.D. # _____

2. a. Form of organization of the Applicant (Attach organizational documents).

- _____ For Profit Corporation
- _____ Limited Liability Company
- _____ Limited Partnership
- _____ General Partnership
- _____ Sole Proprietorship
- _____ 501 (c) (3) Corporation
- _____ Governmental Entity

b. If the Applicant is a 501 (c) (3) corporation, please attach a copy of the IRS exemption letter for such corporation or the application to the IRS requesting an exemption letter and the articles of incorporation and bylaws of the Applicant.

3. Indicate the state under whose laws the Applicant is organized and the date of organization.

4. If the Applicant is a corporation or limited liability company identify its officers and directors and indicate their titles. If the Applicant is a partnership, identify all of its general partners. Please provide the social security numbers for each officer, director and/or partner.

5. Name and address of all persons who own a 10% or greater interest in the Applicant. Please provide the social security numbers for all such persons.

6. Name, address, telephone number and, email address of the representative of the Applicant with whom the Corporation should communicate.

7. Development Team Information:

- a. Tax Credit Investor (Firm) _____
Contact Person _____
Address _____
Phone _____ Fax _____
Email address _____
- b. Tax Credit Investor Counsel (Firm) _____
Contact Person _____
Address _____
Phone _____ Fax _____
Email address _____
- c. Owner's Attorney (Firm) _____
Contact Person _____
Address _____
Phone _____ Fax _____
Email address _____

- d. Contractor (Firm) _____
 Contact Person _____
 Address _____
 Phone Fax _____
- e. Architect (Firm) _____
 Contact Person _____
 Address _____
 Phone _____ Fax _____
- f. Management Entity (Firm) _____
 Contact Person _____
 Address _____
 Phone _____ Fax _____

Attach Resume and/or Financial Statements (if applicable) of each team member (firm) identified above

8. Summarize prior development, ownership and management experience of the Applicant or its principals, indicating date of project, type of project, location of project and method of financing.

9. Does the Applicant anticipate entering into a profits participation or joint venture agreement with a financial institution or other party with regard to the Project? If so, explain and attach any agreements between the parties.

10. Does the Applicant intend to apply for property tax abatement in connection with the Project?

II. INFORMATION RELATING TO THE PROJECT

1. Street address and description of exact location of the Project site. Please attach a legal description of the boundaries of the Project site and a map of the area with the Project site highlighted.

2. Describe any existing improvements or structures presently located on the Project site. If none, please write "none."

3. Indicate the approximate size (in acres or square feet) of the Project site.

4. Does the Applicant now own the Project site?

() Yes () No

5. If the Applicant presently owns the Project or Project site, indicate:

Purchase Date: _____

Purchase Price: _____

Balance of Existing Mortgage: _____

Holder of Existing Mortgage: _____

Attach a copy of the deed or other evidence of title in the Applicant as Exhibit " _ " to this Application.

6. If the Applicant presently holds an option to purchase the Project or Project site, indicate:

Present Owner: _____

Date of Option Agreement: _____

Purchase Price: _____

Expiration Date of Option Agreement: _____

Attach a copy of such option as Exhibit " _ " to this Application.

7. If the Applicant has executed a contract to purchase the Project or Project site, indicate:

Present Owner: _____
Date of Contract: _____
Purchase Price: _____
Settlement Date: _____

Attach a copy of such contract as Exhibit " _ " to this Application.

8. If the Applicant does not presently own the Project or Project site, please describe any relationship which exists by virtue of common control or ownership between the Applicant and the present owner of the Project or Project site. If none, please write "none." Attach a copy of documents demonstrating such relationship as Exhibit " _ " to this Application.

9. What is the present number and general description of residential units on the Project site. If none. Please write "none".

10. Does the Project consist of additions to and/or renovation and rehabilitation of existing units?

_____ Yes _____ No

If yes, answer the following questions: (Attach separate sheets as necessary.)

(a) Age of units:

(b) Describe the proposed additions and improvements to be made. Include a description of the type of improvements and amount to be spent per unit and for common areas. (See Article II.E. for reference to Internal revenue Service regulations applicable to rehabilitation.)

(c) Provide data on present vacancy rates and rents by unit size.

(d) Attach recent photos of the Project.

(e) List a breakdown for total project improvements by cost and category.

11. Indicate the number, type (number of bedrooms and bathrooms), approximate size (square footage), and projected monthly rents of the dwelling units included or to be included in the Project.

Number of Units	Type of Units	Size of Units	Monthly Rent

12. Describe any additional facilities included or to be included in the Project, such as parking, laundry, office or recreational facilities. If any of such facilities are expected to generate income, indicate projected amount of such income.

13. Describe the overall style of the Project (e.g., garden apartments, multi-level, high-rise), exterior construction materials, energy conservation considerations and landscaping design. Attach a site sketch showing proposed location of the units on the Project site and an architect's rendering if available.

14. Indicate which of the following equipment, if any, are or will be included in the dwelling units of the Project:

<input type="checkbox"/> Range	<input type="checkbox"/> Disposal	<input type="checkbox"/> Dishwasher
<input type="checkbox"/> Refrigerator	<input type="checkbox"/> Carpet	<input type="checkbox"/> Fireplace
<input type="checkbox"/> Air Conditioning	<input type="checkbox"/> Drapes	<input type="checkbox"/> Other: _____

15. Monthly Utility:

	Type of Utility (Gas, Electric, etc.)	Utilities Paid By:	
Heating		<input type="checkbox"/> Owner	<input type="checkbox"/> Tenant
A/C		<input type="checkbox"/> Owner	<input type="checkbox"/> Tenant
Cooking		<input type="checkbox"/> Owner	<input type="checkbox"/> Tenant
Lighting		<input type="checkbox"/> Owner	<input type="checkbox"/> Tenant
Hot Water		<input type="checkbox"/> Owner	<input type="checkbox"/> Tenant
Water		<input type="checkbox"/> Owner	<input type="checkbox"/> Tenant
Sewer		<input type="checkbox"/> Owner	<input type="checkbox"/> Tenant
Trash		<input type="checkbox"/> Owner	<input type="checkbox"/> Tenant

16. Provide a pro forma cash flow statement for the Project's first three years of occupancy after the requested financing and attach same as Exhibit “_” to this Application. Include assumptions and, specifically, administrative, operating and maintenance costs, taxes, and cash flow available for debt service for each of the three years.

17. Development Costs:

ITEM	COST
Land	
Existing Structures	
Demolition	
Site Work	
Off Site Improvements	
Relocation	
New Construction Hard Costs	
Rehabilitation Hard Costs	
Contractor Overhead	
Contractor Profit	
Construction Contingency	
Architect Fee - Design	
Architect Fee - Supervision	
Permits	
Construction Insurance	

Construction Interest	
Loan Origination - Construction	
Loan Origination - Permanent	
Credit Enhancement Fees	
Taxes	
Title and Recording	
Property Appraisal	
Market Study	
Environmental Study	
Start Up - Marketing	
Surveys and Soil Testing	
Organizational	
Bridge Loan Fees	
Tax Opinion	
Developer's Overhead	
Developer's Fee	
Rent-up Reserve	
Operating Reserve	
Cost of Issuance	
Other	
Other	
Other	
Other	
Total Development Costs	

18. Indicate the percentage of the Project costs for which the Applicant desires financing and the amount of equity investment in the Project which the Applicant proposes to make.

19. Indicate the type and amount of costs expended (including orders for any Project equipment or furnishings) with respect to the Project to the current date. If none, please write "none."

20. Have any costs (including orders for any Project equipment or furnishings) been incurred but not paid? If yes, identify and explain, including the date each expenditure was made.

21. Describe any restrictions to be imposed by the Applicant on Project tenants, including family size, pets or others.

22. Management Information: Attach as Exhibit “_” information concerning prior management experience including projects managed, number of units in each project and number of years of project management. Estimate the fee to be paid to such managing agent.

23. State best estimates as to the minimum family income levels of the expected tenants required in order to pay anticipated monthly rent amounts.

24. Indicate number of residences or businesses displaced by construction or rehabilitation of the Project, if any. (If none, please write “None.”) Describe procedures to be used to minimize impact of any displacement. If relocation is necessary attach Relocation Plan.

III. INFORMATION RELATING TO CONSTRUCTION

1. Has construction of the Project begun?
_____ Yes _____ No

If yes, give date construction began: _____

If no, give estimated date for commencement of construction: _____

2. State estimated date of completion: _____

3. State estimated date Project will be initially available for occupancy: _____

4. Contractor Information: Attach information concerning projects previously completed by the contractor. Include location, year of completion, number of units and approximate construction cost of each project.

5. Architect Information: Attach information concerning projects designed by the architect.

IV. INFORMATION RELATING TO THE FINANCING

1. Indicate any other rent supplement, loan guarantee, grant or mortgage insurance for which the Applicant has made, or intends to make, application with respect to the Project. If none, please write “none.”

2. Please describe all sources of financing for the Project.

3. Has any member of the identified Development Team filed/declared bankruptcy or reorganization under bankruptcy regulations? If yes, please explain.

EXHIBIT C

INDEMNITY AGREEMENT

Board of Directors
Southeast Texas Housing Finance Corporation

_____ (the Applicant") has filed or is concurrently filing with Southeast Texas Housing Finance Corporation (the "Corporation") an Application for Loan in accordance with the Corporation's Rules for Loans in Connection with Obtaining Tax Credits for Multifamily Residential Rental Projects. For the purpose of inducing the Corporation to accept, review and act upon such Application for Loan and to make the loan therein contemplated, the Applicant hereby agrees to indemnify and hold harmless the Corporation, its officers, directors, employees, agents and representatives, from and against all costs, losses, damages, expenses and liabilities of any kind arising from or in connection with the Corporation's acceptance, review, approval or disapproval of such Application for Loan, or the delivery of the loan therein contemplated, or the design, acquisition, construction, rehabilitation, installation, operation, use, occupancy, maintenance or operation of the residential development described in such Application for Loan. The applicant understands that the Corporation is under no obligation to make the loan for any reason. It is expressly agreed that the provisions of the Indemnity Agreement shall survive any approval or disapproval of such Application for Loan and the delivery of or failure to deliver any such loan.

This Indemnity Agreement shall be effective upon its execution by the applicant this _____ day of _____, _____, and its acceptance by the Corporation as indicated by its execution below.

(Name of Applicant)
[Must be an entity with sufficient financial resources
to fulfill the potential obligations of this indemnity agreement]

By: _____

Name: _____

Title: _____

ACCEPTED THIS _____ day of _____, _____.

SOUTHEAST TEXAS HOUSING FINANCE CORPORATION

By: _____

Name: _____

Title: _____

EXHIBIT D

IRREVOCABLE STANDBY LETTER OF CREDIT

[Letterhead of Provider]

Amount: (1*) _____
Effective Date: (2*) _____
Termination Date: (3*) _____
Present Drafts to:

LETTER OF CREDIT NO.:
BENEFICIARY:
Southeast Texas Housing Finance Corporation
Attention: Ron Williams
11111 South Sam Houston Parkway East
Houston, Texas 77089

_____ hereby offers its IRREVOCABLE STANDBY Letter of Credit ("Letter of Credit") in favor of the above-named Beneficiary. Subject to the terms and conditions, the Letter of Credit shall be honored by the presentment by Beneficiary of a payment request to the Bank in the form of a draft drawn under the Letter of Credit and payable at sight within three (3) banking days for any sum or sums not exceeding in total of _____ on the account of:

no later than the termination date identified above.

Drafts presented for payment must include the Letter of Credit number set forth above, this Letter of Credit, and a certification by Beneficiary that demand has been made by Beneficiary to Borrower for performance of the obligations of Borrower owed to Beneficiary and that said demand has not been satisfied by Borrower.

This Letter of Credit and all matters incidental hereto shall be governed by and construed in accordance with the laws of the State of Texas without giving effect to the choice of law principles included therein, the Uniform Commercial Code and the usages and customs set forth in the Uniform Customs and Practice for documentary Credits (1993 D.B. Revision) International Chamber of Commerce Publication No. 500 D.B. and any revisions thereof.

This Letter of Credit is irrevocable and shall inure to the benefit of the Beneficiary and shall be binding upon the undersigned and its successors and assigns. This Letter of Credit may be transferred or assigned by the Beneficiary, with ten days prior written notice to the Bank.

The Bank engages with the Beneficiary that drafts properly presented and in compliance with this Letter of Credit will be duly honored.

(authorized signature)

Name: _____

Title: _____

- * (1) Must equal loan principal amount plus applicable interest at the loan interest rate and for the full loan term.
- * (2) Effective date of Promissory Note.
- * (3) Must be at least 120 days after the Promissory Note Maturity Date.

EXHIBIT E

SETH Loan to Developers Program

Approval Policy for Letter of Credit Providers

Date: October 4, 2007

Purpose: To establish base guidelines for the evaluation of financial institutions providing letters of credit as security for loans made by Southeast Texas Housing Finance Corporation to developers under the SETH Loan to Developers Program.

A bank or other financial institution submitted to SETH by a borrower as a provider of a letter of credit for the security of a loan is required to meet the following minimum rating and/or scoring requirements:

- If rated by one or more of the major rating agencies, the following minimum rating is required of each agency for which the institution has received a rating:

<u>Standard and Poors:</u>	Bank Fundamental Strength Rating	B
	Short-term Credit Rating	A-1
<u>Moody's Investors Service:</u>	Bank Financial Strength Rating	B-
	Short-term Debt Rating	P-1
<u>Fitch Ratings:</u>	Bank Individual Rating	B
	Short-term Credit Rating	F-1

- If not rated by one or more of the major rating agencies included herein, the following minimum scores are required for the institution as per the most currently published U. S. Financial Institutions Scoring Report issued by Fitch Ratings:

<u>Fitch Scoring Report:</u> Range = 1 to 5 (1 = Highest)	Bank Liquidity Score	2.5
	Bank Asset Quality Score	2.5
	Bank Capital Score	2.5
	Bank Overall Score	2.5

SOUTHEAST TEXAS HOUSING FINANCE CORPORATION

Letter of Credit Provider – Approval Form

Date: October xx, 2008

Provider Institution: Sample Bank

Letter of Credit Amount: \$xxx,xxx.00

Loan Information:

Borrower Name: XYZ Borrower

Project Description: XYZ Apartment Project, Sample City, Texas

Approval:

This approval form, completed and duly executed, shall certify that the above-named Provider Institution has met the minimum requirements for providing a letter of credit as security for the loan made to XYZ Borrower for the XYZ Apartment Project under the SETH Developer Loan Program. Documents evidencing the pertinent ratings and/or scores of Provider Institution are attached to this approval form.

Approved by:

Executive Director / Date

Chief Financial Officer / Date

11111 South Sam Houston Parkway East • Houston, Texas 77089
281.484.4663 • fax 281.484.1971