

SAE Financial and Housing Corp. Housing Loans

SAE F&H Corp. has run a successful loan program to support housing loans for Fraternity chapter houses for over 75 years, if one includes when F&H was known as the Fraternity Endowment Fund.

Those House Corporations needing a loan are instructed to consider SAE F&H to be the “bank of last resort” since we encourage alumni to use local banks. The loans from F&H should be used when local financing is not available or for emergency purposes when time is of the essence.

Also, life safety loans are emphasized and supported by F&H to

- ensure safe housing for our members,
- lower property insurance premiums for SAE House Corporations, and
- help lower the Fraternity’s risk management insurance.

The SAE Financial & Housing Corporation Board of Directors responsibility is to protect the Fraternity Endowment Fund (the funds used to make loans to house corporations). It is for that reason there is a very detailed application process for each loan.

The loan application packet can be found in the index under Section ____. Staff will review each application and once completed, will forward to the Board of Directors for a vote. If the loan is approved, staff will coordinate with a local attorney, selected by F&H, to handle the due diligence and loan closing.

It is recommended that house corporation contemplating a loan, ensure that they have a clean title on the property, and that they have paid off any vendors, contractors, etc., who are owed any monies. In addition, the house corporation is encouraged to ensure that they are in good standing with the State in which they are domiciled and are following their own internal articles of incorporation and bylaws as it relates to borrowing funds. Successful loan applicants will be asked to modify their articles of incorporation with terms outlined in below - *Reversionary Clause* that deals with the possibility of a dissolved house corporation.

Loan Types and Application Processes

The following table shows the various types of loans and compares their attributes.

Loan Type	Loan to Value	Typical Max Amount	Base Rate	Term
First Mortgage	75%	\$125,000	10%	15 yr. Amortization
Second Mortgage	75%	\$125,000	10%	15 yr. Amortization
Life Safety Loan	75%	\$50,000	6.25%	15 yr. Amortization
Loan w/Personal Guarantee		10,000	10%	3 year Amortization
Leased Property				

Loan types and Loan Attributes

The name of the prior F&H “unsecured loan” has been changed to “Loan w/Personal Guarantee.” F&H does NOT and never did make unsecured loans. All loans must be secured either by property or by the personal guarantee or collateral of chapter alumni.

First Mortgage

Bank Mortgages - First Mortgages are often needed when F&H acquires a property. F&H uses a national loan consultant to find the most favorable terms available. Fees paid to the consultant are earned only when the loan is closed. The consultant’s services are available to House Corporations looking for financing:

Name and Address GREG

F&H Mortgages - First Mortgages are also offered by F&H to housing corporations that do not have a current mortgage and are in need of financing for fraternity property improvements.

General Terms

1. Shall not exceed 75% loan to value
2. Loan maximum is typically \$125,000, but the amount can be waived
3. Base interest rate is 10%
4. 15 year amortization schedule, but can be waived
5. 2% loan origination fee
6. Late Fee of 1.5%
7. Appraisal of property required or for new construction, a review of the plans

Requirements

1. Letter of application
2. Name, address, e-mail, phone numbers, and SAE affiliation of HC Board, Chapter Advisor, & EA
3. Evidence of current good standing of the HC with your State
4. Most recent IRS Form 990s (tax return).
5. Real estate tax assessment on the property
6. Evidence of paid real estate taxes
7. Identification of Local counsel (Exhibit B)
8. HC Financial or Cash Flow Analysis (Exhibit D is provided for your use if desired)
9. HC Articles of Incorporation
10. HC By-Laws
11. Declarations Page from House Corporation’s Insurance Policy (Proof of Insurance)
12. Appraisal of Property (not required for a Loan Secured by Personal Property or Guarantee).
13. Photographs of property
14. Letter of Support from Province Archon

Second Mortgage

Second Mortgages are offered to housing corporations that have a current mortgage and are in need of financing for fraternity property improvements if the total loan to value does not exceed 75%.

General Terms

1. Second mortgage loans from F&H are subject to the rules and regulations outlined above for first mortgages
2. In addition, for second mortgages responsible alumni or other parties acceptable to the Board must guarantee portions of the loan that equal the total amount of the loan. Potential guarantors will be asked to sign personal financial statements (Exhibit A).

Requirements

1. Items A – L above (except item J is not required for a Loan Secured by Personal Property or Guarantee)
2. Signed Loan Guaranty Forms (Exhibit A)

Life Safety Loan Program

Life Safety loans are offered to house corporations that need to make improvements to the structure that are related to the safety of the tenants. Among the most obvious are sprinkler systems that are retrofitted into an existing house. In addition to a loan to finance the project, F&H offers a standard offering whereby house corporations can get a turn key installation through F&H.

Requirements

Loan proceeds must be used for: Fire Alarm Systems, Fire Suppression systems, fire safe doors, etc.

SAE Financial & Housing Corporation will lend money towards the following life-safety programs:

- Alarm/Alert Systems - Hardwire (electrical-driven) fire, smoke and/or carbon-monoxide alert systems that are properly permitted and approved by the relevant local authorities and that are monitored centrally
- Sprinklers - Fire-sprinkler or fire-suppression system that is permitted and approved by the relevant local authorities
- Back-up Lighting - Installation of new exit and emergency backup lighting in accordance with and as required by code
- Doors, etc. - Fire-rated doors and other life-safety equipment

Terms

- Amount: maximum of \$50,000 but will consider higher loan amounts
- Interest Rate: 6.25%
- Payments: up to a max of 180 months (15 years)
- Loan Origination Fee: none
- Closing Cost: paid by borrower
- Collateral: mortgage and/or personal guarantee
- Pre-Payment Penalty: none

Eligibility

Life-safety loans are available to established Sigma Alpha Epsilon house corporations who have been in existence for at least 12 months and have a legitimate and reasonable contractual responsibility for the repair and maintenance of their chapter house.

The corporation must be in good standing with the state in which it is incorporated, and the corporation should exist for the benefit of an active chapter.

The borrower must own the real estate that will be improved with the loan proceeds or have an adequate leasehold interest with a term at least equivalent to the term of the proposed loan. In addition, the borrower must have an organized governing board committed to the perpetual and effective management of the corporation and agrees to follow SAE Financial & Housing Corporation's suggested property-management practices. Furthermore, the borrower must complete and submit the standard application for the loan, clearly describing the need and cost of the desired solution. It will require financial information about the borrower and the chapter, which helps demonstrate their ability to afford the loan with reasonable projections of income and expenses, including adequate allowances for contingencies and reserves.

Loan Secured by Personal Property or Guarantee

A loan Secured by Personal Property or Guarantee is available when the chapter house property is mortgaged or a commercial loan is neither available nor practical. F&H will make funds available to a house corporation that can secure the support of its alumni through a personal guarantee or pledge of personal property.

F&H currently will not make large loans (those in excess of \$10k) secured by personal guarantee due to multiple "bad" loans from the past. Usually, the house corporation can find better terms from their local bank.

General Terms

1. Up to \$10,000
2. Base Interest Rate is 10%
3. \$200 administration fee will be charged regardless of the amount of the unsecured loan
4. 3 year amortization schedule
5. In addition, for a Loan Secured by Personal Property or Guarantee responsible alumni or other parties acceptable to the Board must guarantee portions of the loan that equal the total amount of the loan. Potential guarantors will be asked to sign personal financial statements (Exhibit A).
6. A Loan Secured by Personal Property or Guarantee shall be guaranteed by one or more of the following methods. The Board shall be the sole determiner of the acceptability of any guarantee.
 - 1) Co-sign or guarantee by responsible alumni or others acceptable to the Board in amount of the note. Each co-signer or guarantor shall furnish to the Board information to the satisfaction of the Board to establish the financial responsibility of the co-signers or guarantors.
 - 2) When secured by an agreement of the school of domicile that is leasing property for a Chapter house and which agreement will in the opinion of the Board, provide adequate security for the loan.
 - 3) When secured by marketable securities having a market value of such minimum amount, not less than 200% of the amount of the loan, as shall be deemed advisable by the Board.

- 7 No Loan Secured by Personal Property or Guarantee shall be made to any House Corporation that is in default under any existing Chapter loan.

Application Requirements

1. Items A – L above (except item J is not required for unsecured loans)
2. Signed Loan Guaranty Forms (Exhibit A)

Leasehold Mortgage Loans

Content:

Describe for whom this is intended and general requirements.

Terms

Lease Hold Mortgage

What happens on default

Details

Requested Documentation to establish the Existence of Adequate Security (e.g., copy of Lease)

Amend Articles of Incorporation to include Reversionary Clause

Greg/Mike are writing this.

Loan Requirements, Documentation, and Closing

Content:

General discussion of documentation required and timing

All doc comes from the Lender

What is criteria for hiring local Atty

What is the Amt of loan? \$25,000

Is there another Mortgage out there?

What is the Risk?

Three type mort docs: Create and include one of each (In the appendix)

See Harland Forms

1. Mortgage

2. Deed of Trust

3. Deed of Secure Debt

PM - Create Dash board for loans

In the Appendix

Overhaul the Loan Application

- A) Application (needs to be modified) and Closing requirement checklist
- B) Title insurance policy (Lots of material to add under title insurance policy)
- C) Who has Authority to sign on behalf of F&H (Board Pres and ESR)
- D) Where do we store of original documents?
- E) Deal Room Storage (Brings up a different topic about the deal room and website)

Reversionary Clause

When F&H makes a loan on a property, the house corporation must alter their articles of incorporation to provide for the possibility that the house corporation dissolves.

If the house corporation, sometime in the future, does dissolve, the assets are to be turned over to SAE F&H Corp. either temporarily or permanently.

Thus the following language must be included in the House Corporation's Articles of Incorporation.

"In the event of dissolution of the corporation, all assets of the corporation shall be distributed to SAE Financial & Housing Corporation, an Ohio not-for-profit corporation (including its successors, "F&H").

The corporation hereby nominates, constitutes and appoints F&H as its true and lawful attorney-in-fact and hereby empowers and appoints F&H to execute any and all documents that F&H determines, in its sole discretion, are required to transfer and convey said assets to F&H in accordance with this provision.

Upon acceptance of the corporation's assets, F&H agrees to hold the assets in trust for a period of 20 years from the date of the corporation's dissolution, provided that F&H may hold and invest the assets in such manner as F&H determines in its sole discretion.

If a new Sigma Alpha Epsilon house corporation is organized within the 20-year period to provide SAE fraternity chapter housing at _____ University, then F&H shall transfer all of the assets minus any expenses incurred in the protection and maintenance of the asset during the trust period, to the new house corporation, provided that the Supreme Council of Sigma Alpha Epsilon Fraternity, an Illinois corporation ("Fraternity"), determines in its discretion that there exists a viable colony or chapter of the Fraternity at said University, and further provided that F&H determines in its discretion that the newly formed house corporation is viable and capable of providing chapter housing to the designated colony or chapter.

If, within 20 years of the corporation's dissolution, the assets of the trust are not distributed pursuant to the preceding sentence, then the trust shall terminate and the assets held in trust by F&H shall become the unrestricted property of F&H."

Loan Administration (Greg)

Content:

General discussion of administration requirements and guidelines

Process Chart for each type

Specific list of tasks

Guaranteed Loans (Steve)

Spell out aggressive plan for Managing)

Letter annual has loan been modified

Evidence of Insurance

Payoff – What do we do to when the loan is paid in full

Quit Claim Deed of release vs Stamped Paid in full.

Non-Performing Loans

Use as examples (Univ Denver, LA Rho, Ind Gamma)

A) All Loans

B) Loan Guarantee (Steve)

- Loan Guarantee Fee
- Board vote eliminating program
- Administrating existing loan guarantees
- Elimination of existing loan guarantees
- List of outstanding loans and what we are doing to get rid of them

C) Interest Rates how established

D) Amortization Schedule (365 days – 15 years)

- Can be lowered or increased by board approval (NMTA)

PM – Task lists: (Jonathan)

Schedule of loans and all process tasks

- A) Crediting payments
 - a. When payments are received, they are booked in the F&H accounting software [Great Plains]. The total amount is broken into principle and interest amounts collected. These amounts are taken from the amortization schedule of the loan.
- B) Invoices
 - a. Invoices are sent out 1 month prior to the payment due date in one [or both] of the following ways.
 - i. Mail – Invoices are mailed to the borrower
 - ii. E-Mail – A PDF copy of the invoice is sent to the borrower
- C) Due Dates
 - a. Due dates are determined by the promissory note of the loan. All due dates are set for either the 1st or 15th of each month.
- D) Late Fees (are we collecting?)
 - a. Late fees are determined by the promissory note of the loan. A late charge of two percent (2%) of the full monthly payment shall be paid on any installment payment not received by the holder(s) of the note within thirty (30) days of the due date thereof for each month or fraction of a month that such monthly payment is delinquent in whole or part.
- E) Housing Excellence Rebate Program
- F) Non-performing loans
 - Correspondence (need to develop an SOP related to how we handle non performing loans)