



Multifamily Underwriting Standards Release Notes

June 2023

The Multifamily Underwriting Standards (the “Standards”) reflect Minnesota Housing’s general approach to underwriting and sizing of funding awards, including Low and Moderate Income Rental (LMIR) Amortizing Loans, most Deferred Loans*, and Housing Tax Credits (HTC) – both those allocated in the competitive (9%) rounds, as well as those awarded in conjunction with tax-exempt bonds (4%).

This document highlights changes made in the June 2023 version of the standards. The June 2023 Standards must be used when applying for funding in the 2023 Request for Proposals (RFP)/2024 Housing Tax Credit (HTC) Round 1, the 2024 HTC Round 2, the 2024 Available Financing round, and other funding rounds as determined by Minnesota Housing.

NOTE: Minnesota Housing, at its sole discretion, may update the Standards at any time. Owners, developers, and other entities are responsible for reviewing, understanding, and complying with the most recent and applicable updates.

*Refer to page 5 of the Standards for a list of Deferred Loan programs that rely on these Standards.

General and Organization

- Changes have been made through-out to improve consistency in terminology and use of terms defined in the Appendix A to the Standards.
- Chapter 1 – Types of Loans was formerly Chapter 9.
- Chapter 5 – Proforma Assumptions moved from Chapter 7 to better align with the overall organization of the document.
- Chapter 8 – Other Requirements is a new chapter which adds and consolidates important information.
- Appendix A -Terms updated.

Chapter 1 – Types of Loans and Fees

- Formerly Chapter 9.
- 1.03 Cash Flow Note Provisions
 - Moves from Chapter 9.
 - Clarifies that annual payments would apply to principal.

- Clarifies that that the calculation is based on Eligible Cash as shown in this section. Previously this was written as the payment was based on Surplus cash with various adjustments (which arrives at Eligible Cash).
- Eliminates adjustment for Tax Increment Financing payments.
- Replaces the adjustment for Management Fees in excess of approved amounts with any form of payment to general partner.
- 1.04 Bridge Loan
 - Removes reference to Low and Moderate Income Rental (LMIR) program.
- 1.07 Loan Related Fees
 - Refers to the Multifamily Loans Program and Housing Tax Credit Fee Schedule for applicable fees.
 - More consistent; standard fees are applied as identified in one location. Previously, some fees were included in the Standards and others were not.

Chapter 2 – Credit Review

- Formerly Chapter 1.
- 2.02 Borrower
 - Information on maximum distribution can now be found in Section 8.04 Return on Equity with greater detail and clarity but no substantive change.
 - Requirements for non-recourse loans is now located in Section 8.02 Recourse and Guarantees with greater detail and clarity and includes changes (also summarized below).
- 2.04 Guarantor
 - Specific guarantee requirements are now located in Section 8.02 with changes. Guarantor information remains.
- Guarantee requirements from Tribal Nations is now Section 8.03 with no substantive change.
- 2.05 Developer
 - Simple and streamlined with no substantive change.

Chapter 3 – Income

- Formerly Chapter 2.
- 3.02 Supportive Housing Standards – High Priority Homeless, Other Homeless Households or People with Disabilities
 - Adds Other Homeless Households to this section.
 - Refers to Housing Support Confirmation Form for current Housing Support rents.
 - Clarifies and adds guidance on underwriting to allow for tenants to transition to Minnesota Supplemental Aid (MSA) Housing Assistance.

- Adds discussion and guidance on developments that are Primarily Supportive Housing to align with changes made to the Supportive Housing scoring and processes being made in the Consolidated RFP.
- 3.05 Vacancy Factor
 - Provides flexibility between 5% to 7% based on the strength of the market.
- 3.06 Average Income Test (AIT) Election
 - Updates “Income Averaging” to align with current IRS and other Minnesota Housing materials.
 - Clarifies that when AIT is paired with Minnesota Housing loans, the requirements of those programs must still be met and provides further guidance on underwriting of rents when LMIR Amortizing Loans are paired with AIT.

Chapter 4 Expenses

- Formerly Chapter 3.
- 4.02 Unique Operating Expenses for Supportive Housing
 - Provides new information and guidance for budgeting and underwriting of tenant service coordination expenses.

Chapter 5 Proforma Assumptions

- Formerly Chapter 7.

Chapter 6 Fee Limits

- 6.01 General Contractor Fees
 - Refers to Contractor’s Guide to eliminate duplication and possible inconsistencies.
- 6.03 Developer Fee
 - Reorganizes and clarifies information. Fee limits remain unchanged.
 - Adds discussion and definition of Total Developer Fee, Deferred Developer Fee and Net Developer Fee to clarify Minnesota Housing’s practices and expectations.
- 6.05 Construction Oversight Fee
 - Agency fees are now referenced in Chapter 1 with a link to the Multifamily Loans Program and Housing Tax Credit Fee Schedule for specific fee requirements.

Chapter 7 Reserves and Escrows

- 7.04 Operating Deficit Escrow
 - The escrow is not required for LMIR loans on existing properties with fully stabilized operations. The Standards formerly allowed a waiver to be considered.
- 7.05 Tax and Insurance Escrows

- Includes calculation of the escrows and when required.

Chapter 8 Other Requirements

- New Chapter that adds and consolidates important information.
- 8.01 State Prevailing Wage
 - This information was previously found under Types of Sources (previously Chapter 9). The information is unchanged.
- 8.02 Recourse and Guarantees
 - Clarifies when recourse loans will be required.
 - Revises repayment guarantees from “If Applicable” to not required for deferred loans.
 - Includes information previously found in Chapter 2 under Guarantor.
- 8.03 Tribal Nation Guaranty
 - Previously located in Chapter 2 under Guarantor
- 8.04 Return on Equity
 - Details limits and applicability.
 - Previously found in Chapter 2 under Borrower.
- 8.05 Sales Tax Rebate
 - Previously found in Chapter 9. The information is unchanged.
- 8.06 Energy Rebates
 - Previously found in Chapter 9. The information is unchanged.
- 8.07 Renewable Energy Certificates (RECs)
 - Adds new information
- 8.08 Community Service Facilities and Housing-Related spaces
 - Adds new information

Chapter 10 Appraisal Requirements

- Adds acceptance of appraisals not engaged by Minnesota Housing when needed to comply with USDA Rural Development acquisition requirements.

Questions?

Contact mhfa.MFTechAssist@state.mn.us for questions related to the Standards.