



## Rental Rehabilitation Deferred Loan (RRDL) Pilot Program Commercial Loan Primary Mortgage Policy

**Date: June 23, 2015**

A significant number of property owners were unable to meet the previous guideline requiring the repricing periods to occur after the RRDL Program Loan Effective Period (10 or 15 years) without significantly increasing the interest rate or incurring additional fees. This negated the benefit of the commercial loan's lower interest rates, threatened the property cash flow, and ultimately excluded a number of potential borrowers from participating in the RRDL Program.

Therefore, the policy was modified to permit properties with variable rate commercial loans to participate in the RRDL Program as long as the commercial loan meets the following guidelines:

The initial loan amortization schedule, as well as any revised or modified amortization schedule, is established to fully amortize the commercial loan.

The commercial loan may be repriced prior to the maturity of the RRDL Loan.

The commercial loan will not mature prior to the Minimum RRDL Program Loan Term described in the table below.

The commercial loan repricing will not require Minnesota Housing to re-subordinate the RRDL Loan.

All RRDL Loan terms and conditions and other RRDL Loan options will remain unchanged and available to the borrower. The terms and conditions also include the following:

May be extended, with Minnesota Housing's consent, when the RRDL Loan matures and the owner agrees to maintain the rent and income restrictions along with agreeing to report annually for the duration of the RRDL Loan.

May be extended to the remaining term of any senior debt in place at the time of the RRDL Loan closing, as long as the remaining senior loan term is equal to or greater than the RRDL Loan term.

May receive a release from the program restrictions required for the remainder of the RRDL Program Loan Minimum Affordability Period by payment of a premium in addition to the full repayment of the RRDL Loan.

A porting of RRDL Loan may be forgiven for maintaining the applicable income, rent, and compliance requirements in accordance with the RRDL Program for the RRDL Program Loan term. Five percent is forgiven each year the last years of the RRDL Program Loan when the applicable requirements are met.

Properties with existing primary debt, including commercial loans, that mature and are fully satisfied before the Minimum RRDL Program Loan Term, are eligible for RRDL Program Funds.

<b>Examples of RRDL Program Loan Terms for Existing Commercial Debt with Renegotiated Pricing every 3 -7 years</b>				
<b>RRDL Loan Amount</b>	<b>Program or Project</b>	<b>Minimum RRDL Loan Term</b>	<b>Minimum Affordability Period*</b>	<b>Minimum Period to Receive Maximum Loan Forgiveness **</b>
\$25,000 - 99,999	Program Model Loan	10 yrs	5 yrs	10 yrs of compliance
\$100,000 - 300,000	Program Model Loan	15 yrs	10 yrs	15 yrs of compliance
\$25,000 - 300,000	Specific Project Loan	30 yrs	15 yrs	30 yrs of compliance

\*The period of time between the beginning loan date on the legal documents and time within which the Borrower maintains the applicable income, rent, and compliance requirements in accordance with the RRDL Program Guide.

\*\* The period of time between the beginning loan date on the legal documents and time within which the Borrower maintains the applicable income, rent, and compliance requirements in accordance with the RRDL Program Guide and RRDL Repayment Agreement to receive the maximum allowed debt reduction. Five percent is forgiven each year in last years of the RRDL Program Loan when the applicable requirements are met.