

# FIRST MORTGAGE Refinance Low and Moderate Income Rental Program (LMIR) with HUD Risk-share

## Program Overview

Funds are available to refinance existing first mortgages for affordable multifamily housing. Funds are for first mortgage, fixed-rate, amortizing debt for multifamily rental housing affordable to low- and moderate-income households.

## Application Process

Applications accepted throughout the year.

## Lending Terms

<b>Eligible Properties:</b>	Existing first mortgage may be with Minnesota Housing or another lender. Properties must meet the rent and income limits established in the LMIR program guide.
<b>Borrower:</b>	Existing Limited Partnership may be amended to buy out tax credit limited partner with the refinance.
<b>HUD Risk-share:</b>	Loans are insured at 50 percent in the Level I Risk-share Program.
<b>Loan Parameters:</b>	<b>Maximum Loan to Value (LTV)</b> <ul style="list-style-type: none"><li>LTV must not exceed 87 percent of the as-improved restricted value. An appraisal is required.</li></ul> <b>Debt Coverage Ratio (DCR)</b> <ul style="list-style-type: none"><li>Minimum year one DCR of 1.11 – 1.20, based on Minnesota Housing Underwriting Standards; and</li><li>Must maintain a breakeven cash flow for a minimum of 15 years on a proforma basis.</li></ul>
<b>Cash Out:</b>	Cash out allowed with a 1.20 DCR, completion of critical repairs, and some repayment of Minnesota Housing deferred loans, if applicable.
<b>Term and Amortization:</b>	Up to 35 year term and amortization. A 17-year balloon structure is also available.
<b>Guaranty:</b>	All monetary obligations must be guaranteed, except principal and interest, for the life of the loan.
<b>Interest Rate:</b>	The interest rate will be published monthly. Upon receipt of a signed engagement letter, the interest rate will be held for a period of six months to allow for loan closing. The final interest rate will be fixed for the full term of the loan.
<b>Prepayment:</b>	Ten year lockout; prepayment in full any time after 10 years with Minnesota Housing approval. Prepayment fees may apply.
<b>Third Party Reports:</b>	Architect-prepared 20 year capital needs assessment, to be ordered and submitted by the borrower.

- Fees and Expenses:**
- Origination fee of 2 percent on the first \$5 million in financing and 1 percent on an amount above \$5 million; minimum origination fee is \$25,000.
  - Mortgage Insurance Premium (MIP) of 0.125 percent for HUD Risk-share, one year due at closing, then paid monthly.
  - Borrower is responsible for all legal fees and closing costs. These fees may be included when determining the mortgage amount.

**Escrows:** Existing escrows held by Minnesota Housing must be transferred to the new loan, including items such as real estate taxes, insurance, replacement reserves, residual receipts, etc.

**Repairs Qualifications:** Repairs or rehabilitation must be completed to a standard that when properly maintained, remains decent, safe and affordable for the duration of the financing compliance period. Refer to Minnesota Housing's [Building Standards webpage](http://www.mnhousing.gov) at [www.mnhousing.gov](http://www.mnhousing.gov) for full design/construction information.

**Funding Sources:** Housing Investment Fund: Minnesota Housing generated, non-federally tainted resource.

**Return on Equity:** Maximum 15 percent based on actual developer equity. No distributions for nonprofit owned developments.

## Questions

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