

Program Overview

Funds are available to refinance existing HUD Risk Share loans 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

Eligible Properties:	Must have an existing HUD Risk Share loan through Minnesota Housing
Borrower:	No change in partnership allowed with the refinance
HUD Risk Share:	Loans must be insured at 50% in the Level I Risk Share program
Loan Parameters:	<p>Maximum Loan Amount The loan amount will be the lesser of:</p> <ul style="list-style-type: none">• Original principal balance of existing Risk Share mortgage• Unpaid principal balance of existing Risk Share mortgage plus critical repairs, as approved by Minnesota Housing architect, and allowable closing costs <p>Debt Coverage Ratio (DCR)</p> <ul style="list-style-type: none">• Minimum DCR of 1.15 - 1.25 as determined by Minnesota Housing; and• Must maintain a breakeven cash flow for a minimum of 15 years on a proforma basis
Cash Out:	No cash out allowed with the refinance
Term and Amortization:	Up to 12 years beyond remaining term of existing Risk Share mortgage Not to exceed the original term of the original loan Not to exceed 75% remaining economic life
Recourse:	All monetary obligations must be guaranteed, except principal and interest, for the life of the loan
Interest Rate:	The interest rate will be published for each calendar quarter. Upon receipt of a signed loan application, 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.
Prepayment and Assumption:	10 year lockout; Prepayment in full any time after 10 years only with agency approval. Prepayment fees may apply.
Third Party Reports:	Capital needs assessment, to be ordered and submitted by borrower

Fees and Expenses:

- Origination Fee of 2% on the first \$5 million in financing and 1% on the amount above \$5 million; minimum origination fee is \$25,000
- Mortgage Insurance Premium (MIP) of 0.125% for HUD Risk Share Level I, one year due at closing, then paid monthly in addition to interest on the loan
- Borrower is responsible for all legal fees and closing costs. These fees may be included when determining mortgage amount.

Escrows:

Existing escrows must be transferred to the new loan, including but not limited to: real estate taxes, insurance, replacement reserves, residual receipts.

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 the Building Standards page for full design/construction information.

Funding Sources:

Housing Investment Fund: Agency generated non-federal resource

Return on Equity:

Maximum 15% based on actual developer equity. No distributions for nonprofit owned developments.

Questions

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