

AMORTIZING FIRST MORTGAGES

HUD Risk Share Streamlined Refinance

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:	Maximum Loan Amount The loan amount will be the lesser of: <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 Debt Coverage Ratio (DCR) <ul style="list-style-type: none">• Minimum DCR of 1.15 - 1.20 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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