

Multifamily Underwriting Standards Release Notes

Last Updated: April 2025

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 Loans¹, and Housing Tax Credit (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 April 2025 version of the Standards. The April 2025 Standards must be used when applying for funding in the:

- 2025 Multifamily Consolidated Request for Proposals (RFP)
- 2026 HTCs
- 2026 Multifamily Consolidated RFP
- 2027 HTCs
- other funding rounds as determined by Minnesota Housing.

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.

General

- Changes have been made through-out to improve reader accessibility including writing out terms where abbreviations are commonly used.
- Portions of Chapter 8, 13 and 14 were moved to Appendix B -Legal Addendum for consistency across Agency guides and manuals.

¹ Chapter 1 provides additional details on which Deferred Loans the Standards are applicable.

Chapter 1 – Types of Loans and Fees

1.02 Deferred Loans

- Clarifies existing practice that Deferred Loan debt must be in a superior lien position to general partner and sponsor loans.

1.06 Tax Increment Financing Loans

- Underwriting regarding tax increment financing income (TIF) remains the same, but project scoring information which can otherwise be found in the 2026-2027 Self-Scoring Worksheet, was removed to reduce redundancy. Expectations regarding owners' management of TIF proceeds is also stated for clarity.

1.07 Loan Related Fees

- Clarifies that appraisal fees can also be found on the Multifamily Loans Program and Housing Tax Credit Fee Schedule.

Chapter 2 – Credit Review

2.05 Developer

- Clarifies that Minnesota Housing's discretion to approve replacement of a Developer after selection is not limited to 9% HTC projects.

Chapter 3 – Income

3.01 Rent Revenue

- Removes privately funded rental assistance as an option to align with the 2026-2027 Self-Scoring Worksheet.

3.02 Supportive Housing Standards – High Priority Homeless, Other Homeless Households or People with Disabilities

- Simplifies language related to setting Housing Support rent levels.
- Adds greater detail on factors that could result in underwriting higher or lower Housing Support rents.
- Updates supportive housing rent levels for units without a rent subsidy based on updated Minnesota Family Investment Program (MFIP) and MFIP Housing Assistance payment standards.

3.05 Vacancy Factor

- Allows for 10% vacancy for properties that are exclusively supportive housing. Maintains that 7% vacancy is the base vacancy assumption for other project types but allows some flexibility.

3.07 Interim Income

- Clarifies that interim income needs to be bridged during the construction period.

Chapter 4 – Expenses

4.04 Asset Management Fee for Owners [New Section]

- To recognize the ongoing administrative, compliance, and financial oversight responsibilities borne by ownership entities, this policy permits an annual asset management fee for owners as part of allowable operating expenses. The policy defines fee limits and related parameters.

Chapter 5 – Proforma Assumptions

5.01 Income and Expense Inflation Factors

- Allows owners to propose alternative inflation factors along with documented evidence to support the proposal, with a final determination still being at Minnesota Housing's discretion.

5.02 Debt Coverage Ratio

- Changes debt coverage ratio in year 15 from 1.0 to 1.05 to provide for additional buffer in cash flow projections.
- Adds expense coverage ratio of 1.05 to size reserves when cash flow is projected to be negative during the first 15 years.

Chapter 6 – Fee Limits

- No material changes.

Chapter 7 – Reserves and Escrows

7.01 Replacement Reserves

- Allows a 3% annual inflator to budgeted replacement reserve deposits.

7.04 Operating Deficit Escrow

- Clarifies the release date of the operating deficit escrow. There is no change in practice.

Chapter 8 – Other Requirements

8.01 State Prevailing Wage

- This section was moved to Appendix B - Legal Addendum. The scope for prevailing wage applicability was expanded, and reporting requirements were added to conform with Minnesota Statute 116J.871.

8.05 Energy Rebates

- Includes reason why energy rebates are utilized.

8.07 Renewable Energy Certificates (RECs)

- Updates name of the Housing Infrastructure Guide.

Chapter 9 – Acquisition

- No material changes.

Chapter 10 – Appraisal Requirements

10.01 Appraisal to Support Acquisition Costs

- Permits appraisals ordered by other lenders or syndicators that meet Minnesota Housing appraisal standards and list Minnesota Housing as an intended users at Minnesota Housing’s discretion.

10.02 Prior to Closing – Low and Moderate Income Rental Amortizing Loans

- Permits appraisals ordered by other lenders or syndicators that meet Minnesota Housing appraisal standards and list Minnesota Housing as an intended users at Minnesota Housing’s discretion.

10.03 Prior to Closing – Deferred Loans

- Permits appraisals ordered by other lenders or syndicators that meet Minnesota Housing appraisal standards and list Minnesota Housing as an intended users at Minnesota Housing’s discretion.

Chapter 11 – Relocation and Involuntary Displacement

- No material changes.

Chapter 12 – Closing

12.01 Closing in Balance

- Changes the language from “construction completion” to “through the draw period” which is a more accurate and flexible description of when bridge funding must be provided.

12.03 Cost Savings at the End of Construction

- Clarifies practice around using costs savings from Housing Infrastructure Bonds due to federal limitations how bond proceeds can be utilized.

Chapter 13 – Fair Housing Policy

- This full chapter was moved to Appendix B - Legal Addendum.

Chapter 14 – Fraud, Misuse of Funds, Conflict of Interest, Suspension, and Disclosure and Reporting

- This full chapter was moved to Appendix B - Legal Addendum.

Questions?

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