

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 the organization structure is allowed with the refinance.
HUD Risk-share:	Loans must be insured at 50 percent 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 the existing risk-share mortgage, or• Unpaid principal balance of the existing risk-share mortgage plus critical repairs, as approved by a Minnesota Housing architect and within 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 percent remaining economic life.
Guaranty:	All monetary obligations must be guaranteed, except principal and interest, for the life of the loan.
Interest Rate:	The interest rate will be published monthly. 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:	Ten year lockout; prepayment in full any time after 10 years only with Minnesota Housing approval. Prepayment fees may apply.
Third Party Reports:	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 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.org) at www.mnhousing.org 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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