

# 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

- Eligible Properties:** 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.
- Borrower:** Existing Limited Partnership may be amended to buy out tax credit limited partner with the refinance.
- HUD Risk-share:** Loans are insured at 50% in the Level I Risk-share Program.
- Loan Parameters:**
- Maximum Loan to Value (LTV)**
- LTV must not exceed 87% of the as-improved restricted value. An appraisal is required.
- Debt Coverage Ratio (DCR)**
- Minimum year one DCR of 1.11 – 1.20, based on Minnesota Housing Underwriting Standards; and
  - Must maintain a breakeven cash flow for a minimum of 15 years on a proforma basis.
- Cash Out:** Cash out allowed with a 1.20 DCR, completion of critical repairs, and some repayment of Minnesota Housing deferred loans, if applicable.
- Term and Amortization:** Up to 35 year term and amortization. A 17-year balloon structure is also available.
- Guaranty:** All monetary obligations must be guaranteed, except principal and interest, for the life of the loan.
- Interest Rate:** Current [interest rates](#) are on our website. Upon receipt of a signed engagement letter, the interest rate will be held for a period of nine 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>	The following reports will be ordered by the borrower: capital needs assessment, Phase I, and radon testing. Refer to Minnesota Housing's <a href="#">Building Standards webpage</a> for more information. A new ALTA survey will be required unless Minnesota Housing has a survey on file and the title company can provide a survey endorsement. Minnesota Housing will order an appraisal.
<b>Fees and Expenses:</b>	<ul style="list-style-type: none"> <li>• Origination fee of 2% on the first \$5 million in financing and 1% on an amount above \$5 million; minimum origination fee is \$25,000.</li> <li>• Mortgage Insurance Premium (MIP) of 0.125% for HUD Risk-share, one year due at closing, then paid monthly.</li> <li>• Borrower is responsible for all legal fees and closing costs. These fees may be included when determining the mortgage amount.</li> </ul>
<b>Escrows:</b>	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. Borrowers new to Minnesota Housing will fund real estate tax and insurance escrows at closing. Please note that escrows are funded outside of the development budget.
<b>Repairs Qualifications:</b>	Critical or immediate physical needs must be completed within twelve months of closing on the refinance. Replacement reserves must be sufficient to complete any future repairs that will be needed during the ten-year prepayment lockout period. Rehab work and replacement reserve deposits may be funded out of mortgage proceeds. Refer to Minnesota Housing's <a href="#">Building Standards webpage</a> for more information.
<b>Funding Sources:</b>	Housing Investment Fund: Minnesota Housing generated, non-federally tainted resource.
<b>Return on Equity:</b>	Maximum 15% based on actual developer equity. No distributions for nonprofit owned developments.

## Questions

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