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## MULTIFAMILY LOAN PROGRAM PROGRAM HIGHLIGHTS

### Type of Program:

- Permanent financing for multifamily rental homes. Loans may be insured or noninsured depending on security of asset.

### Closing Options (both options require principal and interest payments starting at closing)

- Option 1: (preferred)
  - Permanent financing that will close after 3 months of stabilized occupancy (preferred).
- Option 2
  - Financing will close at site acquisition but before construction or rehabilitation.
  - Narrative demonstrating additional public benefit being added compared to option 1 (in addition to Application narrative described below).
  - Funds not expended at closing will be held in escrow.
  - Independent Construction Monitoring Firm will be agreed to by Montana Housing, Equity Provider and/or Construction Lender.
  - This firm will manage escrow disbursements.
  - Additional security documents will be required.

### Eligible Applicants:

- For-profit, non-profit, and governmental entities as Single Asset Mortgagors.

### Types of Projects:

- Residential rental homes that may be new construction and acquisition with substantial rehabilitation with complete living units. Preservation projects will be prioritized.

### Application

- A Full Application with all required attachments is required.
  - <https://housing.mt.gov/Multifamily-Development/Housing-Credit/Housing-Credit-Application-and-Process>
- A narrative explaining how the loan will not replace existing or available funding for the project, including a detailed description of the public benefit obtained from program funding, including construction phase funding under Closing Option 2, above, if applicable, compared to funding from other existing and available funding sources with substantially similar terms and conditions.
- Project will need to show progress through required quarterly update reports.

### Security:

- Mortgage that may or may not be in first position.

### Loan-to-Value:

- Loan amount will be less than 75% of appraised replacement cost/value and may be reduced depending on security of the asset. If an insured loan it can be above 75%.

### Loan Amounts:

- Maximum loan based on security of the asset but will generally not exceed \$1,500,000.

### Debt Service Coverage:

- Minimum of 1.15 to 1.

### Loan Term:

- Maximum 40-year amortizing 30-year term fixed rate loan. Financial feasibility will be used to set amortization period. Shorter terms will generally be required i.e., 10-, 16- or 20-year term.

### Affordability Term

- A minimum of a 15-year affordability period enforced through a regulatory agreement recorded against the land and may include prepayment penalties if needed.

### Escrow Requirements:

- Escrows established for property taxes and hazard insurance, and replacement reserve.

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#### Loan Servicing

- The loan will be serviced by Montana Housing including escrow and reserve requirements. Servicing fee will be absorbed by loan rate charged below.

Loan Rate: (will generally follow Housing Montana Fund rates but exceptions may be considered)

- 2% if targeting 30% or less AMI households.
- 3% if targeting from 31% to 50% AMI households.
- 4% if targeting from 51% to 80% AMI households.
- 6% if targeting from 81% to 95% AMI households; and
- Weighted average rate if targeting multiple ranges. Existing projects will use incomes of tenants at application.
  - Example:
    - 10-unit property, 5 units @ 30%, 2 units at 50%, 3 units @ 60%
    - $5 \times .02 = .10$
    - $2 \times .03 = .06$
    - $3 \times .04 = .12$
    - Total = .28 Final rate:  $.28 / 10 = .028$  (2.8%)

#### Underwriting and Project Fee Limitations:

- Underwriting assumptions and fee limitations will use the most current Qualified Allocation Plan for Housing Credits as an outline.

#### MH Loan Fees:

- Total of 1% of mortgage loan amount, including origination fees.

#### Mortgage Insurance Premium:

- Depends on the type of MIP being used.

#### Compliance Fees:

- Will match current compliance fees for Housing Credits. Fees will be charged once and not for each funding source if multiple. <https://housing.mt.gov/>