

GMHF Affordable Housing Loan Products



FOR RENTAL & SINGLE-FAMILY AFFORDABLE HOUSING

	Predevelopment Loans	Acquisition Loans	Construction /Rehab Loans	Tax Credit Bridge Loans	Mini-Perm & Permanent Loans	Preservation Loans (PRLF)
PURPOSE	To pay project-specific due diligence expenses, deposits, fees, and other predevelopment costs.	To pay purchase price, closing, and holding costs for site acquisition.	To pay hard and soft costs for new construction, adaptive reuse, or acquisition/rehabilitation projects.	To bridge projected equity for new construction, adaptive reuse, or acquisition/rehabilitation projects.	To provide longer-term, amortizing debt for priority new construction and preservation projects.	To provide long-term financing to preserve USDA Section 515 properties.
SIZE	\$20,000 minimum. (<\$20K call to discuss)	\$100,000 minimum.	\$100,000 minimum.	\$100,000 minimum.	\$100,000 minimum; \$1,000,000 maximum.	No minimum; maximum of \$30,000 per unit.
RATE	Starting at 5% fixed.	Affordable rates; fixed or variable.	Affordable rates; fixed or variable.	Affordable rates; fixed or variable.	Starting at 4%, fixed or variable.	2%-5% fixed.
TERM	Maximum 36 months.	Maximum 36 months.	Maximum 36 months.	Maximum 36 months.	3-7 years mini-perm. 7-30 years permanent.	Up to existing USDA Section 515 loan maturity date.
REPAYMENT	Flexible interest payments, principal due at maturity.	Interest-only payments; principal due at maturity.	Interest-only payments. All principal and outstanding interest due at maturity.	Interest-only payments. All principal and outstanding interest due upon receipt of committed equity.	Amortizing, partially or fully, with monthly payments of principal and interest.	Fully amortizing, with monthly payments of principal and interest.
FEES	1% origination fee. Borrower pays legal costs.	1% origination fee. Borrower pays legal costs.	1% origination fee. Borrower pays legal costs.	1% origination fee. Borrower pays legal costs.	1%-2% origination fee. Borrower pays legal costs.	1%-3% origination fee. \$250 application fee. Borrower pays legal costs.
SECURITY	Generally unsecured up to \$150,000. Guarantee and/or collateral over \$150,000.	Lien on real estate, up to 65% LTV for land and 85% LTV for land with buildings. May require recourse/guarantee.	Lien on real estate, up to 90% LTV. May require recourse/guarantee.	Lien on real estate up to 90% LTV and/or bridged receipts up to 100% of committed equity. May require recourse/guarantees.	Lien on real estate up to 80% LTV. Lien position subject to other lender requirements. Minimum 1.15 DSCR.	Lien on real estate up to 90% LTV. Lien position subject to other lender requirements. Minimum 1.15 DSCR.

TERMS AND CONDITIONS SUBJECT TO CHANGE AND CONDITIONED UPON FINAL UNDERWRITING AND CREDIT APPROVAL.

PLEASE VISIT US AT: WWW.GMHF.COM OR CALL US AT: 1-800-277-2258 OR 651-221-1997.

GMHF Community Development Loan Products



FOR WORKFORCE HOUSING, UNSUBSIDIZED HOUSING, AND ENTITY-LEVEL INVESTMENTS

	TIF Loans	Mezzanine Loan Program	Loan Payment Guarantee Program	Enterprise Working Capital Loans	Community Facility Loans
PURPOSE	To pay TIF eligible project costs by leveraging the projected future value of TIF payments.	To provide flexible loan capital that maximizes debt, leverages equity, and reduces subsidies.	To maximize debt financing as a subsidy alternative by backstopping the first mortgage borrower.	To provide stable capital for pipeline management, operations, and other organizational uses.	To provide flexible loan capital to community facilities via loan participations.
SIZE	\$100,000 minimum.	\$100,000 minimum.	Up to 50% of first mortgage.	\$100,000 minimum.	Variable.
RATE	Fixed rate.	100-250 bps above first mortgage. No floor.	150-400 bps above first mortgage. No floor.	Affordable rates; fixed or variable.	Affordable rates; fixed or variable.
TERM	Duration of TIF district.	Up to first mortgage maturity date.	Up to 20 years, coterminous with first mortgage.	Maximum 36 months.	Maximum 60 months.
REPAYMENT	Capitalized biannual interest-only payments until 100% valuation achieved. Fully amortizing.	Monthly principal and interest payments. Balloon due at maturity.	Monthly principal and interest payments on called amount of the guarantee.	Interest-only payments; principal due at maturity.	Variable, depending on participation lender.
FEES	1% origination fee. Borrower pays legal costs.	1%-2% origination fee. Borrower pays legal costs.	Fee on full guarantee amount, 3.5% at closing and 1% annually. Fee of 3% on each guarantee call. Borrower pays legal costs.	1% origination fee. Borrower pays legal costs.	Variable origination fee. Borrower pays legal costs.
SECURITY	Secured by TIF note from TIF authority. Minimum 1.10 DSCR. Requires minimum assessment agreement.	2nd mortgage lien on real estate up to 115% LTV (includes first mortgage). Minimum 1.20 DSCR. Full recourse to borrower. Guarantee may be required.	Collateral may include subordinate mortgage on real estate or assignments of fees or assets. Full recourse to borrower. Guarantee may be required.	Collateral may include pledges of future income, mortgages on real property, or assignments of assets. Full recourse to borrower. Guarantee may be required.	Secured by real estate, pledges of future income, or assignment of assets. Guarantee may be required.

**TERMS AND CONDITIONS SUBJECT TO CHANGE. CREATIVE FINANCING AVAILABLE FOR UNIQUE NEEDS.
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MEF Affordable Housing Equity Products



FOR AFFORDABLE RENTAL HOUSING, SUPPORTIVE HOUSING, MIXED-INCOME HOUSING, AND MIXED-USE DEVELOPMENTS

	Federal Low Income Housing Tax Credit Equity	Federal Historic Tax Credit Equity	State Historic Tax Credit Equity	Bridge Loan Equity Companion Product
PURPOSE	To pay for LIHTC eligible construction and soft costs, in exchange for affordability covenants that run with the property.	To pay for historic eligible construction and soft costs, for projects that meet the United States Secretary of the Interior's Standards for Historic Rehabilitation.	To pay for historic eligible construction and soft costs, for projects that meet the United States Secretary of the Interior's Standards for Historic Rehabilitation.	To bridge the timing gap between the receipt of committed equity or other funds and the incurring of project-related costs.
SIZE	LIHTC allocations of \$125,000 or more which create \$1.25 million or more in equity capital.	20% of historic eligible costs.	20% of historic eligible costs.	\$100,000 minimum loan amount.
BENEFIT	Syndication partner with more than 20 years of experience and \$2.5 billion of assets under management in 6 states.	Syndication partner with more than 20 years of experience and \$2.5 billion of assets under management in 6 states.	Syndication partner with more than 20 years of experience and \$2.5 billion of assets under management in 6 states.	Companion lending product from Greater Minnesota Housing Fund provides flexibility in equity timing and credit pricing.
PRICING	Competitive pricing from Minnesota Equity Fund and supplementary loan products from Greater Minnesota Housing Fund.	Competitive pricing from Minnesota Equity Fund and supplementary loan products from Greater Minnesota Housing Fund.	Competitive pricing from Minnesota Equity Fund and supplementary loan products from Greater Minnesota Housing Fund.	Affordable rates; fixed or variable.
REPAYMENT	15 year recapture period if affordability covenants are violated. Adjusters for LIHTC delivery that falls short of expectations.	5 year recapture period if the scope of work is modified without prior written approval. Adjusters for historic credit delivery that falls short of expectations.	5 year recapture period if the scope of work is modified without prior written approval. Adjusters for historic credit delivery that falls short of expectations.	Interest-only payments. All principal and outstanding interest due upon receipt of committed equity or other funds.
FEES	All syndication fees, developer's fees, and asset management fees as allowed by state agency and other funders. Other fees are outlined in the partnership agreement.	Owner is responsible for obtaining all historic approvals, including paying any fees to the State Historic Preservation Office and the National Park Service.	Owner is responsible for obtaining all historic approvals, including paying any fees to the State Historic Preservation Office and the National Park Service.	1% origination fee. Borrower pays for legal and closing costs.
SECURITY	LIHTC equity is provided at milestone points in exchange for certain deliverables. Guaranties for construction completion, cost overruns, and operating deficits.	Historic equity is provided at benchmarks in exchange for certain deliverables. Guaranties for following the approved scope of work and maintaining historic significance.	Historic equity is provided at benchmarks in exchange for certain deliverables. Guaranties for following the approved scope of work and maintaining historic significance.	Lien on real estate up to 90% LTV and/or bridged receipts up to 100% of committed equity. Lien position subject to other lender requirements. May require construction completion and other guarantees.

MINNESOTA EQUITY FUND (MEF) IS A PARTNERSHIP WITH CINNAIRE. SUMMARY OF LOW INCOME HOUSING TAX CREDIT AND HISTORIC TAX CREDIT EQUITY TERMS AND CONDITIONS. SUBJECT TO FINAL UNDERWRITING AND INVESTOR APPROVAL. PLEASE VISIT US AT: WWW.MNEQUITYFUND.ORG OR CALL US AT: 1-800-277-2258 OR 651-221-1997.



Predevelopment Loans

Oct. 2017

TERM SHEET

Eligible Applicants: Greater Minnesota Housing Fund (GMHF) makes predevelopment loans to nonprofit and for-profit developers, and local government agencies, for affordable, mixed-use, and mixed-income housing developments.

Use of Funds: Predevelopment loans provide flexible financing early in the development process to fund professional services and help determine project feasibility. Predevelopment loans can be used for planning and design, assembling financing, and managing early project costs prior to securing acquisition, construction, or permanent financing.

Benefits to Borrowers: GMHF provides a streamlined application and underwriting process with no loan application/processing fees. Funding decisions are typically made within 30 days of receiving a complete application. Interest-only payments are required during the term. Principal repayment is deferred until maturity. Additional GMHF resources may be available including technical assistance for project planning and design, as well as affordability gap financing. GMHF can also help the development team leverage other financing.

Offering Period: Loans are offered on an open pipeline basis, subject to the availability of funds.

Typical Terms and Conditions:

- **Minimum Loan:** \$20,000.
- **Loan to Value Ratio:** 80% LTV for a secured loan. Not applicable for an unsecured loan.
- **Term:** Up to 36 months.
- **Interest Rate:** Prime+1%-3% fixed rate with a 5% floor depending on project/borrower underwriting and current market interest rates.
- **Origination Fee:** 1%, plus all associated legal fees and closing costs.
- **Repayment:** Interest-only during loan term. Principal and any unpaid interest due at maturity. Typically, take-out source is an acquisition loan, construction loan, or borrower funds.
- **Security:** Loans up to \$150,000 may be non-recourse and unsecured. Loans for more than \$150,000 must be full recourse to the borrower and/or fully secured through a lien on the real estate or liens on other property/assets.
- **Guarantees:** May require guarantees depending on project/borrower underwriting.
- **Financial Covenants:** In addition to a strong track record in affordable housing development, the borrower must demonstrate that they maintain good financial recordkeeping and that they are in sound financial condition.
- **Closing and Draws:** Funds are disbursed on a draw basis.

** Terms are subject to change based on project underwriting and Greater Minnesota Housing Fund Board approval. **

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Acquisition Loans

Oct. 2017

TERM SHEET

Eligible Applicants: Greater Minnesota Housing Fund (GMHF) makes acquisition loans to nonprofit and for-profit developers, and local government agencies, for affordable, mixed-use, and mixed-income housing developments.

Use of Funds: Acquisition loans provide short-term interim financing for the acquisition of land and/or buildings. Priority is given to preservation projects that have expiring federal and/or state subsidies.

Benefits to Borrowers: GMHF provides a streamlined application and underwriting process with no loan application/processing fees. Funding decisions are typically made within 30 days of receiving a complete application. GMHF is committed to providing highly competitive interest rates and fees. Repayment may be interest-only or partially amortized during the term, with any outstanding principal and/or interest due at maturity. Additional GMHF resources may be available including technical assistance for project planning and design, as well as affordability gap financing. GMHF can also help the development team leverage other financing.

Offering Period: Loans are offered on an open pipeline basis, subject to the availability of funds.

Typical Terms and Conditions:

- **Minimum Loan:** \$100,000.
- **Loan to Value Ratio:** 85% LTV based on an approved appraisal.
- **Term:** Up to 36 months.
- **Interest Rate (fixed or variable):**
 - ✓ 2%-6% for single-family foreclosure recovery home acquisition loans.
 - ✓ Prime+1%-3% for multifamily, mixed-use, land, and project acquisition loans.
- **Origination Fee:** 1%, plus all associated legal fees and closing costs.
- **Repayment:** Principal is due at construction/permanent closing depending on project needs. Interest is due during the loan term based on an established payment schedule.
- **Security:** First mortgage, or subordinated mortgage, on subject property, or other real estate of adequate value. Mortgaged property may include vacant land, improved land, or an assignment or pledge of other assets such as cash, deposits, or investments.
- **Guarantees:** May require guarantees depending on project/borrower underwriting.
- **Closing and Draws:** Funds are fully disbursed at closing.

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Construction/Rehabilitation Loans

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Eligible Applicants: Greater Minnesota Housing Fund (GMHF) makes construction/rehabilitation loans to nonprofit and for-profit developers, and local government agencies, for affordable, mixed-use, and mixed-income housing developments.

Use of Funds: Construction/Rehabilitation loans provide interim financing for constructing new or rehabilitating and preserving existing multifamily properties and single-family homes. Priority is given to preservation projects that have expiring federal and/or state subsidies.

Benefits to Borrowers: GMHF provides a streamlined application and underwriting process with no loan application/processing fees. Funding decisions are typically made within 30 days of receiving a complete application. GMHF is committed to providing highly competitive interest rates and fees. Construction/Rehabilitation loans can be structured as a one-time draw or as a reserve pool depending on the needs of the borrower. Interest-only payments are required during the loan term. Principal repayment is deferred until maturity. Additional GMHF resources may be available including technical assistance for project planning and design, as well as affordability gap financing. GMHF can also help the development team leverage other financing.

Offering Period: Loans are offered on an open pipeline basis, subject to the availability of funds.

Typical Terms and Conditions:

- **Minimum Loan:** \$100,000.
- **Loan to Value Ratio:** 90% LTV based on an approved appraisal.
- **Term:** Up to 36 months.
- **Interest Rate (fixed or variable):**
 - ✓ 2%-5% for single-family foreclosure recovery home acquisition loans.
 - ✓ Prime+1%-3% for multifamily, mixed-use, land, and project acquisition loans.
- **Origination Fee:** 1%, plus all associated legal fees and closing costs.
- **Repayment:** Principal is due at permanent loan closing. Interest is due monthly during the loan term and can be paid using loan proceeds.
- **Security:** First mortgage, or subordinated mortgage, on subject property, or other real estate of adequate value. Mortgaged property may include vacant land, improved land, or an assignment or pledge of other assets such as cash, deposits, or investments.
- **Guarantees:** May require guarantees depending on project/borrower underwriting.
- **Closing and Draws:** Funds are disbursed on a draw basis.

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Low Income Housing Tax Credit & Historic Tax Credit Bridge Loans

Oct. 2017

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Eligible Applicants: Greater Minnesota Housing Fund (GMHF) makes Low Income Housing Tax Credit (LIHTC) and Historic Tax Credit (RTC) bridge loans to nonprofit and for-profit developers, and local government agencies, for affordable, mixed-use, and mixed-income housing developments.

Use of Funds: Bridge loans provide short-term interim financing for projects where permanent tax credit investments have been committed. Bridge funds can be used to pay for eligible project-related costs while the borrower waits to receive previously committed LIHTC or RTC equity or other funds, usually at major benchmarks like project completion or stabilized occupancy.

Benefits to Borrowers: GMHF provides a streamlined application and underwriting process with no loan application/processing fees. GMHF can often utilize existing third-party reports like appraisals and market studies, thus reducing project costs. Bridge loans minimize risks for investors resulting in better tax credit pricing and more equity invested in projects. GMHF is flexible and works with borrowers to create an advantageous financing structure. Additional GMHF resources may be available including technical assistance for project planning and design, as well as affordability gap financing.

Offering Period: GMHF and its subsidiary Minnesota Equity Fund (MEF) offer technical assistance to developers and frequently issue bridge loan commitment letters that accompany tax credit applications to Minnesota Housing. Following Minnesota Housing's allocation of tax credits, GMHF and MEF work with developers to structure bridge loans to meet the investor's/project's needs.

Typical Terms and Conditions:

- **Minimum Loan:** \$100,000.
- **Loan to Value Ratio:** 90% LTV based on an approved appraisal or 100% of syndication proceeds.
- **Term:** Up to 36 months.
- **Interest Rate:** Prime+1%-3% fixed or variable rate depending on project/borrower underwriting and current market interest rates.
- **Origination Fee:** 1%, plus all associated legal fees and closing costs.
- **Repayment:** Interest is due at each draw or in accordance with an approved schedule. Due upon receipt of pledged equity proceeds or other permanent financing sources.
- **Security:** Mortgage on subject property and/or assignment of funds to be bridged.
- **Guarantees:** May require guarantees depending on project/borrower underwriting.
- **Closing and Draws:** Funds are disbursed on a draw basis.

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Mini-Perm Loans

Oct. 2017

TERM SHEET

Eligible Applicants: Greater Minnesota Housing Fund (GMHF) makes mini-perm financing available to nonprofit and for-profit developers, and local government agencies, for affordable, mixed-use, and mixed-income housing developments.

Use of Funds: Mini-Perm loans provide longer-term, secured financing for the acquisition of existing multifamily properties, the construction of new structures, or the adaptive reuse of historic buildings. Funds can be used for critical repairs of operating properties. Priority is given to preservation projects that have expiring federal and/or state subsidies.

Benefits to Borrowers: GMHF provides a streamlined application and underwriting process with no loan application/processing fees. Funding decisions are typically made within 30 days of receiving a complete application. GMHF is committed to providing highly competitive interest rates and fees. Mini-Perm loans are intended to be supported by income-generating property. Additional GMHF resources may be available including technical assistance for project planning and design, as well as affordability gap financing. GMHF can also help the development team leverage other financing.

Offering Period: Loans are offered on an open pipeline basis, subject to the availability of funds.

Typical Terms and Conditions:

- **Minimum Loan:** \$100,000.
- **Maximum Loan:** \$1,000,000.
- **Loan to Value Ratio:** 80% LTV based on an approved appraisal.
- **Debt Service Coverage Ratio (DSCR):** 1.20, depending on project underwriting.
- **Term:** 3-7 years, depending on project needs and the availability of funds.
- **Amortization:** Up to 30 years.
- **Interest Rate:** Prime+1%-4% fixed rate depending on project/borrower underwriting and current market interest rates.
- **Origination Fee:** 1%-2%, plus all associated legal fees and closing costs.
- **Repayment:** Loans are fully amortizing. Payments of principal and interest are generally due monthly, unless otherwise arranged (ie, quarterly or semi-annually).
- **Security:** First mortgage or subordinated mortgage on subject property.
- **Guarantees:** May require guarantees if the collateral value is insufficient.
- **Closing and Draws:** Funds are fully disbursed at closing.

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Permanent Loans

Oct. 2017

TERM SHEET

Eligible Applicants: Greater Minnesota Housing Fund (GMHF) makes permanent financing available to nonprofit and for-profit developers, and local government agencies, for affordable, mixed-use, and mixed-income housing developments.

Use of Funds: Permanent loans provide long-term, secured financing for the acquisition of existing multifamily properties, the construction of new structures, or the adaptive reuse of historic buildings. Funds can be used for critical repairs of operating properties. Priority is given to preservation projects that have expiring federal and/or state subsidies.

Benefits to Borrowers: GMHF provides a streamlined application and underwriting process with no loan application/processing fees. Funding decisions are typically made within 30 days of receiving a complete application. GMHF is committed to providing highly competitive interest rates and fees. Permanent loans are intended to be supported by income-generating property. Additional GMHF resources may be available including technical assistance for project planning and design, as well as affordability gap financing. GMHF can also help the development team leverage other financing.

Offering Period: Loans are offered on an open pipeline basis, subject to the availability of funds.

Typical Terms and Conditions:

- **Minimum Loan:** \$100,000.
- **Maximum Loan:** \$1,000,000.
- **Loan to Value Ratio:** 80% LTV based on an approved appraisal.
- **Debt Service Coverage Ratio (DSCR):** 1.15, depending on project underwriting.
- **Term:** 7-30 years, depending on project needs and the availability of funds.
- **Amortization:** Up to 30 years.
- **Interest Rate:** Prime+1%-4% fixed rate depending on project/borrower underwriting and current market interest rates.
- **Origination Fee:** 1%-2%, plus all associated legal fees and closing costs.
- **Repayment:** Loans are fully amortizing. Payments of principal and interest are generally due monthly, unless otherwise arranged (ie, quarterly or semi-annually).
- **Security:** First mortgage or subordinated mortgage on subject property.
- **Guarantees:** May require guarantees if the collateral value is insufficient.
- **Closing and Draws:** Funds are fully disbursed at closing.

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Preservation Revolving Loan Fund Loans

Oct. 2017

TERM SHEET

Program Description: Greater Minnesota Housing Fund (GMHF) partners with the United States Department of Agriculture Rural Development (USDA RD) to operate a Preservation Revolving Loan Fund (PRLF) to preserve USDA RD Section 514/515 multifamily properties.

Eligible Properties: Housing that has a Section 514/515 loan and USDA RD has determined meets a continuing need. USDA RD requires that projects maintain restrictive use covenants and follow historic and archaeological regulations. Priority is given to preservation projects, which include those with expiring federal and/or state subsidies, those eligible to exit the restrictive use covenants, and those at risk due to deteriorated physical condition or diminished owner capacity.

Eligible Applicants: Owners or potential buyers of eligible properties including nonprofit and for-profit developers, community-based organizations, local units of government, and PHA/HRA/EDAs.

Use of Funds: PRLF funds may be used for refinancing and costs associated with long-term financing such as options, acquisition purchase, down payments, transfer of ownership, site development, architectural and engineering fees, interim financing, working capital and construction bonds, and costs for the USDA RD-required appraisal, environmental study, and capital/physical needs assessment. PRLF funds are designed as longer-term, secured financing, but may also be used during construction to lower project costs. Projects seeking PRLF funds will be required to use GMHF interim financing, if needed.

Benefits to Borrowers: GMHF provides a seamless application and underwriting process. USDA RD typically reaches a loan decision within 45 days of receiving a complete application. PRLF funds are offered at below market rates with flexible terms. Additional GMHF resources may be available including technical assistance for project planning and design, and additional project financing.

Offering Period: Loans are offered on an open pipeline basis, subject to the availability of funds.

Typical Terms and Conditions:

- **Maximum Loan:** \$30,000 per unit, up to \$1.5 million.
- **Loan to Value Ratio:** 90% LTV based on an approved appraisal.
- **Debt Service Coverage Ratio (DSCR):** Minimum 1.15, depending on project underwriting.
- **Term:** Up to the remaining term of the USDA RD Section 514/515 loan. Flexible amortization.
- **Interest Rate:** 2%-5% fixed rate, depending on project underwriting.
- **Fees:** 1%-3% origination fee plus legal fees and closing costs. \$250 application fee.
- **Repayment:** Fully amortizing. Monthly principal and interest payments.
- **Security:** First mortgage or subordinated mortgage on subject property.
- **Guarantees:** May require guarantees if the collateral value is insufficient.
- **Closing and Draws:** Funds are disbursed on a draw basis or fully disbursed at closing.

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Tax Increment Financing (TIF) Loans

Oct. 2017

TERM SHEET

Eligible Applicants: Greater Minnesota Housing Fund (GMHF) makes Tax Increment Financing (TIF) loans to nonprofit and for-profit developers for affordable, mixed-use, and mixed-income housing developments that are underwritten, in whole or in part, by Minnesota Housing.

Use of Funds: TIF loans provide up-front capital that leverages the income stream pledged by a local taxing authority as part of a TIF plan or TIF assistance agreement.

Benefits to Borrowers: GMHF provides a streamlined application and underwriting process with no loan application/processing fees. Funding decisions are typically made within 30 days of receiving a complete application. GMHF is committed to providing highly competitive interest rates and fees. TIF loans are intended to be repaid by incoming TIF revenue. Additional GMHF resources may be available including technical assistance for project planning and design, as well as affordability gap financing. GMHF can also help the development team leverage other financing.

Offering Period: Loans are offered on an open pipeline basis, subject to the availability of funds.

Typical Terms and Conditions:

- **Minimum Loan:** \$100,000.
- **Debt Service Coverage Ratio (DSCR):** 1.10 to 1.25 (the *Annual Net Tax Increment Assigned to Developer in Note* divided by the *Annual TIF Loan Debt Service Payment*).
- **Term:** Coterminous with, or shorter than, the approved duration of the TIF district (*generally anticipated to be 15 to 25 years*).
- **Interest Rate:** Prime+1%-3% fixed rate depending on project/borrower underwriting and current market interest rates.
- **Origination Fee:** 1%, plus all associated legal fees and closing costs.
- **Repayment:** Interest-only until the property is at a 100% market valuation, subject to a minimum assessment agreement (capitalized at closing). Then fully amortizing.
- **Security:** TIF authority tax increment note issued to the developer. Mortgage on subject property will be sought if consistent with standard practices for the proposed project type.
- **Guarantees:** May require guarantees depending on project/borrower underwriting.
- **Financial Covenants:** The net tax capacity must be supported by assessment agreements.
- **Closing and Draws:** Funds are disbursed as required by project financing.

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Mezzanine Financing Program Term Sheet

Updated Oct. 2017

A financing tool to create low/no subsidy multifamily housing in high job growth areas.

Mezzanine Financing Program Purpose	<ul style="list-style-type: none"> Finance new multifamily rental housing in communities with strong housing demand, robust job growth, and/or market rents that are lower than the area median income can support Reduce the reliance on state, federal, and philanthropic subsidy Maximize debt and attract additional private and public equity investments
Mezzanine Financing Types	<ul style="list-style-type: none"> Structures depend on the underwriting and include, but are not limited to, a secondary cash flow note, a cash interest note, an interest only note, or a payable in-kind note
Borrower Structure	<ul style="list-style-type: none"> Single-asset entities, typically an LLC or Limited Partnership
General Requirements	<ul style="list-style-type: none"> GMHF shall expect a return/yield that meets or exceeds the return to the first mortgage lender and/or other equity investors
Compliance	<ul style="list-style-type: none"> 75% of the units shall be for households at or below 80% SMI (statewide median income) Priority for proposals that have more than 75% of the units at or below 80% SMI Certification of tenant incomes required at the time of occupancy Provide monthly unaudited operating financial statements Provide annual reporting of tenant demographics and audited financials
Term	<ul style="list-style-type: none"> Not to exceed the 1st mortgage term; may require balloon payment after 5–10 years
Financing Cap per Unit	<ul style="list-style-type: none"> Priority for developments where GMHF's loan is less than 20% of TDC or \$15,000 per unit, with a cap of \$20,000 per unit
Development Underwriting Criteria	<ul style="list-style-type: none"> Minimum DSCR of 1.20 in year one and 1.15 through the term of GMHF's loan Maximum combined 1st and 2nd mortgage LTV of 115% Priority for proposals with TDC of less than \$130,000 per unit Priority for proposals with demonstrated annual operating performance at \$3,500 per unit or less including \$395 per unit in annual deposits to replacement reserves Priority for proposals with 20% or more in owner equity Priority for proposals with 12% or more in local contributions (private and public)
Fees at Closing	<ul style="list-style-type: none"> 1%-2% origination fee, depending on the structure Borrower shall pay all legal and closing costs
Fees post-Closing	<ul style="list-style-type: none"> 1% loan extension fees and all legal and loan extension costs
Recourse/ Non-Recourse	<ul style="list-style-type: none"> Full recourse to borrower or borrower's principals
Interest Rate	<ul style="list-style-type: none"> The interest rate will be set at 100–250 basis points above the annual interest rate of the first mortgage, depending on the structure
Collateral Requirements	<ul style="list-style-type: none"> Lien on real estate and additional collateral for loan in excess of \$100,000 Collateral may include subordinate mortgage on the subject or other real estate; or assignment of equity payments, developer fees, or other non-restricted assets The sole or majority member of the borrower may be required to guarantee the note

Additional program information, criteria, and funding priorities can be found in the Workforce Housing 2.0 Program Report and 2015 RFQ.



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Loan Payment Guarantee Program Term Sheet

Updated Oct. 2017

A financing tool for projects where GMHF provides loan financing or MEF syndication.

Loan Guarantee Program Purpose	<ul style="list-style-type: none"> • Leverage higher permanent mortgage proceeds in markets with strong housing demand, robust job growth, or depressed rents due to an aged housing stock • Add financial strength/backing to an ownership/borrower entity • Provide an alternative to deferred loan financing
Eligible Projects	<ul style="list-style-type: none"> • Projects where GMHF is providing loan financing or MEF is syndicating tax credits
Eligible Borrowers	<ul style="list-style-type: none"> • Single-asset entities, typically an LLC or Limited Partnership
Guarantee Type	<ul style="list-style-type: none"> • GMHF will issue a third party guarantee for a portion of the principal of a permanent loan • The loan payment guarantee will have a 90-day standstill period*
General Requirements	<ul style="list-style-type: none"> • GMHF, the borrower, the lender, and/or the tax credit syndicator shall enter into a loan payment guarantee and the borrower and GMHF shall enter into a reimbursement note, reimbursement agreement, or other security agreements
Maximum Guarantee Amount	<ul style="list-style-type: none"> • The lesser of the gap between the pre- and post-guaranteed loan, or 50% of the principal of the permanent loan • 1.20 DSCR in year 1 and a 1.15 DSCR in year 15, subject to GMHF underwriting • GMHF approved rents, which must be supported by the market • Reduced annually as the loan principal decreases, and/or as the project funds a pre-established debt service reserve
Guarantee Term	<ul style="list-style-type: none"> • The loan payment guarantee will be limited to the term of the permanent loan, not to exceed 20 years • Early termination clause when the development meets specified benchmarks of principal reduction, DSCR, and other required conditions
Guarantee Beneficiary	<ul style="list-style-type: none"> • The loan payment guarantee will benefit the mortgage lender and/or the tax credit syndicator
Guarantee Fees at Closing	<ul style="list-style-type: none"> • Up to 3.5% of the loan payment guarantee amount • Borrower shall pay all legal and closing costs
Guarantee Fees after Closing	<ul style="list-style-type: none"> • 1% of the loan payment guarantee amount due annually • 3% of each payment disbursed upon guarantee call
Reimbursement Note, Recourse/ Non-Recourse	<ul style="list-style-type: none"> • Full recourse to borrower, evidenced by a reimbursement note
Reimbursement Note Interest Rate	<ul style="list-style-type: none"> • The interest rate will be set at 150–400 basis points above the annual interest rate of the permanent loan that will be guaranteed
Reimbursement Note Guarantee Collateral Requirements	<ul style="list-style-type: none"> • Required for loan payment guarantees in excess of \$100,000 • Collateral may include subordinate mortgage on real estate; or assignment of equity payments, developer fees, or other non-restricted assets • The sole or majority member of the borrower may be required to guarantee the reimbursement note
Reimbursement Note Term	<ul style="list-style-type: none"> • Coterminous with the term of the loan payment guarantee • Outstanding disbursements may be called on demand and GMHF reserves the right to negotiate repayment terms and require borrower participation in workout

* The Payment Guarantee will perform, if following an event of default, the lender has demanded payments from the borrower, in writing, for at least 90 consecutive days, with demand being made at least every 30 days.



Enterprise Working Capital Loans

Oct. 2017

TERM SHEET

Eligible Applicants: Greater Minnesota Housing Fund (GMHF) makes enterprise working capital loans to nonprofit affordable housing developers.

Use of Funds: Enterprise loans provide a stable organizational-level source of interim financing for organizational development, pipeline management, and other uses ultimately related to the production of affordable housing. Enterprise loans can be used to fund operations, strategic planning, and other organizational purposes. Enterprise loans can also be used to finance predevelopment costs for multifamily projects or construction costs for single-family projects.

Benefits to Borrowers: GMHF provides a streamlined application and underwriting process with no loan application/processing fees. Funding decisions are typically made within 30 days of receiving a complete application. GMHF is committed to providing highly competitive interest rates and fees, and flexible terms to maximize the utility of Enterprise loans.

Offering Period: Loans are offered on an open pipeline basis, subject to the availability of funds.

Typical Terms and Conditions:

- **Minimum Loan:** \$100,000.
- **Term:** Up to 36 months.
- **Interest Rate (fixed or variable):**
 - ✓ Prime+1%-4% for fixed rate, depending on developer/borrower underwriting
 - ✓ Prime+1%-4% for variable rate, with Prime+1% floor and Prime+4% ceiling
- **Origination Fee:** 1%, plus all associated legal fees and closing costs.
- **Repayment:** Principal is due at maturity. Interest is due monthly during the loan term and can be paid using loan proceeds.
- **Security:** Loans are full-recourse to borrower. Loans can be secured through pledges of future developer's fees, mortgages on developer-owned properties of adequate value, and/or an assignment or pledge of other assets such as cash, deposits, or investments.
- **Guarantees:** May require guarantees depending on developer/borrower underwriting.
- **Closing and Draws:** Funds may be disbursed fully at closing or on a draw basis.

** Terms are subject to change based on project underwriting and Greater Minnesota Housing Fund Board approval. **

Greater Minnesota Housing Fund is ready to help your organization serve your community. Please contact our lending team today for financing of your affordable housing and other community development activities.

GMHF is certified as a Community Development Financial Institution (CDFI) by the U.S. Department of the Treasury

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