



Loans for Affordable Housing & Community Development

April 23, 2012

Greater Minnesota Housing Fund offers a comprehensive set of development financing tools to assist in the creation of affordable housing, mixed-use developments and community facilities in Greater Minnesota. Loans are available to nonprofit and for-profit developers, and local government agencies. Loan programs include:

- **Predevelopment Loans**
To plan and design, assemble financing, and manage the early development phases of affordable housing projects.
- **Acquisition Loans**
To purchase land or buildings for development, redevelopment or preservation. Priority is given to housing preservation projects with expiring federal or state subsidies.
- **Construction/Rehabilitation Loans**
Construction financing to support the production and preservation of affordable rental development and single family homes.
- **Foreclosure Recovery Revolving Loans**
Low-interest financing to purchase and rehabilitate foreclosed, vacant and abandoned single-family homes.
- **Low Income Housing Tax Credit (LIHTC) Bridge Loans**
Interim financing to bridge the construction and equity pay-in periods when permanent financing has been committed to LIHTC project.
- **Historic Tax Credit (RTC) Bridge Loans**
Bridge financing until equity pay-in occurs on historic tax credit projects with an affordable housing component.
- **Tax Increment Financing (TIF) Loans**
Long term tax increment financing (TIF) to help capitalize community development and redevelopment projects with emphasis on affordable housing developments.
- **Permanent & Mini-Perm Loans**
Long term first mortgage financing for multi-family properties, mixed-use, adaptive re-use projects, or manufactured home park projects.
- **Flexible Short-Term Loans**
Innovative financing programs to help meet the unique local affordable housing and community development needs of partners in Greater Minnesota.

Since 1996, Greater Minnesota Housing Fund has invested over \$131 million, in over 500 real estate developments, in 150 Minnesota cities to support the creation of nearly 10,000 affordable single-family and multifamily homes.

Greater Minnesota Housing Fund invests in affordable housing and sustainable development to strengthen communities in Greater Minnesota (the 80 counties outside of the Twin Cities Metropolitan Area) and ensure that everyone has a safe, decent and affordable place to call home.

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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Predevelopment Loans

April 23, 2012

TERM SHEET

Eligible Applicants: Greater Minnesota Housing Fund makes predevelopment loans to nonprofit and for-profit developers, and local government agencies, for affordable housing and/or mixed-use, 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 to plan and design, assemble financing, and manage early project costs prior to securing permanent financing.

Benefits to Borrowers: GMHF provides a streamlined application and underwriting process with no loan application/processing fees. Principle and interest on loans is typically deferred until construction closing. Funding decisions are typically made within 30 days following the receipt of a complete application.

Offering Period: Predevelopment loans are offered on a pipeline basis.

Typical Terms and Conditions:

- **Minimum Loan:** \$5,000
- **Maximum Loan:** \$150,000 (larger loan amounts available for high-priority projects)
- **Loan to Value Ratio:** n/a
- **Debt Coverage Ratio (DCR):** n/a
- **Term:** Up to 24 months
- **Interest Rate:** 4%-6.5% APR
- **Origination Fee:** 1%, plus all associated legal fees.
- **Repayment:** Construction loan, grant or subsidy funds, or borrower funds. Interest on the outstanding balance accrues until full loan amount is repaid.
- **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 or fully secured through liens on other property or assets.
- **Recourse:** See Security section above.
- **Financial Covenants:** In addition to a strong track record in affordable housing development, borrower must demonstrate that they maintain good financial recordkeeping that show they are in sound financial condition.
- **Closing and Draws:** Funds disbursed on a draw basis.

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Acquisition Loans

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

Use of Funds: Acquisition loans provide short-term interim financing for the acquisition of land, existing multi-family or single family properties, manufactured home parks, and mixed-use and adaptive re-use projects. 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 following the receipt of a complete application. GMHF provides highly competitive, below market, interest rates and fees. 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: Acquisition loans are offered on a pipeline basis, contingent on availability of funds.

Typical Terms and Conditions:

- **Minimum Loan:** n/a
- **Maximum Loan:** Up to \$4 million (*larger loan amounts available for high-priority projects*)
- **Loan to Value Ratio:** Up to 90% LTV, depending on risk
- **Debt Coverage Ratio (DCR):** n/a
- **Term:** Up to 36 months (*longer terms available depending on project need/availability of funds*)
- **Interest Rate:**
 - 2%-5% APR for single-family foreclosure recovery home acquisition loans
 - 5%-7% APR for multifamily, mixed-use, land and project acquisition loans*GMHF is committed to providing competitive interest rates on all projects.*
- **Origination Fee:** 1%, plus all associated legal and closing costs.
- **Repayment:** Principle due at construction/permanent closing depending on project needs. Interest payments typically due during the loan period based on established payment schedule.
- **Security:** First mortgage, or subordinated mortgage, on project property, or other real estate of adequate value. Mortgaged property may include vacant land, improved land, assignment or pledge of other assets such as cash, deposits, or investments.
- **Recourse:** A recourse commitment may be required if the collateral value does not meet GMHF underwriting criteria. See *Security* section above.
- **Closing and Draws:** Funds disbursed at closing.

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Construction/Rehabilitation Loans Multifamily & Single-family Foreclosure Recovery

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

Use of Funds: Construction loans provide interim financing for new construction, or the rehabilitation and preservation of existing multifamily 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 following the receipt of a complete application. GMHF provides highly competitive, below market, interest rates and fees. Construction loans can be structured as a one time draw or a reserve pool depending on the needs of the borrower. 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 a pipeline basis, contingent on availability of funds.

Typical Terms and Conditions:

- **Minimum Loan:** n/a
- **Maximum Loan:** Up to \$1 million (*larger loan amounts available for high-priority projects*)
- **Loan to Value Ratio:** Up to 90% LTV, depending on risk
- **Debt Coverage Ratio (DCR):** n/a
- **Term:** Up to 36 months
- **Interest Rate:**
 - 2%-5% APR for single-family foreclosure recovery home acquisition loans
 - 5%-7% APR for multifamily, mixed-use, land and project acquisition loans*GMHF is committed to providing competitive interest rates on all projects.*
- **Origination Fee:** 1%, plus all associated legal and closing costs.
- **Repayment:** Principle due at permanent closing depending on project needs. Interest payments typically due during the loan period based on established payment schedule.
- **Security:** First mortgage, or subordinated mortgage, on project property, or other real estate of adequate value. Mortgaged property may include vacant land, improved land, assignment or pledge of other assets such as cash, deposits, or investments. In some cases a personal and/or corporate guarantee may also be required.
- **Recourse:** See *Security section above*.
- **Closing and Draws:** Funds disbursed on a draw basis or at a single closing. Interest must be brought current with each draw and can be expensed against the loan.

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Permanent & Mini-Perm Loans

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Eligible Applicants: Greater Minnesota Housing Fund makes Permanent/Mini-Perm financing available to nonprofit and for-profit developers, and local government agencies, for affordable housing and/or mixed-use, mixed-income housing developments.

Use of Funds: Permanent/Mini-Perm loans provide longer-term, secured financing for the acquisition of existing multi-family properties, mixed-use and adaptive re-use projects, and manufactured home parks. 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 following the receipt of a complete application. GMHF provides highly competitive, below market, interest rates and fees. 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: Permanent/Mini-Perm loans are offered on a pipeline basis contingent on funds.

Typical Terms and Conditions:

- **Minimum Loan:** \$100,000
- **Maximum Loan:** Up to \$1.5 million (*larger loan amounts available for high-priority projects*)
- **Loan to Value Ratio:** Up to 90% LTV, depending on risk of loan
- **Debt Coverage Ratio (DCR):** 1.1 to 1.25
- **Term:** 3-15 years, depending on project needs and availability of funds.
- **Amortization:** Up to 20 years
- **Interest Rate:** 5%-7.5% APR depending on project underwriting, current interest rates and cost of GMHF funds.
- **Origination Fee:** 1%, plus all associated legal and closing costs.
- **Repayment:** Loans are fully amortizing. Principle and interest are generally due on a monthly schedule, unless otherwise negotiated (quarterly or semi-annually).
- **Security:** First mortgage or subordinated mortgage on project property.
- **Recourse:** A recourse commitment may be required if the collateral value does not meet GMHF underwriting criteria. See *Security section above*.
- **Closing and Draws:** Funds disbursed at time of permanent closing.

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Low Income Housing Tax Credit & Historic Tax Credit Bridge Loans

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Eligible Applicants: Greater Minnesota Housing Fund 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 housing and/or mixed-use, mixed-income housing developments.

Use of Funds: Tax credit bridge loans provide short-term interim financing for projects when permanent tax credit investments have been committed. GMHF funds can be used for allowable project costs including interest, fees and expenses associated with GMHF bridge loan for Low Income Housing Tax Credit projects, awarded by Minnesota Housing, and eligible Historic Tax Credit projects, awarded by the US Department of the Interior and/or the Minnesota State Historic Preservation Office (SHPO).

Benefits to Borrowers: GMHF tax credit bridge loans minimize risks for investors resulting in better tax credit pricing/more equity invested in projects. GMHF bridge funds generally remain in the project until syndication proceeds, or other permanent take-out financing is provided after project milestones (for example lease-up or obtaining a certificate of occupancy) are reached. Each project varies based on agreed upon equity pay-in and construction schedule. GMHF is flexible and able to work with developers on bridge pay-in timing and repayment options.

Offering Period: GMHF works with many developers in advance of submitting a tax credit application to Minnesota Housing, providing soft letters of commitment for GMHF bridge loans. Following the allocation of tax credits, GMHF works with developers to structure bridge loans to meet the investor/project's needs.

Typical Terms and Conditions:

- **Minimum Loan:** n/a
- **Maximum Loan:** Up to \$4 million (*larger loan amounts available for high-priority projects*)
- **Loan to Value Ratio:** Up to 100% of syndication proceeds OR 90% LTV of appraised value if loan exceeds value of tax credits.
- **Debt Coverage Ratio (DCR):** n/a
- **Term:** Up to 36 months
- **Amortization:** n/a, Interest brought current with each draw.
- **Interest Rate:** 6%-7.5% APR depending on project underwriting, current interest rates and cost of GMHF funds.
- **Origination Fee:** 1%, plus all associated legal and closing costs.
- **Repayment:** Due upon receipt of pledged equity proceeds/other permanent financing sources.
- **Security:** Assignment of funds to be bridged and mortgage on subject property
- **Guarantees:** Corporate guarantees may be required depending on loan size and risk
- **Closing and Draws:** Draw schedule during construction established based on project needs

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Tax Increment Financing (TIF) Loans

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Eligible Applicants: Greater Minnesota Housing Fund makes TIF loans available to nonprofit and for-profit developers, and local government agencies, for affordable housing and/or mixed-use, mixed-income housing developments in greater Minnesota for projects underwritten, in whole or in part, through Minnesota Housing's underwriting process.

Use of Funds: TIF Loans provide financing for project-related uses identified in the TIF Plan, TIF Agreement and/or TIF Assistance Agreement. Funds are used for affordable housing or mixed-income/mixed-use projects.

Benefits to Borrowers: TIF loans provide immediate access to the capital pledged by a local taxing authority as part of a TIF Agreement for high-priority affordable housing and/or mixed-use, mixed-income housing developments. TIF loan borrowers can access amortizing loans for 15 to 25 years at competitive rates to support project associated development activities.

Offering Period: TIF loans are offered based on project financing needs identified in applications to Greater Minnesota Housing Fund and/or Minnesota Housing.

Typical Terms and Conditions:

- **Minimum Loan:** \$100,000
- **Maximum Loan:** \$1 million (*larger loan amounts available for high-priority projects*)
- **Debt Coverage Ratio (DCR):** 1.1 to 1.25 (*Annual Net Tax Capacity Increment Assigned to Developer in Note / Annual TIF Loan Debt Service*)
- **Term:** Coterminous with, or less than, the approved duration of the TIF District (*generally anticipated to be 15 to 25 years*).
- **Interest Rate:** 6% to 7%, based on 30 year Treasury Notes or Bonds plus up to an additional 2%. Rates listed at <http://www.ustreas.gov/offices/domestic-finance/debt-management/interest-rate/interest-yield-historical.shtml>
- **Origination Fee:** 1%, plus all associated legal and closing costs.
- **Repayment:** Fully amortizing, may be interest only first 2 years.
- **Security:** Secured by local TIF Authority Tax Increment Note issued to developer. Subordinated mortgages will be sought if consistent with standard practices for proposed project type.
- **Recourse:** No recourse
- **Financial Covenants:** Property values supported by Assessment Agreement(s) signed by each owner of property within the district used to calculate Net Tax Capacity Incremental Increase.
- **Closing and Draws:** As required by project financing

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