INSURED LOAN PROGRAM
MULTIFAMILY RENTAL – PERMANENT LOAN PROGRAM

PROGRAM HIGHLIGHTS

Type of Program:	Permanent financing for multifamily rental homes. Mortgage Insurance must be acceptable to Montana Housing.
Eligible Applicants:	For-profit, non-profit, and governmental entities as Single Asset Mortgagors.
Types of Projects:	Residential rental homes meeting affordability guidelines and available to the general public. May be new construction and acquisition with substantial rehabilitation with complete living units.
Security:	First Mortgage
Loan-to-Value:	Loan amount less than 75% of appraised replacement cost/value.
Loan Amounts:	Maximum loan based on any per unit maximums and loan-to-value as noted above.
Debt Service Coverage:	Minimum of 1.15 to 1.
Loan Term:	30-year fixed rate max but will consider other variations.
Reserve Requirements:	Escrows established for property taxes and hazard insurance, operating reserve and reserve for replacement.
Loan Rate:	To be determined by market at the time of bond sale.
Underwriting and Fee Limitations:	Underwriting assumptions and fee limitations will follow the most current Qualified Allocation Plan for Housing Credits.
MH Fees:	Total of 1% of mortgage loan amount, including origination fees.
Mortgage Insurance Premium:	Depends on the type of MIP being used. Example for HUD Riskshare is .5% of outstanding mortgage amount annually (.45% to HUD, .05% to MH).
Compliance Fees:	Will match current compliance fees for Housing Credits.

MONTANA HOUSING (MH)
MULTIFAMILY
LOAN PROGRAM PROCESS

APPLICATION AND PRELIMINARY LOAN COMMITTMENT PROCESS: (sponsors are encouraged to call or submit the cover letter below prior to submitting a full application so the multifamily staff can review and confirm eligibility.)

Applications are accepted at any time. The timeline for staff reviews and Board presentations of substantially complete applications will be no more than 90 days.

Substantially complete applications must be submitted at least 6 weeks before a Board meeting to be eligible to be on the agenda.

A cover letter must be attached with a brief description of the project and must address the following questions:

- a description of the efforts made by the applicant to coordinate the loan with other housing assistance programs administered by the board, the federal government, state agencies, tribal government, local public housing authorities, local governments, and private entities; and
- an explanation of how the loan will not supplant existing or available funding for the project;

The Uniform Application and Loan Supplement will be submitted in the most current form and all sections and questions that are applicable will be completed. Also include the following:

- Preliminary site plan, including an architect's preliminary floor plans and elevations, and typical unit plans, and whether the project is new construction or acquisition and rehabilitation.

- A site location map should be included, which indicates the location of services such as schools, shopping, medical care, and transportation.

- The sponsor will provide evidence of site control. Documentation must be provided showing legal control over the site at the time of preliminary commitment or the application will not be considered. An option, contract to purchase, deed, or other formal interest in the land will provide evidence of site control. The eventual mortgage must be on real estate held in fee simple. A lease may also be allowed at MH discretion if the lease is executed by a governmental agency, or other lessor approved, that has a term at least 10 years beyond the end of the mortgage term.

- If new construction included a letter from the appropriate local official indicating the current zoning for the site and whether a zoning change is required for the proposed development.

- If new construction, include documentation of availability and capacity of utilities to serve the Project, including documentation that utilities are available to the Project and the present proximity of utilities to the Project location.

- The sources section of the Uniapp must include a discussion of the proposed construction financing. Attach a financing letter from the proposed construction lender indicating the terms and conditions of the financing.

- Include a comparative market analysis ("CMA") or an appraisal listing replacement cost must be done by an independent (non-related) Montana- licensed real estate professional. Such CMA or appraisal is required regardless of the manner or method of Acquisition and must cover all real estate acquired, including land and/or buildings. Land and existing building values must be listed separately. The CMA or appraisal does not need be within 1 year old at preliminary commitment but at firm commitment a replacement cost appraisal done within the last year and that lists MH as authorized user will be required.

- The most recent audited financial statement of the sponsor, or personal financial statement and net worth statement if an individual, and any other known principals or associates involved in the project.

- New construction developments must submit a complete Mini Market Study. Market study requirement will mirror those required in the current Housing Credit Qualified Application Plan. The sponsor pays for the Market Study.

- Include the completed Amenity List Form. This completed Form will be provided to the MH Board for its consideration.

- Include the Application fee.

The MH staff will review the application in detail, including financial analysis. Applications determined feasible by staff will be presented to the MH Board of Directors for formal preliminary commitment approval. After approval, the project sponsor must submit the information required for firm commitment processing.

FIRM COMMITMENT PROCESS

The information required for commitment processing will be dependent on the extent of information submitted at the preliminary stage. The following list outlines the information required. Please note the sponsor will need to allow time for the MH to review the firm commitment process information. This list is not intended to be all-inclusive; its intent is to provide the sponsor with a general idea of the requirements after receipt of a preliminary loan commitment approval.

- Updates to information submitted during the preliminary commitment process.

- Any information need to obtain proposed mortgage insurance. This may include previous participation forms, environmental reviews etc.

- Final site plan, including an architect's floor plans and elevations, and typical unit plans, and whether the project is new construction or acquisition and rehabilitation.

- Include an appraisal listing replacement cost must be done by an independent (non-related) Montana- licensed real estate professional done within the last year and that lists MH as authorized user will be required.

- For Rehabilitation Applications, include a full scale Capital Needs Assessment on the USDA Rural Development Capital Needs Assessment (CNA) template or similar form, projection of a minimum of 15 years a list of items for each particular Unit (identified by Unit number) that will be replaced, refinished, repaired, upgraded or otherwise rehabilitated, and a detailed narrative explaining the scope, details and expectations of the Rehabilitation. The CNA will be no more than 6 months old at the time of application.

- For Applications proposing Rehabilitation or replacement of existing units, include a preliminary relocation plan addressing the logistics of moving tenants out of their residences and providing temporary housing during the Rehabilitation, the probable length time tenants will be out of their units, and/or replacement and returning tenants to their residences upon completion of the Rehabilitation or replacement

- Fair Housing Marketing Plan using HUD Form 935.2A for review by MH. If the Project is an Elderly Property, specify which exemption for housing for older persons will apply.

- Information/authorization sufficient for MH to order a credit report.

- Certified site survey/surveyors certificate and Phase I environmental.

LOAN CLOSING:

Once MH issues a firm commitment, the sponsor can proceed with construction. The following is a list of items the MH will need in order to close on a permanent loan. This general list is not intended to be all-inclusive; its intent is to provide the sponsor with an idea of the requirements to close a permanent loan.

- The MH receives a certification from the sponsor's architect that the project was built in accordance with plans and specifications, zoning requirements, building codes and Fair Housing requirements. The architect will also certify the project is in good and marketable condition. The MH will also request a copy of the Certificate of Occupancy.

- The sponsor and contractor submit cost certifications completed by a Certified Public Accountant.

- The sponsor provides to MH a letter of credit or cash security totaling 4% of the mortgage amount. This escrow is to ensure any latent defects can be remedied. The security may also be used in the case of mortgagor/sponsor non-compliance with the mortgage documents. The latent defects escrow will be held by MH for a minimum of one year.

- The mortgage must be on real estate held in fee simple. A lease may also be allowed at MH discretion if the lease is executed by a governmental agency, or other lessor approved, that has a term at least 10 years beyond the end of the mortgage term.

- Marketable title to the mortgaged property is vested in the mortgagor. The MH must receive an extended lenders title insurance policy that ensures marketable title is vested, that a survey has been performed, and that no existing impediments to title exist on the property.

- The mortgagor must provide evidence of acceptable hazard insurance in at least the amount of the mortgage with the MH as the loss payee.

- The sponsor and mortgagor are the sponsor and mortgagor approved in the feasibility and commitment stages and firm approval process. Substitution of mortgagors (or principal partners, etc. of mortgagor) will not be allowed unless the MH is able to perform due diligence and approve the change. Under HUD requirements, the mortgagor must be a single asset mortgagor. Substitution of mortgagor or sponsor will be cause for delays in processing.

- The mortgage is completely amortizing per the approved terms.

- The mortgagor certifies that the property is free from all liens other than the lien of the insured mortgage, unless specifically approved by MH. The MH loan must be in first lien position whether it is stand alone, participation or pari passu loan.

- The mortgagor certifies that all contractual obligations in connection with the mortgage transaction are paid, unless specifically approved by MH and of lesser priority than the insured mortgage.