

4900.3632 RENTAL HOUSING.

Subpart 1. **Generally.** For rental housing, the agency shall provide challenge program funds in the form of a deferred loan. The agency shall provide challenge program funds in the form of a grant if:

A. the applicant provides documentation confirming that another funding source requires the agency's funds to be provided in the form of a grant; and

B. the other funding source is providing a greater amount of funding than the agency is providing.

Subp. 2. Loans for rental housing.

A. The agency shall award challenge program loans in the form of a deferred loan unless an amortizing loan is requested by the borrower and deemed financially feasible by the agency. The agency shall base its determination of financial feasibility on whether the rental housing shall generate enough cash flow to support the amortizing loan. In making this determination, the agency shall consider the rental housing's projected income less its projected expenses. The term of the loan is 30 years from the date of the loan closing; however, the agency may adjust the loan term based on any of the following factors:

(1) requirements and conditions of other funding sources related to loan term;

(2) the existence of a leasehold mortgage on the property benefited by the loan; or

(3) economic analysis by agency staff demonstrating that the housing will not have sufficient value at the end of the loan term to allow the borrower to repay the loan.

B. Challenge program loans bear interest at a rate of zero percent unless a higher interest rate is necessary to allow challenge program funds to be used with other funding sources. Principal and interest, if any, is due and payable at the end of the 30-year term.

Subp. 3. Grants for rental housing.

A. The term of challenge program grants is 30 years from the date of the grant award; however, the agency may adjust the grant term based on requirements and conditions of other funding sources related to the grant term or the existence of a leasehold mortgage on the property benefited by the grant.

B. Challenge program grants must be repaid in full to the agency if the grant recipient does not comply with the conditions of the grant agreement with the agency. Challenge program grants must be forgiven in full at the end of the 30-year term if the grant recipient remains in compliance with the grant agreement throughout the grant term.

Subp. 4. **Repayment processing fee.** The agency shall charge borrowers a repayment processing fee when a challenge program loan or grant is repaid in full, as provided in the loan or grant agreement between the borrower or grant recipient and the agency. The amount of the processing fee is equal to the approximate administrative costs incurred by the agency in processing the repayment.

Subp. 5. **Sale of housing or assumption of loan.** The agency shall approve the sale of rental housing financed, or the assumption of a loan or grant made, under this part if the entity purchasing the rental housing or assuming the loan meets the agency's current mortgage credit and underwriting standards. The agency shall charge the original borrower or grant recipient an assumption fee in an amount equal to the approximate administrative costs incurred by the agency in processing the sale or assumption, as provided in the loan or grant agreement between the borrower or grant recipient and the agency.

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