**PREMIUM MANAGEMENT FEE POLICY**

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# Purpose of Premium Management Fee

The Asset Management Division established the Premium Management Fee (PMF) in 1987 to reward management agents for meeting **all** the MSHDA financial reporting and administrative requirements and for excellent management of MSHDA-financed developments. There are twelve reporting requirements or factors used to determine eligibility.

Applications for PMF will be reviewed annually after December 31st of the applicable year. Prior to disbursement, the PMF must be approved by the:

* Development owner; and,
* Director of the MSHDA, Asset Management Division

Payment of the PMF occurs in the year following the calendar year reviewed for performance and achievement of the PMF factors.

# PMF Eligibility Requirements

An agent is eligible to receive a PMF beginning at the ***mortgage cutoff date***. However, a PMF cannot be paid until the development has final closed and the premium management fee has been earned.

PMF evaluations are based on 12 factors broken down into (7) Mandatory and (5) Pro-Rated factors. All the mandatory evaluation factors represent criteria that must be achieved to receive approval of a PMF. Pro-Rated evaluation factors represent criteria that allow for partial achievement of the PMF. Requests for 50% of the premium management fee can be made when only **one** of the pro-rated evaluation factors is denied for a development.

Failure to meet the criteria set forth for a mandatory evaluation factor or for more than one of the pro-rated evaluation factors will result in complete denial of the PMF; denials are subject to appeal. **Developments that anticipate a denial of the PMF due to violations of the PMF factors do not need to submit a PMF application.**

If a waiver has been granted by the Director of the Asset Management Division for any factor a copy of the written waiver must be submitted with all applications affected by the waiver.

## Management Agent Changes

If a management agent change occurs any time during the calendar year, each managing agent could potentially qualify for a portion of the PMF based on its individual performance during the months it managed the development. The total PMF paid to each management agent will be pro-rated based on the number of months the agent managed the development.

## Appeals

One appeal can be made to the Authority if denial of the PMF occurs. The request for an appeal must be submitted in writing and received within **60 days** from the date of the denial letter. This appeal must be presented in writing. The Authority’s appeal review decision is final.

# Payment of the Premium Management Fee

Management agents may negotiate a premium management fee with the development’s owner(s) based on compliance with the Premium Management Fee policy in addition to the basic management fee allowable. An owner can negotiate a premium management fee less than the maximum amount published in the Budget Guide policy for the succeeding year. The PMF applicable to next calendar year is published in the middle of the year being evaluated. ***For example:*** The PMF applicable to the calendar year 2025 activity is published with the 2026 budget guide policy (on the MSHDA Mgmt. 450 – Attachment 2 – Annual Fees form) released in the summer of 2025. The PMF paid for 2025 activity is approved in the beginning of 2026, thus the 2026 PMF amount is used for the 2025 PMF performance.

Provided the management agent has met the requirements to achieve a PMF and the funds are available, payment of the requested premium management fee can be made to the agent from the development’s operating account ***after written approval*** of the PMF request is received. Payment of the premium management fee is contingent on the developments:

* Liquidity position (must be equal to or greater than the amount of the PMF due) and,
* Completion of final closing at the time of approval.

If funds are not available in the development’s operating account when the request is formally approved, payment of the premium management fee must be accrued until such time as funds are available to pay the fee or the fees are written off. Per the management agreement, the PMF is a low priority payable and should be administered only after other payables are current.

# Application for PMF Fee

To request approval of a PMF, management agents must submit the Premium Management Fee Application and Certification (MSHDA Mgmt. 415A) form with the Premium Management Fee Owner & MSHDA Certification page (3 of the MSHDA Mgmt. 415A form) signed by the development owner.

# Mandatory Evaluation Factors (1 - 7)

All mandatory factors must be achieved to receive PMF approval.

## Mortgage Payments (1)

All mortgage payments, including principal, interest, taxes, insurance, and replacement reserves must be received by the designated due date. Mortgage payments are due the first of every month and late payment notices are sent following the 15th calendar day grace period after the first of each month.

## Material Default (2)

Any formal declaration of material default signed by an authorized officer of the Authority will result in denial of the premium management fee.

## Delinquent Utility Bills (3)

Delinquent utility bills (i.e. electric, gas, or water and sewer) that remain unpaid and result in collection proceedings or lien placement by applicable governmental entities will result in denial of the premium management fee.

## Insurance Policy Coverage (4)

All insurance coverage must adhere to Authority policy and be in effect for the entire applicable calendar year. ***Evidence that the******policy continues in force, in the form of an annual renewal policy or Certificate***, must be sent to the Authority by the policy renewal date. A copy of the existing policy must be provided in all cases at closing and no later than thirty (30) days after each renewal date. Funds to pay the premiums for all insurances, except Employee Dishonesty/Crime Coverage must be held in escrow by the Authority.

## Annual Certified Audit Submissions (5)

Annual Certified Audits must be accurate and meet the requirements established by the Audit Guide policy. Accurate submission includes any revisions requested in writing by Authority staff after the audit has been received. Audits must be received in the Authority’s Lansing office no later than 120 days after the year-end of the audited year.

## Real Estate Tax and Property Insurance Escrow (6)

When tax and/or insurance bills cause a shortage in the escrow accounts, excess funds will be transferred from the opposite (tax/insurance) escrow or ORC escrow account. If no excess funds are available, the shortage must be paid by **January 25th (or next business day if date falls on a weekend)** from either the development’s operating account or the owner. If the development is unable to fund the shortage, the management agent must notify their assigned asset manager on or before the due date and arrange to pay the shortage. Failure to respond to the escrow shortage within the specified period will result in denial of the premium management fee.

## Payments Due Per Audit (7)

All required payments identified on the applicable Schedule I in the Annual Certified Audit, must be submitted no later than 120 days after the development’s year-end. By the specified due date, the Authority’s Lansing Finance Division must receive payments due via mail or authorization to transfer funds held in a MSHDA-escrow. If the payments have not been submitted/authorized by the due date, a waiver in writing from the Director of the Asset Management Division or other authorized officer of the Authority must be granted by the specified due date to avoid denial of the PMF.

# Pro-Rated Evaluation Factors (8 - 12)

Agents may miss one of these factors and achieve 50% of the PMF. If an agent misses these factors two or more times, the PMF application will be denied.

## Monthly Income & Expenditure (MIE) Reports (8)

MIE reports must be received in the Authority’s Lansing office no later than midnight on the 20th day of each month, following the reporting month unless otherwise informed by the Authority. Twelve consecutive MIE reports are evaluated, representing those due January through December of the calendar year. The MIE reports must be processed in accordance with the established MIE guidelines without exception. Refer to the MIE guidelines for more details about the submission requirements.

## Annual Operating Budget (9)

The Annual Operating Budget submission, including all requirements stated in policy, must be submitted by October 1st. If a budget is received late, pro-ration of 50% of the fee may be awarded. If the budget has not been received and/or is not acceptable by December 31st of the year in which it was due, all PMF will be denied.

## Management Agreement/Management Fees (10)

Management fees are paid in accordance with the active Management Agreement and Addendum during the year being reviewed. The effective date of the management fees is determined by one of the following:

*Initial Management Fees* - The effective date of the management agreement is based on the “Term of Agreement” section that is completed by the Authority staff and approved by the Director of the Asset Management Division. The management agreement specifies the amount of management fees that can be paid to the management agent.

Management fees cannot be expensed/accrued until the effective date in the “Term of Agreement” section of the Authority-approved initial management agreement.

*Subsequent Management Fees* **-** Subsequent approval of management fees are done through the Addendum to Management Agreement. The Addendums are due with the budgets, but no later than **December 31st each year.** The management fee approved in the Addendum to Management Agreement and established in the approved budget will be the maximum fee that can be paid to the management agent. This amount cannot exceed the maximum management fee approved by the Authority. The new management fee is effective with the first month of the new budget year.

Management fees cannot be paid to an Identity of Interest management agent when there are Non-Identity of Interest accounts payables over 90 days unless a waiver has been granted by an authorized officer of the Authority.

## Physical Inspection & Inspection Response (11)

The management agent/owner must submit a complete, accurate and timely written response to the development’s Physical Inspection Report (PIR). In addition, ***all*** physical inspection deficiencies must be satisfactorily resolved in a current correction period, or in an approved extension period.

## Tenant File Audit & File Audit Response (12)

The management agent/owner must submit a complete, accurate and timely written response to the development’s File Audit Report. In addition, ***all*** findings must be satisfactorily resolved, in a current correction period, or in an approved extension period.

# Premium Management Fee Worksheet

This form (MSHDA Mgmt. 415C) has been included to provide a detailed review of each factor for use by the management agent to determine the success in achieving the requirements of each PMF factor.

# Forms

415A – Premium Management Fee Application and Premium Management Fee Owner & MSHDA Certification

415B – Premium Management Fee Application Instructions

415C – Premium Management Fee Worksheet (Optional)