

Lender Question and Answer

Application & Approval

Is there an application or approval process to be a PACE lender?

No. Minnesota operates as an open competitive market. However, it is recommended that you connect with MinnPACE to learn some nuances about the MN program before your client completes an application.

Payments & Timing

How are PACE Loans paid?

PACE loans are paid through the property tax bill as special assessments.

When are payments due?

Property taxes are due May 15 and October 15.

When will I receive the payment?

County and City processes can vary, but generally:

MinnPACE receives funds by July 7 and December 21.

MinnPACE has 30-45 days to remit payment to the lender (though it usually takes less time).

On average, lenders are paid by August 1 and January 15.

What if the property owner pays late?

Per MN law, counties process property taxes three times per year:

May 15 – First distribution prepared

October 15 – Second distribution prepared

January – True-up (any late payments are reconciled and sent)

If a payment is made after the due date, it will not be disbursed until the following distribution period.

Example: If the property owner pays taxes on May 20, the payment will not be disbursed until the December distribution..

County & City Process

Who manages the assessment process?

The County runs the assessment process, calendar, and final approval. MinnPACE works directly with the County throughout the process to keep it simple.

How long does county approval take?

County and City processes can vary. It can take 4–6 weeks to get on the county agenda for approval.

Loan Terms & Amortization

What type of amortization can be used?

- Simple payment and even principal.
- The PACE assessment is considered an annual payment divided in half.
- The first and second half payments are identical in principal and interest.
- Amortization is typically calculated on a 365-day basis (not 360).

How long can you capitalize interest?

- Capitalized interest and the payback term should not exceed 30 years.
- Interest can be capitalized for up to one year for new construction.

Is an interest-only period allowed?

No. Interest-only periods are not permitted.

Payments & Changes

What if the PACE loan is prepaid?

- Contact MinnPACE. Each county handles prepayments differently.
- If the PACE payment has already been billed for the current year, it must still be paid to the county.
- It is best to prepay the loan in October with the second payment.
- It is rare, but some County's want to collect the full amount due.
- MinnPACE will notify the county to remove the assessment for the following year.

Can changes be made, and is there a cutoff date?

- Special Assessments are updated once per year.
- Any changes must be requested in October for the next tax year

Interest & Authority

Can MinnPACE assess default interest rates?

No. Default interest rates are outside the authority of MinnPACE and the County and are governed by the agreement between the lender and borrower.

Recording & Documentation

- Who records the Notice of Assessment?

The lender records the Notice of Assessment with: The County Recorder's Office at time of closing.

Program Administration Fees

The program administration fee supports the full cost of managing a MinnPACE project from start to finish. This includes reviewing applications and coordinating with counties, property owners, title companies, and lenders. The fee also covers ongoing responsibilities such as loan origination, servicing, and processing prepayments. With statewide expertise, the program administrator serves as a one-stop shop to ensure the program operates efficiently.

1. Closing Fee: 1.5% of total project cost.
2. Ongoing Fee: 10 basis points (0.10%) on the outstanding principal at the beginning of each year — added to the interest rate.
3. Small Projects (< \$500,000): Pay only the one-time 1.5% closing fee, with no annual fee.

Loan Amount	Closing Fee	Annual Fee (on outstanding principal balance at 1/1/XXXX)
\$0-499,999	1.5%	No annual fee
\$500,000 and greater	1.5% capped at \$150,000	10 basis points added to interest (0.10%)