SEE A BRIGHTER WAY

FHA Section 223(f):

Apartment Acquisition or Refinance

Program Overview:	This program provides permanent financing for the acquisition or refinance of affordable or market rate multifamily properties. The debt is non-recourse, fully amortizing and fixed rate for the life of the loan.
Eligible Properties:	Existing multifamily apartment projects that are stabilized or nearly stabilized.
Eligible Borrowers:	Profit motivated and non-profit motivated borrowers. Mortgagor must be a single asset entity. TICs or Delaware Statutory Trusts are not permitted.

Maximum Loan Amount:

Acquisition/Refinance	LTV / Cash Out LTV	Debt Service Coverage	Underwritten Occupancy[3]
Market Rate Loans $125m and over	85%/80% 75%/70%	1.176x 1.300x	93%
Affordable[1] Loans $125m and over	87%/80% 80%/70%	1.150x 1.250x	95%
Rental Assisted [2] Loans $125m and over	90%/80% 87%/80%	1.110x 1.150x	97%

Loan amounts are also subject to geographic statutory per unit loan limitations

Loan Term:	Maximum of 35 years, not to exceed 75% of the project's estimated remaining economic life.
Loan Amortization:	Fully amortizing over the term of the loan.
Interest Rate:	Fixed for the term of the loan. The interest rate is based upon market conditions at the time of rate lock. Government insurance ensures a low interest rate relative to other financing sources.
Prepayment Restrictions:	3-year lockout, 7% declining prepay; 1 year lockout, 10% declining prepay, open at par after 10 years, or another prepay structure less onerous to the borrower, to be determined by lender at time of rate lock.
Recourse:	The loan is non-recourse with the exception of carve-out provisions to the project's identified sponsors.

Mortgage Insurance Premium:

	Market Rate	Broadly Affordable[4]	Affordable[5]	Green Housing[6]
Upfront MIP	1.00%	0.25%	0.35%	0.25%
Annual MIP	0.60%	0.25%	0.35%	0.25%

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Loan Assumability:	Fully assumable with JLL and HUD approval.
Secondary Financing:	HUD compliant "Surplus Cash Notes" are permitted from a private source up to 92.5% of the property's Fair Market Value (FMV) and may exceed 100% of FMV if paired with a public government source. The term of the secondary debt must be at least coterminous with the first mortgage, there may be exceptions for a public financing source.
Replacement Reserve Escrows:	Initial and annual deposits as determined in the PCNA. The initial deposit may be included in the loan amount. The annual deposit is calculated as the greater of $250 per unit or the amount determined by a PCNA.
Repair Limits:	Repairs are allowed up to $18,392/unit multiplied by applicable high cost factor. This can equal close to $49,600/unit in repair costs in major markets across the country. An architect or general contractor may be needed when repairs are equal to or exceed $18,392/unit, are classified as a level 2 or accessibility related repair.
Repair Escrows:	PCNA-identified and owner-elective repairs/improvements may be included in the loan amount; the borrower must escrow in cash a contingency of 20% of the repair/improvements, to be released upon completion. Repairs identified as "critical" in the PCNA will need to be completed prior to closing. Bids will be required for any specific repair items exceeding $35,000.
Other Escrows:	Property insurance, real estate taxes, MIP.
Commercial Space:	Commercial space is allowable up to 25% of Net Rentable Area and 20% of Effective Gross Income.
Fees and Expenses:	• FHA application fee - 0.30% of loan amount - payable to HUD. Properties in Opportunity Zones subject to a reduction in fee. • Mortgage Insurance Premium - see previous page - payable to HUD • FHA Inspection fee - i) $1,500 if repairs are < $100,000; ii) $30/unit if repairs are > $100,000 but less than $3,000/unit; or iii) the greater of 1% of repair cost or $30/unit if repairs are > $3,000/unit - payable to HUD. • Third party reports - appraisal, phase I ESA, radon testing, project capital needs assessment (PCNA), and any green related reports, if applicable. • Lender financing fee. • Good Faith Deposit of 0.50% at rate lock - refunded at closing.
Other Considerations:	• Recently constructed projects are underwritten to actual collections less normalized expenses. • A PCNA is required every 10 years throughout the loan term. • Surplus cash may be distributed out of the mortgagor entity monthly after the first year. In some cases this could be more frequently with approval. • CPA reviewed operating statements for the last full year and YTD period are required for underwriting. • After closing, annual audited financial statements are required. • Developer Fees may be eligible from mortgage proceeds on LIHTC projects. • Tax exemptions and/or PFC structures may be accounted for in underwriting.

1 Projects qualify as Affordable if a recorded regulatory agreement i) has at least 15 years remaining in its compliance period, and ii) restricts 20% of units at 50% AMI or 40% of units at 60% AMI, with such affordable units leased at LIHTC rents or lower.

2 Projects qualify as Rental Assisted if at least 90% of units are subject to a project-based rental assistance contract.

3 For occupancy purposes: **Market Rate** includes LIHTC properties without a 10% discount to market. **Affordable** includes properties with minimum LIHTC set aside requirements, with attainable tax credit rents at a 10% discount to market. **Rental Assisted** includes properties with a HAP contract on 90% or more of the units or an in-place rehab with greater than 90% occupancy and greater than 90% of units set aside as LIHTC units with attainable tax credit rents at least 10% below market.

4 **Broadly Affordable** ≥90% of the units covered by a Section 8 contract or LIHTC restrictions with a 10% rent advantage. 15 or more years remaining is required.

5 **Affordable** 10% to 90% of the units covered by Section 8 Contract or LIHTC restrictions. 15 or more years remaining is required. Or at least 10% of units covered by Inclusionary Zoning. 30 or more years remaining is required. Owner must execute a rider agreeing to accept Section 8 Vouchers for the life of the regulatory agreement.

6 Project must have achieved an industry recognized green building standard and achieve a score of 75 or better on the Energy Star scale of 1 – 100, prior to submitting Firm Application to HUD. Owner must annually certify that green building standard and score is maintained.

For more information, please contact:

We can support you with expert advice that reflects your business needs and priorities

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