

**HUD INSURED LOANS for
ACQUISITION or REFINANCE of
EXISTING OCCUPIED RENTAL APARTMENTS
Section 223(f)**

~ Multifamily Accelerated Processing ~

PROGRAM FEATURES

- Fixed-rate, level pay
- Long term-35 years
- Non-recourse
- Fully Assumable
- 85 % Loan to value
- 100 % of refinancing costs

QUALIFYING PROPERTY

- Rental apartment property, at least 3 years old, five or more units.
- Repairs cannot exceed the replacement of one system or cost more than the greater of \$6,500 times the high cost factor or 15% of after-repair value.
- FHA insurance **does not limit** rents, tenant incomes, or return on equity. Rents, occupancies and expenses must be comparable to the marketplace.

LOAN AMOUNT

Acquisition, least of:

- 85 % of value after repairs; or
- 85 % of the sum of the cost of acquisition, repairs, reserves for replacement, soft costs, and fees; or,
- An amount for which debt service does not exceed 85 % of net operating income.

Refinance, least of:

- 85 % of value; or,
- The greater of 100% of the cost to refinance or 80% of value; or,
- An amount for which debt service does not exceed 85 % of net operating income.

Financing Communities with FHA

LOAN TERM

- The lesser of 35 years or 75% of the remaining economic life of the property.

INTEREST RATE

- Interest rates are fixed rate, level-pay for the life of the loan, and are set at the time the loan is purchased which occurs after a Firm Commitment is issued and before Closing. Prepayment penalties and discounts vary depending on market conditions.

SECONDARY FINANCING

(Secondary debt must be fully subordinated to the HUD-insured first mortgage)

If Source is Federal, State or Local Debt:

The loan cannot exceed the difference between the HUD insured mortgage and the HUD Fair Market Value of the project.

If Source is Other Entities or Natural Persons:

The aggregate amount of the insured first loan and the second loan cannot exceed 92.5% of the HUD Fair Market Value of the project.

UNDERWRITING PROCESS

- AGM prepares a preliminary mortgage calculation. If the preliminary mortgage calculation indicates that the project qualifies for an acceptable HUD-insured loan, AGM will schedule a site visit with the Borrower and informally discuss the project with the local office of HUD.
- Firm Commitment Application: This application includes a Phase I, Part A of the Form HUD-4128 (further environmental investigation), a complete appraisal, a Property Capital Needs Assessment (PCNA), and all mortgage credit documents. Once HUD has accepted the application, HUD has 60 days to issue a Firm Commitment.

COMMITMENT and CLOSING

- Once AGM receives an acceptable Firm Commitment from HUD, the Borrower's closing attorney prepares the HUD closing package with HUD's and lender's closing attorneys. The debt is competitively bid. Closing is scheduled by HUD.

MORTGAGEABLE FEES

- HUD Application Fee 0.3% of the mortgage
- Financing Fee 2.0% of the mortgage
- Placement Fee 1.5% of the mortgage
- Mortgage Insurance Premium Reset annually by HUD
- Inspection fee The greater of 1.0% of repairs or \$30 per unit
- Review Fees Appraisal, all Environmental Reports, Property Capital Needs Assessment (PCNA)

ANNUAL FEES AND RESERVES (Paid Monthly)

- Mortgage Insurance Premium Reset annually by HUD
- Reserve for Replacement
- Taxes and Insurance

LETTERS OF CREDIT

- 20% of the cost of repairs; posted at Closing and released after repairs are completed.
- Operating Deficit calculated by HUD; posted at Closing and released as needed or after 90 days sustaining occupancy.

OTHER PROGRAM FEATURES

- MAP processing requires a 3rd party appraisal, environmental, and a Property Capital Needs Assessment (PCNA) at your expense. AGM completes mortgage credit.
- Davis-Bacon (prevailing) wages are not applicable.
- A short form of cost certification must be completed after repairs are completed.
- A Firm Commitment requires a detailed work write up listing quantities and unit prices for repair items.
- Equal employment and equal housing opportunity requirements apply.
- HUD will complete a modified environmental review for conditions associated with noise, flood plains or wetlands, historic location, toxic wastes, lead-based paint, and asbestos.
- Maximum occupancy for underwriting is 95%.
- HUD will require an initial deposit to Replacement Reserves which can be financed with mortgage proceeds.