AGM FINANCIAL SERVICES, INC.
Financing Communities with FHA

FHA 223(f) Financing

Market Rate Multifamily Construction Loan Takeout or Refinance

Need to refinance your construction loan? Think FHA.

For multifamily projects that need to get underway quickly and can get a conventional construction loan, refinancing the completed project with an FHA-insured takeout can be a great option.

An FHA-insured refinance for multifamily offers fixed rates, higher leverage, and longer amortization, all nonrecourse, with no limits on rents, tenants, or returns.

FHA-insured financing* is available at the lesser of:

- **1.176 Debt Service Coverage**
- **80% Loan-To-Value With Cash Out**
- **85% Loan-To-Value With No Cash Out**
- **100% of Cost (existing debt plus transaction costs)**

**Up to $120 million*

FHA-insured loans for refinancing are fully amortized with a 35-year term.

Interest rates on FHA-insured loans are **fixed** just before closing and remain fixed for the life of the loan. Loans are fully **non-recourse,** subject only to certain “carve-outs” such as fraud, theft of funds, or unapproved transfers of ownership.

FHA-insured loans are **fully assumable** and **prepayable** at any time, subject to declining prepayment penalties. Prepayment penalties can be customized to fit your long-term plans for the property, usually with a modest adjustment to the interest rate.

Process

The process for obtaining an FHA-insured loan for refinancing has two steps – concept meeting and firm application.

The concept meeting is your chance to talk directly with HUD staff about your project. For the concept meeting, AGM will prepare a concept package including current financials, an as-stabilized *pro forma*, an existing Phase 1 environmental study, and background on the development team. Photos, site plans, and building are helpful too.

The goal of the concept meeting is an encouragement letter from HUD, opening the way to the firm application and identifying any issues or concerns from HUD staff. There is no cost for the concept meeting, no fee to HUD, and no fee to AGM.

The firm application includes a current rent roll, current and trailing financial statements, and a current appraisal ordered by AGM, along with a HUD-compliant Phase 1 or Phase 2 report. The application fee to HUD at this stage is an additional 0.30% of the mortgage amount.

The firm application also includes a project capital needs assessment (or ‘PCNA') detailing any critical repairs—health and safety items and any repairs or modifications needed to comply with Fair Housing and ADA standards. Noncritical repairs are noted as well. Critical repairs must be completed prior to closing, and noncritical repairs must be completed within twelve months of closing. An escrow of 20% of the cost of the noncritical repairs is posted at closing. Prevailing (Davis Bacon) wages are not required for critical or noncritical repairs.

The PCNA includes a schedule of your property’s projected capital needs over time, usually twenty years. The schedule will be used to estimate the cost of those capital items in the future, along with the initial and ongoing deposits to the replacement reserve.

Timing

Generally, the entire process, from AGM's initial loan sizing to closing, takes four to six months, depending on the performance of the property and the time needed to get the appraisal, PCNA, and an updated (and HUD-compliant) environmental report.

For projects built in the last three years, AGM can submit a firm application as soon as the property is at 1.176 debt service coverage for 30 days. To close the loan, the property must have three consecutive months of 1.176 debt service coverage, including the thirty days prior to submitting the application. Debt service coverage is measured using actual collected revenue and normalized operating expenses.

With loans underwritten at or below 80% loan-to-value, it is possible to take cash out of an FHA refinance. Half of the cash out is available at closing, and half is held in escrow until the property achieves six consecutive months of 1.176 debt service coverage, including months at coverage prior to closing.

MIP

In exchange for providing mortgage insurance (and making your loan nonrecourse), FHA charges a fee in the form of a Mortgage Insurance Premium, or MIP. For projects that achieve one of several green building certifications, the annual MIP is 0.25% of the outstanding mortgage balance. Green building certifications recognized by HUD include the National Green Building Standard and various LEED and Energy Star certifications.

The first year's MIP is paid at closing. After closing, one-twelfth of the annual MIP is paid with your monthly mortgage payment.

Fees

Fees associated with an FHA-insured loan for new construction include:

- A HUD application fee equal to 0.3% of the mortgage.
- A financing fee to AGM paid at closing.
- Lender legal fees.
- Third-party costs such as appraisal, PCNA and environmental reports.
- The first year's mortgage insurance premium.
- Escrows for taxes and insurance.

Founded in 1990, AGM is a leading FHA lender and GNMA seller/servicer. Family-owned with over 30 years of experience, the firm has closed over $10 billion in FHA-insured multifamily project loans nationwide. We underwrite, fund, and service all of our loans. Developers and owners can count on AGM to be accessible, transparent, consistent, and ready to lend.

We welcome the opportunity to discuss how AGM can help you close your next deal.

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MARKET RATE & AFFORDABLE

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