
**FHA SECTION 223(f) INSURED MORTGAGE
Refinancing or Acquisition of Existing Multifamily Properties**

PURPOSE	Permanent financing or refinancing for existing (at least 3 years old) multifamily and elderly rental properties. Commercial space is permitted, but may not exceed 20% of total square footage or 25% of gross income. This program provides long-term, fixed-rate, fully amortized and fully assumable non-recourse financing. Borrowers can be for profit or non-profit entities.
PROPERTY QUALITY	A wide range is permitted, however, underwriting will be adjusted for perceived risk due to age or obsolescence for existing properties. Facilities resembling retirement service centers for independent elderly do not qualify. No “founder’s fees” or similar charges or fees are permitted. Facilities must have a certificate of need (CON) at the time of application, if required by the state.
HUD REVIEW	Shorter processing time under the Multifamily Accelerated Processing (MAP) program. HUD offices are required to complete their review and issue a firm commitment within 60 days of receipt of a firm application.
LOAN TERM	Lesser of 35 years or 75% of the remaining economic life of the property. Properties must remain rental for 5 years post closing.
AMORTIZATION	Fully amortizing loans of 35 years or 75% of the remaining economic life of the property.
NOTE RATE	Taxable, low-interest GNMA mortgage-backed securities for both construction and permanent loans or may serve as credit enhancement for tax-exempt bonds. The interest rate is typically locked once a firm commitment issued by HUD is accepted by the borrower. However, advance/early rate locks are available.
LOAN AMOUNT	No maximum mortgage limitations other than those imposed by the underwriting standards. Loans under \$2.5 million become comparatively expensive due to the cost of third party reports.
UNDERWRITING	Maximum loan amount cannot exceed 85% of LTV, an amount for which debt service does not exceed 85% of NOI (1.17 DSC), or HUD statutory cost limit adjusted for local high cost factors. Acquisition loans are limited to 85% of the total acquisition cost including repairs, replacement reserve, soft costs, and loan fees. Refinance loans are limited to the greater of 100% of the cost to refinance or 80% of value.
ORIGINATION FEES	A total of 3.5% can be included in the mortgage costs to pay Origination and Funding fees for both the construction and permanent loans. An additional 2% can be included for bond transactions. Actual fees are negotiated on a case by case basis depending on the size and complexity of the transaction and the experience of the Borrower.

HUD FEES

Exam Fee – equal to \$30 per unit if repairs are less than \$3,000 per unit; or, 1% of the cost of repairs if repairs are greater than \$3,000 per unit. Due and payable when application is ready to be delivered to HUD.

Inspection Fee – equal to 0.50% of the loan amount, which is due and payable at construction loan closing.

Annual Mortgage Insurance Premium – equal to 1% of the outstanding loan amount for the first year, 0.45% of the loan amount per year thereafter (with or without LIHTC) (or such other amount in effect at the time the firm commitment is issued by HUD). First payment is due and payable at construction loan closing and is payable from mortgage proceeds.

SECONDARY FINANCING

Secondary financing from federal, state, or local agencies is permitted, but must be fully subordinate to the HUD-insured mortgage, payable from cash flow only, and have a term of at least the term of the HUD mortgage.

PREPAYMENT

No yield maintenance required; prepayment lockout and penalties are negotiated with Investor and Borrower at time of interest rate lock.

ASSUMABILITY

HUD loans are assumable based upon a satisfactory review of the new Borrower and payment of a one percent fee.

LIABILITY

The loans are non-recourse to the Borrower and its Key Principals, subject to certain exceptions, which are industry standard.

AFFORDABLE HOUSING

Tax-exempt Bonds and Low-Income Housing Tax Credits can be used.

CONSTRUCTION REQUIREMENTS

Davis-Bacon (prevailing) wages are applicable. Construction plans and specifications must be 100% complete and comply with all fair housing and ADA laws. Completion assurance may be in the form of 100% payment and performance bonds or a letter of credit equal to 15% of the construction contract (25% for four or more stories and elevator).

ESCROWS

Working Capital, equal to 2% of the loan amount, will be funded at construction loan closing and may be in the form of cash or letter of credit. Funds may be used to defray certain costs during construction and lease-up. Any remaining balance will be returned upon stabilization of the property as determined by Multifamily Mortgage Finance.

Initial Operating Deficit, if required, will be funded, in the form of cash or letter of credit, at construction loan closing to cover operating shortfalls during lease-up. HUD will determine the exact amount. Any remaining balance will be returned upon stabilization of the property as determined by Multifamily Mortgage Finance.

UPFRONT FEES

Lender Engagement Fee – \$2,500 - \$7,500 depending on complexity of the transaction and other factors. Applies against Lender Origination Fees at loan closing.

Third Party Report Escrow – Typically \$12,500 (for existing properties) - \$20,000 (for new construction or substantial rehab). Reimbursed from mortgage proceeds at loan closing.

Good Faith Deposit – .50% of the loan amount due at rate lock. Could be lower for large loans (over \$25 million) and will be higher for advance rate locks (prior to issuance of the firm commitment to insure by HUD). Returned at loan closing.

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