



Affordable Housing

FHA Section 223(f)

Multifamily Refinance or Acquisition

Davis-Penn Mortgage Co. has a proven track record in financing affordable communities across the country. DPMC has successfully processed, closed and serviced many different types of affordable transactions including 9% & 4% LIHTC Transactions, Year-15 Re-syndications, Section 236 Decoupling's, RAD, HAP and LIHTC Pilot transactions.

HUD defines Affordable Housing as:

1. Rent and income restrictions must be imposed, monitored and enforced by a governmental agency for at least 15 years after Final Endorsement and
2. Either:
 - a. a recorded Regulatory Agreement requiring the project to meet at least the minimum LIHTC restrictions of 20% of units at 50% of the Area Median Income (AMI), or 40% of the units at 60% AMI, with economic rents (portion paid by tenants) on those units no greater than LIHTC rents; or
 - b. a Project-Based Section 8 contract for 90% of the units.

Program Highlights:

Financing to purchase or refinance existing multifamily rental housing including age-restricted properties, so long as the head of household is 62 or older, and occupancy is not restricted to any remaining occupants.

- Fixed Interest Rate
- Fully Amortizing
- Non-Recourse
- Assumable Permanent Financing
- Cash-Out Permitted

Eligible Properties:

Any multifamily property that is at least three years old and does not require substantial rehabilitation. Projects with additions completed less than 3 years before the application are eligible for refinancing as long as the size and number of units in the addition are not larger than the size and number of units in the original project.

Refinance:

Maximum Mortgage is determined by the lesser of:

- DSCR of 1.15 on an underwritten vacancy of at least 5% for Affordable Housing or a DSCR of 1.11 on an underwritten vacancy of at least 3% for projects with 90% or greater Rental Assistance
- 87% Loan to Market Value for Affordable Housing or 90% for projects with 90% or greater Rental Assistance
- The greater of 100% of Cost to Refinance or 80% of Market Value

Acquisitions:

Maximum Mortgage is determined by the lesser of:

- DSCR of 1.15 on an underwritten vacancy of at least 5% for Affordable Housing or a DSCR of 1.11 on an underwritten vacancy of at least 3% for projects with 90% or greater Rental Assistance
- 87% Loan to Market Value for Affordable Housing or 90% for projects with 90% or greater Rental Assistance
- 87% of Eligible Acquisition Cost for Affordable Housing or 90% of Eligible Acquisition Cost for projects with 90% or greater Rental Assistance

Maximum Term:	35 years or 75% of the remaining economic useful life, fully amortizing.
Personal Liability:	FHA loan is non-recourse with standard carve outs
Assumable:	Yes, subject to FHA approval
Fees and Expenses:	0.3% application fee due at application. Financing and permanent placement fees of up to 3.5% are based on final loan amount and payable at closing. HUD inspection fees vary based on the total cost of critical and non-critical repairs.

Mortgage Insurance Premium: 0.25% of the outstanding principal balance calculated annually thereafter.

Other FHA Requirements:

- The client must pay for all third party reports, which include a Phase I Environmental Site Assessment, Appraisal and a Capital Needs Assessment (CNA).
- Commercial space is limited 25% of total net rentable area and commercial income to 20% of effective gross income.
- HUD permits secondary financing on Section 223(f) loans up to total of 92.5% Loan-to-Value.
- All Critical Repairs must be completed prior to closing.
- Non- Critical Repairs may be completed after endorsement with complete bids on work items greater than \$25,000, and a financial escrow equal to 120% of the non-critical repair costs must be established at closing.
- Fifty percent of any cash out proceeds after funding mortgageable transaction costs and the assurance of completion requirements must be held in an escrow by the lender until the required non-critical repairs are completed and HUD approves the release.
- An Initial Deposit and Annual Deposits are made to the Reserve for Replacement account in accordance with the CNA and underwriting conclusions.
- Escrows for property taxes, insurance and MIP required.
- Borrowers and management agents must comply with HUD Fair Housing and Equal Opportunity requirements.
- A new CNA report is required every 10 years.
- Rental assistance for LIHTC projects with Section 8 assistance should be in the form of a 20-year, Project Based Rental Assistance Section 8 Housing Assistance Payment (HAP) contract or, in the case of a RAD/LIHTC Project, a 15-year Project Based Voucher contract.
- Annual audit is required

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