

NEW CHANGES TO MULTIFAMILY RENTAL HOUSING – REFINANCE

Effective March 3, 2020, **new construction properties** are now eligible for financing under the 223(f) program, a non-recourse 35 year fully amortizing loan product. Previously ineligible until three years after completion, HUD will now allow new construction properties to be eligible under the following circumstances:

NEW CONSTRUCTION ELIGIBILITY

- + NEED DSCR OF 1.17X (FOR MARKET)/1.11X (FOR BROADLY AFFORDABLE) FOR 1 MONTH TO APPLY AND 3 MONTHS TO CLOSE
- + CASH OUT IS AVAILABLE UP TO 80% OF APPRAISED FAIR MARKET VALUE, WITH 50% HOLDBACK UNTIL 6 MONTHS OF DSCR ACHIEVED (INCLUDING 3 MONTHS PRIOR TO CLOSE)
- + PROVIDE CURRENT RENT ROLL AND LEASING HISTORY, INCLUDING ANY CONCESSIONS
- + PROVIDE INCOME AND EXPENSE FROM INITIAL OCCUPANCY TO CURRENT AND PROJECTED FOR 12 MONTHS
- + UNDERWRITTEN TO ACTUAL REVENUE COLLECTED LESS NORMALIZED EXPENSES TO MEET DSCR TEST

223(F) PROGRAM FEATURES

- + NON-RECOURSE
- + FULLY ASSUMABLE WITH LENDER AND FHA APPROVAL
- + NON-CRITICAL REPAIRS AND CAPITAL IMPROVEMENTS CAN BE FUNDED
- + 93% OCCUPANCY UNDERWRITTEN FOR MARKET; 95%-97% FOR QUALIFYING AFFORDABLE
- + 85% PHYSICAL OCCUPANCY TEST

MAXIMUM LOAN LIMITATIONS

REFINANCE - THE MAXIMUM LOAN AMOUNT WILL BE THE LESSER OF:

- + DEBT SERVICE COVERAGE: 1.17X FOR MARKET RATE, 1.11X FOR BROADLY AFFORDABLE
- + 80% LTV IF CASH OUT
- + UP TO 85% LTV FOR MARKET RATE (87%-90% FOR AFFORDABLE)
- + FHA'S STATUTORY PER UNIT LOAN LIMITS APPLY

RATES	Fixed for the length of the mortgage; typically funded by Ginnie Mae
LOAN TERM	Fully amortizing; 35 years for most properties.
PAYMENT CONDITIONS	Negotiable; 0-1 year lockout followed by a declining percentage penalty, open after year 10; no yield maintenance or defeasance
SECONDARY FINANCING	Limited secondary financing is permitted; repayment subject to surplus cash; special conditions apply
MORTGAGE INSURANCE PREMIUM (MIP)	Market Properties: 0.60% Affordable Properties: 0.25% or 0.35% Green Certification: 0.25%