

ADROC | CAPITAL

FHA/HUD Mortgage Insurance Program – Section 223(a)(7) Refinance of Existing FHA-Insured Loans

PURPOSE:	Provides streamlined refinance of existing FHA-insured loans to reduce annual debt service by lowering the interest rate and extending loan maturity date
ELIGIBLE PROPERTIES:	Multifamily properties with existing FHA-insured loans
BORROWER TYPE:	For-profit or non-for-profit single asset borrower entity
GUARANTEES:	Non-recourse
LOAN TERM:	Loan term may be extended up to 12 years beyond the maturity of the existing loan, not to exceed the original loan term of the existing HUD-insured loan.
AMORTIZATION:	Fully amortizing over loan term
INTEREST RATE:	Determined by market conditions (call for a quote), fixed for the full term of the loan
LOAN PARAMETERS:	Lower of: (1) loan amount necessary to pay off unpaid principal balance on the existing HUD-insured loan, prepayment penalties, required repairs, and other eligible loan transaction cost; (2) loan amount supported based on minimum required debt service coverage ratio (see below); and (3) the original loan amount of the existing HUD-insured loan
MINIMUM DSCR:	1.05x for projects with > 90% project-based rental assistance; 1.11x for all other projects
LABOR STANDARDS:	Davis-Bacon wage rates not required
PRE-PAYMENT:	Typically a combination of lockout and declining pre-payment penalty for a period of 10 years. Pre-payment structures are negotiable but are subject to pricing fluctuations
LENDER FINANCING FEE:	To be determined, based on size and complexity of transaction, subject to HUD limitations
HUD APPLICATION FEE:	0.15% of the loan amount due at HUD application submission
HUD INSPECTION FEE:	Not applicable

HUD MIP:

Property Type	MIP Year 1 (Due @ Closing)	Annual MIP (Due Thereafter)
Market Rate	0.50%	0.50%
Mixed Affordable (10% -90% LIHTC or rental assistance)	0.35%	0.35%
Affordable (> 90% LIHTC or rental assistance)	0.25%	0.25%
All "Green" Projects (Energy Star Certified or equivalent)	0.25%	0.25%

THIRD-PARTY REPORTS: Limited Environmental Review (HEROS) and Project Capital Needs Assessment (PCNA). HUD considers waivers for projects which completed new construction, substantial rehabilitation, or a prior PCNA within past 5 years.

ESCROWS/RESERVES: Typical tax and insurance escrow
Replacement Reserves: Minimum initial and annual deposit of \$250/unit, subject to HUD Guidelines and PCNA recommendation

TIMING: Typically 3-5 months from engagement to closing. Timeframes may vary.

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