

## Section 223(f)

### Apartment Refinance or Acquisition

**RED Mortgage Capital, LLC** is a leading FHA-approved Mortgagee and MAP/LEAN lender that actively underwrites, funds and services FHA insured mortgage loans for multifamily housing, seniors housing, assisted living and skilled care properties nationwide.

#### PROGRAM PURPOSE:

Provides mortgage insurance to facilitate funding the refinancing or acquisition of apartment properties that are at least three years old. Independent living projects for seniors (age 62 years and older with no services) are also eligible.

#### ELIGIBLE BORROWERS:

Profit motivated, non-profit motivated and public owners are eligible.

#### ELIGIBLE ASSET TYPE:

Market rate, affordable<sup>(1)</sup> or rental assisted<sup>(2)</sup> properties.

#### MAXIMUM LOAN:

REFINANCING: The lesser of:

1. The amount of debt that can be serviced by 85%, 87%, or 90% of net operating income for market rate, affordable<sup>(1)</sup>, rental assisted<sup>(2)</sup>, respectively;
2. 85%, 87%, or 90% of value for market rate, affordable<sup>(1)</sup>, rental assisted<sup>(2)</sup>, respectively;
3. The greater of 80% of value or 100% of the total cost of refinancing the existing indebtedness and other mortgageable transaction costs;
4. 100% of mortgageable transaction costs less the portion of grants, public loans and tax credits applied to mortgageable costs;
5. Statutory per unit limits.

ACQUISITION: The lesser of:

1. The amount of debt that can be serviced by 85%, 87%, or 90% of net operating income for market rate, affordable<sup>(1)</sup>, or rental assisted<sup>(2)</sup>, respectively;
2. 85%, 87%, or 90% of value for market rate, affordable<sup>(1)</sup>, or rental assisted<sup>(2)</sup>, respectively;
3. 85%, 87%, or 90% of acquisition cost (i.e. total cost to close) for market rate, affordable<sup>(1)</sup>, or rental assisted<sup>(2)</sup> properties, respectively;
4. 100% of mortgageable transaction costs less the portion of grants, public loans and tax credits applied to mortgageable costs;
5. Statutory per unit limits.

#### MAXIMUM TERM:

35 years, not to exceed 75% of remaining economic life.

#### OCCUPANCY:

All properties must demonstrate average physical occupancy of at least 85% for a period of 6 months prior to submittal of the application and maintain through final endorsement (i.e. stable occupancy). Maximum underwritten physical occupancy of 93% for market rate or affordable(1) properties that do not have an underwritten 10% discount to the market rate rent levels. Maximum underwriting physical occupancy of 95% for affordable(1) properties with 80%+ units set aside as LIHTC units and underwritten rents at a 10% discount to market. Maximum underwritten physical occupancy of 97% for rental assisted(2) properties, or in-place rehab properties with a.) occupancy at or above 90%, and b.) 90%+ units set aside as LIHTC units with underwritten tax credit rents at least 10% below market.

#### FUNDING:

Qualifies for Ginnie Mae guaranteed mortgage-backed securities, direct placement or may be used to credit enhance tax-exempt bonds.

#### INTEREST RATE:

Subject to market conditions.

#### MORTGAGE INSURANCE PREMIUM:

The annual MIP is .65% of the outstanding loan amount for market rate transactions unless it qualifies for .25% through the Green/Energy Efficient Housing qualifications. 90% affordable or rental assisted quality for the annual MIP of .25%. All other affordable are at .35% MIP.

The first year MIP is set at 1% of the loan amount for market rate and the program rate for affordable(1), rental assisted(2), and Green transactions.

#### PREPAYMENT:

Typically closed for 2 years then open to prepayment at 108% in year 3, declining 1% per year. Other variations are possible based on market conditions and borrower preferences.

#### TIMING:

Section 223(f) processing usually takes about 4 to 5 months (subject to deal specifics).

#### FHA APPLICATION FEES:

0.30% of the loan amount (non-refundable).

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#### FHA INSPECTION FEES:

1. \$30 per unit where the repairs/improvements are greater than \$100,000 in total but \$3,000 or less per unit.
2. \$30 per unit or 1% of the cost of repairs or \$1,500, whichever is greater, where the repairs/improvements are more than \$3,000 per unit.
3. \$1,500 where the repairs/improvements are less than \$100,000.

#### REPLACEMENT RESERVES:

Annual deposits required equivalent to the greater of \$250 per unit per annum or as identified in a Project Capital Needs Assessment (PCNA). An initial deposit will be required at closing which can be capitalized in the mortgage loan and is based on a PCNA.

#### PERSONAL LIABILITY:

None. The FHA insured loan is non-recourse; however, identified principal(s) will be required to sign "Bad Boy" carve outs at closing.

#### ASSUMABLE:

Yes, subject to HUD and lender approval (0.05% of the original loan amount).

#### SECONDARY FINANCING:

Permitted in the form of a surplus cash note, combined loan-to-value cannot exceed 92.5% unless the secondary financing is from a governmental source.

#### REPAIRS/IMPROVEMENTS:

Funds for repairs, deferred maintenance and capital improvements for generally up to the greater of (1) \$15,000 per unit (adjusted for high cost areas).

#### TERRITORY:

Nationwide.

#### THE PROGRAM HAS THE FOLLOWING ADDITIONAL PARAMETERS:

- Loans in excess of \$75 million have slightly lower loan to value limits and slightly higher debt service coverage requirements.
- Although not required, all transactions are encouraged to participate in a concept meeting with HUD prior to application submittal.
- This program can be used in conjunction with Low Income Housing Tax Credits and is often used to refinance/acquire properties that involve Section 202, Section 236 and Section 8 funding.
- Davis-Bacon prevailing wage requirements do not apply to any repairs.
- A PCNA will be required every 10 years.
- A schedule of real estate owned by principals is required and reviewed.

*\*\*Terms outlined above reflect the Revised MAP Guide Effective 01/29/16\*\**

For additional information visit [www.redcapitalgroup.com](http://www.redcapitalgroup.com) or contact:

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*RED Mortgage Capital, LLC is a leading FHA-approved Mortgagee and MAP/LEAN lender and actively provides financing utilizing FHA insurance programs nationwide pursuant to Multifamily Accelerated Processing (MAP) and LEAN underwriting methods.*

*In its prequalifying review, RED Mortgage Capital, LLC will attempt to estimate both the loan amount and the fees and costs associated with the transaction. Actual loan amounts and actual fees and expenses may vary from the prequalifying estimates. A prequalifying estimate is not a commitment to make a loan.*

*(1) Affordable defined as: (a) properties that have a recorded regulatory agreement in effect for at least 15 years after final endorsement, and (b) properties that meet at least the minimum Low Income Housing Tax Credit (LIHTC) restrictions of 20% of units at 50% of the Area Median Income (AMI), or 40% of units at 60% of AMI, with economic rents (i.e. portion paid by tenants) on those units no greater than LIHTC rents (i.e. properties need not use LIHTCs to be considered affordable so long as they comply with (a) and (b)).*

*(2) Rental assisted defined as: properties that have at least 90% of their units supported by a project based rental assistance contract. The contract or separate agreement must ensure affordability restrictions for a period of 15 years.*