Rose Community Capital

HUD 223(f)
REFINANCE / ACQUISITION FINANCING

Rose Community Capital (RCC) is a HUD approved Multifamily Accelerated Processing (MAP) lender and can arrange for FHA insured project acquisition or refinance of projects under Section 223(f) of the National Housing Act. MAP acquisition/refinance underwriting is subject to the type of loan; i.e. market rate vs affordable LIHTC and/ or HUD rental assisted projects.

KEY NOTES

HUD has more favorable loan terms for rental assisted and affordable housing projects. Affordable projects are those that have a Use Agreement that restricts the projects rents and occupancy to income qualifying residents. To be considered a rental assisted property, the property must benefit from a project based rental assistance contract that covers 90% of the units or more. To be considered an affordable project, the Regulatory/Use Agreement must have at least 15 remaining years of restriction post-endorsement of the HUD note and meet at least the minimum Low Income Housing Tax Credit (LIHTC) restrictions of 20% of the units affordable at 50% of Area Median Income (AMI), or 40% of the units affordable at 60% of AMI, with tenant paid rents on those units no greater than LIHTC rents. Mixed Income properties qualify as affordable if the funding restrictions provide a Regulatory/Use Agreement and unit rent and occupancy restrictions meet the LIHTC criteria.

LOAN TYPE

223(f) Acquisition/Refinance

PROPERTY TYPES

5-units or more.

*Does not include student housing or assisted living facilities

COMMERCIAL SPACE & INCOME LIMITS

Limited to 25% of the total net rentable area; commercial income is limited to 20% of effective gross project income

CASH OUT REFINANCES

80% LTV; 50% of cash out proceeds are held in escrow by the lender until any required non-critical repairs are completed and HUD approves the release

OCCUPANCY REQUIREMENT

Minimum 85% occupancy to qualify

Maximum 93% underwritten occupancy for market rate, 97% for rental assisted and 95% for affordable

MAX LOAN AMOUNT

Refinance loan sizing is determined by the lowest of the following:

1. 90% of fair market value for affordable housing properties and 87% for market rate projects
2. Debt service coverage ratio of 1.11% for affordable properties and 1.15 for market rate projects
3. 90% of total cost of acquisition for affordable properties and 87% for market rate properties
4. HUD's statutory mortgage limits for the locality

TERM

10 (minimum)-35 years, not to exceed 75% of the remaining economic life

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ASSUMPTION
With RCC & HUD approval and payment of $5,000 processing fee

MIP
25 bps; One year prepaid at closing

LOAN SECURITY
First lien mortgage

CRITICAL REPAIRS
Critical repairs, as identified in the PCNA, must be completed prior to closing on the HUD mortgage

PREPAYMENT
Negotiable (subject to limitations); Shorter prepayment terms can affect rate

REPLACEMENT RESERVES
Reserves set by PCNA; new PCNA required every 10 years

BORROWER
Must present a full REO schedule, along with plan for debt maturing within 5 years

SUBORDINATE FINANCING
Payable from 75% of surplus cash

Private funds must be unsecured and cannot exceed 92.5% of LTV, unless there are LIHTCs

Public funds may be secured by the property and can be in any amount

THIRD PARTY REPORTS
PNA, Appraisal, Architect/Cost Review, Environmental Phase 1, Independent CPA "reviewed" financial statements

LEGAL FEES
Borrower pays Lender's fee and miscellaneous closing cost

NORMAL PROCESSING TIME
Varies by HUD office; 5-7 months average

STRUCTURE HIGHLIGHTS

- Non-recourse
- No maximum loan amount
- 35 year term/amortization
- More favorable underwriting for affordable and rental assisted projects

ORIGINATION FEE
Negotiable

HUD INSPECTION FEE
$30/unit if repairs are less than $3,000 per unit; or 1% of the proposed repairs

HUD APPLICATION FEE
Non-refundable fee of 30 bps of the loan amount due to HUD with the firm commitment application

NON-CRITICAL REPAIRS AND ESCROWS
Estimated at 120% of costs to complete repairs; funded at closing; all repairs must be completed within 12 months

Non-critical repairs/improvements must not exceed $48,000 in construction hard costs per unit

Cannot replace more than 2 major systems

RECOURSE
Non-recourse; identified key principles required to sign "Bad Boy" carve outs at closing

ARMS LENGTH TRANSACTIONS
Properties acquired after the date of the mortgage insurance application are considered acquisition loans. Properties acquired before the date of mortgage application or any acquisition where there is an identity of interest between the buyer and the seller are considered refinances