

FHA SECTION 223(F)

Refinance or Acquisition of Multifamily Properties

Lument is a leading FHA-approved Mortgagee and MAP/LEAN lender. Section 223(f) insures mortgage loans to facilitate the purchase or refinancing of existing multifamily rental housing.

PURPOSE

Provides mortgage insurance to facilitate funding the refinancing or acquisition of apartment properties that have completed initial lease up and are operating at a 1.17x debt coverage ratio (1.11x for broadly affordable). Independent living projects for seniors (age 62 years and older with no services) are also eligible.

ELIGIBLE BORROWERS	Single asset, special purpose entity, either for profit or nonprofit					
ELIGIBLE ASSET TYPE	Market-rate, affordable, and rent subsidized properties, and cooperatives					
MAXIMUM LOAN						
	PROPERTY TYPE	MIN. DSCR	OCCUPANCY		SKILLED MIX	
			3Q20	3Q19	3Q20	3Q19
	Rental-Assisted	The Ensign Group*	71.2%	79.5%	34.7%	29.8%
	Affordable	SABRA Healthcare REIT**	80.0%	82.4%	39.0%	38.7%
	Market Rate	Omega Healthcare Investors***	80.1%	83.4%	37.2%	33.4%
		Genesis Healthcare***	75.4%	87.3%	16.9%	17.6%
TERM & AMORTIZATION	35 years, not to exceed 75% of remaining economic life. Up to 35 years, fully amortizing.					
INTEREST RATE	Subject to market conditions. Fixed for term of loan, determined by market conditions at time of rate lock. Rate lock deposit is 0.50% and is credited to the closing statement.					
MORTGAGE INSURANCE PREMIUM	<p>The annual MIP is 0.60% of the outstanding loan amount for market rate transactions unless it qualifies for 0.25% through the Green/Energy Efficient Housing qualifications. 90% affordable or rental assisted qualify for the annual MIP of 0.25%. All other affordable are at 0.35% MIP.</p> <p>The first year MIP is set at 1% of the loan amount for market rate and the program rate for affordable¹, rental assisted², and Green transactions.</p>					
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 FEE	0.30% of the loan amount (non-refundable). Properties located in an opportunity zone benefit with a reduced application fee. Broadly affordable deals are reduced to 0.10% and affordable and market-rate deals are reduced to 0.20% of the loan amount.					
FHA INSPECTION FEE	<ol style="list-style-type: none"> \$30 per unit where the repairs/improvements are greater than \$100,000 in total but \$3,000 or less per unit. \$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. \$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.					

For important disclosures about Lument and the information found in this term sheet [click here](#).

RECOURSE	None. The FHA insured loan is non-recourse; however, identified principal(s) will be required to sign "Bad Boy" carve outs at closing.
ASSUMABILITY	Yes, subject to HUD and lender approval (0.05% of the original loan amount). A fee of 0.05% is paid to HUD.
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).

****Terms outlined above reflect the Revised MAP Guide Effective 12/18/20****

Lument 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, Lument 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.

¹Affordable 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)).

²Rental 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.