

# Apartment Acquisition or Refinance FHA Section 223(f) Program

## ELIGIBLE PROPERTIES AND BORROWERS

Existing apartment projects that are at least 3 years old and have not been substantially rehabilitated within the last 3 years. Profit motivated and non-profit motivated borrowers.

## UNDERWRITING

Project Type & Loan Size	DSCR	Cash Out LTV	No Cash Out LTV
Market Rate <\$50MM	1.20	80.0%	83.3%
Market Rate \$50-75MM	1.25	75.0%	80.0%
Market Rate >\$75MM	1.30	70.0%	75.0%
Affordable <\$50MM	1.18	80.0%	85.0%
Affordable \$50-75MM	1.20	75.0%	83.3%
Affordable >\$75MM	1.25	70.0%	80.0%
All projects with 90% or more rental assistance	1.15	80.0%	87.0%
All projects with Section 202 direct loans	1.11	80.0%	90.0%

Affordable deals must meet the criteria of the LIHTC program (20% of units at 50% Area Median Income or 40% at 60% AMI). However, tax credits need not be in place as long as those restriction levels are met and a deed restriction is in place.

## LOAN TERM AND AMORTIZATION

Maximum of 35 years, not to exceed 75% of the Project's estimated remaining economic life. Fully amortizing over the term of the loan.

## INTEREST RATES

Interest rates are fixed rate, level-pay for the life of the Loan. The rate will be locked after HUD issues a Firm Commitment and before Endorsement. Prepayment penalties and discounts vary depending on market conditions.

## PREPAYMENT RESTRICTIONS

Determined by market conditions and loan structure. The lowest interest rate is typically available with 10 total years of call protection in the following structure:

- 2-year lock-out, open in year 3 with a prepayment penalty of 8%
- Prepayment penalty declines 1% per year thereafter
- Loan is open to prepayment without penalty after year 10

## MORTGAGE INSURANCE PREMIUM

Mortgage Insurance Premium (MIP) is collected at closing and monthly thereafter. Annual MIP is based on outstanding Loan Amount and for the fiscal year 2016 is:

- 1.00% of Loan Amount due at Loan closing
- 0.60% of Loan Amount due annually for projects without Low Income Housing Tax Credits
- 0.45% of Loan Amount due annually for projects with new Low Income Housing Tax Credits

### Contact An FHA Loan Specialist

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\* Terms noted are subject to change.  
Approved 01/2016



## RECOURSE

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The Loan is non-recourse with the exception of carve-out provisions to the project's identified sponsors.

## LOAN ASSUMABILITY

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Fully assumable with EagleBank and HUD approval.

## SECONDARY FINANCING

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HUD compliant "Surplus Cash Notes" are permitted, but combined leverage must not exceed 92.5% of the Project's value. If secondary financing is from a public source, there are no LTV restrictions.

## REPLACEMENT RESERVE ESCROWS

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Initial and annual deposits as determined in the PCNA. The initial deposit may be included in the Loan Amount. The annual deposit is calculated as the greater of \$250 per unit or the amount based on the PCNA, with a minimum initial deposit of two years of annual deposit.

## REPAIR AND OTHER ESCROWS

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PCNA-identified and owner-elective repairs/improvements may be included in the Loan Amount. The Borrower must escrow in cash a contingency of 20% of the repairs/improvements, to be released upon completion. Repairs identified as "critical" in the PCNA will need to be completed prior to closing. Contractor bids will be required for any specific repair items exceeding \$25,000. Other escrows are insurance, real estate taxes, and MIP.

## FEES AND EXPENSES

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- FHA Application fee - 0.30% of Loan Amount - payable to HUD
- FHA Inspection fee - payable to HUD
  - \$1,500 if repairs are < \$100,000 or
  - \$30 per unit if repairs are > \$100,000 but less than \$3,000 per unit or
  - The greater of 1.0% of repair cost or \$30 per unit if repairs are > \$3,000 per unit
- Mortgage Insurance Premium - payable to HUD
- Third-Party Reports
  - Appraisal
  - Project Capital Needs Assessment (PCNA)
  - Phase I ESA
- Lender financing fee
- Good Faith Deposit - 0.50% paid at time of rate lock and fully refunded after closing

## OTHER CONSIDERATIONS

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- Project physical occupancy must average 85% or greater during the prior 6 month period. Maximum underwritten occupancy for market rate transactions is 93%.
- A PCNA is required every 10 years throughout the Loan Term.
- Surplus cash may only be distributed out of the mortgage twice a year.
- Loans exceeding \$50MM are subject to more stringent underwriting parameters.
- CPA reviewed operating statements for the last full year and YTD period are required for underwriting.
- After closing, annual audited financial statements are required.

