

FHA/HUD SECTION 223(F)

ACQUISITION AND REFINANCE OF MULTIFAMILY PROPERTIES

Eligible Properties	Market rate property of any class, cooperatives, affordable housing or subsidized. Construction or any substantial rehabilitation must have been completed at least three years before application to HUD.
Commercial Space	Limited to 25% of net rentable area and 20% of effective gross income.
Borrower	Single asset, special purpose entity, either for profit or non-profit
Recourse	Non-recourse
Interest Rate	Fixed for term of the loan, determined by market conditions at the time of rate lock.

Loan Parameters

Property	Maximum Loan to Value	Minimum Debt Service Coverage	Acquisition Loan to Cost	Refinance Loan to Cost
Subsidized ¹	90%	1.11x	90%	Greater of 100% Cost ⁴ or 80% LTV
Affordable ²	87%	1.15x	87%	
Market Rate ³	85%	1.17x	85%	

¹At least 90% of the units covered by a project-based Section 8 contract.

²Regulatory Agreement with a minimum set-aside (e.g., 40% of units at 60% AMI, or 20% of units at 50% AMI) in effect for at least 15 years after the new loan closes. Achievable tax credit rents 10% or more below market.

³Market rate projects or tax credit projects with significant rent advantage (achievable tax credit rents 10% or more below market).

⁴Refinance cost includes satisfaction of existing debt (including penalties), any needed repairs, an initial deposit to capital reserve, due diligence and closing costs.

In addition, loan cannot exceed the programmatic per-unit maximum as adjusted by HUD for project location (local high cost factor).

Term and Amortization	A maximum term of 35 years, fully amortizing
Prepayment and Assumption	Negotiable with best pricing for 10 years of call protection (can be a combination of lockout and/or penalty). Loan is fully assumable subject to HUD approval
Escrows	<ul style="list-style-type: none"> + Taxes and insurance are escrowed monthly. + Replacement reserve required and the monthly deposit amount determined in accordance with HUD guidelines.
Mortgage Insurance Premium	<ul style="list-style-type: none"> + 1.0% due to HUD at closing and 0.60% annually thereafter for market rate + 0.25% due to HUD at closing and 0.25% annually thereafter for "broadly affordable housing" + 0.35% due to HUD at closing and 0.35% annually thereafter for "affordable housing" + All MIP rates are escrowed monthly
HUD Application Fee	30 basis points (\$3 per \$1,000) on requested loan amount (due with submission of firm application to HUD).
Third Party Reports	Appraisal, Phase I (to include radon, LBP, Asbestos, when applicable) and Physical Needs Assessment are required.

FHA/HUD SECTION 221(d)(4)

CONSTRUCTION OR SUBSTANTIAL REHABILITATION OF MULTIFAMILY PROPERTIES

Eligible Properties	Market rate, low-to-moderate income and subsidized multifamily properties
Commercial Space Limitation	Limited to 10% of gross floor area and 15% of gross income. (Limits double in certain urban renewal areas under Section 220.)
Use of Proceeds	New Construction or Substantial rehabilitation which is defined as: <ul style="list-style-type: none"> + Cost of improvements more than higher of: <ul style="list-style-type: none"> • base cost per dwelling unit limit times the applicable high cost factor times the number of dwelling units proposed for the property after completion of any construction, or • \$15,000 per unit adjusted for local high cost factor + Replacement of two or more major building components
Davis Bacon Wages	Payment of prevailing wages is required by HUD. Wages are determined by the Department of Labor.
Borrower	Single asset, special purpose entity, either for profit or non-profit
Loan Amount	No maximum (Limited by loan parameters)
Recourse	Non-recourse
Interest Rate	Fixed for term of loan, determined by market conditions at time of rate lock.
Loan Parameters	Maximum loan amount will be the lesser of: <ul style="list-style-type: none"> + A percentage of replacement cost, including as-is value of land for new construction and as-is value of property for substantial rehabilitation, as follows: (i) 85% for market rate transactions; (ii) 87% for affordable transactions; and (iii) 90% for projects with 90% or greater rental assistance. + FHA mortgage statutory per unit limits adjusted for local high cost factor, or + An amount that achieves a minimum debt service coverage, as follows: (i) 1.17 DSC for market rate properties; (ii) 1.15 DSC for affordable transactions; and (iii) 1.11 DSC for projects with 90% or greater rental assistance.
Term and Amortization	Actual construction period plus 40 years (fully amortizing with interest only payable during construction period)
Prepayment and Assumption	Negotiable with best pricing for 10 years of call protection (can be a combination of lockout and/or penalty). Loan is fully assumable subject to HUD approval.
Escrows	<ul style="list-style-type: none"> + Replacement reserve required in accordance with HUD guidelines. + Taxes and insurance are escrowed monthly (post construction). + Working Capital Reserve equal to 4% of loan amount (post in cash or LOC) + Operating Deficit Reserve equal to 3% of loan amount, or greater as determined by HUD at commitment (post in cash or LOC)
Mortgage Insurance Premium	<ul style="list-style-type: none"> + 0.65% due to HUD at closing and 0.65% annually thereafter for market rate + 0.25% due to HUD at closing and 0.25% annually thereafter for "broadly affordable housing" + 0.25% due to HUD at closing and 0.25% annually thereafter for "green & energy efficient housing" + 0.35% due to HUD at closing and 0.35% annually thereafter for "affordable housing" + 0.70% for Section 220 urban renewal projects that are not Section 8 or LIHTC. + All MIP rates are escrowed monthly
Third Party Reports	Appraisal, Market Study, Phase I, Construction Cost and Architectural-Environmental Review.

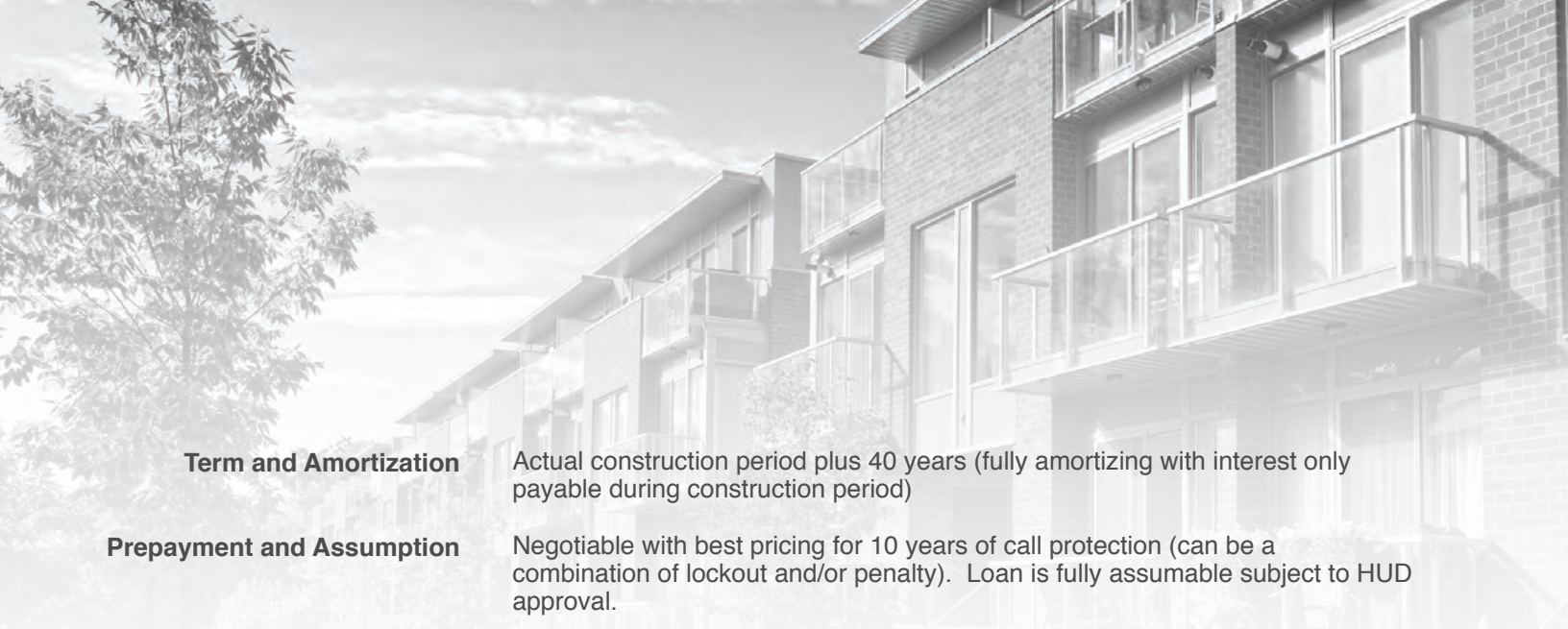
FHA/HUD SECTION 223 (a)(7) REFINANCING OF PROPERTIES WITH EXISTING HUD INSURED DEBT

Eligible Properties	All properties that currently have HUD insured loans.
Loan Amount	Loan may be increased to the original principal balance when first insured.
Recourse	Non-recourse
Interest Rate	Fixed for term of the loan, determined by market conditions at the time of rate lock.
Loan Parameters	Maximum loan amount will be the lesser of: <ul style="list-style-type: none">+ the original principal balance of the loan;+ the unpaid principal balance of the existing loan plus transaction costs and funds requested for repairs; or+ the amount that achieves a 1.11 times debt service coverage ratio.
Term and Amortization	Lesser of the original underlying term or 12 years beyond the underlying loan maturity date.
Prepayment and Assumption	Negotiable with best pricing for 10 years of call protection (can be a combination of lockout and/ or penalty). Loan is fully assumable subject to HUD approval.
Escrows	<ul style="list-style-type: none">+ Taxes and insurance are escrowed monthly.+ Replacement reserve required and the monthly deposit amount determined in accordance with HUD guidelines.
Mortgage Insurance Premium	Multifamily <ul style="list-style-type: none">+ 0.50% due to HUD at closing and 0.50% annually thereafter for market rate+ 0.25% due to HUD at closing and 0.25% annually thereafter for "broadly affordable housing"+ 0.35% due to HUD at closing and 0.35% annually thereafter for "affordable housing"+ All MIP rates are escrowed monthly Healthcare <ul style="list-style-type: none">+ 0.50% due to HUD at closing and 0.55% annually thereafter, escrowed monthly
HUD Application Fee	15 basis points (\$1.50 per \$1,000) on requested loan amount.
Third Party Reports	PCNA at lender discretion.

FHA/HUD SECTION 232 LEAN

CONSTRUCTION OR SUBSTANTIAL REHABILITATION OF HEALTHCARE PROPERTIES

Eligible Properties	Licensed Nursing Homes, Assisted Living, Intermediate Care, and Board and Care <ul style="list-style-type: none">+ Must provide continuous protective oversight+ Must offer three meals per day+ Facility must be licensed by state+ Non-resident day care not to exceed 20% of gross area and 20% of gross income+ May include up to 25% non-licensed independent living units
Commercial Space	Limited to 10% of gross floor area and 15% of gross income
Use of Proceeds	New construction or substantial rehabilitation which is defined as: <ul style="list-style-type: none">+ 15% of post-rehabilitated appraised value, or+ replacement of two or more major building components Additions are not included in the eligibility test.
Davis Bacon Wages	Payment of prevailing wages is required by HUD. Wages are determined by the Department of Labor.
Borrower	Single asset, special purpose entity, either for profit or non-profit
Loan Amount	No maximum (Limited by loan parameters)
Recourse	Non-recourse
Interest Rate	Fixed for term of loan, determined by market conditions at time of rate lock (rate lock deposit is 1% and refunded at closing).
Loan Parameters for New Construction	<p>New Construction: Maximum loan amount will be the lesser of:</p> <ul style="list-style-type: none">+ Recommended % of LTV;+ Recommended % of Replacement Cost; or+ Recommended Debt Service Coverage Ratio <p>Substantial Rehabilitation: Maximum loan amount will be the lesser of:</p> <ul style="list-style-type: none">+ Recommended % of LTV;+ Recommended % of Rehabilitation Cost plus the lesser of existing indebtedness or recommended % of as-is value for properties owned; or+ Recommended % of Rehabilitation Cost plus the lesser of recommended % of purchase price or recommended % of as-is value for properties to be purchased; or+ Recommended Debt Service Ratio <p>Cost of offsite improvements, FF&E, marketing, construction contingency, and operating deficit reserve excluded from loan amount.</p> <p><i>Based on current economic and fiscal environment, HUD has recommended the following parameters:</i></p> <ul style="list-style-type: none">+ For Profit Assisted Living: 75% LTV and 1.45 DSCR+ For Profit Skilled Nursing, Board and Care and Independent Living: 80% LTV and 1.45 DSCR+ Non-Profit Assisted Living: 80% LTV, 1.45 DSCR+ Non-Profit Skilled Nursing, Board and Care and Independent Living: 85% LTV and 1.45 DSCR



Term and Amortization

Actual construction period plus 40 years (fully amortizing with interest only payable during construction period)

Prepayment and Assumption

Negotiable with best pricing for 10 years of call protection (can be a combination of lockout and/or penalty). Loan is fully assumable subject to HUD approval.

Escrows

- + Replacement reserves required in accordance with HUD guidelines.
- + Taxes and insurance are escrowed monthly (post construction).
- + Working Capital Reserve equal to 2% (post in cash or LOC)
- + Operating Deficit Reserve determined by HUD at commitment
- + Twelve month Debt Service Reserve for non-licensed independent living units
- + Minor movables
- + Offsite escrows (if applicable)

Mortgage Insurance Premium

Payable at Closing an amount equal to 0.77% of the loan amount for each year of construction.

Fees and Expenses

- + HUD application fee of 30 basis points due with submission of firm application
- + Mortgage Insurance Premium is 57 basis points of principal mortgage amount one year after final endorsement
- + HUD Inspection Fee is 0.5% of the mortgage amount for new construction and 0.5% of total improvements for substantial rehabilitation
- + FHA Mortgage Insurance Premium due at closing
- + Actual Cost of Third Party Reports

Third Party Reports

Appraisal, Market Study, Phase I, and Plans and Specs Review are required

Timeline

8-12 months depending on whether Borrower wants to submit a pre-application

FHA/HUD SECTION 232/223 (F) LEAN

ACQUISITION AND REFINANCE OF HEALTHCARE PROPERTIES

Eligible Properties	Licensed Nursing Homes, Assisted Living, Intermediate Care, and Board and Care <ul style="list-style-type: none">+ Must provide continuous protective oversight+ Must offer three meals per day+ Facility must be licensed by state+ Non-resident day care not to exceed 20% of gross area and 20% of gross income+ May include up to 25% non-licensed independent living units+ Three years must have passed since last certificate of occupancy was issued
Commercial Space	Limited to 20% of net rentable area and 20% of effective gross income
Borrower	Single asset, special purpose entity, either for profit or non-profit
Loan Amount	No maximum (Limited by loan parameters and HUD does not allow for any equity take out for healthcare properties)
Recourse	Non-recourse
Interest Rate	Fixed for term of loan, determined by market conditions at time of rate lock (rate lock deposit is 1% and refunded at closing).
Loan Parameters	Maximum loan amount will be the least of: <ul style="list-style-type: none">+ Recommended % of LTV;+ Recommended % of Purchase Price for loans that finance acquisition;+ Recommended Debt Service Coverage Ratio; or+ Existing debt plus transaction costs and proposed repairs <p><i>Based on current economic and fiscal environment, HUD has recommended the following parameters:</i></p> <ul style="list-style-type: none">+ For Profit Mortgages: 80% LTV and 1.45 DSCR+ For Non-Profit Mortgages: 85% LTV and 1.45 DSCR
Term and Amortization	A maximum term of 35 years or 75% of the remaining economic life, fully amortizing
Prepayment and Assumption	Negotiable with best pricing for 10 years of call protection (can be a combination of lockout and/or penalty). Loan is fully assumable subject to HUD approval.
Escrows	<ul style="list-style-type: none">+ Taxes and insurance are escrowed monthly.+ Replacement reserve required and the monthly deposit amount determined in accordance with HUD guidelines.
Professional Liability Insurance	HUD will require minimum coverage of \$1 million per occurrence; \$3 million aggregate with a max deductible of \$25,000. Waivers may be granted in cases where premiums are high and claim history is clean.
Mortgage Insurance Monthly Premium	1% due to HUD at closing and 0.65% annually thereafter escrowed.
HUD Application Fee	30 basis points (\$3 per \$1,000) on requested loan amount (due with submission of firm application to HUD)
HUD Inspection Fee	Greater of \$30 per unit/bed or 1% of repairs
Third Party Reports	Appraisal, Phase I, and Physical Needs Assessment are required
Timeline	Typical firm application is submitted within 60 days of engagement. LEAN processing time varies based on OHP (Office of Healthcare Programs) volume.

WE ARE MERCHANTS CAPITAL

A Multifamily, Affordable, and Healthcare Lender offering a direct way to access fixed rate, long-term, non-recourse financing via our bank, Merchants Bank, all with a single point of contact.