

FHA 207(m) Through Section 207(m) of the National Housing Act, the Federal Housing Administration (FHA) insures mortgages used to finance the construction or rehabilitation of manufactured home communities.

Loan Term / Amortization

Construction loan plus up to 40-year permanent loan

Amortization

Up to 40 Year fully amortizing loan term

Maximum Loan Amount

Determined by the lowest of:

1. 90% of HUD's estimate of the value of the park after the construction improvements
1.11 debt service coverage
(1.05 for non-profit)
2. \$11,250 per space times the high cost factor
3. 90% of net income capitalized by loan constant (i.e. 1.1x DSCR)
4. 90% of Transaction Costs

Fixed Rate

Yes – Construction and Permanent

Eligible Property

Manufactured home communities consisting of five or more sites.

Property Requirements

1. Spaces must be rented for 30 days or longer.
2. Mortgagor may not require as a condition of occupancy the purchase of a manufactured home from a specific dealer or manufacturer.
3. Projects must be built in conformity with Minimum Design Standards for Mobile Home Parks in accordance with HUD Handbook 4940.5.

Eligible Borrower

Single Asset Entity (for profit or non-profit)

Occupancy Requirement

Underwritten at a maximum 95% occupancy

Tax and Insurance Escrows

Monthly deposits required

Recourse

Non-recourse – Construction and Permanent

Required Reports

Market Study, Appraisal, Architect/Cost Review and Phase 1

Prepayment

Negotiable. Generally three year lockout with declining percentage of principal thereafter up to 10 years (7-6-5-4-3-2-1).

Assumable

Subject to BLC and HUD approval and payment of assumption fee.

Good Faith Deposit

Negotiable based on project type

Expense Escrow

Yes – sufficient to cover BLC's expenses and third-party report costs

Origination Free

Negotiable

HUD Application Fee

Non-refundable fee of \$3 per \$1,000 (0.3%) of the mortgage amount due to HUD with the firm commitment submission package.

HUD Inspection Fee

0.5% of the mortgage amount for new construction. 0.5% of the cost of the repairs for substantial rehab.

Legal / Closing Fee

Borrower pays BLC's counsel fee and miscellaneous closing costs

Davis Bacon

Davis Bacon labor standards and wage requirements apply to construction and rehab work.

HUD Mortgage Insurance Premium (MIP)

HUD sets the cost of the FHA Insurance. The MIP is paid in advance for the construction period and is escrowed monthly after amortization commences.