

# Bedford Lending

## FHA Mortgage Insurance Programs

### Section 223(f)

#### Apartment Refinance or Acquisition

**Bedford Lending** is a leading FHA-approved Mortgagee and MAP/LEAN lender that actively underwrites FHA insured mortgage loans for multifamily housing, seniors housing, assisted living and skilled care properties nationwide.

**Program Purpose:** Provides mortgage insurance to facilitate funding the refinancing or acquisition of apartment properties that are at least three years old. Independent living projects for seniors (age 62 years and older with no services) are also eligible.

**Eligible Borrowers:** Profit motivated, non-profit motivated and public owners are eligible.

**Eligible Asset Type:** Market rate, affordable,<sup>(1)</sup> or rental assisted<sup>(2)</sup> properties.

**Maximum Loan:** **Refinancing:** The lesser of:

1. The amount of debt that can be serviced by a DSCR of 1.176x, 1.15x, or 1.11x for market rate, affordable,<sup>(1)</sup> rental assisted<sup>(2)</sup> and Section 202 properties, respectively;
2. 85%, 87%, or 90% of value for market rate, affordable,<sup>(1)</sup> rental assisted<sup>(2)</sup> and Section 202 properties, respectively;
3. The greater of 100% of the total cost of refinancing the existing indebtedness and other mortgageable transaction costs (required repairs, initial deposit to replacement reserve, third party reports, etc) or 80% of market value if a cash out transaction;
4. Statutory per unit limits.

**Acquisition:** The lesser of:

1. The amount of debt that can be serviced by a DSCR of 1.176x, 1.15x, or 1.11x for market rate, affordable,<sup>(1)</sup> rental assisted<sup>(2)</sup> and Section 202 properties, respectively;
2. 85%, 87%, or 90% of value for market rate, affordable,<sup>(1)</sup> rental assisted<sup>(2)</sup> and Section 202 properties, respectively;
3. 85%, 87%, or 90% of acquisition cost (i.e. total cost to close) for market rate, affordable,<sup>(1)</sup> or rental assisted<sup>(2)</sup> properties, respectively;
4. Statutory per unit limits.

**Maximum Term:** 35 years, not to exceed 75% of remaining economic life.

**Occupancy:** All properties must demonstrate average physical occupancy of at least 85% for a period of 6 months prior to submittal of the application and maintain through final endorsement (i.e. stable occupancy). Maximum underwritten physical occupancy of 93% for market rate or affordable<sup>(1)</sup> properties. Maximum underwritten physical occupancy of 95-97% for rental assisted<sup>(2)</sup> properties, or properties where all units have rents at least 20% below comparable market rents.

**Funding:** Qualifies for Ginnie Mae guaranteed mortgage-backed securities, direct placement or may be used to credit enhance tax-exempt bonds.

**Interest Rate:** Subject to market conditions.

**Mortgage Insurance Premium:** The annual MIP has historically been 0.25-0.60% of the outstanding loan amount. The first year MIP is set at 1% of the loan amount.

**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 3 to 5 months (subject to deal specifics).

**FHA Application Fees:** 0.30% of the loan amount (non-refundable).

**FHA Inspection Fees:** 1. \$30 per unit where the repairs/improvements are greater than \$100,000 in total but \$3,000 or

less per unit.

2. \$30 per unit or 1% of the cost of repairs, whichever is greater, where the repairs/improvements are more than \$3,000 per unit.
3. \$1,500 where the repairs/improvements are less than \$100,000, which fee may be waived by the Hub/PC.

**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.

**Personal Liability:** None. The FHA insured loan is non-recourse; however, identified principal(s) will be required to sign “Bad Boy” carve outs at closing.

**Assumable:** Yes, subject to HUD and lender approval (0.05% of the original loan amount).

**Secondary Financing:** Permitted in the form of a surplus cash note, combined loan-to-value cannot exceed 92.5% unless the secondary financing is from a governmental source.

**Repairs/Improvements:** Repairs cannot exceed \$15,000 per unit multiplied by the High Cost Factor for the area. Repairs/replacements are limited to a maximum of one major building component replacement.

**Territory:** Nationwide.

**The program has the following additional parameters:**

- Although not required, all transactions are encouraged to participate in a concept meeting with HUD prior to application submittal.
- This program can be used in conjunction with Low Income Housing Tax Credits and is often used to refinance/acquire properties that involve Section 202, Section 236 and Section 8 funding.
- Davis-Bacon prevailing wage requirements do not apply to any repairs
- A PCNA will be required every 10 years.
- A schedule of real estate owned by principals is required and reviewed.

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**For additional information visit [www.bedfordlending.com](http://www.bedfordlending.com) or contact:**

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<sup>(1)</sup> Affordable defined as: (a) properties that have a recorded regulatory agreement in effect for at least 15 years after final endorsement, (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, and (c) mixed income properties if the minimum low income unit rent and occupancy restrictions and regulatory agreement meet the above criteria (i.e. properties need not use LIHTCs to be considered affordable so long as they comply with (a) and (b).

<sup>(2)</sup> Rental assisted defined as: properties that have at least 90% of their units supported by a project based rental assistance contract.