

Kendall Realty Advisors LLC
FHA 223(f) Apartment Refinance/Purchase Term Sheet

**HUD - 223(f) - Apartment Properties
Refinance or Purchase**

ELIGIBLE PROPERTIES: Apartment properties which were built prior to July 2008 moderate Rehab allowed*

Market Rate Apartments Class A, B, C, - *FHA finance is not limited to low income apartments

Targeted Affordable Housing LIHTC and Tax-Exempt Bond Credit Enhancement

LOAN TYPE: Permanent loan.

TYPICAL LOAN SIZE: \$3,000,000 and up

MAXIMUM LOAN: The lesser of the following criteria:

1. 85% of HUD appraised value;
2. 1.17 debt service coverage;
3. Statutory unit mortgage limits.

Refinance Transaction:

1. The greater of: (a) the cost to refinance; or (b) 80% of value.

Purchase Transaction:

1. 85% of the cost of acquisition.

Note: No change in mortgage criteria for non-profit ownership.

INTEREST RATES: Fixed rate determined by market rates at the time of rate lock.

AMORTIZATION: Up to 35-year, fully amortizing loan.

PERSONAL RECOURSE: Non-recourse.

ASSUMABILITY: Assumable, subject to approval.

SUBORDINATE FINANCING: Allowable, subject to HUD criteria.

PREPAYMENT: Negotiable.

REPAIRS: Repair program may not exceed the greater of 15% of the value after repairs, or \$6,500 plus applicable high cost percentage per unit. No more than one major building system can be replaced.

WAGE REQUIREMENTS: Davis-Bacon prevailing wage laws do not apply.

ANNUAL MORTGAGE INSURANCE PREMIUM: 1.0% of the mortgage amount is payable at closing. Thereafter, the MIP is escrowed monthly based on a rate established by HUD. The rate is fixed at loan endorsement.

ESCROWS: Monthly escrows for property insurance, real estate taxes, reserves for replacement (as determined by HUD) and mortgage insurance premiums.

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An initial deposit to replacement reserve and 100% of repair costs (both as determined by HUD) are escrowed from mortgage proceeds.

COMMERCIAL SPACE: Commercial area shall not exceed 20% of the total net rentable area of the project and commercial income shall not exceed 20% of effective gross income.

ENVIRONMENTAL ISSUES: Special rules apply for properties which are located in Flood Hazard Zones as designated by FEMA. Lead-based paint and asbestos must be abated in accordance with HUD requirements.

APPLICATION FEE: A non-refundable fee of 0.3% of the requested mortgage amount is payable to HUD at the time of application, plus estimated underwriting costs for market study, appraisal, architectural/engineering report, cost analysis, environmental assessment and other loan processing costs.

FINANCING AND PLACEMENT FEES: Negotiable.

CLOSING EXPENSES: Standard transaction costs, including legal fees, title insurance and survey.

OTHER HUD REQUIREMENTS: Cash escrows or letters of credit are required for the following:

1. 20% of repair costs as a completion guarantee.
2. 2.5% of repair costs as a latent defects guarantee, due at completion of repairs.
3. Forecasted operating deficits, (maximum of 18 months) to be released upon achievement of breakeven operations for 90 days.

HUD PROCESSING TIME: One stage for HUD Multifamily Accelerated Processing (MAP) procedures:

1. Firm Commitment Stage: 60 days for review.

PRELIMINARY SUBMISSION PACKAGE: Include the following in your request for a loan quote:

1. **Property description and location map.**
2. **Number of units with breakdown of proposed rents by unit type.**
3. **Current rent roll and year-to-date operating statement.**
4. **Operating history – prior 3 years, if available.**
5. **Current year operating budget.**
6. **Existing debt and purchase price.**
7. **Sponsor resume.**

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* **Three year rule waiver FHA 223(f)**