

FHA/HUD 223(F) Tax Credit Pilot
Multifamily Refinance or Acquisition Loan with 4% or 9% Low Income Housing Tax Credits (LIHTCs)
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QUALIFIED PROPERTIES	Affordable multifamily properties with 4% or 9% Low Income Housing Tax Credits (LIHTCs) that have been placed in service for at least three years are eligible; some properties may be subject to a waiver of this three-year requirement. Maximum \$40,000 per unit renovation.
LOAN AMOUNT	The maximum supportable loan is limited by the lesser of: a) An amount that meets the Loan to Value (LTV) threshold of 85%; if the property benefits significantly from rental subsidy, the LTV threshold is 90% b) An amount that meets the Debt Service Coverage (DSC) threshold of 1.17x; if the property significantly benefits from rental subsidy, the DSC threshold is 1.15x c) For refinancing - 100% eligible transaction costs. For acquisition - 85% of eligible transaction costs; d) HUD statutory limits
TERM AND AMORTIZATION	A maximum of 35 years, fully amortizing
PREPAYMENT AND ASSUMPTION	Prepayment terms are negotiable and are not subject to yield maintenance or defeasance; loan is assumable, subject to FHA approval
INTEREST STRUCTURE	Fixed rate, determined by market conditions at the time of rate lock
PERSONAL LIABILITY	Non-recourse with standard carve outs
REPAIRS	Repairs cannot exceed \$40,000 per unit
COMMERCIAL SPACE	Limited to 20% of net rentable area and 20% of effective gross income
SECONDARY FINANCING	Permitted under certain conditions
ESCROWS AND RESERVES	✓ Taxes and insurance are escrowed monthly ✓ Replacement reserve is required and the monthly deposit amount is determined in accordance with the Physical Condition and Needs Assessment and HUD guidelines
HUD FEES	✓ HUD Application Fee of 0.30% is due at the time of submission of the firm application ✓ HUD Inspection Fee of \$30/unit is due at closing ✓ HUD Mortgage Insurance Premium deposit is due at closing
LENDER FEES	Lender fees earned at borrower's acceptance of firm commitment and payable at closing
THIRD PARTY REPORTS	Appraisal, Phase I Environmental Report, and Property Condition and Needs Assessment and Arch / Cost report for proposed work scope only
TIMELINE	Typically, firm application is submitted to HUD within 60 to 90 days of engagement; HUD targets a review period of 60 days; after HUD issues firm commitment, rate lock and close within an additional 30 days on average. Pilot applications receive priority over other applications within the HUD offices.
OTHER PILOT PROGRAM	✓ Plans and specs only required if needed for proposed work scope

DIFFERENCES

- ✓ Pilot has streamlined processing versus standard 221(d)4
- ✓ General Contractor not required
- ✓ Davis Bacon wages not required (exception if RAD transaction)
- ✓ Construction period may exceed 12 months
- ✓ Priority processing within HUD Hub offices

KEY PROGRAM UPDATES

- ✓ Developer fees can be included as a mortgagable cost in the pilot program (not to exceed 15%).
 - ✓ The pilot qualification criteria regarding market rent advantage has been relaxed; previously, a project was ineligible if the maximum LIHTC rent that could be charged under the program was not 10% below market rents. This has been revised so that achievable LIHTC rents must be at least 10% below market.
 - ✓ The allowable tenant relocation period has been increased from two weeks to 30 days.
 - ✓ Assisted projects (90% + Section 8 HAP contract) can now utilize the band of investment approach when determining cap rate for valuation.
 - ✓ There is a requirement to fund 100% of the repair escrow at closing; escrow funded with loan proceeds. The additional 10% to 20% completion assurance can be deferred on a case-by-case basis.
 - ✓ Rental Assistance Demonstration (RAD) can be eligible for the pilot, as long as 90% of a project's units are assisted.
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