FHA Mortgage Insurance Programs
Section 223(f)
Apartment Refinance or Acquisition

Red Mortgage Capital, LLC is a leading FHA-approved Mortgagee and MAP/LEAN lender that actively underwrites, funds and services FHA insured mortgage loans on 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 (unless property qualifies for 3-year rule waiver). 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,(1) or rental assisted(2) properties.

Maximum Loan:

Refinancing: The lesser of:

1. The amount of debt that can be serviced by 83.3%, 85%, 87%, or 90% of net operating income for market rate, affordable,(1) rental assisted,(2) or Section 202 properties, respectively;
2. 83.3%, 85%, 87%, or 90% of value for market rate, affordable,(1) rental assisted,(2) or Section 202 properties, respectively;
3. The greater of 80% of value or 100% of the total cost of refinancing the existing indebtedness and other mortgageable transaction costs;
4. 100% of mortgageable transaction costs less grants, public loans and tax credits.

Acquisition: The lesser of:

1. The amount of debt that can be serviced by 83.3%, 85%, 87%, or 90% of net operating income for market rate, affordable,(1) rental assisted,(2) or Section 202 properties, respectively;
2. 83.3%, 85%, 87%, or 90% of value for market rate, affordable,(1) rental assisted,(2) or Section 202 properties, respectively;
3. 85% of acquisition cost (i.e. total cost to close);
4. 100% of mortgageable transaction costs less grants, public loans and tax credits.

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(1) properties. Maximum underwritten physical occupancy of 95% for rental assisted(2) properties, or properties where all units have rents at least 20% below comparable market rents.

Occupancy for refinancing under the 3-year rule waiver must meet sustaining occupancy(3) requirements prior to final endorsement and fund a debt service reserve equivalent to 4 months of principal, interest and mortgage insurance premium (MIP). The debt service reserve will be released once the property has achieved break-even occupancy(4) for 6 consecutive months after final endorsement. Properties that have achieved stable occupancy will not be required to fund a debt service reserve.

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 0.45% 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 4 to 5 months (subject to deal specifics).
FHA Application Fees:	0.30% of the loan amount (non-refundable).
FHA Inspection Fees:	$30 per unit where repairs are $3,000 per unit or less and 1% of repair costs where repairs are more than $3,000 per unit.
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.
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:	Funds for repairs, deferred maintenance and capital improvements for generally up to 15% of value or $6,500 per unit (adjusted for high cost areas) can be included in the loan amount, subject to maximum loan limitations.
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. • Pursuant to the 3-year rule waiver, certain properties that have been constructed or substantially rehabilitated within the last three years may be eligible for financing. • 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.

Terms outlined above reflect Notice H 2010-11 (HUD Multifamily Risk Mitigation) issued on July 6, 2010 and set to expire on July 31, 2011

For additional information visit www.redcapitalgroup.com or contact:

Edward H. Tellings
Managing Director
Red Mortgage Capital, LLC
ehtellings@redcapitalgroup.com
800.837.5100

Kevin M. Korn
Director
Red Mortgage Capital, LLC
kmkorn@redcapitalgroup.com
800.837.5100

Bradley C. Cain
Vice President
Red Mortgage Capital, LLC
bccain@redcapitalgroup.com
800.837.5100

In its prequalifying review, **Red Mortgage Capital, LLC** will attempt to estimate both the loan amount and the fees and costs associated with the transaction. Actual loan amounts and actual fees and expenses may vary from the prequalifying estimates. A prequalifying estimate is not a commitment to make a loan.

RED CAPITAL GROUP Offices
Columbus, OH_Boston, MA_Chicago, IL_Charlotte, NC_Dallas, TX_Nashville, TN_Newport Beach, CA_Reston, VA_San Diego, CA

(1) 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)).

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

(3) Sustaining occupancy defined as: having sufficient income to pay all operating expenses, monthly debt service, escrow and replacement reserve requirements for three consecutive months.

(4) Break-even occupancy defined as: 1.0x debt service coverage based on all sources of property income.

RED CAPITAL GROUP