

FHA Mortgage Insurance Programs Section 223(a)(7) Refinance for FHA Insured Projects

Red Mortgage Capital, LLC is a leading FHA-approved Mortgagee and MAP/LEAN lender that actively underwrites, funds and services FHA insured mortgage loans for multifamily housing, seniors housing, assisted living and skilled care properties nationwide.

Program Purpose:	Provides mortgage insurance to refinance properties currently insured by FHA in an expedited manner
Potential Benefits:	Reduce debt service costs and generate proceeds for needed project repairs with minimal processing and underwriting requirements. For example, no appraisal work is required. A project capital needs assessment, however, is required.
Eligible Borrowers:	Properties with existing FHA insured loans are eligible.
Maximum Loan:	The lesser of: <ol style="list-style-type: none">1. The original principal amount of the existing insured loan;2. The outstanding principal balance of the existing insured loan plus the cost of required repairs, improvements, outstanding debt incurred in connection with capital improvements (as approved by HUD), prepayment penalties, and loan closing costs;3. The amount of debt that can be serviced by 90% of net operating income (95% for non-profit owners).
Maximum Term:	The term of the new loan may not exceed the remaining term of the existing loan; however, HUD may approve a term extension up to 12 years beyond the term of the existing loan to ensure long-term economic viability (not to exceed maximum term of underlying mortgage insurance program).
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% for multifamily (0.50% for health care) of the outstanding 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(a)(7) processing usually takes about 3 to 4 months (subject to deal specifics).
FHA Application Fees:	0.30% of the loan amount (non-refundable). After endorsement of the new mortgage note, HUD will approve a request for a refund of one-half of the application fee.
FHA Inspection Fee:	<ol style="list-style-type: none">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).

Personal Liability: None. The FHA 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).

Territory: Nationwide.

The Program has the following additional parameters:

- Funds to cover minor repairs and costs of the transaction can be included in the loan amount. Outstanding debt incurred in connection with capital improvements already made to the property may also be included in the loan amount, subject to HUD approval.
- Davis-Bacon prevailing wage requirements do not apply to any repairs.
- Loans insured under Section 223(a)(7) assume program characteristics of the underlying mortgage insurance program.
- The streamlined nature of the underwriting does not require a new appraisal, market study or environmental; however, a new PCNA is required as part of the application.
- A PCNA will be required every 10 years.

Terms outlined above reflect the Revised MAP Guide Effective 11/1/11

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

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Red Mortgage Capital, LLC is a leading FHA-approved Mortgagee and MAP/LEAN lender and actively provides financing utilizing FHA insurance programs nationwide pursuant to Multifamily Accelerated Processing (MAP) and LEAN underwriting methods.

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.

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