



**Refinance or Purchase of
 Section 202/811 Direct Loans**

ELIGIBLE PROPERTIES:

Section 202/811 developments that currently have a direct loan from FHA. Minor to moderate rehabilitation is permitted.

PROGRAM REQUIREMENTS AND BENEFITS:

1. Project Owner must agree to operate the property under terms at least as advantageous to the residents as those required by the original Section 202/811 loan agreements.
2. In most cases, prepayment of the Section 202/811 loan must be approved by FHA.
3. Savings resulting from reduced interest rate may be used for:
 - a) increasing supportive services by up to 15%,
 - b) rehabilitation of common areas or individual units,
 - c) construction of an addition or other facility in the project, or
 - d) rent reduction of unassisted tenants residing in the project.

MAXIMUM LOAN:

The lesser of the following criteria:

1. 90% of FHA appraised value, using a capitalization rate based on the band of investment rate analysis;
2. 90% of Net Income, using the Section 8 contract rents for the income analysis;
3. Statutory unit mortgage limits.

Refinance Transaction:
 The cost to refinance.

Purchase Transaction:
 90% of the cost of acquisition.

Note: No equity take out is permitted for either refinance or purchase transactions.

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 CWCapital and FHA approval.

SUBORDINATE FINANCING:

Allowable, subject to FHA 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.

hardworking + successful + prepared + accomplished
innovative + versatile + knowledgeable + resourceful
reliable + efficient + collaborative + flexible + creative
accountable + prepared + problem solver
flexible + responsive +

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 FHA. The rate is fixed at loan endorsement.

ESCROWS:

Monthly escrows for property insurance, real estate taxes, reserves for replacement (as determined by FHA) and mortgage insurance premiums. An initial deposit to replacement reserve and 100% of repair costs (both as determined by FHA) 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.

APPLICATION FEE:

A non-refundable fee of 0.3% of the requested mortgage amount is payable to FHA 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.

DEVELOPER'S FEE:

A maximum developer's fee of 15% of acceptable development cost is permitted.

OTHER FHA 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.

FHA PROCESSING TIME:

One stage for FHA 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. Last approved rent schedule.
3. Current rent roll and year-to-date operating statement.
4. Operating history (FHA Audits) – prior 3 years, if available.
5. Current year operating budget.
6. Existing debt or purchase price.
7. Current HAP Contract.
8. Existing Regulatory Agreement.
9. Current Mortgage Note.
10. Current REAC Report.