FHA SECTION 223(f)

MAP | Multifamily

Apartment Refinance or Acquisition

Lument is a leading FHA-approved mortgagee and MAP/LEAN lender that underwrites, funds and services FHA-insured mortgage loans for multifamily, seniors, assisted living and skilled care properties nationwide.

PURPOSE

Provides mortgage insurance to facilitate funding the refinancing or acquisition of apartment properties, including age-restricted projects for seniors.

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 85%, 87%, or 90% of net operating income for market rate, affordable[1], rental assisted[2], respectively; 2. 85%, 87%, or 90% of value for market rate, affordable[1], rental assisted[2], 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 the portion of grants, public loans and tax credits applied to mortgageable costs; 5. Statutory per unit limits. ACQUISITION: The lesser of: 1. The amount of debt that can be serviced by 85%, 87%, or 90% of net operating income for market rate, affordable[1], or rental assisted[2], respectively; 2. 85%, 87%, or 90% of value for market rate, affordable[1], or rental assisted[2], respectively; 3. 85%, 87%, or 90% of acquisition cost (i.e. total cost to close) for market rate, affordable[1], or rental assisted[2] properties, respectively; 4. 100% of mortgageable transaction costs less the portion of grants, public loans and tax credits applied to mortgageable costs; 5. Statutory per unit limits.
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 that do not have a 10% discount to the market rate rent levels. Maximum underwriting physical occupancy of 95% for affordable[1] properties with LIHTC units rents at a 10% discount to market. Maximum underwritten physical occupancy of 97% for rental assisted[2] properties.
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 is 0.60% of the outstanding loan amount for market rate transactions unless it qualifies for 0.25% through the Green/Energy Efficient Housing qualifications. 90% affordable or rental assisted qualify for the annual MIP of 0.25%. All other affordable are at 0.35% MIP. The first year MIP is set at 1% of the loan amount for market rate and the program rate for affordable[1], rental assisted[2], and Green transactions.

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). Properties located in an opportunity zone benefit with a reduced application fee. Broadly affordable deals are reduced to 0.10% and affordable and market-rate deals are reduced to 0.20% of the loan amount.
FHA INSPECTION FEE	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 or $1,500, 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.
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; 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).
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 the greater of (1) $19,293 per unit (adjusted for high cost areas).
TERRITORY	Nationwide.
THE PROGRAM HAS THE FOLLOWING ADDITIONAL PARAMETERS	• Loans in excess of $125 million have slightly lower loan to value limits and slightly higher debt service coverage requirements. • Although not required, all transactions are encouraged to participate in a concept meeting with HUD prior to application submittal. • 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 the Revised MAP Guide Effective March 2021

Lument 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, Lument 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.

[1]Affordable defined as: (a) properties that have a recorded regulatory agreement in effect for at least 15 years after final endorsement, and (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 (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. The contract or separate agreement must ensure affordability restrictions for a period of 15 years.