

# HUD 207/223(f) PURSUANT TO SECTION 202: REFINANCING, ACQUISITION, OR MODERATE REHABILITATION OF SECTION 202 DIRECT LOAN



## GENERAL TERMS

Eligible Properties:	Affordable housing properties with existing Section 202 Direct Loans
Eligible Borrowers:	Single-asset, special purpose entity
Territory:	Nationwide and Puerto Rico
Term & Amortization:	Maximum of 35 years or 75% of the remaining economic life of the property. Fully amortizing.
Maximum Loan Amount:	For loans less than \$75 million, the lesser of: <ol style="list-style-type: none"><li>90% of value*;</li><li>Statutory per unit limits;</li><li>The amount of debt that can be serviced by 90% (1.11x) of net operating income; or</li><li>New debt service payment (principal + interest) at least \$1 less than current debt service payment.</li></ol> <p>*Please note transactions utilizing a segregated repair account are limited to 80% LTV</p> <p>Note: A loan can be larger than the existing loan and it may be possible to use excess proceeds for (i) other HUD-assisted senior housing and/or (ii) related health services facilities</p>
Interest Rate:	Fixed, subject to market conditions.
Prepayment Options:	To be determined at time of interest rate lock. Typical options include a 2-year lockout with penalty of 8% in the 3 <sup>rd</sup> year, declining 1% each year thereafter and reaching zero after the 10 <sup>th</sup> year.
Timing:	<b>Call Ziegler for current timing.</b>
Assumability:	Yes, subject to FHA approval.
Personal Liability:	Non-recourse loan subject to carve-outs for fraud and misrepresentation.
Secondary Financing:	Allowable up to 92.5% of value, subject to FHA criteria.

## ADDITIONAL PARAMETERS

Repair and Rehab Limitations:	Must meet the following criteria: <ol style="list-style-type: none"><li>Up to \$15,000 per dwelling unit limit times the applicable High Cost Factor times the number of dwelling units proposed for the property after completion of any repairs; and</li><li>Does not replace more than 50% of any two building systems</li></ol> <p>All critical repairs must be completed prior to closing. All non-critical repairs must be completed within 12 months of closing.</p> <p>A segregated repair account may be used to make repairs in other HUD-assisted senior housing properties of the Sponsor. Transactions utilizing a segregated repair account are limited to 80% LTV.</p>
Developer's Fee:	15% of the cost of acquisition, rehabilitation, loan prepayment, initial reserve deposits, and transaction costs.
Commercial Space:	Limited to 25% of total net rentable area and 20% of effective gross project income.
Required Third Party Reports:	Appraisal, Phase I ESA, and Project Capital Needs Assessment (PCNA)
Davis Bacon Wages:	Not applicable for Section 207/223(f) mortgage loans.
Equity Cash-Out:	The maximum loan-to-value ratio for cash-out refinances is 80%.

**ADDITIONAL PARAMETERS (Continued)**

Post-closing Reporting:	Annual audited financial statements.
Meals Service Exceptions:	<p>HUD may approve refinancing transactions for properties, with meal services, if and only if:</p> <ol style="list-style-type: none"> <li>1. Meals were provided before September 30, 1991 and have been continuously provided since that date,</li> <li>2. Meals are provided on an optional basis, or with no more than one mandatory meal per day,</li> <li>3. Income and expenses from the meal service are not included in the underwriting of net operating income, and</li> <li>4. The cost of the meals program is self-sustained by the revenue it generates based on HUD's review of the project's financial statements.</li> </ol>
Occupancy Requirements:	Maximum underwritten physical occupancy of 93%-97% based on affordable housing criteria.
Rate Lock Deposit:	0.5% of the mortgage amount set forth in the firm commitment. Required after client's acceptance of firm commitment and prior to rate lock. The rate lock deposit will be held until closing and it will be returned shortly thereafter.
Extension Fees:	A fee is required to extend the closing date if the mortgage does not close within the timeframe agreed to by the borrower when the mortgage loan was rate locked. This fee is determined at the time of the rate lock.

**ADDITIONAL FEES & EXPENSES (CAPITALIZED WITHIN THE LOAN)**

HUD Exam Fee (Application Fee):	0.3% of the mortgage amount.
HUD Inspection Fee:	<ol style="list-style-type: none"> <li>1. \$30 per unit where the repairs/improvements are greater than \$100,000 in total but \$3,000 or less per unit.</li> <li>2. The greater of \$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.</li> <li>3. \$1,500 where the repairs/improvements are less than \$100,000.</li> </ol>
HUD Mortgage Insurance Premium:	<p>The initial mortgage insurance premium is 1.00%, 0.35%, or 0.25% of the mortgage amount for market rate, affordable<sup>(1)</sup> or broadly affordable<sup>(2)</sup> and green/energy efficient properties, respectively.</p> <p>Thereafter, 0.65%, 0.35%, or 0.25% annually, payable in monthly installments for market rate, affordable<sup>(1)</sup> or broadly affordable<sup>(2)</sup> and green/energy efficient properties, respectively.</p>
Existing Debt:	100% of the existing debt can be included within the FHA insured loan (if applicable).
Acquisition Costs:	100% of the acquisition cost can be included within the FHA insured loan (if applicable).
Initial Deposit to the Replacement Reserve:	An initial deposit will be required at closing which can be capitalized in the mortgage loan and is based on a PCNA.
Other Fees:	Borrower must pay for third-party reports (e.g., Appraisal, Phase I ESA, PCNA), survey, and for ZFC's legal fees associated with closing. An upfront deposit will be required to cover these costs and will be reimbursable at closing.

## REQUIRED ESCROWS

Completion Assurance (Cash or Letter of Credit):	The completion assurance escrow is equal to 110% of the non-critical repair costs and must be established at closing. The 10% escrow above the 100% of the non-critical repair cost is non-mortgageable.
Reserve for Replacement:	Ongoing annual deposits to the reserve for replacement are required for all projects and will be the greater of \$250 per unit per annum or as identified in the PCNA during loan underwriting.
Additional Escrows:	Property taxes, insurance, MIP and replacement reserves.

(1) – Inclusionary Zoning, 10%-90% LIHTC, or 10%-90% Section 8

(2) – 90%+ LIHTC or 90%+ Section 8

## REQUESTED ITEMS FOR PRELIMINARY ANALYSIS

- ◆ Description of project, location, unit mix, year built, physical characteristics, elevator, etc.
- ◆ If applicable, description of any substantial rehabilitation in the past three years.
- ◆ Details on commercial space, if any
- ◆ Details on any meal programs, if any
- ◆ Any third party reports that have been completed
- ◆ Last three years of detailed operating statements and interim year-to-date, including occupancy data
- ◆ Budget for upcoming 12-months (note any large variances from historical)
- ◆ (If refinance) Detail on existing debt (including amount outstanding, interest rate, maturity, etc.)
- ◆ (If acquisition) Detail on proposed acquisition terms (including purchase price, timing and source of sponsor equity, etc.)
- ◆ Section 8 HAP Contract
- ◆ Detailed description and cost estimate of any contemplated repairs
- ◆ Description of ownership structure, experience of sponsor, experience of management agent

## CONTACT US

### BILL MULLIGAN

PRESIDENT, ZFC

Phone: 414 978 6554

Email: [bmulligan@ziegler.com](mailto:bmulligan@ziegler.com)

### JEREMY FRANKEL

SENIOR VICE PRESIDENT - NEW BUSINESS

Phone: 312 705 7244

Email: [jfrankel@ziegler.com](mailto:jfrankel@ziegler.com)

### ASHLEY WILKENS

VICE PRESIDENT, HUD UNDERWRITER

Phone: 414 978 6460

Email: [awilkens@ziegler.com](mailto:awilkens@ziegler.com)