Forbright™

HUD Section 223(f)

Multifamily Acquisition and Refinancing

OVERVIEW

This program provides non-recourse, assumable financing for the purchase or refinance of existing multifamily, affordable, and age-restricted properties.

ELIGIBLE PROPERTIES	- Multifamily properties which are at least 3 years old from the final certificate of occupancy and have an average physical occupancy of at least 85% for 90 consecutive days - Multifamily properties with final certificate of occupancy less than 3 years old that meet DSC for 1 month prior to application submission and 3 months prior to closing (using actual revenue and normalized operating expenses) - Loans $75MM or higher, more conservative underwriting parameters in place; key principals aggregate net worth equal to 20% of loan amount and liquidity equal to 7.5% of loan amount
MAXIMUM LOAN	1. Project Based Section 8 – When there is a Section 8 HAP Contract in place for 90% or more of the units (with at least 15 years remaining on HAP contract), the loan is sized using the lesser of the following constraints: a. 90% LTV b. 1.11x DSC c. 100% of Transaction Costs OR 80% LTV (greater of) 2. Affordable – When the project meets HUD's definition of "Affordable Housing" (see below) and tax credit rents are at least 10% below market rents: a. 87% LTV b. 1.15x DSC c. 100% of Transaction Costs **OR** 80% LTV (greater of) 3. Market Rate – When the project does not meet either of the two requirements above: a. 85% LTV b. 1.176x DSC c. 100% of Transaction Costs OR 80% LTV (greater of) "Affordable Housing" – To qualify under the LIHTC affordability requirement, rent and income restrictions must be imposed, monitored, and enforced by governmental agency for at least 15 years after closing by means of a recorded Regulatory Agreement requiring the project to meet either of the following LIHTC restrictions: - 20% of Units at 50% of AMI, or - 40% of Units at 60% of AMI

TERM / AMORTIZATION	Up to 35 Years, Fully Amortizing (minimum of 10 Years)
INTEREST RATE / PREPAYMENT	Fixed for term of loan; locked at receipt of Firm Commitment; based on market conditions at time of rate lock. 0.50% Rate Lock Deposit required but credited at closing. Prepayment of loan permissible but based on lockout and penalty provisions associated with rate lock for 10 years of call protection (can be a combination of lockout and/or penalty).
MORTGAGE INSURANCE PREMIUM (MIP)	1. <u>Broadly Affordable (MIP of 25 bps upfront and ongoing)</u> – Project must either: a. Have at least 90% of Units covered undrt Section 8 HAP Contract (or other federal rental assistance program serving very low-income residents) with a remaining term of 15 years, or b. Have at least 90% of Units covered by and affordability use restriction under the LIHTC program (or similar state or locally sponsored program) with achievable and underwritten tax credit rents at least 10% below comparable market rents, and a recorded Regulatory Agreement in effect for at least 15 years after closing (and monitored by a public entity) c. Also, if property has tenants with vouchers, those vouchers must continue to be accepted. 2. <u>Affordable (MIP of 35 bps upfront and ongoing)</u> – Project must meet one of the following and continue to accept voucher holders: a. Have between 10% and 90% of Units covered by Section 8 Project Based Rental Assistance contract (or other state or federal rental assistance program serving very low-income residents) with a remaining term of at least 15 years, or b. Have between 10% and 90% of Units covered by an affordability use restriction under the LIHTC program (or similar state or locally sponsored program) with rents sized at no greater than 30% of the income eligible for occupancy under LIHTC, and a recorded Regulatory Agreement in affect for at least 15 years after closing (and monitored by a public entity), or c. Submit evidence of a deed covenant or housing ordinance on “inclusionary zoning” at the subject to evidence the requirement for affordable unit set-asides. A minimum of 10% of the Units must be affordable to at most a family at 80% of AMI, with rents sized to be affordable at 30% of the income at that level. The affordability set-aside must be on-site, in effect for at least 30 years after closing, by monitored by a public authority, be recorded in a Regulatory Agreement, and must be approved by the locality. 3. <u>Green and Energy Efficient (MIP of 25 bps upfront and ongoing)</u> – Project must meet the following: a. Commitment to demonstrate continuing performance with an Energy Star score of at least 75, and b. Commitment to industry recognized green building standards 4. <u>Market Rate (MIP of 60 bps ongoing – 1.00% upfront)</u> – Project does not meet any of the requirements above.

RECOURSE	Non-Recourse with standard carve-outs for Key Principals
ASSUMPTION	Fully assumable subject to HUD approval
ESCROWS	Monthly for Real Estate Taxes, Insurance, and Replacement Reserves
REPAIRS	Permitted but cannot trigger HUD's definition of Substantial Rehabilitation
THIRD PARTY REPORTS	Appraisal, Phase I ESA, and Capital Needs Assessment (CNA) required. Additional reports may be required. All third-party report fees are the responsibility of the sponsorship; however, all third-party vendors must be engaged by Forbright directly.
LENDER FEES	Forbright charges a nominal processing fee to cover due diligence costs, a Financing Fee as a percentage of the Loan Amount, and fees associated with the cost of Lender's legal counsel.
APPLICATION FEE	HUD requires an Application Fee of 0.30% be submitted with the submission of the Firm Application (lower Application Fee if in Opportunity Zone)

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