ARMSTRONG MORTGAGE COMPANY
SERVING THE REAL ESTATE INDUSTRY FOR OVER 40 YEARS

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FHA MORTGAGE INSURANCE PROGRAMS
Section 223(f)
Apartment Refinance or Acquisition
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Armstrong Mortgage Company is an FHA-approved Mortgagee and MAP/LEAN lender and actively provides financing utilizing FHA insurance programs pursuant to Multifamily Accelerated Processing (MAP) and LEAN underwriting methods.

Program Purpose: Provides mortgage insurance to facilitate funding the refinancing or acquisition of apartment properties that are at least three years old. Independent living projects for seniors (age 62 years and older with no services) are also eligible.

Eligible Borrowers: Profit motivated, non-profit motivated and public owners are eligible.

Eligible Asset Type: Market rate, affordable*, or rental assisted properties**.

***affordable** – defined as (a) projects with recorded regulatory agreement 15 yrs. from final endorsement; (b) projects that meet at least the minimum Low Income Housing Tax Credit restrictions of 20% of units at 50% of the AMI, or 40% of units at 60% of AMI, with economic rents on those units no greater than LIHTC rents; and (c) mixed income properties if the minimum low income unit rent and occupancy restrictions and regulatory agreement meet the above criteria.

****rental assisted** – defined as properties that have at least 90% of their units supported by a project based rental assistance contract.

Maximum Term: 35 years, not to exceed 75% of remaining economic life.

Maximum Loan:

Refinancing:

The lesser of:

1. The amount of debt that can be serviced by 83.3%, 85%, 87%, or 90% of net operating income for market rate, affordable, rental assisted, or Section 202 properties, respectively;
2. 83.3%, 85%, 87%, or 90% of value for market rate, affordable, rental assisted or Section 202 properties, 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 grants, public loans and tax credits.
5. Statutory per unit limits.

Acquisition:

The lesser of:

1. The amount of debt that can be serviced by 83.3%, 85%, 87%, or 90% of net operating income for market rate, affordable, rental assisted, or Section 202 properties, respectively;
2. 83.3%, 85%, 87%, or 90% of value for market rate, affordable, rental assisted or Section 202 properties, respectively;
3. 83.3%, 85%, or 87% of acquisition cost for market rate, affordable, or rental assisted properties, respectively;
4. 100% of mortgageable transaction costs less grants, public loans and tax credits.
5. Statutory per unit limits.

Occupancy:	All properties must have an average physical occupancy of at least 85% for a period of 6 months prior to submittal of the application and maintain through final endorsement. For market rate properties, the maximum underwritten physical occupancy rate is 93%. For affordable properties, the maximum underwritten physical occupancy is 95% for rental assisted properties, or properties where all units have rents at least 20% below comparable market rents.
Interest Rate:	Subject to market conditions.
Mortgage Insurance Premium:	The annual MIP is 0.60% (0.45% with LIHTC) of the outstanding loan amount. The first year MIP is set at 1% of loan amount.
Prepayment:	Locked 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.
Funding:	Qualifies for Ginnie Mae insured mortgage-backed securities, direct placement or may be used to credit-enhance tax-exempt bonds.
Timing:	Section 223(f) processing usually takes about 4 to 5 months.
FHA Application Fees:	0.30% of the loan amount (non-refundable).
FHA Inspection Fees:	$30 per unit where repairs are greater than $100,000 in total but $3,000 or less per unit; $30 per unit or 1% of the cost of repairs, whichever is greater, where the repairs are more than $3,000 per unit; and $1,500 where the repairs 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. 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 loan is non-recourse; however, one (1) individual will be required to be identified as key principal for signatory provisions of standard bad boy carve-outs.
Assumable:	Yes, subject to HUD and Lender approval. Assumption fee of 0.05% of the original loan amount applies.
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 greater of 15% of value, $6,500/ unit (adjusted for high cost areas), or 20% of mortgage proceeds applied to repair expenses can be included in the loan amount, subject to maximum loan limitations.

The program has the following additional parameters:

a. Parties are encouraged to participate in a concept meeting with HUD prior to application being submitted.
b. Davis-Bacon prevailing wage requirements do not apply to any repairs.
c. 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.
d. A PCNA will be required every 10 years.
e. A Schedule of Real Estate owned by principals is required.

For further information please contact:

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