California Community Reinvestment Corporation

FHA Mortgage Insurance Programs
Section 223(f)
Apartment Refinance or Acquisition

California Community Reinvestment Corporation is a Federal Housing Administration (FHA) approved Multifamily Accelerated Processing (MAP) Lender that actively underwrites FHA insured mortgage loans for multifamily family and senior housing nationwide.

Program Purpose: Provides mortgage insurance to facilitate funding the refinancing or acquisition of apartment properties that have three years of stabilized operating history (properties with less than three years of stabilized operating history may be eligible for a waiver). 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[1], or rental assisted[2] properties with a minimum of five residential units with complete kitchens and bathrooms.

Maximum Loan:

Refinancing: The lessor of:

1. The amount of debt that can be serviced by 85% (1.176 DCR), 87% (1.15 DCR), or 90% (1.11 DCR) of net operating income for market rate, affordable[1], or rental assisted[2] and Section 202 & 202/8 properties, respectively;
2. 85%, 87%, or 90% of value for market rate, affordable[1], or rental assisted[2] and Section 202 & 202/8 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 the portion of grants, public loan and tax credits applied to mortgageable costs;
5. Statutory per unit limits.

Acquisition: The lessor of:

1. The amount of debt that can be serviced by 85% (1.176 DCR), 87% (1.15 DCR), or 90% (1.11 DCR) of net operating income for market rate, affordable[1], or rental assisted[2] and Section 202 & 202/8 properties, respectively;
2. 85%, 87%, or 90% of value for market rate, affordable[1], or rental assisted[2] and Section 202 & 202/8 properties, respectively;
3. 85%, 87%, or 90% of acquisition cost (i.e., total cost to close) for market rate, affordable[1], or rental assisted[2] and Section 202 & 202/8 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 properties and affordable properties without a 10% discount to market rents. Maximum underwritten physical occupancy of 95% for affordable properties with 80% or more LIHTC units and at least a 10% discount to market rents. Maximum underwritten physical occupancy of 97% for rental assisted[2] properties or in-place rehabs of properties with 90% or more LIHTC units, occupancy at or above 90%, and at least a 10% discount to market rents.

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 0.25% of the outstanding loan amount. The upfront capitalized first year MIP is 0.25% of the loan amount.

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 6 months (subject to deal specifics).

FHA Application Fees: 0.30% of the loan amount (non-refundable).

FHA Inspection Fees:

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, 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, 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 the 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 up to $15,000 per unit (adjusted for high cost areas) can be included in the loan amount, subject to maximum loan limitations. Repairs may not include replacing more than one major building system such as plumbing or electrical.

The program has the following additional parameters:

- 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.
- A schedule of real estate owned by principals is required and reviewed.

Terms outlined above reflect the MAP Guide Revised 1/29/16

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[1] Affordable defined as (a) properties that have a recorded regulatory agreement in effect for at least 15 years after final endorsement, (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, and (c) mixed income properties if the minimum low income unit rent and occupancy restrictions and regulatory agreement meet the above criteria (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.