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FHA Federal Financing Bank Risk-Sharing Program

MHP's FHA Risk-Sharing program provides 17-. 30-, 35- and 40-year low fixed-rate financing for the takeout of construction financing of newly built properties or the refinance or acquisition of existing multifamily properties. Financing can be used with LIHTC and all other capital and operating subsidy programs used to create and preserve affordable housing. This loan product is non-recourse and assumable.

Summary of Terms

Eligible Borrowers & Properties:	Loans available for for-profit and non-profit owners and sponsors. Properties may be multifamily rental, or single-room occupancy (SRO) properties of at least 5 units, and may include two or more noncontiguous parcels.
Affordability:	Affordability must be at 20% at 50% AMI or 40% at 60% AMI.
Minimum/Maximum Loan Amounts:	Minimum is $1 million. Maximum is $50 million under following underwriting limits. • Minimum debt service coverage ("DSC") of 1.10x for properties >70% affordable maximum and loan-to-value ("LTV") of 90%. • Minimum DSC 1.15x for properties between 50%-70% affordable and LTV of 85% • Minimum DSC 1.20x for properties <50% affordable and LTV of 80%.
Terms/Amortization:	Maximum 40 years. Loans with a minimum term of 17 years may amortize over a maximum period of 40 years; loans with shorter terms must be fully amortizing over the loan term.
Take-Out Conditions:	Property must show either (a) 95% occupancy at rents, plus actual income from any other revenue sources in the pro forma, that are sufficient to provide for debt service coverage of at least 1.10x based on the greater of pro forma or actual operating expenses; or (b) break-even cash flow for a period of three months within a minimum occupancy of 70%.

For properties that are <70% affordable the property must achieve 90% occupancy for 90 days or with a minimum of 70% occupancy the Borrower may provide cash or a letter of credit at closing in an amount equal to the difference between the original loan amount and the loan amount that would allow the take-out conditions to be achieved, provided that the additional collateral shall not be released until the take-out conditions of 90% occupancy for 90 days have been fully achieved.

Occupancy: For existing properties, project occupancy must demonstrate that it has achieved 93% average occupancy over 12 months prior to the Closing Date.

Non-Recourse: MHP's Risk-Share loans are non-recourse to the sponsor.

Assumability: Loan assumable subject to Lender and FHA approval.

Sec. 8 Underwriting: The loan amount shall not exceed an amount supportable by the lower of the unit rents being collected under the rental assistance agreement or the unit rents being collected at unassisted projects in the market area that are similar in amenities and location to the project for which insurance is being requested.

Repairs/Replacements: Repairs cannot exceed $45,854 per unit. This takes into account the high cost factor for New England. Repairs and replacements are limited to a maximum of one major building component replacement. No Davis Bacon requirements. The per unit repair cost ceiling is not applicable for new construction or substantial rehab with a construction loan.

Fees/Expenses: Up to 1% commitment fee; application fee is 1/10th of 1%. Borrower must cover third-party appraisal, inspection and environmental analysis costs.

Rate lock: MHP provides a rate lock for up to 36 months with a spread priced into the rate.

Prepayment: No prepayment allowed until end of Year 10. For projects in which MHP provided a forward rate lock, no prepayment is allowed until the end of Year 15.

Mortgage Insurance Premium: 0.125 percent, paid at closing and annually thereafter.

Due Diligence: MHP requires an Appraisal, Capital Needs Assessment, Phase 1 Environmental Site Assessment, Radon Testing and HUD Environmental Review paid for by sponsor and completed prior to completion of underwriting.

More information:

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