

REFINANCE OF EXISTING HUD DIRECT 202 LOAN USING HUD SECTION 223(F)

SOURCE OF FUNDS

- ✘ Centennial Mortgage, Inc.

ELIGIBILITY

- ✘ Loan must currently be in HUD's portfolio as a 202 direct loan.

REQUIREMENTS

- ✘ Owner must execute a Use Agreement.
- ✘ Refinance equity takeout by the mortgagor is prohibited; sell equity take out is limited.
- ✘ Refinance proceeds must be used for the benefit of the project.
- ✘ Critical repairs must be completed prior to closing. Non-critical repairs must be completed within 12 months of closing.
- ✘ Repairs or capital improvements to be completed after closing require an escrow (cash or letter of credit) equal to 20% of cost budget.
- ✘ Property must remain a rental property for at least 5 years after the loan closing date.
- ✘ Audited project financial statements must be filed annually with Centennial.
- ✘ A 30-day notice to solicit tenant input for refinancing plan.

ESCROWS

- ✘ Consistent with the existing 202 loan, full escrows for property taxes, mortgage insurance and any special assessments are funded at closing and must be maintained throughout the life of the loan.

- ✘ Existing Replacement Reserve and Residual Receipts Escrows may be reduced to \$1,000 and \$500 per unit, respectively, freeing up capital.
- ✘ With HUD's approval, up to \$20,000 in existing reserves may be used to fund up-front cost for Third Party Reports.

FEATURES

- ✘ Loan-to-value up to 90% (at below market cap rate).
- ✘ Existing Section 8 Rental contract remains in place and is exempt from MAHRA restructuring upon renewal, under Notice H2002-16 and updates.
- ✘ Loan underwriting may be at contract rents (even if above market).
- ✘ Debt service coverage ratio of 111%.
- ✘ Capitalization Rate is derived using a band of investment approach.
- ✘ Meal service available since 1991 or earlier may be included, provided it is self sustaining.
- ✘ Long-term—up to 35-years and self-amortizing.
- ✘ Capital improvement, modernization, utility conversion, and other value enhancements are included in the property valuation.
- ✘ This is a non-recourse loan. Mortgagor assumes no personal liability.
- ✘ Low, fixed interest rates. Fully assumable.

Centennial Mortgage, Inc.