

Recent Developments on FHA Insured Affordable Loans

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National Housing & Rehabilitation Association
2016 Spring Developers Forum

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Recent Changes to FHA Multifamily Insurance Programs

- Changes in Loan Terms and Conditions
- Changes in Organization Structure
- Changes in Loan Processing Procedures and Timing

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- Two **Major** Recent Developments on use with FHA Insured Loans:
 1. 10-year **U.S. Treasury Yields** back below **2.0%**.
 2. **HUD** has reduced **MIP** on affordable housing FHA loans from 45 to **25 basis points**.
- Result: All-in Borrowing Rates

223(f) Pilot (Mod Rehab < \$40k/door)	≈ 3.50%!
221(d)(4)	≈ 4.00%!

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ATTRACTIVE LOAN TERMS

Sample Current All-In 100% Affordable Borrowing Rates

	<u>223(f)</u>	<u>221(d)(4)</u>
GNMA Pass-Through Rate	3.00%	3.50%
Servicing + GNMA Fee	0.25%	0.25%
Total ML Rate	3.25%	3.75%
Add: MIP	0.25%	0.25%
Total All-in Borrowing Cost	3.50%	4.00%

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Loan Terms

§223(f) Refinance and Moderate Rehab

Loan Terms	Affordable*	Over 90% RA**
Maximum Term and Amortization	35 years	35 years
Debt Service Coverage	1.15	1.11
Loan to Cost	100%	100%
Loan to Value (or Acquisition Cost)	87%	90%
MIP	.35	.25

*Affordable = LIHTC projects that don't meet the qualifications of RA.

**RA = Rental Assistance, LIHTC projects where at least 90% of the units are rent restricted and the rents are at least 10% below market rents. Other conditions may also qualify for RA.
Moderate rehab generally means up to \$40,000 per unit depending upon area.

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Loan Terms

§221(d)(4) New Construction and Substantial Rehab

Loan Terms	Affordable*	Over 90% RA**
Maximum Term and Amortization	40 years	40 years
Debt Service Coverage	1.15	1.11
Loan to Cost	87%	90%
MIP	.35	.25

*Affordable = LIHTC projects that don't meet the qualifications of RA.

**RA = Rental Assistance, LIHTC projects where at least 90% of the units are rent restricted and the rents are at least 10% below market rents. Other conditions may also qualify for RA.

Substantial rehab generally means more than \$40,000 per unit, or two or more major systems replaced.

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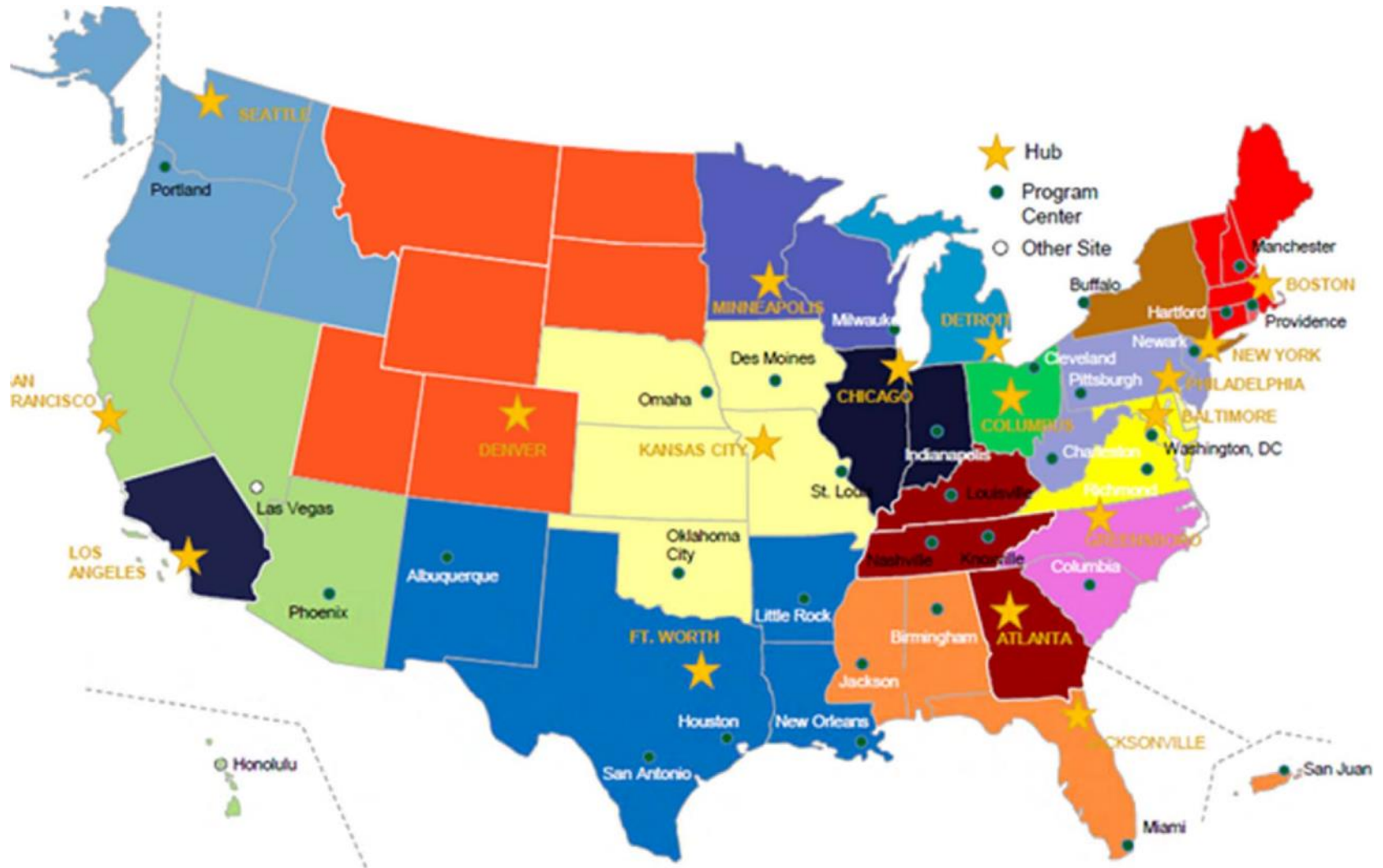
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MORE STREAMLINED ORGANIZATIONAL STRUCTURE

FHA's Historic Field Model had 17 “Hubs” and 50+ Offices



New FHA Regional Structure will have 1 Regional Center and 1 or 2 Satellite Offices Per Region **Consolidation from 50 offices down to 12**

Asset Management staff have the option to remain in existing location

Wave/Region:	Southwest	Midwest	Southeast	Northeast	West
Regional Center	🕒 Fort Worth	🕒 Chicago	🕒 Atlanta	🕒 New York	🕒 San Francisco
Satellite Offices	🕒 Kansas City	🕒 Minneapolis 🕒 Detroit	🕒 Jacksonville	🕒 Boston 🕒 Baltimore	🕒 Denver

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NEW LOAN PROCESSING PROCEDURES for Affordable Housing Loans

- Affordable Housing loans to front of the line.
- Single Affordable Housing loan coordinator.
- Initial concept meeting.
- Parallel, not linear, processing.

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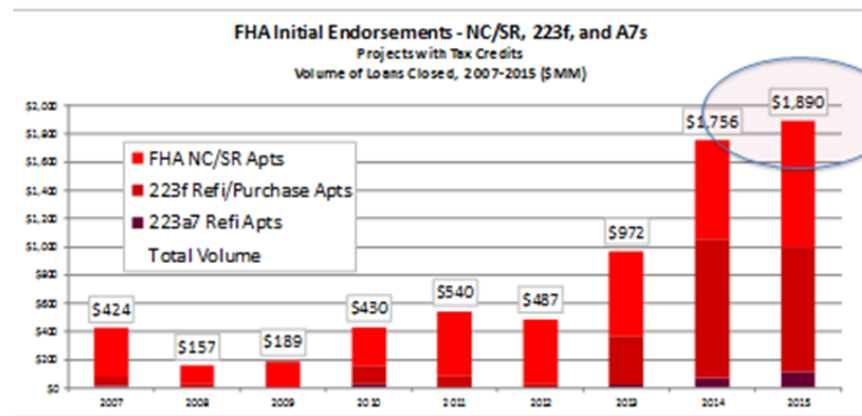
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RESULT – DRAMATICALLY IMPROVED

AFFORDABLE HOUSING VOLUMES AND PROCESSING TIMES

- **FHA loan processing times have improved dramatically** as HUD has implemented the Multifamily for Tomorrow (“MFT”) program changes and given increased priority in processing and other favorable terms to FHA insured loans for affordable housing in recent years.
- The following chart from HUD shows that **FHA’s affordable loan volume almost quadrupled from 2012 to 2015.**

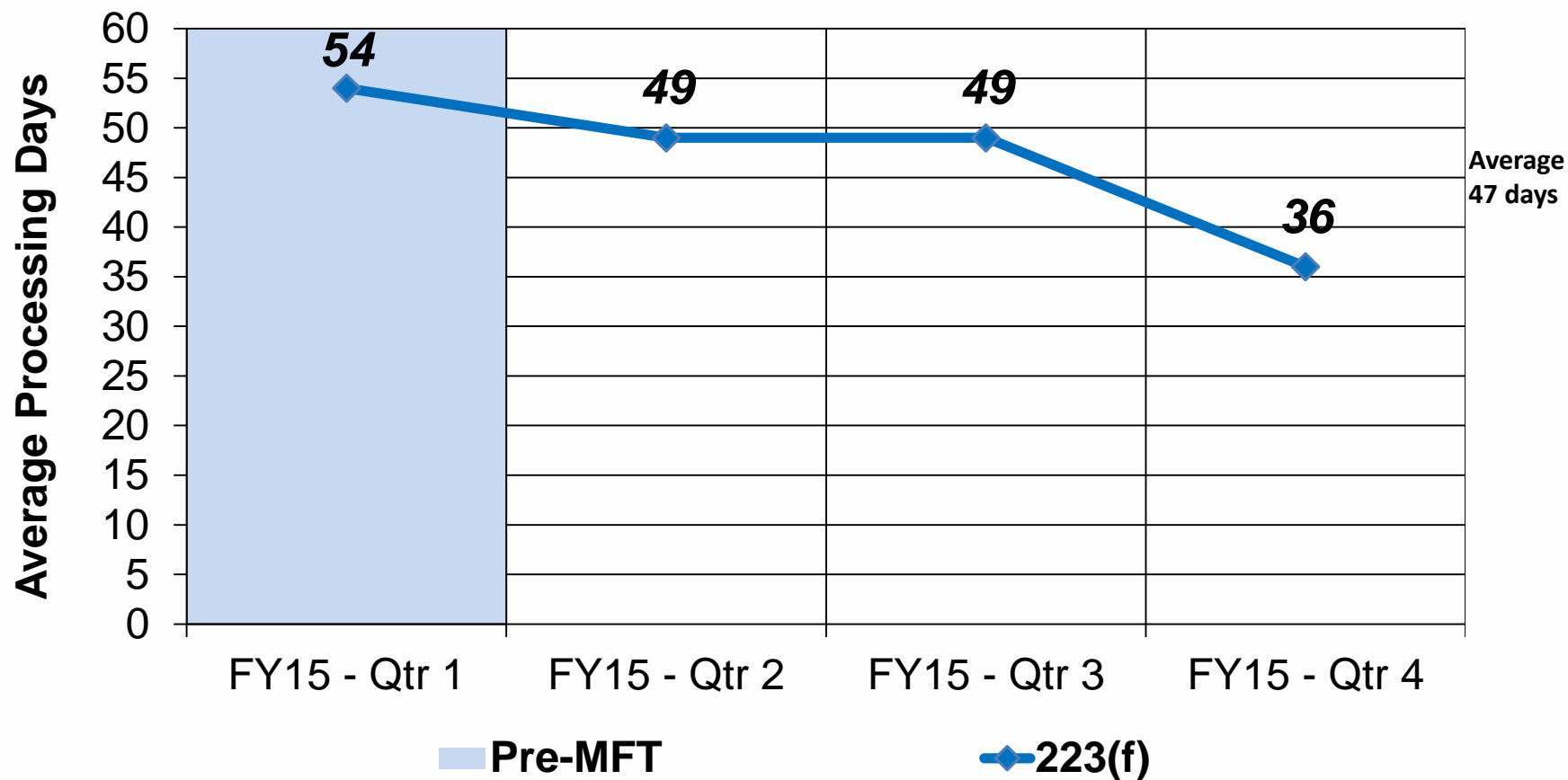
FHA Multifamily Review



- **223(f) affordable housing mod rehab loans can generally be closed in the 90 – 120 days** promised by HUD following a full loan application and often less time. We also now see **221(d)(4) loans closed in 3 to 5 months** in many cases versus as long as 8 months to a year if one turns the calendar back 4 or 5 years ago.

RECENT PROCESSING TIMES – TWO REGIONS

Southwest Region – FY15 Average Processing Days to Firm Commitment:
223(f)

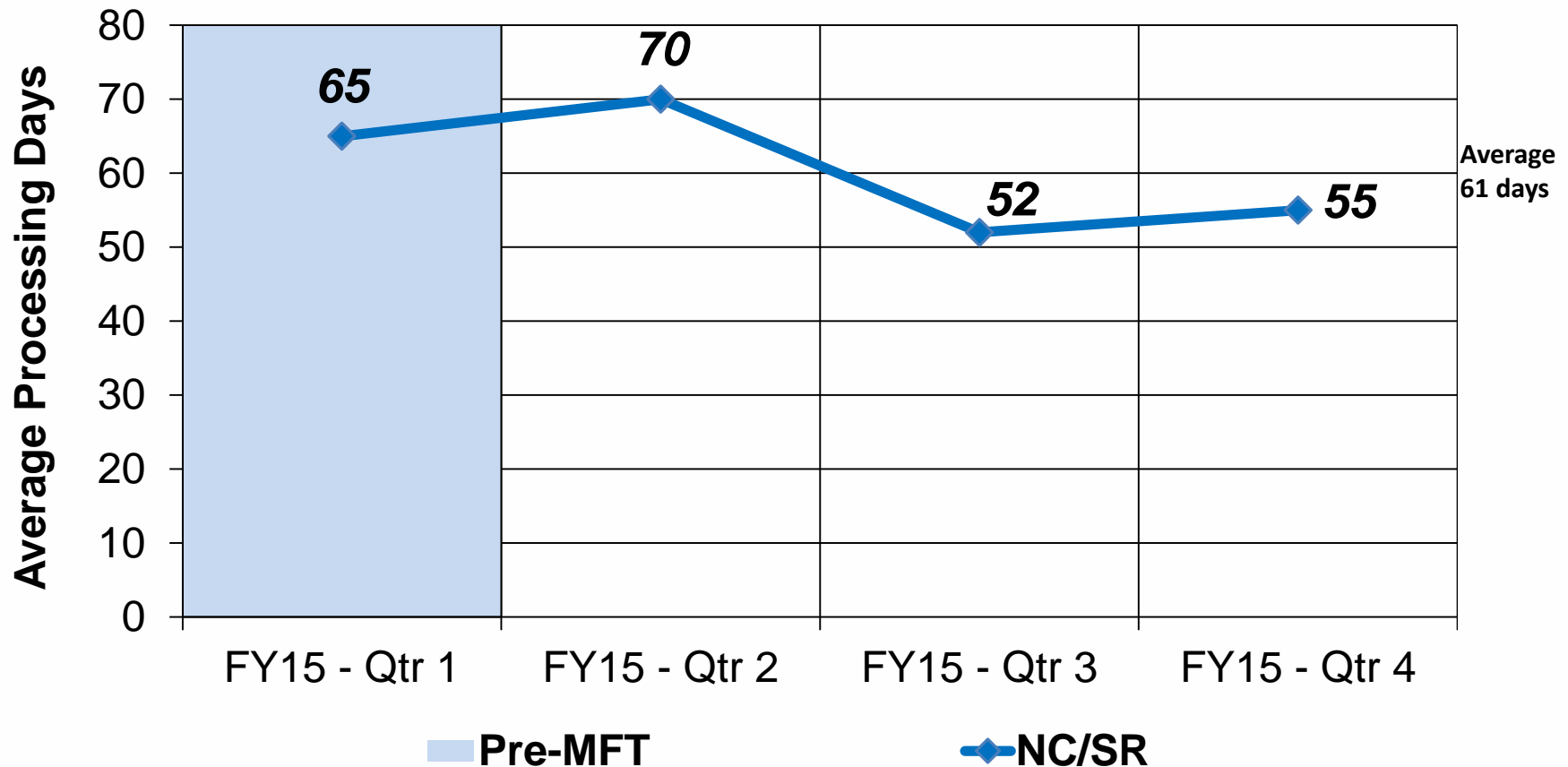


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RECENT PROCESSING TIMES – TWO REGIONS

Southwest Region – FY15 Average Processing Days to Firm Commitment:
NC/SR 221(d)(4)

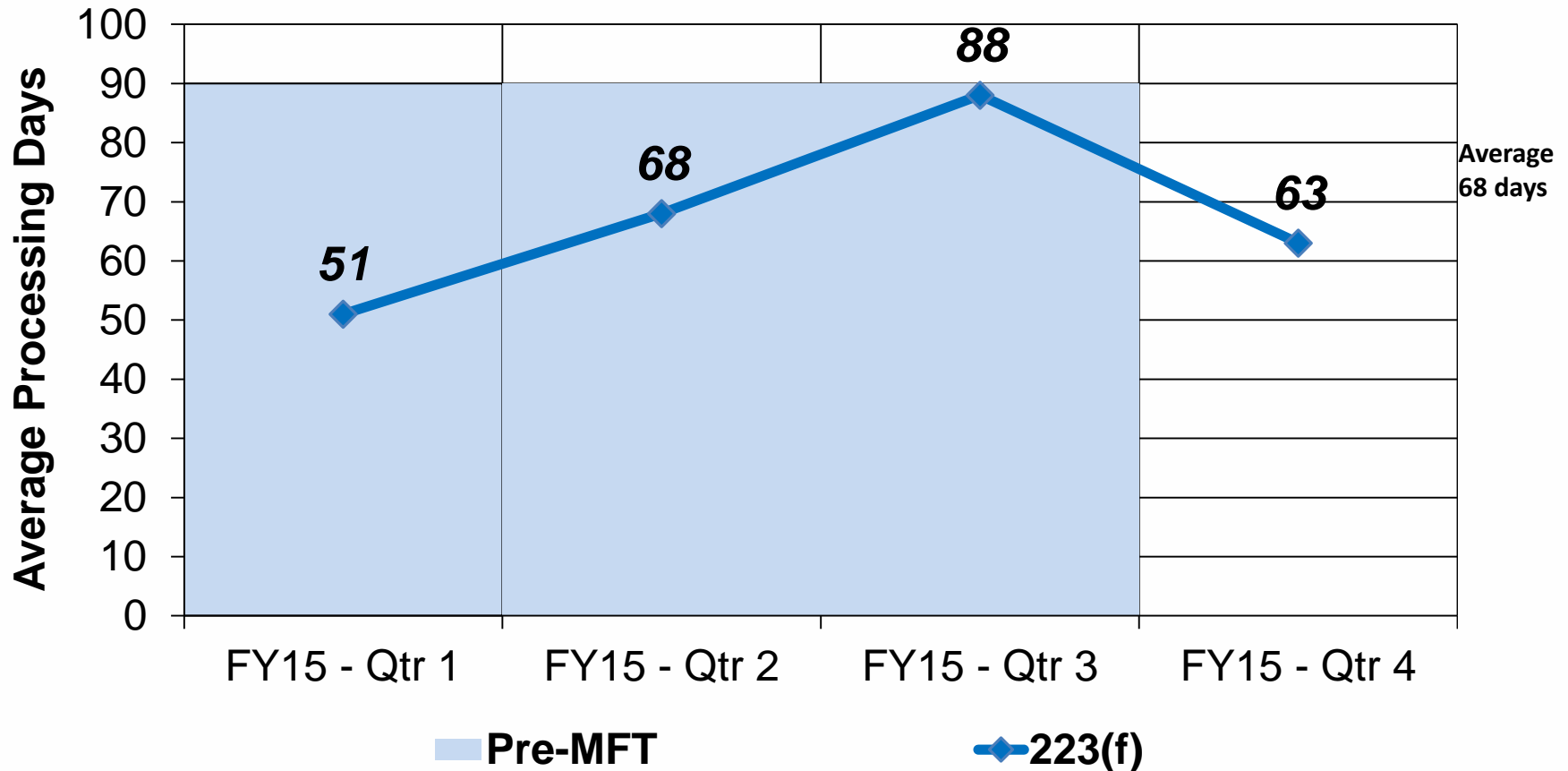


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RECENT PROCESSING TIMES – TWO REGIONS

Midwest Region – FY15 Average Processing Days to Firm Commitment:
223(f)



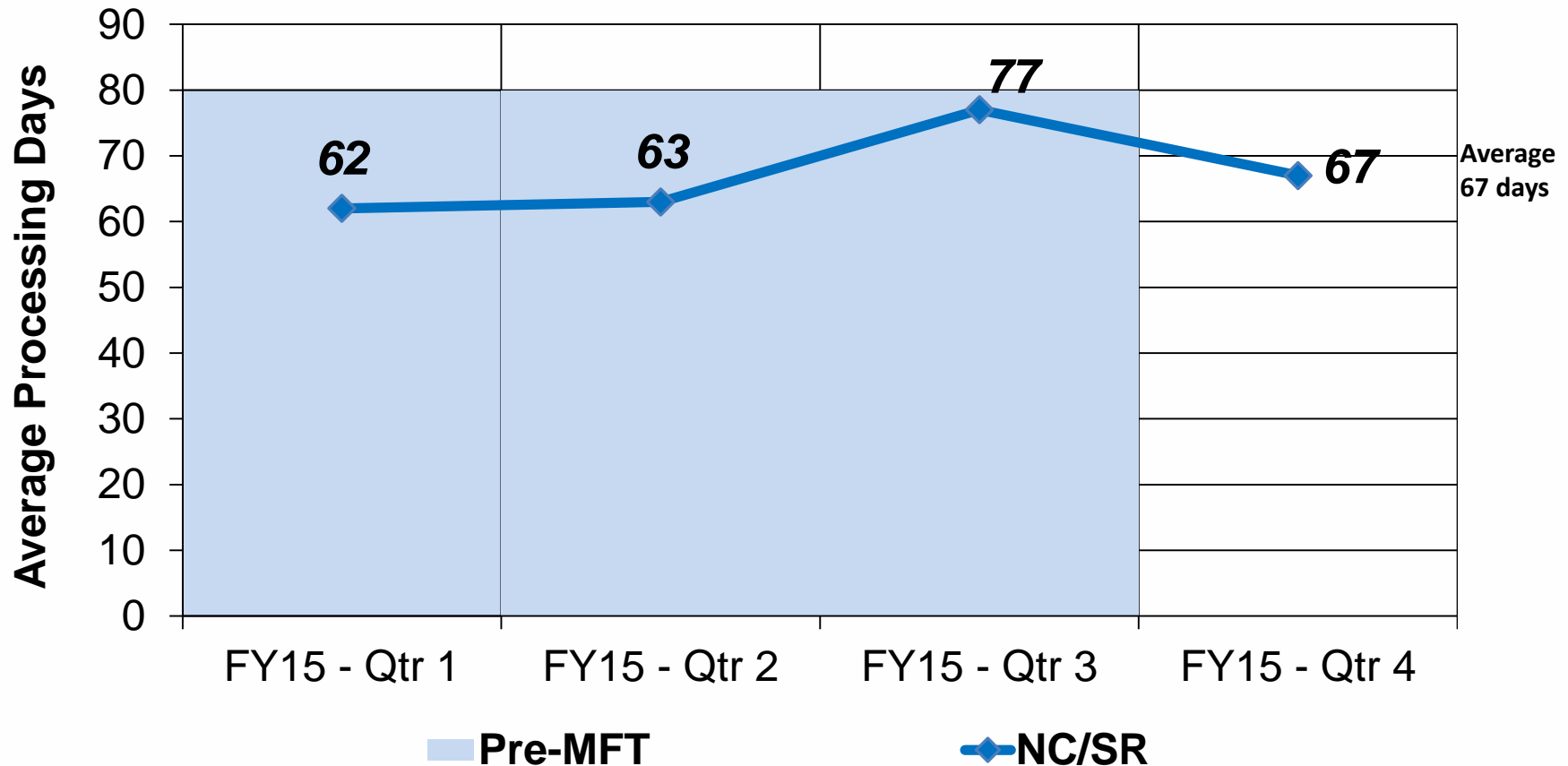
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RECENT PROCESSING TIMES – TWO REGIONS

Midwest Region – FY15 Average Processing Days to Firm Commitment:
NC/SR 221(d)(4)



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Loan Processing and Timing

§223(f) Refinance

§221(d)(4) – “2 Stage” NC and Sub Rehab

§221(d)(4) – “Direct” NC and Sub Rehab

Third Party Reports	Third Party Reports	Third Party Reports
Appraisal PCNA ESA (Phase I)	Market Study Income/Expense ESA PCNA (Sub Rehab)	Market Study Income/Expense ESA PCNA (Sub Rehab) A&E Review
Application Submission	Application Submission	Application Submission
↓ 60 Days ↓	↓ 45 Days ↓	↓ 60 Days ↓
FIRM Commitment – Pricing	Invitation Letter	FIRM Commitment – Pricing
↓ 45 Days ↓	Est. 30 Days	↓ 45 days ↓
Closing	Third Party Reports	Closing

A&E Review

Appraisal

Application Submission

↓ 45 Days ↓

FIRM Commitment – Pricing

↓ 45 Days ↓

Closing

3.5 Months

5.5 Months

3.5 Months

CONCLUSION

- FHA now offers:
 - Very competitive loan terms in today's interest rate environment.
 - An improved loan underwriting process and experience.
 - Greatly improved loan processing times following full loan application.

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