

National Association of Housing Cooperatives Seattle Conference – November 1, 2013

Multifamily FHA Financing

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FHA Financing - Cooperatives

Friday, November 1st

- Basics of FHA Multifamily Financing
- Active Coop programs – 213, 223(f)
- Department's portfolio of Coops historically
- Management issues to consider in financing
- Questions and Answers

FHA Program Basics

Apartments – rental, cooperatives

- New Construction / Substantial Rehab
 - 2 stage processing – Preapp and Firm Commitment
- Refinance / Acquisition
 - 1 stage processing – Firm Commitment

FHA Program Basics

New Construction / Substantial Rehab

- 221(d)(4), ~~221(d)(3)~~, 220, 231, 241(a), 213

Refinance / Acquisition

- 223(f), 223(a)(7)

Terms of FHA Financing

- Need an FHA approved Lender
- Fixed Rate long term, fully amortizing
- High Leverage, Non-Recourse
- Processing times
- Regulatory Agreement
- MIP
- Audited Annual Financial Statements, REAC inspections

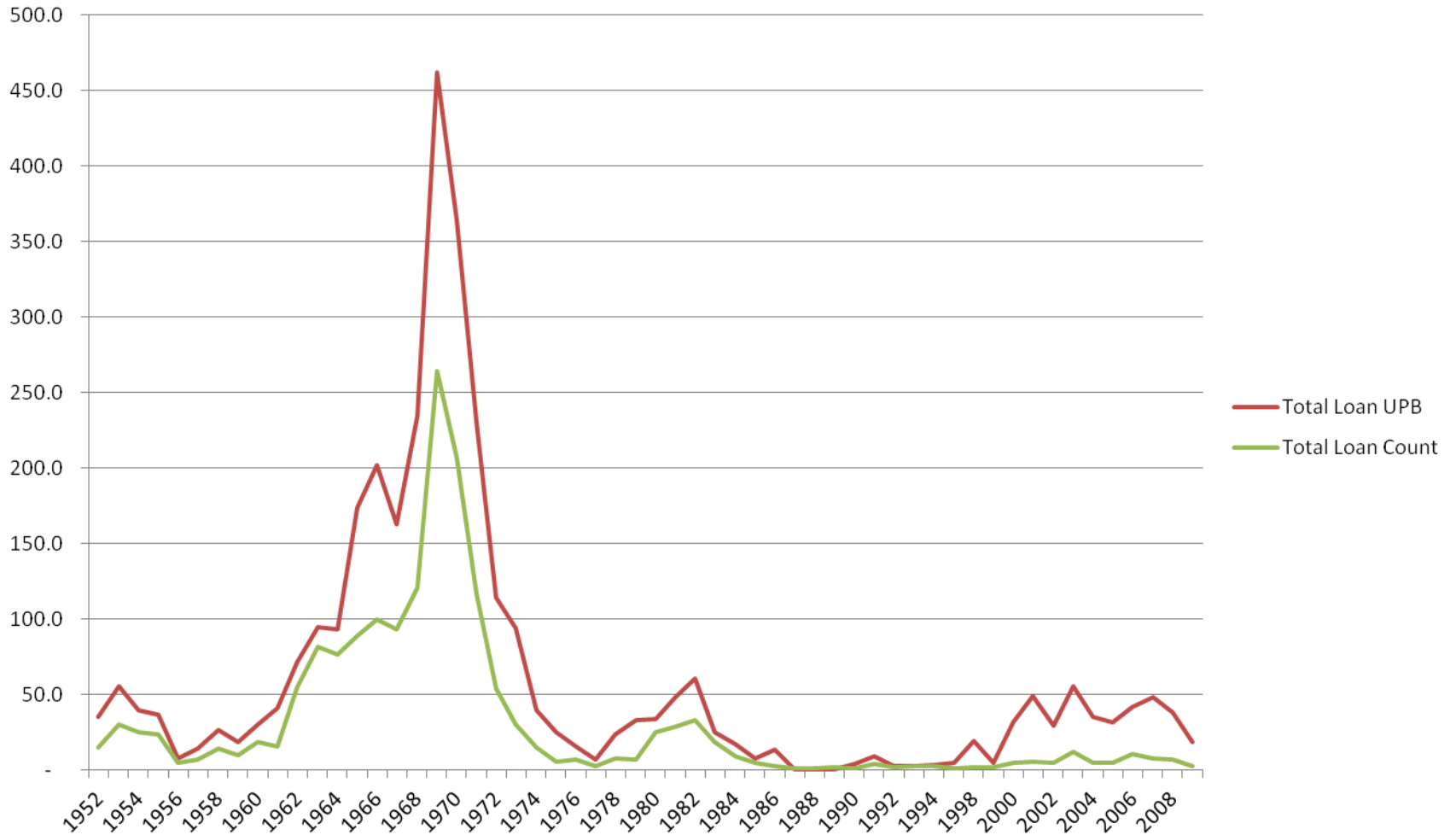
223(f) Refinancing for Coops

- Chapter 17 of the MAP Guide. Reg waiver
- No Sub Rehab – minor repairs and Reserve for Replacment funding
- Lender Due Diligence: PCNA, Appraisal, Environmental, Credit, Org. docs and management
- Up to 35 year amortization
- Carrying Charges automatically increase with inflation
- 100% of NOI (carrying charge minus expenses and 3% General Operating Reserve) available for debt service
- 65% Loan-to-Value as a rental apartment
- 75% of the total number of residential units must be owned and occupied by Cooperative members at the time of endorsement
- Greater than \$50 or \$100 million, assume top loss needed by other public entity

Section 213, 213(i) program

- 65 on our books
- Most done in the upper mid-west –
Minneapolis, Iowa, Kansas City
- 60% of cooperative units must be pre-sold
- Typical scenario: Seniors project, \$70G/unit
down payment, \$140G/unit financed

FHA insured Coop Volume 1952 - 2008



Coops in FHA's MF Portfolio

- 462 properties with Coop ownership have one or more FHA insured mortgage (UPB approx = \$947 Million)
- 317 properties receive some type of project based rental assistance
- Approximately 73,000 units (25,300 assisted)
- Approximately 1% (5 properties) are currently in delinquency or default (compared to 2.3% across comparable FHA properties)

Active Coop programs – 213, 223(f)

- Only 67 loans (\$380 Million in new loan volume) since 2000 for Coops, plus Coop City (\$621 million)
- Contrast that with 900+ loans in the 60's (1.566 Billion in Original UPB)
- By number of projects, primarily an older portfolio of existing Coop properties in HUD's portfolio.

Management issues to consider in financing

- Are the cooperators cooperative?
- Have carrying costs been regularly increased to keep up with inflation?
- Is Turnover less than 5% / year?
- Fair Housing issues – elderly occupancy standard, accessibility
- Credit
- Management agent

Questions and Answers

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