Multifamily FHA Financing

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FHA Financing - Cooperatives
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• 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 Replacement 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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