Financing Rental Options

What HUD's Multifamily Mortgage Insurance can do for you

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Today's Discussion

- Current FHA Climate
- FHA Mortgage Insurance Basics
- FHA Mortgage Insurance Process
- How to become an FHA Approved Lender
- North Dakota Opportunities

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FHA Climate

- FHA Mortgage Insurance Usage Increased
  - Application Submissions
  - Endorsement Counts
  - Units and Mortgage Amounts

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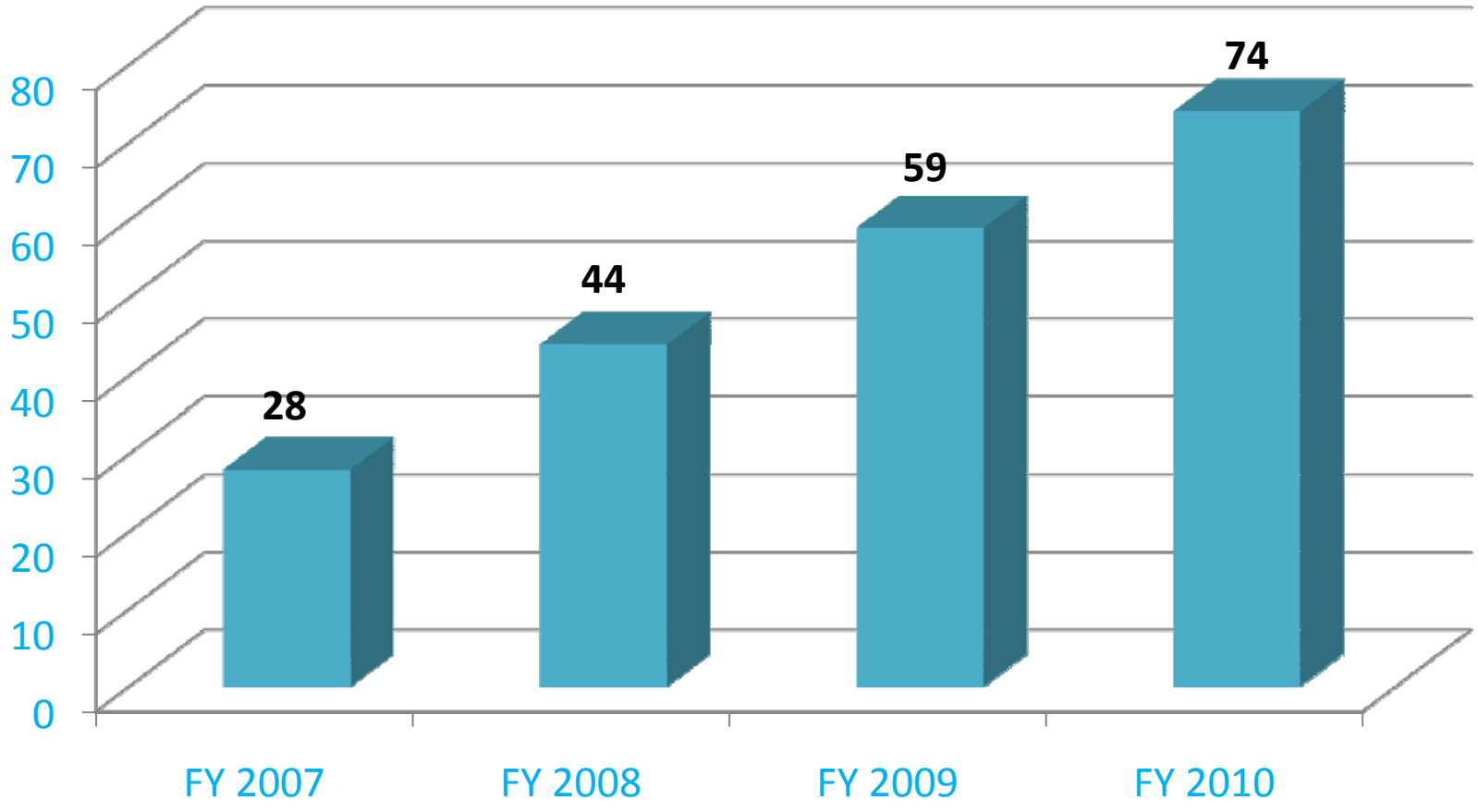
Application Submissions (07-Present)

- Denver Office



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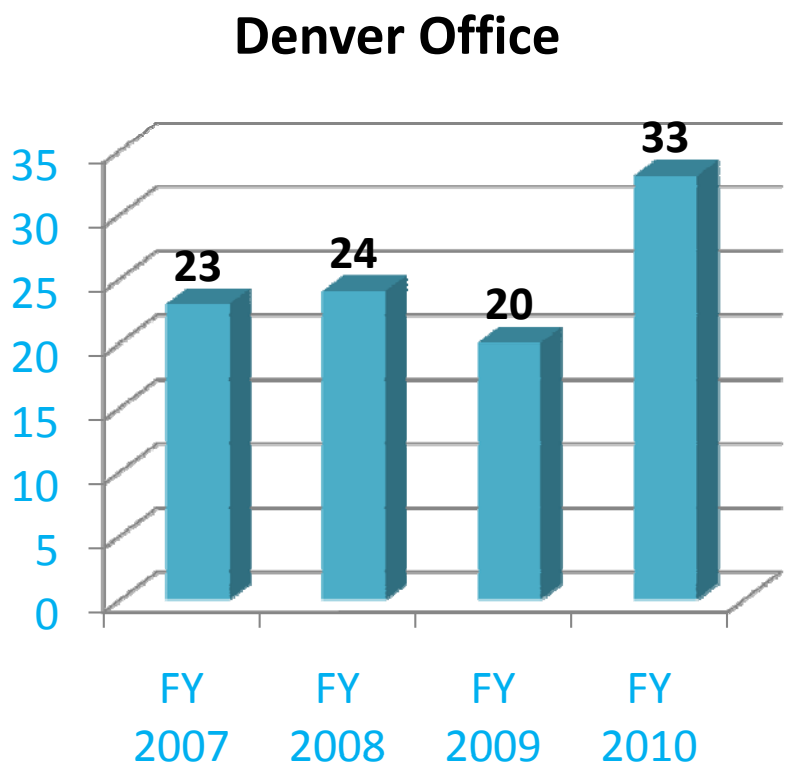
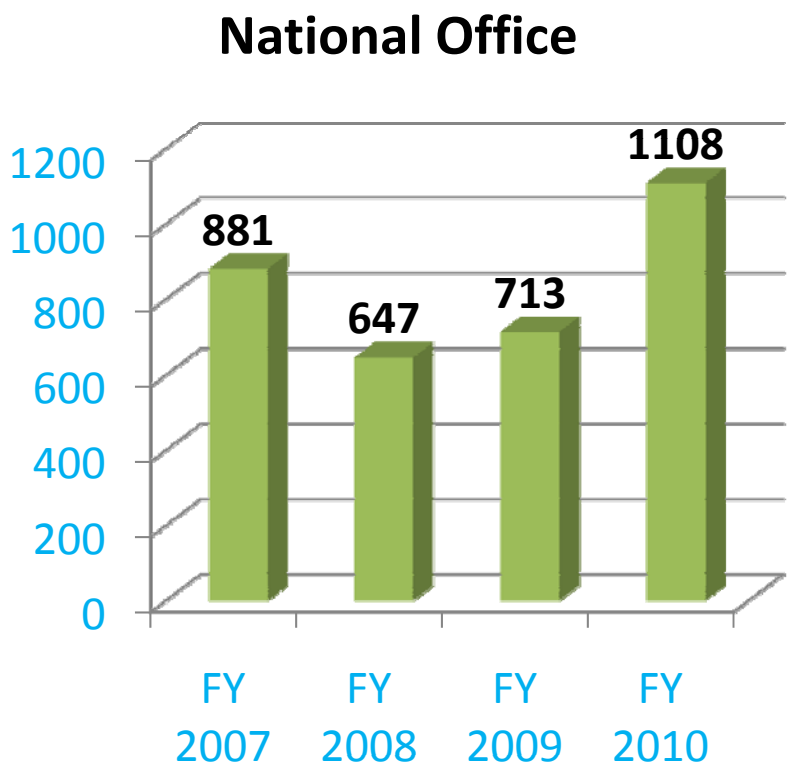
Endorsement Counts





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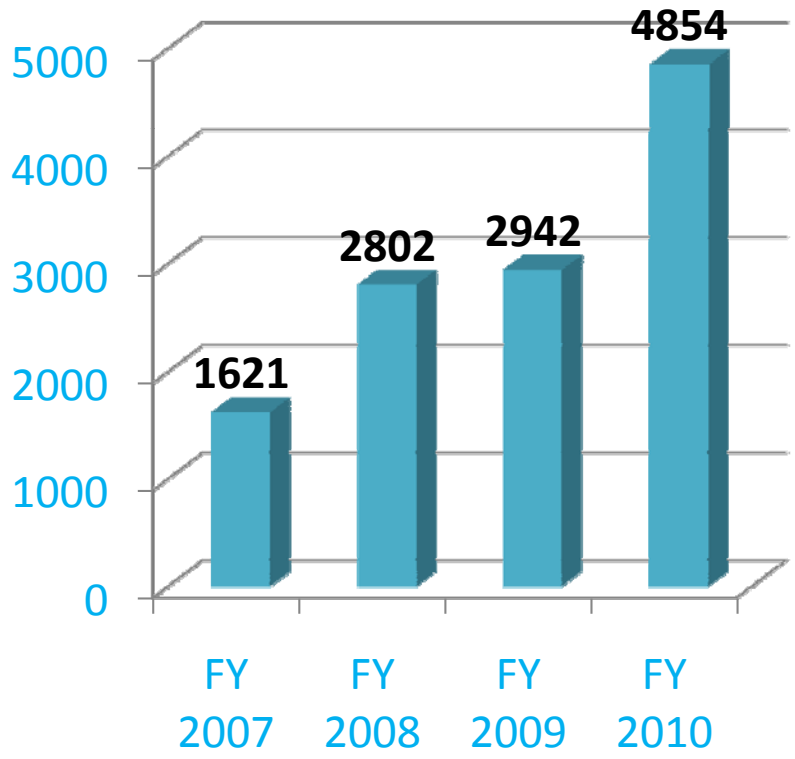
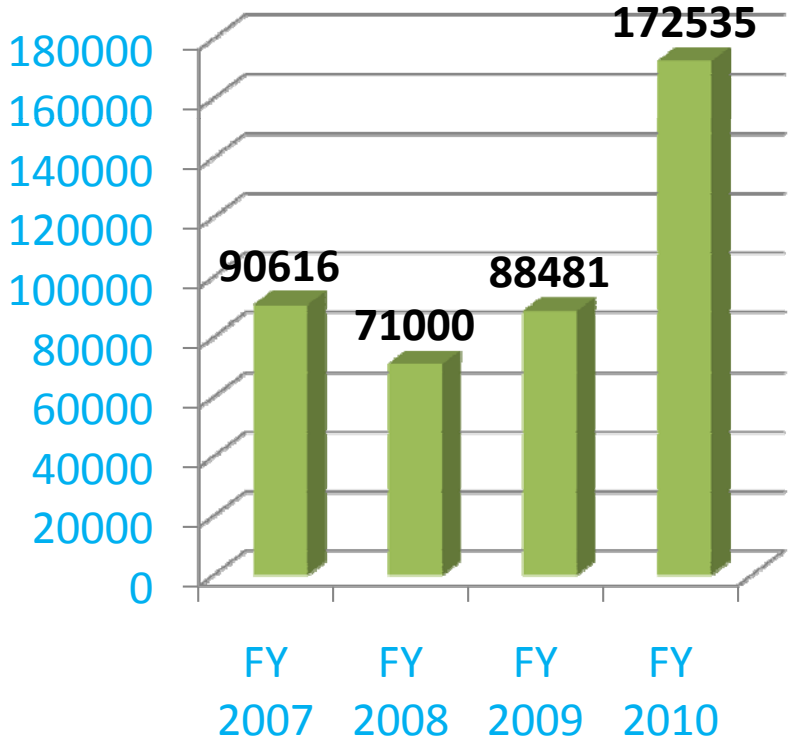
Unit Counts

Denver Office



National Office



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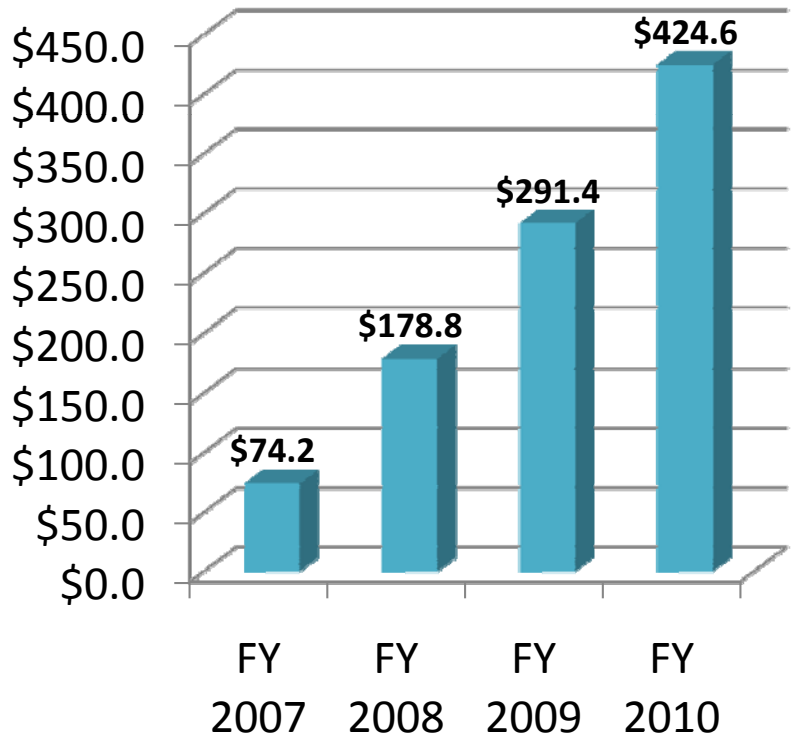
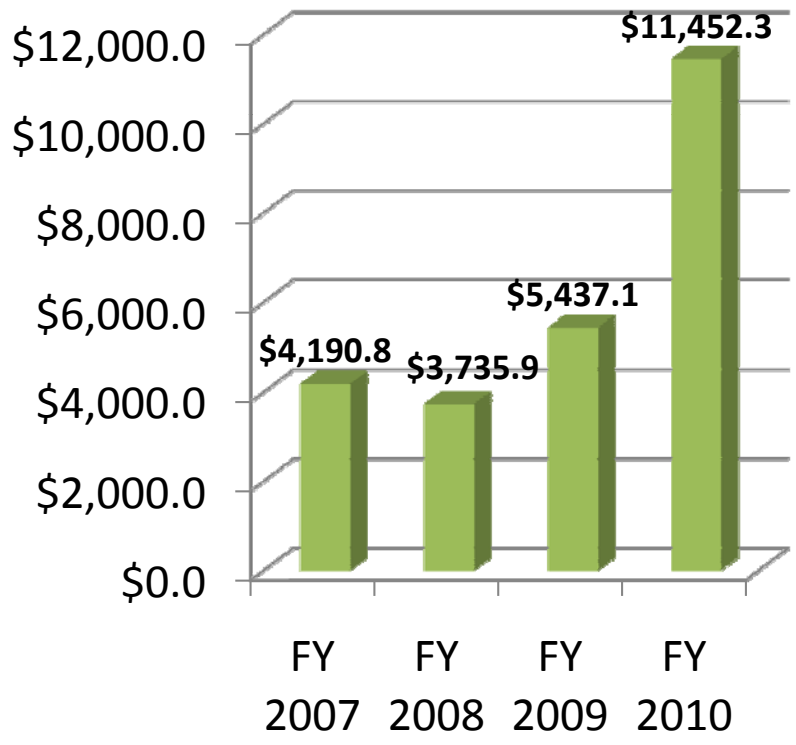
Mortgage Amount (in mills)

Denver Office



National Office



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FHA Climate

- Department's Response
  - Risk Mitigation: Tightening and Targeting
    - Revised Underwriting Standards
    - Enhanced verification of property financial performance
    - Expanded borrower mortgage credit analysis
    - Pre-screening of proposals

FHA Mortgage Insurance Basics

- Non-Recourse Loan
- Integrated Construction/Permanent Financing
- Long Term Financing
- Fixed Rate
- Assumable
- High Loan to Value Ratios
- No Affordable Housing Criteria For Market Rate Deal
- Mortgage Insurance Premium
- Eligible for Ginnie Mae Securitization
- Provides Credit Enhancement
- Multifamily Accelerated Processing
- Prepayments - Lockout periods set by lender

How does it work?

- To obtain a FHA-insured loan, a prospective borrower must use a lender approved by the **Office of Multifamily Development** and the HUD-approved lender, in turn, must submit a mortgage insurance application to HUD.

What is MAP?
Multifamily Accelerated Processing

- A set of procedures for Lenders and HUD staff designed to:
  - Improve the efficiency of application processing for MF mortgage insurance
  - Increase the appropriate use of the FHA mortgage insurance product
  - Make better use of staff resources

MAP Eligible Programs

- **New construction/ substantial rehabilitation**
  - Section 221(d)(4)
  - Section 221(d)(3)
  - Section 220
  - Section 231
- **Acquisition/refinancing of existing properties**
  - Section 223(f)
  - Section 223(a)(7)

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Primary MAP Programs

- Section 221(d)(4) or d(3)
- Section 223(f)

Section 221(d)(4) or (d)(3)

- Terms:

  40-year term

  LTV – 83.3% - 95%

  DSC – 1.11 – 1.20

Section 223(f)

- Terms:

  35-year term or 75% of remaining economic life

  LTV – 83.3% - 90%

  DSC – 1.11 – 1.20

New Construction/Sub-Rehabilitation: What is the process?

- Concept Meeting
- Pre-Application (45 days)
- Invitation Letter
- Firm Commitment (45 days)
- Initial Endorsement
- Construction
- Cost Certification
- Final Endorsement

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Refinance: What is the process?

- Concept Meeting – not required but recommended
- Firm Commitment Application (60 days)
- Firm Commitment Issued
- Initial/Final Endorsement

How Do I become a MAP FHA Approved Lender?

Requirements:

1. Become a FHA approved lender
   - HUD Form 92001-A, FHA Lender Approval Application
2. Become a MAP lender
   - Financially sound
   - Multifamily Underwriting Experience
   - Good record
   - Submit MAP Application, http://www.hud.gov/offices/hsg/mfh/map/invite_exhibit.pdf, to the: Office of Multifamily Development
     Room 6134
     HUD Building, 451 Seventh Street, SW
     Washington, DC 20410

What are we seeing in ND?

- **Increase in employment**
- **Stronger job market has encouraged in-migration**
- **Rental markets**
- **Sufficient demand**
- **Short term boost for oil and gas development**