

## **Explanation Refinance/Acquisition – MAP Loans**

The FHA/HUD refinance/acquisition program is designed for apartments of more than 5 units. It is conventional financing. FHA insures our mortgages and this results in favorable terms and low rates. Subsidy requirements, affordable housing percentages, and low/middle income requirements for tenants do not apply. The program allows for upscale projects with pools, tennis courts, etc. as long as the costs are supported by market rents and market expenses.

The basics are a fixed rate (no balloon) thirty-five-year permanent mortgage based on the lesser of 80% LTV (cash out for a refinance) or 83.3% LTV or cost (for acquisition or rate and term refinance). Loans are underwritten to a minimum 1:20 Debt Service Coverage Ratio. A seller second promissory note of up to 7.5% of cost/value is also allowed on acquisitions.

### The FHA Insurance Process:

Upon receipt of the signed agreement, we will send you a list of additional information needed for the review by HUD. We will package the additional information and send it for final credit committee review. Third party Appraisal, Engineering and a Phase I Environmental Reports are required for the submission.

### Up Front Costs

- 1) Packaging Fee (refunded at closing) \$12,500
- 2) Phase I \$2,000 estimated
- 3) Appraisal \$5,500 estimated
- 4) Engineering \$3,000 estimated
- 5) Exam Fee to HUD 3/10th of 1% of mortgage (or \$3.00/thousand)  
Additional costs that you may incur include survey, title, legal expenses (borrower legal NOT lender legal), other fees that may be charged by municipalities, sellers etc.
- 6) Feasibility study for health care only \$10,000 estimated

### Closing

- 1) Good Faith deposit (locks the rate and is paid two to four weeks before the closing) ½ to 1% of mortgage - Always Refunded at closing

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- 2) Mortgage Insurance Premium (MIP) 90 basis points of mortgage, paid out of proceeds of mortgage at closing. Funds the insurance program, which makes this program possible.

All costs are finable if they are determined to be reasonable. (e.g.: Your attorney's fees of \$15,000 to handle the closing may be reasonable. Attorney's fees of \$200,000 on a two million dollar loan would not). For more detail information, please review the 223f program at multifamily programs on the WEB at [www.HUD.gov](http://www.HUD.gov).

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