

FHA Made Easy

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The Federal Housing Administration (FHA) is a branch of the U.S. Department of Housing and Urban Development (HUD) which works through a select number of approved mortgage lending institutions to provide Federal mortgage and loan insurance for housing and health care facilities. One of HUD's goals is to increase access to affordable housing and healthcare facilities free from discrimination. This goal is exercised through certain designated local lending institutions by insuring Federal loans and mortgages for a plethora of multifamily and healthcare projects. Although the FHA loan process can sometimes be lengthy, there are many rewards to reap. Working with a direct FHA lender makes accessing these programs easy and will help to expedite the process and allow borrowers to focus on their projects.

FHA loans can be used for new construction, sub rehabilitation, and acquisitions or refinancing on many market rate multifamily projects, including apartment complexes, manufactured housing communities and many types of healthcare facilities, such as assisted

living, skilled nursing facilities, psychiatric facilities and other special use facilities.

FHA loans provide borrowers with higher leverage capabilities and, in many cases, offer non-recourse loans with high loan-to-value and low debt service coverage ratios. FHA loans are self-amortizing over 35-40 years and are fully assumable with rates currently in the 5% range.

MULTI-FAMILY

Some of the specific products offered allow for 100% of all transaction costs for refinancing or acquisition of existing multifamily projects. The low rates make it appealing for borrowers to cash out, especially for owners with existing low leverage. These loans are fully assumable, non-recourse and have terms up to 35 years. Loan-to-value in this case can be as high as 85% with a debt service coverage ratio as low as 1.17x and rates in the mid 5% range.

Construction or substantial rehabilitation project loans can be structured up to 90% loan-to-value and a minimum 1.11x debt service coverage ratio. The

construction loans, similar to the refinancing and acquisition loans, are fully assumable and non-recourse but allow for a 40-year self-amortizing schedule.

HEALTHCARE

The healthcare sector, like the multi-family sector, has some differences between new construction and existing properties. Loans for healthcare products are non-recourse. New construction products are self-amortizing for 40 years whereas refinancing or acquisition deals are self-amortizing for 35 years. Construction products allow for up to 90% loan-to-value while existing projects can obtain 85%.

CONCLUSION

FHA programs offer some exciting alternatives to conventional financing, providing generous loan terms and, potentially, greater returns for the developer/borrower. The key for the developer/real estate investor is to access the

right professionals to guide you through the FHA process, thereby allowing you to focus more of your time and energy on the real estate investment and not on the financing process.



Tremont Realty Capital is a national direct lender and mortgage-banking firm headquartered in Boston, with offices in Annapolis, Hartford, New York, Chicago, Scottsdale and McLean. Through its principal and advisory operations, the firm engages primarily in debt and equity placement, direct investment and transaction advisory services. Tremont Realty Capital has been designated a correspondent for several

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