

HUD Hot Topics

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2016 MAP Guide Changes

Lower Debt Coverage Ratios

- **221(d)4 LIHTC DCR reduced from 1.176:1 to 1.15:1(87% of NOI)**
- **223(f) LIHTC DCR also reduced from 1.176:1 to 1.15:1 for properties whose maximum LIHTC rents are at least 10% below market rents**
 - **DCR remains 1.176:1 for properties that don't have the 10% market differential**
- **Section 202, 202/8, and properties with 90%+ HAP units can be underwritten to a 1.11:1 DCR for both programs**

2016 MAP Guide Changes

Higher Loan-to-Value Ratios

- **223(f) LIHTC LTV increased to 87% of market value for properties with the 10% rent differential**
 - LTV remains at 85% for properties that don't have the 10% market differential
- **Section 202, 202/8, and properties with 90%+ HAP units can be underwritten to a 90% LTV**
- **223(f) LIHTC Pilot transactions can use just the Band of Investment approach to determine the cap rate**

2016 MAP Guide Changes

More Lenient Equity Pay-In Schedule

- At least 20% of total equity at closing
- 37.5% of Net Equity at 65% construction completion
 - Net Equity = Total Equity – 1st equity Installment – Deferred Developer Fee – Investor Required Reserves
 - DDF and IRR deductions can't exceed 25% of Total Equity
- 62.5% of Net Equity at completion of repairs for a 223(f), or Final Endorsement for a 221(d)4

2016 MAP Guide Changes

Less Onerous Bridge Loan Requirements

- The loan can be an obligation of the Mortgagor
 - an upper-tier borrowing entity is no longer needed
- LIHTC's and Partnership interests can be used as collateral, but not the property
- Must be repaid at completion of repairs, or Final Endorsement
 - If the bridge lender is a non-profit, public sector, or quasi-public sector entity, the maturity can be extended 10 years

2016 MAP Guide Changes

Higher Repair Amounts for 223(f) Transactions

- For the first time since 1983, HUD increased the maximum repair limit from \$6,500/unit to \$15,000/unit, plus the local High Cost Factor
 - This equates to the \$40,000/unit limit utilized in LIHTC Pilot transactions
 - The limit will be adjusted periodically for inflation

2016 MAP Guide Changes

Lesser Replacement Reserve Requirements

- Minimum balance of 10% of expected first 10 years of replacements for years 1-10
- In years 11-20, the projected reserve balance can go negative up to 50% of that year's principal reduction
- The end result is lower initial and annual deposits
- 221(d)4's now use the same reserve schedule; the 0.6% of Total Structures requirement has been eliminated

2016 MAP Guide Changes

Clarification of Elderly Restrictions

- No change for 221(d)4; Head of Household must be 62+, and the property must allow non-elderly family members, including children
- Section 231 loans continue to restrict all tenants to 62+
- 223(f) financing is now allowed for LIHTC seniors properties with 55+ tenancy that have been operating at least three years
 - This does NOT apply to senior Section 8 properties

2016 MAP Guide Changes

LIHTC Three-year Waiver



Loan Program Comparison

Type of Financing	221(d)4	223(f)	10-year Plus 350 30/18	10-year Plus 375 35/18	10-year Plus 350 6% Floor	10-year Plus 395 30/18	10-year Plus 400 30/18	6% 30/18	6% 30/15
Interest Rate	3.50%	3.00%	4.90%	5.15%	6.00%	5.35%	5.40%	6.00%	6.00%
MIP	0.25%	0.25%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Amortization	480	420	360	420	420	360	360	360	360
Term	480	420	216	216	180	216	216	216	180
Loan Constant	4.89869%	4.86820%	6.36507%	6.16767%	6.84228%	6.69723%	6.73462%	7.19461%	7.19461%
Debt Coverage	1.15	1.15	1.15	1.15	1.15	1.20	1.15	1.20	1.15
Based on a 1.395% 10-Year Rate									

Loan Program Comparison

Type of Financing	221(d)4	223(f)	10-year Plus 350 30/18	10-year Plus 375 35/18	10-year Plus 350 6% Floor	10-year Plus 395 30/18	10-year Plus 400 30/18	6% 30/18	6% 30/15
Net Income	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000
Debt Coverage	1.15	1.15	1.15	1.15	1.15	1.20	1.15	1.20	1.15
Cash Available For Debt Service	\$261,000	\$261,000	\$261,000	\$261,000	\$261,000	\$249,900	\$261,000	\$249,900	\$261,000
Loan Constant	4.89869%	4.86820%	6.36507%	6.16767%	6.84228%	6.69723%	6.73462%	7.19461%	7.19461%
Mortgage Amount	\$5,327,900	\$5,361,300	\$4,100,500	\$4,231,700	\$3,814,500	\$3,731,300	\$3,875,400	\$3,473,400	\$3,627,700

Loan Program Comparison

Type of Financing	221(d)4	223(f)	10-year Plus 350 30/18	10-year Plus 375 35/18	10-year Plus 350 6% Floor	10-year Plus 395 30/18	10-year Plus 400 30/18	6% 30/18	6% 30/15
Mortgage Amount	\$5 million	\$5 million	\$5 million	\$5 million	\$5 million	\$5 million	\$5 million	\$5 million	\$5 million
Loan Constant	4.89869%	4.86820%	6.36507%	6.16767%	6.84228%	6.69723%	6.73462%	7.19461%	7.19461%
Annual Debt Service	\$244,935	\$243,410	\$318,254	\$308,384	\$342,114	\$334,861	\$336,731	\$359,730	\$359,730

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