

FHA®

## Interest Rate Reduction (IRR)

## Refinance of Existing HUD-Insured Loan

Arbor provides this program to reduce the interest rate on qualified existing HUD-insured multifamily loans. The HUD-insured loan remains in place, with reduced payments based on the new rate, the current balance, and the remaining term. The existing prepayment penalty must be paid in full.

<b>Eligible Properties</b>	Multifamily and healthcare properties that currently have FHA-insured loans with Arbor in the role of Servicer
<b>Cash-Out</b>	Not allowed
<b>Tax and Insurance Escrows</b>	Monthly deposits to the escrows are required for property insurance, real estate taxes, reserves for replacement and mortgage insurance premiums
<b>Amortization</b>	Term of the original mortgage; loan will be re-amortized at the new interest rate
<b>Loan Term</b>	Current term of the mortgage must remain in place; no term extension available
<b>Loan Amount</b>	New loan amount is equal to the unpaid principal balance of the existing mortgage at the time of closing
<b>Interest Rate</b>	Low, fixed rate set via Ginnie Mae MBS; interest rate is established upon the issuance of the commitment; interest rate can be sold at a premium over the par rate to fund any prepayment penalty
<b>HUD Mortgage Insurance Premium (MIP)</b>	Existing MIP rate will remain unchanged
<b>Assumability</b>	Fully assumable, subject to HUD approval
<b>Prepayment</b>	Negotiable, but typically closed for 1-2 years then open to prepayment with a penalty of 8% of the outstanding loan balance, declining 1% per year to 0% in year 11
<b>Timing</b>	Typically 45-60 days
<b>Recourse</b>	Non-recourse, subject to HUD Regulatory Agreement
<b>Required Reports</b>	New Property Condition Needs Assessment (PCNA) required if the project's final endorsement was more than 10 years from the date of the IRR request or if the current PCNA is older than 10 years
<b>Good Faith Deposit</b>	Negotiable based on loan size
<b>Expense Escrow</b>	Yes, sufficient to cover Arbor's expenses and third-party report costs
<b>Origination Fee</b>	Negotiable
<b>HUD Application Fee</b>	No application fee
<b>Rate Lock Deposit</b>	0.5%, credited at closing
<b>HUD Inspection Fee</b>	Not applicable
<b>Legal/Closing Fee</b>	Closing costs along with prepayment penalties may be paid from premium