MASON JOSEPH COMPANY, INC.

INTEREST RATE REDUCTION FOR EXISTING FHA INSURED LOAN

The purpose of the program is 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 remaining term. The existing prepayment penalty must be paid in full.

QUALIFIED PROPERTIES:

1. Properties with existing FHA Insured Loan in place.
2. Projects that do not require HUD to waive prepayment penalties or to override lockout provisions to avoid a mortgage insurance claim.
3. Property must achieve 1.05 DSC after the interest rate reduction.

A. Personal Liability: Loans remain nonrecourse to the owner and secured solely by the property.

B. Amortization: Term of the original mortgage. Loan will be re-amortized at the new interest rate

C. Term: Current term of mortgage must remain in place. No term extension available.

D. Loan Amount: Current mortgage balance. No increase in loan proceeds available.

E. Interest Rate: Low, fixed-rate set via Ginnie Mae MBS. The interest rate is established upon the issuance of the commitment. The interest rate can be sold at a premium over the par rate to fund any prepayment penalty.

F. HUD MIP: Existing MIP rate will remain unchanged.

G. Assumability: Fully assumable.

H. Pre-Payment: Negotiable, but typically closed for 1-2 years then open to pre-payment at with a penalty of 8% of the outstanding loan balance, declining 1% per year to 0% in year 11.

I. Timing: Typically 30 – 45 days.

Program Comparison	
HUD Note Modification – Interest Rate Reduction	*FHA Insured 223(a)(7) - Traditional Refinancing*
Drops interest rate on **existing** loan	Drops interest rate on **new** loan
Retains existing terms and maturity date on loan	Will change of terms & maturity date on loan
Does **not** permit an increase in loan proceeds	Permits borrower to increase loan proceeds
Does **not** permit extension of term/amortization	Permits an extension of term/amortization period