

Example: Multifamily Housing Purchase with Escrow Features

The Deal:

A Development Corporation is requesting a loan for \$1.1MM to purchase a three story, 36 unit multifamily housing unit in a large Midwestern city. Consisting of five parcels, the borrower would like the bank to escrow funds for school, county, and township taxes. The school tax is due annually in July; the county and township taxes are due semi-annually in May and September, and the amounts due are different on each bill date.

Terms of the borrowing facility are:

The bank is granting the loan for the full amount at an initial interest rate of 5.125%. However, each month thereafter the rate will be tied to Prime plus .625% and rounded to the nearest 1/8 of 1%. Three months later and monthly thereafter, the payment amount will be adjusted to reflect the rate put into effect on the first day of the previous month. The initial payment will be \$7,500 and will be based on a seven year maturity with a 20 year amortization.

In addition to the escrow accounts for school, county and township taxes the bank is requiring a hazard policy on the property for the entire length of the deal. The hazard policy is not being escrowed, but will be tracked by the bank to ensure that proper coverage is in place. The policy in existence at the beginning of the loan is due to expire in four months.

Finally, a replacement reserve account is being maintained for the property with a beginning balance of \$25,000.00, and a monthly payment into that account of \$1,000.00. Interest will be paid on the reserve account at an annual rate of 1.875%.

AFS Capabilities:

To learn more about AFS Capabilities for loan function, syndication and collateral, please fill out our Contact Us form and you will be contacted with more information.

Deal Features:

- ◆ Pricing Grid
- ◆ Adjustable Rate Scheduled Balance Accruals
- ◆ Escrow for Taxes
- ◆ Replacement Reserve Billing
- ◆ Escrow Monitoring for Hazard Insurance
- ◆ Collateral Valuation
- ◆ Property Information

AFS Products Used:

- ◆ Commercial Real Estate
- ◆ Loan Origination