



Red Mortgage Capital is a division of Orix Real Estate Capital, LLC

**PRELIMINARY LOAN ANALYSIS  
EXECUTIVE SUMMARY**

This analysis is very preliminary in nature and is based on information supplied by the Borrower. The rates and costs are estimates based on current market conditions and are subject to change without notice. While we believe the analysis below to be reasonable and accurate, no assurances can be given that the FHA insurance commitment will be issued based on the following information or that actual costs will not differ from below.

**Lurie Terrace**

<b>Property Location:</b> Ann Arbor, MI	<b>Borrower:</b> Ann Arbor Affordable Housing Corporation
<b>Number of Units:</b> 136	<b>Borrower Contact:</b> Jennifer Hall
<b>Year Built:</b> 1950 & 1963	<b>Telephone:</b> -
<b>Transaction Type:</b> Purchase	<b>Mobile:</b> -
<b>Project Type:</b> affordable (meets MAP Guide definition)	

<b>LOAN STRUCTURE</b>	
Term	35
Amortization (yrs)	35
<b>Mortgage Rate</b>	<b>2.900%</b>
MIP	0.350%
Amortization	<u>1.651%</u>
Debt Service Factor	4.901%
Annual Debt Service	196,913
Monthly Payment	16,409
DSCR X	1.15
LTV	40.1%

<b>UNDERWRITING PARAMETERS</b>			U/W	Appraisal
Gross Rental Income			1,076,292	1,752,600
Ancillary Income (Parking, Laundry, if any)			<u>42,840</u>	<u>42,840</u>
Gross Potential Income			1,119,132	1,795,440
Occupancy			95.0%	95.0%
Effective Gross Income (excl. commercial)			1,063,175	1,705,668
Net Commercial Income (max 90% occupancy)			0	0
Total Effective Gross Income			1,063,175	1,705,668
Estimated Annual Operating Expenses			788,247	1,013,547
Annual Deposit to Replacement Reserve			47,600	40,800
Estimated Annual Expenses	6,146	78.62%	<u>835,847</u>	<u>1,054,347</u>
<b>Estimated Net Income</b>			<b>227,329</b>	<b>651,321</b>
<b>Capitalization Rate</b>				<b>6.50%</b>
<b>Concluded Value</b>				<b>10,020,000</b>

<b>MAXIMUM MORTGAGE COMPUTATION</b>			
87.0% of Value			8,717,400
1.149 minimum Debt Service Coverage			4,035,000
Greater of 87.0% of Transaction Costs	4,488,900		
87.0% of Value	<u>N/A</u>		4,488,900
Maximum Statutory Limits			26,652,200
Borrower's Loan Request			4,017,400
<b>MAXIMUM MORTGAGE</b>			<b>\$4,017,400</b>

**SOURCES & USES OF FUNDS**

<b>Estimated Sources</b>		
RMC Loan Amount	4,017,400	29,540 per unit. Estimate
Downtown Authority Grant	1,000,000	Per Owner
City Grant	<u>319,000</u>	Per Owner
<b>Total Sources</b>	<b>5,336,400</b>	

<b>Estimated Uses</b>		
Outstanding Bal of Purchase Cost	4,050,000	
Initial Deposit to Reserve Fund	855,009	\$6,287 per unit. Estimate
Estimate of Repair Cost	60,251	\$443 per unit. Estimate
Estimate of Repair Escrow (10%)	1,415	See comments below
Debt Service Reserve	196,913	12 Months of Principal and Interest
FHA Inspection Fee	1,500	
Financing Fee	50,000	Flat Fee
GNMA Issuance Costs/Lender Legal	18,200	
Borrower Legal & Organizational	15,000	RMC Estimated
Title & Recording	25,000	RMC Estimated
FHA Application Fee	12,052	\$3 per 1,000
First Year MIP	14,061	0.35%
Required Third Party Reports	29,500	Estimated Appraisal, PCNA, Phase I
Survey	<u>7,500</u>	RMC Estimated
<b>Total Uses</b>	<b>5,336,400</b>	

**COMMENTS**

- HUD will require an escrow of 110% of the estimated repair cost. Escrow will be returned to borrower once repairs have been completed.
- A good faith deposit of 0.5% of the loan amount is required to be posted with the lender prior to rate lock once FHA issues its commitment and all other closing requirements such as title, survey, etc., can be met.
- Transaction costs do not include amounts that may need to be escrowed for taxes and insurance.
- Underwritten rent based on current in place rent. Other income underwritten to appraiser's estimates.
- Expenses underwritten to a combination of appraiser's estimates and the borrower's budget.
- Assumes an initial deposit to replacement reserve of \$855,000 with an annual deposit of \$350/unit. Repairs estimated at \$60,251. Amounts are based on the Project Capital Needs Assessment prepared by the independent third party analyst.
- Underwritten cap rate of 6.50% and concluded value based on the appraiser's conclusion.
- Debt service reserve released back to borrower at the later date of 3 consecutive months at 1.15 DSCR or 6 months.
- Assumes rent restrictions in place for at least 15 years restricting 40% of the units at 60% AMI or below.

Lurie Terrace

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	2017		2018		2019		Budget - 5/1/2020		Appraiser		Appraisal (Restricted)		As Underwritten		Notes
<b>INCOME:</b>															
<b>Gross Rental Income</b>	1,037,702	636	1,033,120	633	1,059,014	649	1,077,445	660	1,752,600	1,074	1,076,292	659	1,076,292	659	In Place Rents
Parking Income	21,037	13	20,468	13	26,269	16	26,269	16	25,840	16	25,840	16	25,840	16	Appraisal Restricted
Other Income	14,820	9	20,769	13	19,260	12	13,850	8	17,000	10	17,000	10	17,000	10	Appraisal Restricted
Less Vacancies (Res.)	(38,304)	3.57%	(27,111)	2.52%	(28,992)	3%	(53,872)	4.82%	(89,772)	5.00%	(55,960)	5.00%	(55,957)	5.00%	5.00%
<b>TOTAL:</b>	<b>\$ 1,035,255</b>	<b>634</b>	<b>\$ 1,047,246</b>	<b>642</b>	<b>\$ 1,075,551</b>	<b>659</b>	<b>\$ 1,063,692</b>	<b>652</b>	<b>\$ 1,705,668</b>	<b>1,045</b>	<b>\$ 1,063,172</b>	<b>651</b>	<b>\$ 1,063,175</b>	<b>651</b>	
<b>EXPENSES:</b>															
<b>Administrative</b>															
Advertising/Renting Exp.	5,930	44	18,260	134	8,320	61	4,696	35	27,200	200	6,800	50	6,800	50	Appraisal Restricted
Office Expenses	50,942	375	71,736	527	87,698	645	50,134	369	47,600	350	68,000	500	54,400	400	Appraisal Restricted
Management Fee	-	0.00%	-	0.00%	-	0.00%	47,896	4.50%	68,227	4.00%	63,795	6.00%	63,791	6.00%	\$400/unit
Total Administrative:	\$ 56,872	418	\$ 89,996	662	\$ 96,018	706	\$ 102,726	755	\$ 143,027	1,052	\$ 138,595	1,019	\$ 124,991	919	6.00%
<b>Utilities</b>															
Electricity	104,916	771	109,531	805	105,045	772	109,417	805	108,800	800	108,800	800	109,417	805	Budget
Water	37,843	278	45,947	338	33,591	247	34,599	254	34,000	250	34,000	250	34,599	254	Budget
Gas/Heating	2,535	19	2,308	17	2,392	18	2,464	18	2,720	20	2,720	20	2,464	18	Budget
Total Utilities	\$ 145,294	1,068	\$ 157,786	1,160	\$ 141,028	1,037	\$ 146,480	1,077	\$ 145,520	1,070	\$ 145,520	1,070	\$ 146,480	1,077	
<b>Operating &amp; Maint.</b>															
Repair Contracts	136,172	1,001	165,869	1,220	178,187	1,310	176,132	1,295	176,800	1,300	176,800	1,300	176,800	1,300	Appraisal Restricted
Payroll	237,004	1,743	271,880	1,999	256,826	1,888	276,009	2,029	176,800	1,300	272,000	2,000	276,009	2,029	Budget
Total Oper. & Maint.	\$ 373,176	2,744	\$ 437,749	3,219	\$ 435,013	3,199	\$ 452,141	3,325	\$ 353,600	2,600	\$ 448,800	3,300	\$ 452,809	3,329	
<b>Taxes &amp; Insurance</b>															
RE Taxes	-	-	-	-	-	-	-	-	317,000	2,331	-	-	-	-	
Insurance	63,298	465	63,870	470	62,104	457	63,967	470	54,400	400	54,400	400	63,967	470	Budget
	\$ 63,298	465	\$ 63,870	470	\$ 62,104	457	\$ 63,967	470	\$ 371,400	2,731	\$ 54,400	400	\$ 63,967	470	
<b>Reserve for Replacements</b>	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ 40,800	300	\$ 40,800	300	\$ 47,600	350	\$350/unit
TOTAL EXPENSES:	\$ 638,640	4,696	\$ 749,401	5,510	\$ 734,163	5,398	\$ 765,314	5,627	\$ 1,054,347	7,753	\$ 828,115	6,089	\$ 835,847	6,146	
<b>NET OPERATING INCOME:</b>	<b>\$ 396,615</b>	<b>2,916</b>	<b>\$ 297,845</b>	<b>2,190</b>	<b>\$ 341,388</b>	<b>2,510</b>	<b>\$ 298,378</b>	<b>2,194</b>	<b>\$ 651,321</b>	<b>4,789</b>	<b>\$ 235,057</b>	<b>1,728</b>	<b>\$ 227,329</b>	<b>1,672</b>	