



12/22/2020

Mr. Gerald Peters
LAH Investors, LLC
124 E. Marcy Street
Santa Fe, NM 87501

RE: The Hill Residential, Los Alamos, NM - Section 220 Multifamily- FHA Project #116-32004

Mr. Peters:

Thank you for engaging Gershman Investment Corp. to obtain FHA insured construction financing for your 149-unit apartment project in Las Alamos. The following letter describes the status of the application. We submitted a pre-application on May 29th, 2020 under Section 221(d)(4). The pre-application contained waivers attributable to statutory per unit loan limitations due to the building costs of the subject property. These were perfunctory and generally accepted with little resistance. In late August 2020, due to the impact of COVID, the FHA was unwilling to grant the waivers which impacted the size of the mortgage. However, they were willing to accept an application under another eligible Section of the Housing Act, Section 220, which provides for higher statutory loan amounts. In the case of The Hill Residential, a Section 220 loan would provide the requested loan amount without waivers. Gershman needed to withdraw its pre-application and re-submit a straight-to-firm application. The firm application was submitted on September 15th, 2020 and was placed into processing at the beginning of November. The impact of COVID -19 had impacted the FHA insomuch as experiencing a significant rise in applications. As a result, a queue has formed preventing applications from being assigned into processing immediately. Gershman's application has been meeting the normal timeframes since being admitted and has been well received to date based on the comments from the HUD underwriter. We are expecting a FHA region loan committee to occur for The Hill Residential within the first two weeks of January. A firm commitment to ensure Gershman's mortgage could be issued towards the third week of January 2021. A closing would generally occur within 60 days of the issuance of the firm commitment.

As you progress through the application, the likelihood of a successful execution increases. Thus, the intent of this letter is to outline the timeframe with each stage of the application process to better help you set expectations for a closing.

Firm Application Stage:

Time to Assemble and Submit Firm Application: Completed

HUD Processing and issuance of FHA Firm Commitment to insure the mortgage: 60 days



Closing Stage:
Timeframe to Close Loan: 45 – 60 days

Construction loans usually take about 45-60 days to close once the FHA issues a commitment to insure the mortgage. The interest rate can be locked once the firm commitment and funding commitment have been accepted and authorized by the borrower. Borrower and Lender's Counsel will then prepare a closing package submission. HUD has 14 days to review the closing package. If the closing package is satisfactory, a mutually agreeable closing date will be set. The time to close may be as short as two weeks although 6 to 8 weeks is more common due to reconciliation and cost certification of prepaid invoices.

Once a Firm Commitment is issued by HUD, the Department is programmatically obligated to close the loan so long as all of the conditions in that Firm Commitment is satisfied. In other words, barring some substantial change, the project should have a clear path to closing.

We want to thank you again for selecting Gershman Investment Corp. to underwrite fund, and service your construction loan. We appreciate your patience as we move through the FHA's review during the application. Everyone's timetables have been impacted by the ongoing pandemic. We are fortunate to work with a department of the federal government that has worked tirelessly despite the circumstances we all have faced recently.

Thank you,

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