Financing for Student Housing Located in Small MSA

Transaction Summary

Date: November 2013

Property Description: **A** 37 unit property consisting of 208 beds. Property built in the 1970s but recently renovated. The property is located in a small town.

Owner: The buyer is financially strong with excellent commercial real estate experience.

Estimated Value: $4,333,000

Requested Loan Amount: $3,250,000 (75% LTV)

Financing Issues: There was only one financing issue from the lender's perspective. Due to the town's small population base most lenders were unwilling to finance the property.

Several lenders were contacted only two were willing to provide letters of interest. Their specific rates and terms are shown on the following four pages.

FINANCING FOR STUDENT HOUSING
LOAN QUOTE COMPARISON

November 2013

Lender Type:	**Lender #1**	**Lender #2**
Loan Amount:	$3,250,000	$3,033,333
Estimated Value:	$4,333,333	$4,333,333
Loan To Value:	75.0%	70.0%
Blended Interest Rate	5.063%	4.870%
Indicated Interest Rate	4.4%/5.725%	4.870%
Interest Rate Calculation:	30/360	30/360
Underwriting Criteria		
Maximum LTV:	75.0%	70.0%
Minimum DSCR:	1.25	1.20
Loan Term:	5 + 5	10
Amortization Period:	30	30
Rate Lock When?	At Application	None
Rate Lock Fee:	.125% or .25%	n/a
How long?	60 or 90 days	n/a
Refundable?	no	n/a
Monthly Loan Constant:	0.5406%	0.5289%
Total Loan Fees (Lender/Mtg Broker):	0.75%	1.25%
Application Deposit	$6,650	$3,500
Are costs capped?	no	no
To be used for:	appraisal + misc. reports	appraisal + misc. reports
Third Party Reports Required		
Appraisal	$3,500	$3,500
Level I Environmental Report	$145	no
Property Condition	no	no
ALTA Survey	no	no
Other Costs		
Processing Fee/Site Visit	no	no
Lender's Legal Cost Estimate	no	no
Escrow Impounds		
Property Taxes	yes	yes
Insurance	yes	yes
Replacement Reserves	no	no
Loan Covenant:	no	Pay down loan if annual DCR is < 1.20
Assumable loan?	no	yes
Prepayment Penalty		
Lock-Out Period	none	none
Method of Prepayment	2-2-2-2-1-1	5-4-3-2-1
Open Period	Last 4 years	Last 90 days
Recourse/Non-Recourse	recourse	recourse

FINANCING FOR STUDENT HOUSING
ESTIMATED SOURCES AND USES STATEMENT

	Lender #1	Lender #2
SOURCES		
Loan Amount	3,250,000	3,033,333
Cash From Borrower	0	0
Total Sources	**$3,250,000**	**$3,033,333**
USES		
Cash To Borrower	282,961	53,637
Pay off existing mortgage	2,858,799	2,858,799
Prepayment Penalty	71,470	71,470
Financing Charges		
Financing Fee	24,375	37,917
Appraisal & Review	3,500	3,500
Level 1 Environmental Report & Review	145	0
Property Condition Report	0	0
Appraisal Review Fee	350	0
Environmental Review Fee	0	0
Lender Legal	0	0
Processing/Inspection Fee	0	0
Miscellaneous Lender Costs	100	110
Title Policy Insurance	6,800	6,400
Escrow	1,000	1,000
Miscellaneous Closing Costs	500	500
Total Financing Charges	36,770	49,427
Total Uses	**$3,250,000**	**$3,033,333**

Disclaimer: This Sources and Uses Statement is only a preliminary estimate. The financing fee is a function of the loan amount which has yet to be determined. Other financing charges shown above, the appraisal, the engineering report, etc. are based on usual and customary charges and should not be considered actual quotes.

FINANCING FOR STUDENT HOUSING
MONTHLY CASH FLOW AFTER DEBT SERVICE

No. of Units: 37

		Lender #1	Lender #2
INCOME			
1.	Rental Income	$644,419	$644,419
2.	Laundry Income	$3,341	$3,341
3.	Miscellaneous Income	38,273	38,273
4.	GROSS INCOME	686,033	686,033
5.	Vacancy & Credit Loss	(141,772)	(141,772)
6.	**EFFECTIVE GROSS INCOME**	**$544,261**	**$544,261**
EXPENSES			
7.	General & Administrative	8,336	8,336
8.	Payroll - On-Site	53,575	53,575
9.	Contract Services	5,361	5,361
10.	Repairs & Maintenance	5,673	5,673
11.	Turnover Expenses	6,354	6,354
12.	Marketing	11,492	11,492
13.	Cable/Internet	22,416	22,416
14.	Insurance	7,400	7,400
15.	Utilities	48,830	48,830
16.	Property Taxes	39,422	39,422
17.	Management Fee	27,213	27,213
18.	Capital Repairs	20,434	20,434
19.	Other	5,788	5,788
20.	**TOTAL OPERATING EXPENSES**	**$262,294**	**$262,294**
21.	% Expense/Effective Gross Income	48.2%	48.2%
22.	Expense Per Unit or Square Feet	$7,089	$7,089
23.	**CASH FLOW BEFORE DEBT SERVICE**	**$281,967**	**$281,967**
24.	Monthly Net Income	$23,497	$23,497
25.	Loan Amount	$3,250,000	$3,033,333
26.	Interest Rate	5.06%	4.870%
27.	Amortization	30	30
28.	Less: Mortgage Payment	$17,571	$16,043
29.	**CASH FLOW AFTER DEBT SERVICE**	**$5,926**	**$7,454**

FINANCING FOR STUDENT HOUSING
BEFORE & AFTER TAX RETURN ON EQUITY

	Lender #1	Lender #2
PROJECTED TAXABLE INCOME		
NET CASH FLOW BEFORE DEBT SERVICE	$281,967	$281,967
Annual Interest Expense	164,074	147,313
Cost Recovery (Depreciation)	118,170	118,170
TAXABLE INCOME	($277)	$16,484
CASH FLOW BEFORE & AFTER TAXES		
Net Operating Income	$281,967	$281,967
Annual Debt Debt Service	210,853	192,521
CASH FLOW BEFORE TAXES	$71,114	$89,446
Tax Liability @ 25%	(69)	4,121
CASH FLOW AFTER TAXES	$71,184	$85,325
RETURN ON EQUITY		
BEFORE TAX	6.6%	6.9%
AFTER TAX	6.6%	6.6%

DEPRECIATION AND TAX ASSUMPTIONS	
Estimated Value	$4,333,333
Building Value as % of Total Value	75%
Depreciation Schedule	
Apartments	3.636%
Commercial Buildings	2.564%
Ordinary Income Tax Rate:	25%