



## **FELBA Valuation**

Cripple Creek

**OBJECTIVE:** The FELBA loan buydown program enables the seller to make a loan assumption more attractive to a buyer. The FELBA cost is significantly less than that of the prepayment penalty of \$3,020,000.

**METHODOLOGY:** The seller buys down the assumed loan's interest rate to 2.02% for three years. The new loan constant will be 3.94%, which is comparable to a new loan with interest only features.

**COST OF BUYDOWN:** \$1,354,000 (Paid out of closing proceeds)

Federal Loan Buydown Authority  
1200 Lake Hearn Dr., Suite 110  
Atlanta, GA 30319  
404-477-3100  
[www.felba.com](http://www.felba.com)



## Cripple Creek

### Loan Assumption with FELBA

#### Federal Loan Buydown Monies (FELBA)

The seller has agreed to buydown the interest rate on the first mortgage from 3.94% to 2.02% for the first three years of ownership. The resulting loan constant is 3.94% which is similar to a new loan with three years of interest only.

The funds will be placed in a FELBA reserve with BB&T bank as escrow agent. The FELBA monies are distributed monthly in amounts agreed to by the buyer and seller as stated in the escrow agreement.

For additional information regarding the FELBA program, call 404.477.3100 or go to [www.felba.com](http://www.felba.com). Federal Loan Buydown Authority (FELBA) is not affiliated with a federal agency.

#### Sales Price Examples

	Gross Sales Price	Prepayment/ FELBA Monies	Net Sales Price
FELBA Assumption	\$38,000,000	(\$1,353,656)	\$36,646,344
FELBA Assumption	\$37,250,000	(\$1,353,656)	\$35,896,344
FELBA Assumption	\$36,500,000	(\$1,353,656)	\$35,146,344
All Cash	\$38,000,000	(\$3,020,000)	\$34,980,000

#### Buyer Incentives

Average Interest Rate (YRS 1-3)	2.02%	1st Mortgage Only
Principal Reduction (YRS 1-3)	\$1,328,648	

#### Proposed Debt Structure -FELBA vs. New Debt (Years 1-3)

	With FELBA (70% LTV)	New Debt (70% LTV - 3 YRS IO)
1st Mortgage (as of 8-15-15)	\$23,655,854	\$26,600,000
Supplemental Mortgage	\$2,944,146	\$0
<b>Total Debt</b>	<b>\$26,600,000</b>	<b>\$26,600,000</b>

Remaining Term (months)	93	84
Average Interest Rate	2.38%	4.30%
Average Cash Yield (YRS 1-5)	10.22%	9.89%
Average Annual Debt Service	\$1,103,121	\$1,143,800
Total Principal Reduction	\$1,460,008	\$0
IRR at Resale (5 YR hold)	17.88%	15.87%

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## Projections

### Value 1 - Loan Assumption with FELBA

#### Assumptions:

Projected Sales Price With FELBA	\$38,000,000	Per Door- \$118,800
Debt (*Includes supplemental financing)	26,600,000	LTV- 70%
Equity	<u>\$11,400,000</u>	

#### NOI Years 1 - 4

Year 1	\$2,257,851
Year 2	\$2,348,165
Year 3	\$2,442,092
Year 4	\$2,539,775
Year 5	\$2,641,366

Annual Debt Service	\$1,546,454
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	Year 1	Year 2	Year 3	Year 4	Year 5
NOI	\$2,257,851	\$2,348,165	\$2,442,092	\$2,539,775	\$2,641,366
Annual Debt Service (1st Mortgage)	(\$1,351,362)	(\$1,351,362)	(\$1,351,362)	(\$1,351,362)	(\$1,351,362)
Annual Debt Service (2nd Mortgage)	(\$195,092)	(\$195,092)	(\$195,092)	(\$195,092)	(\$195,092)
Distributable Cash Flow	\$711,397	\$801,711	\$895,637	\$993,321	\$1,094,912
FELBA Monies to buyer	\$426,000	\$443,000	\$461,000		
Cash Flow with FELBA	\$1,137,397	\$1,244,711	\$1,356,637	\$993,321	\$1,094,912
Return on Equity (without FELBA)	6.24%	7.03%	7.86%	8.71%	9.60%
Return on Equity (with FELBA)	9.98%	10.92%	11.90%	8.71%	9.60%
Cumulative FELBA Money Needed	\$426,000	\$869,000	\$1,330,000	\$1,330,000	\$1,330,000
FELBA Fee					\$23,656
Total FELBA Monies Required by Seller					(\$1,353,656)

Net Sales Price	\$36,646,344
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