

CASE STUDY

DIAKON LUTHERAN SOCIAL MINISTRIES (UP HEILMAN HOUSE)

\$2,257,180 | June 2021 | Topton, PA



I appreciate the Sims Mortgage team identifying the opportunity to execute a mortgage modification for three of our HUD 202 properties, an opportunity I was not aware of prior. Sims did an excellent job facilitating the process with Wells Fargo, our current mortgage servicer, and worked to ensure a very successful outcome. Diakon was able to reduce the average interest rates on the mortgages from the 4.1% range to around 2.4%. The resulting interest rate savings will provide for meaningful increases to the reserve for replacement at the properties. This is an excellent result that helps secure long-term viability.

- *Jarrod Leo, CPA, CGMA
SVP/Chief Financial Officer
Diakon Lutheran Social Ministries*

SIMS MORTGAGE FUNDING USES NOTE MODIFICATION TO REFINANCE AGAIN AN AFFORDABLE ELDERLY HOUSING COMMUNITY IN PENNSYLVANIA

PARTNERED RIGHT

In 2011 we originated an \$2,662,900 FHA-insured Section 223(f) loan that refinanced UP Heilman's Section 202 Direct Loan, funded capital reserves and repairs, earned Diakon a development fee and generated annual debt service savings.

Interest rates had declined since the original refinancing, providing Diakon with the opportunity to generate additional debt service savings. We advised them of this positive development in the market and suggested a refinancing structured under HUD's Mortgage Note Modification/Interest Rate Reduction (IRR) protocol.

STRUCTURED RIGHT

Acting as Financial Advisor, we developed the initial financial modeling of the transaction and coordinated the development of the formal IRR proposal with the existing loan servicer, whom we brought into the 2011 refinancing. HUD approved the IRR proposal in 63 days and the loan closed 28 days later.

EXECUTED RIGHT

The IRR reduced the interest rate by 42% and will generate total debt service savings of approximately \$619,000 through the remaining term of the loan. The

net present value of debt service savings exceeded was 19% of the unpaid principal balance of the existing loan.

FINANCED RIGHT®

Debt service savings will be used to increase deposits to the existing reserve fund for replacements, ensuring that future capital needs will be adequately met. The IRR, completed 10 years after our initial refinancing, is another example of SMF maintaining long-term relationships with our clients and delivering to them ongoing value.

For more detailed information on how UP Heilman House was Financed Right® by HJ Sims and Sims Mortgage Funding, please contact:

Andrew J. Patykula
201.307.9383
apatykula@sismortgage.com

hjsims.com
sismortgage.com

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