

## CASE STUDY

### DIAKON LUTHERAN SOCIAL MINISTRIES (LUTHER MEADOWS)

\$2,041,600 | 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 \$2,419,400 FHA-insured Section 223(f) loan that refinanced Luther Meadows' 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 40% and will generate total debt service savings of approximately \$509,000 through the remaining term of the loan. The net present value of debt service savings exceeded was 17% 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 **Luther Meadows** was Financed Right® by HJ Sims and Sims Mortgage Funding, please contact:

**Andrew J. Patykula**  
201.307.9383  
apatykula@simsmortgage.com

**hjsims.com**  
**simsmortgage.com**

*HJ Sims is a member of FINRA/SIPC and is not affiliated with Luther Meadows and Diakon. Sims Mortgage Funding is a wholly owned subsidiary of HJ Sims & Co Inc.*