

FHA SECTION 223(a)(7)



Refinancing of existing affordable and market rate FHA-insured mortgages nationally

Property Type	Market rate and affordable multifamily housing, elderly housing, nursing homes and assisted living facilities
Purpose	Refinance of an existing FHA mortgage
Maximum Loan Amount	100% of the cost to refinance up to the principal balance of the original FHA-insured loan amount
Cash Out	Cash out is not allowed. Excess funds can be used to cover transaction costs.
Maximum LTV	N/A; an appraisal is not required.
Minimum Debt Service Coverage Ratio	Minimum 1.05x for non-profit borrowers; 1.11x for for-profit borrowers
Interest Rate	Fixed rate subject to market conditions at time of rate lock
Maximum Term/Amortization	The term of the new mortgage may not exceed the remaining term of the existing mortgage. However, HUD Director may approve a term of up to 12 years beyond the remaining term of the existing mortgage if it is determined that the longer term is necessary to ensure the economic viability of the project.
Guaranty	Non-recourse permanent loan. Certain non-monetary, non-recourse carve outs apply.
Assumability	Yes, with FHA approval, upon completion of Transfer of Physical Assets (TPA) process. Assumption fees apply.
Prepayment	Typically, a 0- or 1-year lockout with a 10%–1% declining prepayment penalty. Other prepayment options are available.
Escrows	Monthly escrows are required for property insurance, real estate taxes, reserves for replacement and mortgage insurance premiums.
Fees & Expenses	In addition to the HUD Application Fee (0.15%), the borrower is also responsible for all third party, Lender, legal and closing costs, which may be included in the final loan amount.
Timing	This transaction typically can be completed in three months. Actual processing times vary depending on the transaction.
Other FHA Requirements	Cash required at closing for the portion of the costs not covered by the new mortgage amount
Cash Flow Distribution & Post-Closing Reporting	Cash flow distribution allowed up to two times per year upon HUD approval of audit. Submission of annual audited financial statements is required.

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