

ACQUISITION AND REFINANCING OF MULTIFAMILY PROPERTIES FHA Section 223(f) Mortgage Insurance Program

Eligible Multifamily Projects	<ul style="list-style-type: none"> a) Market rate, moderate-income and subsidized properties b) Existing projects, at least three years old, with no more than minimal required levels of repair and with no substantial rehabilitation within the past three years. c) Student housing is not excluded, but multiple rents from one unit will not be underwritten. d) Limitation on commercial space: no more than 20% of the net rentable area and 20% of effective gross income
Borrower	Single-asset entity
Loan Amount	No minimum or maximum
Interest Rate	The interest rate is fixed for the term of the loan.
Loan Parameters	<p>The maximum loan amount is the least of:</p> <ul style="list-style-type: none"> a) 85% of appraised value b) Loan amount that would achieve a debt service coverage ratio of 1:18 to 1.0 c) Refinancing: 100% of outstanding debt plus transaction costs and proposed repairs. (If an equity take out is being requested, then the loan amount may be 80% of the project's appraised value under this loan criterion if that amount is greater than the cost of the refinance.) d) Acquisition: 85% of the acquisition price plus transaction costs and proposed repairs
Recourse	Non-recourse
Term and Amortization	Maximum term of 35 years; loan will fully amortize over term.
Prepayment	Negotiable. Typically two-year lockout with 8% penalty in third year, reducing 1% each succeeding year.

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Financing Method	Conventional or tax-exempt bonds
Interest Rate Set	After acceptance of FHA commitment and prior to closing
Assumable	Loan is assumable, subject to HUD approval and payment of an assumption fee and related transaction expenses.
Fees and Expenses	<ul style="list-style-type: none"> a) FHA Application Fee: 0.3% of the loan amount, due at application b) FHA Mortgage Insurance Premium: 1% of the loan amount paid at closing. Thereafter, annual mortgage insurance premium of 0.45% paid with monthly mortgage payments. c) FHA Inspection Fee: the greater of \$30 per unit or 1% of the cost of repairs where repairs are more than \$3,000 per unit, paid at closing, to cover physical inspections of the property. d) Financing and Permanent Placement Fees: up to 3.5% of loan amount, paid at closing. e) Third party reports and other actual expenses incurred by Lender.
Escrows	<ul style="list-style-type: none"> a) Replacement Reserves are required in accordance with HUD guidelines; the amount is determined in conjunction with the third-party engineer report. b) Taxes and Insurance are required to be escrowed monthly.
Processing and Timeline	Application to HUD is typically submitted within 45 to 60 days from engagement and HUD has 60 days to approve the application for firm commitment upon its receipt.