



## FHA Section 223(a)(7) Refinance of an Existing FHA Multifamily Insured Loan

### Program Overview:

Streamlined FHA program designed to allow borrowers with existing FHA insured loans to lower the interest rate, extend the term, fund project repairs and increase the replacement reserve. For-profit and not-for-profit borrowers may apply for FHA mortgage insurance under this program

Qualified Properties	<ul style="list-style-type: none"> <li>• Properties with existing FHA insured loans are eligible</li> </ul>
Maximum Loan	<ul style="list-style-type: none"> <li>• Lesser of: <ul style="list-style-type: none"> <li>• Original principal amount of existing insured mortgage</li> <li>• DSC of 1.11x (1.05x for projects with 90%+ project-based rental assistance)</li> <li>• 100% of eligible transaction costs, including existing indebtedness, repairs, fees, third party costs and initial reserve deposit</li> </ul> </li> </ul>
Maximum Term	<ul style="list-style-type: none"> <li>• HUD may approve a term of up to 12 years beyond the remaining term of the existing mortgage, but not exceed the original term</li> <li>• Term extension request must be supported by condition of property, replacement reserve balance and/or debt coverage ratio</li> </ul>
Personal Liability	<ul style="list-style-type: none"> <li>• FHA loan is non-recourse</li> </ul>
Assumability	<ul style="list-style-type: none"> <li>• Yes, subject to FHA approval</li> </ul>
Fees and Expenses	<ul style="list-style-type: none"> <li>• Borrower is responsible for the payment of the HUD application fee of 15 basis points at submission. Most other transaction costs are eligible for inclusion in the mortgage</li> </ul>
Mortgage Insurance Premium	<ul style="list-style-type: none"> <li>• Annual Mortgage Insurance Premium (MIP) is 0.25% to 0.50% of the outstanding principal balance on an ongoing basis. 0.25% to 0.50% of loan amount at closing</li> </ul>
Other FHA Requirements	<ul style="list-style-type: none"> <li>• Replacement reserve balance must be transferred in full at closing</li> <li>• The streamline nature of the underwriting does not require a new appraisal, market study or environmental assessment; however, a new PCNA is required as part of the application</li> <li>• Funds to cover repairs and improvements up to \$1,500 per unit can be included in the loan amount. Davis-Bacon prevailing wage requirements do not apply to any repairs</li> <li>• Outstanding debt incurred in connection with capital improvements already made to the property may also be included in the loan amount, subject to HUD approval</li> <li>• Large or distressed loans may require a site visit by the lender</li> </ul>