

AMORTIZING FIRST MORTGAGES

FHA/HUD Section 223(f): Acquisition and Refinancing

Program Overview

Mortgages financed under Section 223(f) of the National Housing Act are insured by the Federal Housing Administration (FHA) to facilitate the acquisition, refinance or moderate rehabilitation of multifamily rental housing.

Application Process

Applications accepted throughout the year.

Lending Terms

Eligible Properties:	Existing multifamily rental apartments with at least five rental units; market rate, moderate income or subsidized rents. Project must be constructed or substantially rehabilitated more than three years prior to date of application for mortgage insurance.
Loan Purpose:	Acquisition or refinance. For-profit or nonprofit borrowers may utilize this program.
Loan Parameters:	Maximum loan amount will be the lowest of: <ul style="list-style-type: none">• Applicable % of LTV• Applicable Debt Service Coverage Ratio• 85% of Transaction Costs, if purchase transaction• Greater of 100% of Transaction Costs or 80% LTV, if refinancing transaction• HUD Mortgage Statutory Limits, adjusted for local high cost factors For market rate properties, applicable factors: 85% LTV, 1.176 DSCR For affordable properties, applicable factors: 87% LTV, 1.15 DSCR For properties with 90% or > rental assistance, applicable factors: 87% LTV, 1.11 DSCR For 202 properties, applicable factors: 90% LTV, 1.11 DSCR
Term and Amortization:	A maximum term of 35 years, fully amortizing
Borrower:	Single asset entity
Recourse:	Non-recourse
Interest Rate:	Fixed for term of loan, determined by market conditions at time of rate lock
Prepayment and Assumption:	Negotiable; typically includes a lockout followed by a declining percentage prepayment penalty. Loan is fully assumable subject to HUD approval.
Cash Out:	Cash out allowed when 80% of value exceeds existing debt plus transaction costs. Only 50% of the net cash will be released at closing; remaining 50% will be escrowed until completion, inspection and approval of the non-critical (immediate) repairs.

- Repairs Qualifications:** Repairs cannot exceed \$15,000 per unit (adjusted for local high cost factor), 15% of appraised value, or 50% replacement of two or more major building systems.
- Third Party Reports:** Including, but not limited to: Appraisal, Environmental, Radon, Market Study and Physical Needs Assessment, as required.
- Fees and Expenses:**
- Processing Fee to cover third party reports, lender processing and other application materials due at engagement
 - FHA Exam Fee of 0.3% of loan amount, due with submission of firm application
 - FHA Mortgage Insurance Premium
 - 1% due at closing; then escrowed monthly:
 - 0.60 % times loan amount for market rate projects
 - 0.25% times loan amount for affordable, subsidized and Green projects
 - FHA Inspection Fee:
 - \$1,500 where repair totals are less than \$100,000
 - \$30 per unit where repairs total more than \$100,000 but are \$3,000 or less per unit
 - Greater of \$30 per unit or 1% of repairs if repairs total more than \$3,000 per unit
 - Financing fee payable at closing
 - Good Faith Deposit due at Note rate lock, refundable post-closing
- Escrows:**
- Replacement reserve required and the monthly deposit amount determined in accordance with HUD guidelines on a property-specific basis
 - Taxes and insurance are escrowed monthly
 - MIP escrowed monthly per rates above
 - Working Capital Reserve equal to 2% of loan amount (post in cash or LOC)
 - Operating Deficit Reserve equal to 3% of loan amount, or up to 6 months debt service, or as determined by HUD at commitment (post in cash or LOC)

Questions

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