

Great Lakes Financial Group

Real Estate Finance & Investments

FHA Mortgage Insurance Programs Section 223(a) (7)

Refinance for FHA Insured Projects

Property Type:	Multifamily rental apartments.
Program Purpose:	Provides mortgage insurance to refinance properties currently insured by FHA in an expedited manner.
Potential Benefits:	Reduce debt service costs and generate proceeds for needed project repairs with minimal processing and underwriting requirements. The streamlined nature of the underwriting does not require a new appraisal, market study or environmental; however, a new PCNA is required as part of the application.
Eligible Borrowers:	Properties with existing FHA insured loans are eligible.
Maximum Loan:	The lesser of: <ol style="list-style-type: none">1. The original principal amount of the existing insured loan;2. The outstanding principal balance of the existing insured loan plus the cost of required repairs, improvements, outstanding debt incurred in connection with capital improvements (as approved by HUD), prepayment penalties, and loan closing costs;3. The amount of debt that can be serviced by 90% of the net operating income (95% for non-profit owners)
Maximum Term:	The term of the new loan may not exceed the remaining term of the existing loan; however, HUD may approve a term extension up to 12 years beyond the term of the existing loan to ensure long-term economic viability (not to exceed maximum term of underlying mortgage insurance program).
Interest Rate:	Subject to market conditions.
Prepayment:	Typically closed for 2 years then open to prepayment at 108% in year 3, declining 1% per year. Other variations are possible based on market conditions and borrower preferences.
Timing	Section 223(a) (7) processing usually takes 3 to 4 months (subject to deal specifics).
Personal Liability:	None. The FHA loan is non-recourse.
Assumable:	Yes, subject to HUD and lender approval (0.05% of the original loan amount).
Post Closing:	Annual audited financial statements. A PCNA report will be required every 10 years.

Information Requested for Preliminary Loan Analysis

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- General Property Information:**
- Project name
 - Project location
 - Current FHA loan number
 - Description and photograph of project (type of construction, number of buildings, elevator, etc.)
 - Details on commercial space, if any
- Financial and Occupancy Information:**
- Existing mortgage note and applicable riders/allonges
 - Last 3 fiscal year end financial statements
 - Year to date monthly unaudited income/expense report (or whatever is available)
 - Current rent roll and trailing 12 months occupancy history
 - Capital expenditures from the last 3 years and YTD interim period
- Repairs:**
- A list of proposed repairs, if any
- Development Team:**
- Name of Borrower
 - Name and experience of Sponsor
 - Name and experience of Management Agent

****The above outlined information is subject to change****