

Great Lakes Financial Group

Real Estate Finance & Investments

FHA Section 223(f)

Property Type:	Multifamily rental apartments.
Purpose:	Acquisition or refinance. For-profit or nonprofit borrowers may utilize this program. Refinance transactions may enable owner to extract a portion of equity in the property.
Maximum Loan Amount:	Subsidized*: 87% Loan-to-Value Affordable**:85% Loan-to-Value Market Rate: 83.3% Loan-to-Value
Debt Service Coverage:	Subsidized*: 1.15x Affordable**: $1.176x$ Market Rate: 1.20x
Interest Rate:	Fixed rate subject to market conditions at rate lock
Maximum Term/ Amortization	35 years, or 75% of remaining useful life, from initial principal payment. Level principal and interest payments. Construction period is interest only.
Guaranty:	Non-recourse construction/permanent loan.
Eligibility (Sub Rehab):	Certain cost thresholds must be met for rehabilitation projects. Davis-Bacon prevailing wage standards apply.
Assumability:	Yes, with FHA approval.
Prepayment:	Commonly either: <ul style="list-style-type: none">▪ a 5-year lockout followed by a prepayment penalty of 5% in the sixth year and declining 1% per year, or▪ a similar combination of lockout and penalties which cover a 10 year period post closing
Escrows:	Monthly escrows for property insurance, real estate taxes, reserves for replacement and mortgage insurance premiums.
Fees & Expenses:	Borrower is responsible for \$20,000-\$25,000 in due diligence fees. At time of closing, these fees and all other closing costs may be included in the loan amount.
Timing:	This transaction typically can be completed in 4 - 6 months. Actual processing times vary depending on the project.
Post-closing	Annual audited financial statements New PCNA report will required every 10 years

*greater than 90% of units are subsidized, e.g. Section 8

**regulatory agreement in place and resident income restricted, e.g. LIHTC