HUD 223(a)(7): REFINANCING OF EXISTING FHA MULTIFAMILY INSURED MORTGAGES

Ziegler
CAPITAL :: INVESTMENTS :: ADVICE

GENERAL TERMS

Eligible Properties:	Existing FHA insured multifamily properties
Eligible Borrowers:	Single-asset, special purpose entity (for profit or not-for-profit)
Territory:	Nationwide and Puerto Rico
Term & Amortization:	The term will be the remaining term on the existing FHA mortgage or an extension of up to 12 years can be requested. No loan can exceed the original term or 75% of the remaining economic life of the project. Fully amortizing.
Maximum Loan Amount:	The loan is limited to the lesser of: 1. Original principal balance; 2. Existing indebtedness plus transaction costs; 3. The amount of debt that can be serviced by 90% (1.11x) of net operating income (95% for projects with greater than 90% Project-Based Rental Assistance).
Interest Rate:	Fixed, subject to market conditions.
Prepayment Options:	To be determined at time of interest rate lock. Typical options include a 2-year lockout with penalty of 8% in the 3rd year, declining 1% each year thereafter and reaching zero after the 10th year.
Timing:	**Call Ziegler for current timing.**
Assumability:	Yes, subject to FHA approval.
Personal Liability:	Non-recourse loan subject to carve-outs for fraud and misrepresentation.
Secondary Financing:	Governed by the Section of the Act of the underlying insured mortgage.

ADDITIONAL PARAMETERS

Repair and Rehab Limitations:	Allowed up to $1,500 per unit and repairs are to be considered routine maintenance.
Required Third Party Reports:	Property Capital Needs Assessment (PCNA) if last PCNA is over 5 years old or requesting a term extension.
Davis Bacon Wages:	Not applicable for Section 223(a)(7) mortgage loans.
Equity Cash-Out:	Not applicable for Section 223(a)(7) mortgage loans.
Post-closing Reporting:	Annual audited financial statements.
Rate Lock Deposit:	0.5% of the mortgage amount set forth in the firm commitment. Required after client's acceptance of firm commitment and prior to rate lock. The rate lock deposit will be held until closing and it will be returned shortly thereafter.
Extension Fees:	A fee is required to extend the closing date if the mortgage loan does not close within the timeframe agreed to by the borrower when the mortgage was rate locked. This fee is determined at the time of the rate lock.

ADDITIONAL FEES & EXPENSES (CAPITALIZED WITHIN THE LOAN)

HUD Exam Fee (Application Fee):	0.3% of the mortgage amount, however, the lender can request a refund of ½ the application fee after closing.
HUD Inspection Fee:	Not applicable for Section 223(a)(7) mortgage loans.

ADDITIONAL FEES & EXPENSES (CAPITALIZED WITHIN THE LOAN)

HUD Mortgage Insurance Premium:	The initial mortgage insurance premium is 0.50%, 0.35%, or 0.25% of the mortgage amount for market rate, affordable(1) or broadly affordable(2) and energy efficient properties, respectively. Thereafter, 0.50%, 0.35%, or 0.25% annually, payable in monthly installments for market rate, affordable(1) or broadly affordable(2) and energy efficient properties, respectively.
Existing Debt:	100% of the existing debt can be included within the FHA insured loan.
Prepayment Penalties:	100% of the prepayment penalties on the existing debt can be included within the FHA insured loan.
Initial Deposit to the Replacement Reserve:	The existing replacement reserve balance will be utilized in the new mortgage loan and analyzed for sufficiency based on the PCNA during loan underwriting (if applicable).
Other Fees:	Borrower must pay for any third-party reports (if required), survey, and for ZFC's legal fees associated with closing. An upfront deposit will be required to cover these costs and will be reimbursable at closing.

REQUIRED ESCROWS

Completion Assurance (Cash or Letter of Credit):	The completion assurance escrow is equal to 110% of the non-critical repair costs and must be established at closing. The 10% escrow above the 100% of the repair cost is non-mortgageable.
Reserve for Replacement:	Ongoing annual deposits to the reserve for replacement are required and will be the greater of the current per unit per annum deposit or as identified in the PCNA during loan underwriting.
Additional Escrows:	Property taxes, insurance, MIP and replacement reserves.

(1) – Inclusionary Zoning, 10%-90% LIHTC, or 10%-90% Section 8
(2) – 90%+ LIHTC or 90%+ Section 8

REQUESTED ITEMS FOR PRELIMINARY ANALYSIS

- Description of project, location, unit mix, year built, physical characteristics, elevator, utilities, etc.
- Last three years of detailed operating statements and interim year-to-date, including occupancy data
- Budget for upcoming 12-months (note any large variances from historical)
- Detail on existing debt (including amount outstanding, interest rate, maturity, any prepayment penalties, etc.)
- Detailed description and cost estimate of any contemplated repairs