# Refinancing of Properties with Existing FHA-Insured Debt

## **Eligible Properties**

Multifamily and healthcare properties that currently have FHA-insured loans.

#### **Recourse**

Non-recourse.

### **Interest Rate**

Fixed for term of loan, determined by market conditions at time of rate lock. Rate lock deposit is 0.5%, refunded at closing.

### **Loan Parameters**

Maximum loan amount will be the least of the original principal balance when first insured or parameters below; no equity takeout is permitted under Section 223(a)(7).

Property Type	Minimum Debt Service Coverage	Maximum Loan to Refinance Cost²	Cash-out
Subsidized <sup>1</sup>	1.05x	100%	Not Permitted
All other	1.11x	100%	Not Permitted

<sup>1</sup> For Multifamily: at least 90% of the units covered by a project-based Section 8 contract for at least 15 years after a new loan closes.

# **Repair Limitations**

- Multifamily: Up to \$1,500 per unit plus required accessibility repairs, limited in scope to repair or replacement of existing property components.
- Healthcare: Up to 15% of as-completed value.

### **Term and Amortization**

Up to 12 years extension of the original FHA-insured loan maturity is permitted, not to exceed the maximum term for the original loan program.

# **Prepayment and Assumption**

Negotiable, with best pricing for 10 years of call protection (can be a combination of lockout and/or penalty); loan is fully assumable subject to HUD approval.

<sup>&</sup>lt;sup>2</sup>Refinance cost includes satisfaction of existing debt (including penalties), repairs, an initial deposit to capital needs reserve, due diligence, and closing costs.

# FHA/HUD Section 223(a)(7)



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### **Escrows**

- a) Taxes, insurance and mortgage insurance premium are escrowed monthly.
- b) Capital needs reserve will be maintained with monthly deposits in accordance with HUD guidelines on a property-specific basis (minimum \$250/unit/year).

## **Mortgage Insurance Premium**

- Multifamily: 0.5% due to HUD at closing and 0.5% annually thereafter (0.25%-0.35% for affordable and subsidized properties, 0.25% for properties with Green Building certification from a list of accepted standards).
- Healthcare: 0.5% due to HUD at closing and 0.55% annually thereafter.

## **HUD Application Fee**

0.15% of estimated loan amount due with submission of application.

## **Third Party Reports**

A capital needs assessment (CNA) will be required for all healthcare properties, and for multifamily properties if more than three years have passed since construction or the last CNA.

## **Timing**

Typical application is submitted within 30 days of engagement, followed by 45-60 days to issuance of HUD's commitment and 30 days to closing.

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