

FHA Section 223(a)(7)

FHA Refinance for FHA Insured Projects

Section 223(a)(7)

Citi Community Capital (Citi) is a HUD approved Multifamily Accelerated Processing (MAP) lender and can arrange for the FHA insured refinance of projects that currently have an FHA insured mortgage. The 223(a)(7) can be used to lower a project's interest rate and provide for needed minor project repairs at minimum transactional expenses.

Key Notes: The new 223a7 lender does not have to be the same as the existing FHA lender

Property Types

Multifamily properties that have an existing FHA insured loan that are beyond the pre-payment lock-out period

Commercial Space

If included in the current loan

Max Loan Amount

Refinance loan sizing is determined by **the lowest of:**

1. The original principal amount of the existing FHA insured loan; or
2. The outstanding principal amount of the existing FHA insured loan, plus transaction costs and repairs; or
3. For rental assisted housing: 1.05 debt service coverage; for all other projects, 1.11 debt service coverage ratio

Cash Out Refinances

No cash out permitted

Deferred developer fees secured by a Surplus Cash Note are not considered cash out

Term and Amortization

Lesser of remaining term plus 12 years or the original mortgage term

The loan term and amortization must be aligned

Loan Type

Refinance

Prevailing Wage Requirements

None

Interest Rate Mode

Fixed rate at HUD issuance of Firm Commitment to insure

Recourse

Identified principals required to sign "Bad Boy" carve outs at closing

Origination Fee

Negotiable

HUD Application Fee

Non-refundable fee of 15 bps of the mortgage amount due to HUD with the application

HUD Inspection Fee

None

Critical Repairs

Critical repairs, as identified in the PCNA, must be completed prior to closing on the HUD refinance

MIP

50 bps due at closing; thereafter annual rate of 45 bps for LIHTC properties and 50 bps for market rate projects

Legal Fees

Borrower pays Lender's fee and closing costs

Third Party Reports

PCNA Study

Loan Security

First lien mortgage

Structure Highlights

- Refinance a higher interest rate loan into a lower rate to improve project performance and cash flow
- Extend the term and amortization period of the original HUD mortgage
- Use project reserves to make necessary critical repairs
- Expedited HUD processing and closing

Replacement Reserves

Existing replacement reserves must be transferred in total to the new mortgage

Prepayment

Subject to limitations. Traditionally 2 year lock-out and 8% declining to par in year 10

Assumption

With Citi and HUD approval and payment of 1% assumption fee and \$10,000 processing fee

Normal Processing Time

Varies by HUD office; average processing time is 3 - 4 months

Closing Conditions

HUD boilerplate forms with no modifications

Standard industry due diligence

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