

# FHA SECTION 223(a)(7)

## REFINANCE OF AN EXISTING FHA MULTIFAMILY INSURED LOAN

### PROGRAM OVERVIEW

Streamlined FHA program designed to allow borrowers with existing FHA insured loans to lower the interest rate, extend the term, fund project repairs and increase the replacement reserve. For-profit and not-for-profit borrowers may apply for FHA mortgage insurance under this program

**QUALIFIED PROPERTIES** Properties with existing FHA insured loans are eligible

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**MAXIMUM LOAN** Lesser of:

- Original principal amount of existing insured mortgage
- DSC of 1.11x (1.05x for projects with 90%+ project-based rental assistance)
- 100% of eligible transaction costs, including existing indebtedness, repairs, fees, third party costs and initial reserve deposit

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**MAXIMUM TERM** HUD may approve a term of up to 12 years beyond the remaining term of the existing mortgage, but not exceed the original term

Term extension request must be supported by condition of property, replacement reserve balance and/or debt coverage ratio

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**PERSONAL LIABILITY** FHA loan is non-recourse

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**ASSUMABILITY** Yes, subject to FHA approval

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**FEES AND EXPENSES** Borrower is responsible for the payment of the HUD application fee of 15 basis points at submission. Most other transaction costs are eligible for inclusion in the mortgage

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**MORTGAGE INSURANCE PREMIUM** Annual Mortgage Insurance Premium (MIP) is 0.25% to 0.50% of the outstanding principal balance on an ongoing basis. 0.25% to 0.50% of loan amount at closing

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**OTHER FHA REQUIREMENTS**

- Replacement reserve balance must be transferred in full at closing
- The streamline nature of the underwriting does not require a new appraisal, market study or environmental assessment; however, a new PCNA is required as part of the application
- Funds to cover repairs and improvements up to \$1,500 per unit can be included in the loan amount. Davis-Bacon prevailing wage requirements do not apply to any repairs
- Outstanding debt incurred in connection with capital improvements already made to the property may also be included in the loan amount, subject to HUD approval
- Large or distressed loans may require a site visit by the lender

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