

# FHA/HUD SECTION 223(f) - Multifamily Refinance of Multifamily Properties



## Program Summary

**Eligibility** Multifamily rental apartments with a minimum of five (5) units with complete kitchens and baths. Properties may be market rate (any class) or affordable.

**Borrower** A single-asset, special purpose entity. Can be either for-profit or non-profit.

**Mortgage Term** Lesser of 35 years or 75% of remaining economic life. Fully amortizing.

**Recourse** Non-recourse

Loan Parameters	Rent Type	LTV/ LTC	Cash Out	Minimum DSCR
	Subsidized	90%	80%	1.11x
	Affordable	87%		1.15x
	Market Rate	85%		1.18x

- Subsidized is defined as 90%+ units covered by a project-based Section 8 contract.
- Affordable is defined as a property with a minimum set aside in effect for at least 15 years post-closing.
- Loan amount cannot exceed HUD's statutory per unit loan limits adjusted by high cost factor.
- Large loans above \$75 million may have more restrictive criteria.

**Interest Rate** Interest rate typically locked upon issuance of Firm Commitment. Rate is subject to market conditions at the time of rate lock. The rate is fixed for the term of the loan.

## Mortgage Insurance

Premium (MIP)	MIP is based on a percentage of the outstanding mortgage amount and varies by program	
	Year 1 – At Closing	Annually
Market Rate	1.00%	0.60%
Green/Energy Efficient	0.25%	0.25%
Broadly Affordable	0.25%	0.25%
Affordable	0.35%	0.35%

- Contact your Draper & Kramer HUD representative for green and affordable requirements

**Prepayment** Fixed and negotiable; typically, the loan is closed for 2 years then open for prepayment at 8% and declining 1% per annum until open after Year 10.

**Assumption** Loan is fully assumable subject to HUD approval.

**Commercial Space** Allowable up to 25% of the net rentable area and limited to 20% of total gross rental income.

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## (Additional Requirements)

- Scope of Rehab** The cost of moderate rehabilitation may be included in the mortgage proceeds provided:
- The cost of such repairs and improvements do not exceed \$15,000 per unit adjusted by the high cost factor applicable to the geographic area – may be up to \$40,000 per unit in high cost markets, and;
  - The repairs do not exceed replacement of more than 50% of any two building systems (i.e. structural frame, building envelope, mechanical, electrical, plumbing).

**FHA Application Fee** HUD requires a fee of 0.3% of the requested mortgage amount for the review of the Firm Commitment application.

**Escrows/Reserves** HUD requires a cash escrow for the replacement of short-lived items. Additionally, HUD requires monthly escrows for property insurance, real estate taxes and MIP.

- FHA Inspection Fee**
- \$30.00 per unit where the repairs/improvements are greater than \$100,000 in total but \$3,000 or less per unit.
  - The greater of \$30.00 per unit of 1% of the cost of repairs or \$1,500 where the repairs/improvements are more than \$3,000 per unit.
  - \$1,500 where the total repairs/improvements are less than \$100,000 which may be decreased by the Regional HUD office if the lender elects to take responsibility for the inspection.
  - The inspection fee is payable at closing.

**Third Party Report Costs** The costs for third party reports, such as appraisal, property condition report, environmental reports and other organization costs may be included as mortgageable soft costs in the mortgage calculation.

**Closing Costs** Includes standard transaction costs such as the borrower's legal fees, title insurance and survey.

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For additional information on this or other lending products, please contact:

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