

FHA/HUD SECTION 223(f) - Multifamily

Refinance of Stabilized or Recently Completed/Renovated 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 A maximum of 35 years. Fully amortizing.

Recourse Non-recourse

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

- 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.
- For loans above \$130 million, higher DSCR and/or lower leverage apply.

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

Mortgage Insurance

Premium (MIP) 0.25% due at closing & annually for all properties.

Prepayment Fixed and negotiable; typically structured with 10 years of call protection using a 10-1 declining prepayment penalty, followed by open prepayment.

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.

Additional Requirements

Scope of Rehab The cost of moderate rehabilitation may be included in the mortgage proceeds provided:

- a) 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;
- b) 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 0.30% application fee due upon submission to HUD. (0.10% - 0.20% for projects located in an Opportunity Zone).

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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

1. \$30 per unit where the repairs/improvements are greater than \$100,000 in total but \$3,000 or less per unit.
2. The greater of \$30 per unit or 1% of the cost of repairs where the repairs/improvements are more than \$3,000 per unit.
3. \$1,500 where the total repairs/improvements are less than \$100,000.
4. The inspection fee is payable at closing.

Third Party Reports HUD requires standard third-party reports, including appraisal, property condition report, environmental report, zoning, and radon.

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

Good Faith Deposit 0.50% good faith deposit required at rate lock and refunded outside the loan at closing.

Timing	Stages	Estimated Timeframe
	Firm Application Submission	45-60 Days
	HUD Reviews Application	60 Days
	Closing from Receipt of Firm Commitment	45-60 Days

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

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