

FHA/HUD Section 223(f) for Market Rate Properties

Multifamily Refinance or Acquisition Loan

info@richmacfunding.com | www.richmacfunding.com



QUALIFIED PROPERTIES	Multifamily properties that have been placed in service for at least three years are eligible
LOAN AMOUNT	The maximum supportable loan is limited by the lesser of: a) An amount that meets the Loan to Value (LTV) threshold of 83.3%; if the loan will provide for a cash distribution to the borrower, the LTV threshold is 80% b) An amount that meets the Debt Service Coverage threshold of 1.20x c) For a refinancing: 100% eligible transaction costs; for an acquisition, 83.3% of eligible transaction costs d) HUD statutory limits
TERM AND AMORTIZATION	A maximum of 35 years, fully amortizing
PREPAYMENT AND ASSUMPTION	Prepayment terms are negotiable and are not subject to yield maintenance or defeasance; loan is assumable, subject to FHA approval
INTEREST STRUCTURE	Fixed rate, determined by market conditions at the time of rate lock
PERSONAL LIABILITY	Non-recourse with standard carve outs
REPAIRS	Repairs cannot exceed the greater of (a) \$6,500 per unit multiplied by HUD's high cost factor for the area and (b) 15% of the estimated replacement cost after repairs. HUD's high cost factors range from 187%-270%; repairs and improvements are also limited to one major building component; repair escrow required for up to 20% of the repair cost
COMMERCIAL SPACE	Limited to 20% of net rentable area and 20% of effective gross income
SECONDARY FINANCING	Permitted under certain conditions
ESCROWS AND RESERVES	✓ Taxes and insurance are escrowed monthly ✓ Replacement reserve is required and the monthly deposit amount is determined in accordance with the Physical Condition and Needs Assessment and HUD guidelines
HUD FEES	✓ HUD Application Fee of 0.30% is due at the time of submission of the firm application ✓ HUD Inspection Fee of \$30/unit is due at closing ✓ HUD Mortgage Insurance Premium deposit is due at closing
LENDER FEES	Lender fees earned at borrower's acceptance of firm commitment and payable at closing
THIRD PARTY REPORTS	Appraisal, Phase I Environmental Report, and Property Condition and Needs Assessment are required; a market study may be required for declining markets
TIMELINE	Typically, firm application is submitted to HUD within 60 days of engagement; HUD targets a review period of 60 days; after HUD issues firm commitment, rate lock and close within an additional 45 days on average
