

FHA Section 223(a)(7)

Property Type:	Market-rate and affordable multifamily housing, elderly housing, nursing homes and assisted living facilities.
Purpose:	Refinance of an existing FHA mortgage. For-profit or nonprofit borrowers may utilize this program.
Maximum Loan Amount:	Client can borrow 100% of the cost to refinance up to the principal balance of the original FHA-insured loan amount.
Debt Service Coverage:	Minimum 1.05x for nonprofit borrowers; 1.11x for for-profit borrowers.
Interest Rate:	Fixed rate subject to market conditions at time of rate lock.
Maximum Term/Amortization:	The term of the new mortgage may not exceed the remaining term of the existing mortgage. However, HUD Director may approve a term of up to 12 years beyond the remaining term of the existing mortgage if it is determined that the longer term is necessary to ensure the economic viability of the project.
Guaranty:	Non-recourse loan.
Assumability:	Yes, with FHA approval.
Prepayment:	Commonly either: <ul style="list-style-type: none">■ a 5-year lockout followed by a prepayment penalty of 5% in the sixth year and declining 1% per year, or■ a similar combination of lockout and penalties which cover a 10-year period post closing
Escrows:	Monthly escrows for all required insurance, real estate taxes, reserves for replacement and mortgage insurance premiums.
Fees & Expenses:	Borrower is responsible for the application fee. At time of closing, this and all other closing costs may be included in the loan amount.
Timing:	This transaction typically can be completed in three months. Actual processing times vary depending on the project.
Other FHA Requirements:	Cash required at closing for the portion of the costs not covered by the new mortgage amount.
Post-closing	Annual audited financial statements.