

FHA Section 223(f)

Property Type:	Multifamily rental apartments.
Purpose:	Acquisition or refinance. For-profit or nonprofit borrowers may utilize this program. Refinance transactions may enable owner to extract a portion of equity in the property.
Maximum Loan Amount:	Subsidized*: 87% Loan-to-Value, 100% to refinance, 90% to acquire Affordable**: 85% Loan-to-Value, 100% to refinance, 90% to acquire Market Rate: 83.3% Loan-to-Value, 100% to refinance, 90% to acquire
Debt Service Coverage:	Subsidized*: 1.15x Affordable**: 1.176x Market Rate: 1.20x
Interest Rate:	Fixed rate subject to market conditions at rate lock.
Maximum Term/Amortization:	35 years, or 75% of remaining useful life, from initial principal payment. Level principal and interest payments.
Guaranty:	Non-recourse loan.
Eligibility:	The property must contain at least five residential units with complete kitchens and baths, and it must have been completed or substantially rehabilitated more than three years from the date of application for mortgage insurance.
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 property insurance, real estate taxes, reserves for replacement and mortgage insurance premiums.
Fees & Expenses:	Borrower is responsible for \$20,000-\$25,000 in due diligence fees. At time of closing, these fees and all other closing costs may be included in the loan amount.
Timing:	This transaction typically can be completed in five months. Actual processing times vary depending on the project.
Post-closing Reporting:	Annual audited financial statements.

*greater than 90% of units are subsidized, e.g. Section 8
**regulatory agreement in place and resident income restricted, e.g. LIHTC