JLL SEE A BRIGHTER WAY

FHA Section 223(a)(7):

Refinance of an Existing FHA-Insured Loan

Program Overview:	This program is designed to provide expedited refinancing for currently insured FHA loans while lowering their above market interest rates. The debt is non-recourse, fully amortizing and fixed rate for the life of the loan.
Eligible Properties:	Multifamily and Age-Restricted projects currently encumbered by FHA-insured mortgages.
Eligible Borrowers:	Profit motivated and non-profit motivated borrowers. Mortgagor must be a single asset entity. TICs or Delaware Statutory Trusts are not permitted.
Maximum Loan Amount:	The lesser of: 1. The Project's original FHA-insured loan amount; 2. 100% of Eligible Refinance Cost (see below); 3. Debt Service Coverage of 1.11x on the new loan. • DSCR for projects with ≥90% Section 8 Cooperative housing is 1.05x.
Eligible Refinance Cost:	Existing FHA-insured debt, prepayment penalties (if any), property improvements, and other eligible transaction costs. No equity take-out is permitted.
Loan Term:	The new loan is generally coterminous with the original loan. If necessary to ensure the economic viability of the project, term extensions are available up to the lesser of: i) the original mortgage term, ii) twelve (12) years beyond the original maturity date, or iii) 75% of the remaining useful life.
Loan Amortization:	Fully amortizing over the term of the loan.
Interest Rate:	Fixed for the term of the loan. The interest rate is based upon market conditions at the time of rate lock. Government insurance ensures a low interest rate relative to other financing sources.
Prepayment Restrictions:	3-year lockout, 7% declining prepay; 1 year lockout, 10% declining prepay, open at par after 10 years, or another prepay structure less onerous to the borrower, to be determined by lender at time of rate lock.
Recourse:	The loan is non-recourse with the exception of carve-out provisions to the project's identified sponsors.
Mortgage Insurance Premium:	See table below
Loan Assumability:	Fully assumable with JLL and HUD approval.
Replacement Reserve Escrows:	Initial and annual deposits as determined in the PCNA. The initial deposit may be included in the loan amount. The annual deposit is calculated as the greater of $250 per unit or the amount determined by a PCNA.

Mortgage Insurance Premium:

	Market Rate	Broadly Affordable[1]	Affordable[2]	Green Housing[3]
Upfront MIP	0.50%	0.25%	0.35%	0.25%
Annual MIP	0.50%	0.25%	0.35%	0.25%

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Repair Limits:	Repairs are permitted which cover routine maintenance at the property in amounts up to $1,500/unit. This is exclusive of repairs required to make a property accessible for persons with disabilities. Bids will be required for any specific repair items exceeding $35,000.
Repair Escrows:	Initial and annual deposits as determined in the PCNA. The initial deposit may be included in the loan amount.
Other Escrows:	Insurance, real estate taxes and MIP.
Commercial Space:	Commercial space is allowable pursuant to the original mortgage insurance program.
Fees and Expenses:	• FHA application fee – 0.15% of loan amount – payable to HUD. • Mortgage Insurance Premium – see previous page – payable to HUD. • Third Party Reports – Project Capital Needs Assessment (PCNA), HEROs and Flood Review are required for all multifamily projects, for a Green MIP loan, a statement of Energy Performance (SEP) is required • Lender financing fee. • Good Faith Deposit — 0.50% paid to JLL at the time of rate lock and fully refunded after closing.
Other Considerations:	• The 223(a)(7) program is specifically designed to expedite interest rate reductions in HUD's insured loan portfolio. • Borrowers may be required to comply with regulations implemented since the original approval. • PCNAs can be waived on a case-by-case basis when a complete PCNA (with a 20-year R4R schedule) was completed within the last three (3) years prior to date of application submission.

1 **Broadly Affordable** ≥90% of the units covered by a Section 8 contract or LIHTC restrictions with a 10% rent advantage. 15 or more years remaining is required.
2 **Affordable** 10% to 90% of the units covered by Section 8 Contract or LIHTC restrictions. 15 or more years remaining is required. Or at least 10% of units covered by Inclusionary Zoning. 30 or more years remaining is required. Owner must execute a rider agreeing to accept Section 8 Vouchers for the life of the regulatory agreement.
3 Project must achieve an industry recognized green building standard and achieve a score of 75 or better on the Energy Star scale of 1 – 100. Owner must annually certify that green building standard and score is maintained.

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For more information, please contact:

We can support you with expert advice that reflects your business needs and priorities

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About JLL

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