

FHA Section 223(a)(7): Seniors Housing & Healthcare Projects 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 Borrowers:	Profit motivated and non-profit motivated borrowers.
Eligible Properties:	Seniors Housing and Healthcare projects currently encumbered by FHA-insured mortgages.
Maximum Loan Amount:	The lesser of: The project's original FHA-insured loan amount; 100% of Eligible Refinance Cost (see below); <ul style="list-style-type: none"> Debt Service Coverage of 1.11x on the new loan.
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 existing 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:	Typically a 1-year lockout followed by a prepay penalty schedule that starts at 9% and declines by 1% per annum until year ten, and opens at par thereafter. Alternative prepayment provisions are available but may impact the interest rate on the loan.
Recourse:	The loan is non-recourse with the exception of carve-out provisions to the project's identified sponsors.
Mortgage Insurance Premium:	Mortgage Insurance Premium (MIP) of 0.50% of the loan amount is due at loan closing. Annual MIP is based on the outstanding loan amount and is 0.55% for seniors/health care projects and 0.45% for projects with new or existing Low Income Housing Tax Credits. Green Housing MIP is 0.25% (upfront and annual) ¹ .
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 reserve escrow is required to maintain a minimum balance of \$1,000/unit for the first 15 years of the loan term.
Repair Escrows:	PCNA-identified and owner-elective repairs/improvements may be included in the loan amount; the borrower must escrow in cash a contingency of 10% of the repair/improvements, to be released upon completion. Repairs identified as "critical" in the PCNA will need to be completed prior to closing.

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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, MIP, and replacement reserves.
Commercial Space:	Commercial space is allowable pursuant to the original mortgage insurance program.
Fees and Expenses:	<ul style="list-style-type: none"> • FHA application fee – 0.15% of loan amount – payable to HUD. • Mortgage Insurance Premium – see previous page – payable to HUD. • Third Party Reports – A PCNA is required if: i) a term extension is requested, ii) 10 years have elapsed since the project's last PCNA, or iii) the borrower and/or JLL determines a new report 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:	<ul style="list-style-type: none"> • 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.

¹ Green Housing 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.

For more information, please contact:

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

Adam Roberts

FHA Lending Platform Leader

weadam.roberts@jll.com

+1 614 698 3006

Kevin Korn

Managing Director

kevin.korn@jll.com

+1 614 698 3025

Katherine Sims

MAP Underwriter

katherine.sims@jll.com

+1 614 698 3023

John Belluardo

Associate

john.belluardo@jll.com

+1 330 697 0739

Jay Chester

Analyst

jay.chester@jll.com

+1 614 464 7241

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