

HUD 223(a)(7)

Mortgages financed under Section 223(a)(7) of the National Housing Act are insured by the Federal Housing Administration (FHA) to facilitate the refinance of existing multifamily and seniors housing. Section 223(a)(7) is utilized to improve property performance by lowering debt service with a new loan. The refinance is done in a “streamlined” fashion, making it easy for borrowers who have current FHA-insured loans. FHA insurance combined with a Ginnie Mae security provides “AAA” credit enhancement for bonds.



Term	Up to 12 years beyond the remaining term of the existing HUD mortgage; Fully amortizing. Term not to exceed <u>75%</u> of remaining economic life.
Interest Rate*	Fixed-rate at commitment based on market conditions and risk.
Loan Determination and Minimum DSCR	<p>Maximum loan amount is based on the lesser of:</p> <ul style="list-style-type: none"> • Original principal balance of the existing HUD mortgage. • Unpaid principal balance of the existing HUD mortgage plus cost of required improvements and closing costs. • <u>90%</u> of net operating income/1.11x DSCR. • <u>95%</u> of net operating income/1.05x DSCR for projects with >90% of units subject to project-based Section 8 rents or cooperative housing insured under Section 213.
Prepayment Availability	Lockout terms may vary (typically 2-year lockout with 8% declining to 0% after year 10). No Yield Maintenance.
Recourse	Non-recourse. Principals sign a “Section 50” certification ensuring compliance with project Regulatory Agreement.
Escrows	Replacement reserves, taxes, and insurance typically required. Assurance of completion escrow (10% over and above repair total) for any required first-year repairs.
Third Party Reports	Third-party reports not required except for a Capital Needs Assessment (CNA) to determine potential repairs. An existing CNA report may be submitted if: a) it is dated within 2 years of the date of firm application to HUD; b) the MF Regional Center/Satellite Office approves of its use; and c) the report contents and scope conform to the requirements of ML 2012-25.
Mortgage Insurance	<ul style="list-style-type: none"> • First year’s premium paid at loan closing, equivalent to annual rate. • Annual payments at the following rates (rate x loan balance): <ul style="list-style-type: none"> • 0.25% for broadly affordable (90%+ Section 8 or LIHTC) and green/energy efficient properties. • 0.35% for affordable/inclusionary properties (10% to 90% Section 8 or LIHTC). • 0.50% for market rate properties.

Eligibility

- Must be an existing HUD/FHA- insured mortgage
- Basic repairs allowed; no significant rehabilitation, space reconfiguration or building additions allowed
- Market-rate and affordable properties

Insurance

Please contact our affiliate Dougherty Insurance Agency to obtain competitive property and casualty insurance quotations to satisfy lending requirements.

For More Information

Contact a Dougherty Mortgage representative or visit the Dougherty Mortgage website for details.

www.doughertymortgage.com

*Please contact us for current rates and terms

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Requirements and Fees

HUD Fee	0.15% FHA exam fee (payable at application, may be reimbursed from mortgage proceeds).
Inspection Fee	There is no inspection fee, even if there are deferred non-critical repairs.
Processing Fee	Competitive – includes cost of CNA report (previously discussed) and lender due diligence. Borrower is responsible for legal fees and standard closing costs.
Commitment Fees	Competitive and negotiable.
