Acquisition and Refinancing of Multifamily Properties

FHA MORTGAGE INSURANCE SECTION 223(f)

ELIGIBLE PROPERTIES

Market-rate, affordable, and subsidized multifamily housing that have physical occupancy of at least 85% eligible. Multifamily for seniors may qualify. Build-to-Rent (BTR) if the project has received its final CO less that 3 years prior to submission of the HUD application. BTR communities consist of detached single-family rental homes, duplexes, or triplexes – minimum of five units on one cohesive, contiguous site and is professionally managed as one multifamily property.

INTEREST RATE

Fixed-rate – determined by market conditions

BORROWER

For-profit or not-for-profit single-asset entity

PERSONAL LIABILITY

Non-recourse, subject to standard carve-outs

MAXIMUM LOAN

PROPERTY TYPE	MAX LOAN TO VALUE	MIN. DEBT SERVICE
Subsidized[1]	90%	1.11x
Affordable[2]	90%	1.11x
Market-Rate	87%	1.15x

[1] At least 90% of units supported by a project-based rental assistance contract
[2] Regulatory agreement that at least meets the minimum Low-Income Housing Tax Credit restrictions of 40% of units at 60% AMI or 20% of units at 50% AMI in effect for at least 15 years

TERM AND AMORTIZATION

Maximum of 35 years, but no less than 10 years, and is fully amortizing

COMMERCIAL SPACE

Limited to 25% of net rental area and 20% of effective gross income

PREPAYMENT AND ASSUMPTION

Flexible – best execution typically has a combination of lockout and prepayment penalty for 10 years, and is fully assumable, subject to HUD approval

REPLACEMENT RESERVES

Minimum of $250 per unit per year or as determined by a Project Capital Needs Assessment (PCNA)

MORTGAGE INSURANCE PREMIUM

0.25% at closing, 0.25% annually

HUD APPLICATION FEES

0.30% market rate, 0.20% Opportunity Zone projects, 0.10% Broadly Affordable Opportunity Zone projects

HUD INSPECTION FEE

Dependent on repairs/improvements cost; minimum of $1,500

THIRD-PARTY REPORTS

Appraisal, Phase I and PCNA are required; market study may be required

TIMELINE

Varies upon deal type