

FHA SECTION 223(F)

Refinance or Acquisition of Multifamily Properties

ELIGIBLE BORROWERS	Single-asset, special-purpose entity, either for-profit or nonprofit.				
ELIGIBLE ASSET TYPE	Market-rate, affordable ¹ , or rent subsidized ² properties. Some age-restricted properties are also eligible.				
COMMERCIAL SPACE	Limited to 25% of net rentable area and 20% of effective gross income.				
MAXIMUM LOAN	PROPERTY TYPE	MIN. DSCR	MAX. LTV (REFI.) MAX. LTC (ACQ.)	MAX. LTV IF CASH OUT	MIN. UW VACANCY
	Market Rate	1.15x	87%	87%	7%
	Affordable	1.15x	87%	80%	5%
	Rent Subsidized ²	1.11x	90%	80%	3%
	If loan amount exceeds HUD’s Large Loan limit, different loan parameters apply. The Large Loan limit as of 2025 is \$130MM.				
TERM & AMORTIZATION	Up to 35 years, fully amortizing.				
INTEREST RATE	Fixed for term of loan, determined by market conditions at time of rate lock. Rate lock deposit is 0.50% and is refunded at closing.				
MORTGAGE INSURANCE PREMIUM (MIP)	MIP is 0.25% of the loan amount. First year’s MIP paid at closing and escrowed monthly thereafter. MIP is calculated annually on the outstanding principal balance.				
PREPAYMENT	10-year step down; 10% in year 1, declining 1% each year thereafter. Alternative structures available.				
TIMING	5-6 months (est.): 1-2 months preparing application, 2 months at HUD, 1-2 months to close.				
HUD FEES	HUD Application Fee: 0.30% of the loan amount. Reduced to 0.20% (Market Rate) or 0.10% (90+% Affordable) for properties in an Opportunity Zone. HUD Inspection Fee: \$30/unit, 1% of repairs, or \$1,500 flat fee, depending on level of repairs.				
REPLACEMENT RESERVES	Capital Needs determined by Capital Needs Assessment. Reserves funded by an initial deposit at closing and an ongoing deposit (minimum of \$250 per unit per year).				
RECOURSE	Non-recourse. Key Principal(s) required to sign “Bad Boy” carve-outs.				
ASSUMABILITY	Fully assumable subject to HUD and lender approval. Fee of 0.05% paid to HUD.				
SECONDARY FINANCING	Permitted in the form of a surplus cash note. Combined loan-to-value cannot exceed 92.5% unless the secondary financing is from a governmental source.				
REPAIRS/IMPROVEMENTS	“Aggregate Cost” for repairs, associated fees, and 10% assurance of completion escrow allowed up to \$53,859 per unit as of 2025. If Aggregate Cost exceeds this figure, FHA-insured financing may be available through Section 221(d)(4) .				

¹Affordable defined as: (a) properties that have a recorded regulatory agreement in effect for at least 15 years after final endorsement, and (b) properties that meet at least the minimum Low Income Housing Tax Credit (LIHTC) restrictions of 20% of units at 50% of the Area Median Income (AMI), or 40% of units at 60% of AMI, with economic rents (i.e. portion paid by tenants) on those units no greater than LIHTC rents (i.e. properties need not use LIHTCs to be considered affordable so long as they comply with (a) and (b)).

²Rent Subsidized defined as: properties that have at least 90% of their units supported by a project based rental assistance contract. The contract must ensure affordability restrictions for a period of 15 years.