

Refinancing a HUD-Insured Apartment Project

HUD 223(a)(7) Program

Purpose: Provides mortgage insurance in connection with the refinancing of projects currently insured by FHA.

Eligible Borrowers: Profit motivated, non-profit motivated, and public owners are eligible.

Maximum Term: The term of the new mortgage may not exceed the remaining term of the existing FHA-insured mortgage, except in special cases where HUD may extend the new term up to 12 years beyond the remaining term of the original mortgage.

Maximum Loan: *The lesser of:*

1. The original principal amount of the existing insured mortgage;
2. The unpaid principal balance of the existing insured mortgage plus the cost of required repairs, improvements, outstanding debt incurred in connection with capital improvements (as approved by the HUD field office), prepayment penalties, and loan closing costs, or
3. The amount that can be supported by 90% of next operating income (95% if owner is non-profit).

Personal Liability: None.

Prepayment: Typically closed for two years then open to prepayment in year three with an 8% penalty, declining 1% per year. Prepayment structures may be negotiated.

FHA Application Fees: .3% of the loan amount. After endorsement of the new mortgage note, HUD may approve a request for up to one-half, or .15%, of the application fee.

Mortgage Insurance Premiums: .45% of the outstanding loan amount.

Financing Fee: Negotiable.

Interest Rate: Subject to market conditions.