This program provides FHA 223(f) and 202 mortgage insurance for refinance or acquisition of existing affordable multifamily properties.

Eligible properties
- Multifamily properties and cooperatives that are at least three years old
- All units must contain full kitchens or kitchenettes and bathrooms.
- Properties must be in safe, habitable condition. Loan can provide for rehabilitation up to $6,500 per unit, multiplied by the applicable high cost factor for the area.
- Existing tax-exempt bond transactions (refundings)

Eligible borrowers
- Individuals, limited liability companies, partnerships, trusts, private corporations, nonprofit corporations, public bodies and cooperatives

Loan amount - acquisition
The loan cannot exceed the lesser of:
- 83.3% of fair market value for market rate properties; 85-87% for qualified affordable properties
- 1.20x Debt Service Coverage for market rate properties; 1.15x – 1.176x for qualified affordable properties
- 83.3% of certifiable transaction costs for market rate properties; 85-87% for qualified affordable properties
- Statutory mortgage limits designated by HUD

Loan amount - refinance
The loan cannot exceed the lesser of:
- 83.3% of fair market value for market rate properties; 85-87% for qualified affordable properties
- 1.20x Debt Service Coverage for market rate properties; 1.15x – 1.176x for qualified affordable properties
- The greater of 100% of certifiable transaction costs or 80% of fair market value
- Statutory mortgage limits designated by HUD

Note: Certifiable transaction costs are those that can be funded out of mortgage loan proceeds. These costs include existing debt, prepayment penalties, third party reports, repairs and deposits to replacement reserves, loan fees and costs, prepaid mortgage insurance premium, loan discount points and closing costs.
General loan terms
Maximum loan term is 35 years.

- Prepayment restrictions are negotiable; five year lock-out, declining penalties in the next five years are typical; no yield maintenance.
- Fixed interest rate throughout the loan term
- Loan is non-recourse and assumable.
- Secondary financing repayable from surplus cash is permissible within limits.
- AAA-rated credit enhancement for tax-exempt bond transactions.

Fees, reserves and escrows

- Application fee of 0.3% of proposed loan amount is payable to HUD upon submission of loan application to HUD.
- Loan origination and placement fees are negotiable; up to 3.5% of loan amount, up to 5.5% for bond transactions.
- Borrower must pay for third-party reports (e.g., appraisal, environmental, physical assessment) and PNC legal fees associated with closing.
- Initial Mortgage Insurance Premium (MIP) is payable to HUD upon closing; thereafter, MIP is paid to HUD on an annual basis and collected with the monthly debt service payment.
- Replacement reserves must be deposited with PNC on a monthly basis during the loan term in an amount determined by PNC after assessing the condition of the property’s depreciable components. Additionally, an initial deposit to the replacement reserve will be required at closing and is determined by a property assessment performed by an inspecting engineer.
- A repair escrow may be required at closing in an amount equal to 120% of the estimated cost to correct any deferred maintenance, as identified in the property assessment.
- Monthly impounds for property taxes, insurance and MIP will be maintained with PNC.
- A refundable “good faith deposit” of 0.5% of the loan amount is required at interest rate lock.
- A HUD inspection fee equal to the greater of $30/unit or 1% of the proposed repairs is required for any proposed or required repairs.