

# Refinance of an Existing FHA Multifamily Insured Loan FHA Section 223(a)(7) Program

## MAXIMUM LOAN AMOUNT (the lesser of)

- The Project's original FHA-insured Loan Amount
- Debt Service Coverage of 1.11x on the new Loan
  - DSC risk threshold for seniors/healthcare projects is 1.45x
- 100% of Eligible Refinance Cost
  - Existing FHA-insured debt, prepayment penalties (if any), property improvements, and other eligible transaction costs. No equity take-out is permitted.

## LOAN TERM

The new Loan is generally coterminous with the original Loan. If necessary to ensure the economic viability of the project, term extensions are available up to the lesser of:

- The original mortgage term
- Twelve (12) years beyond the existing maturity date
- 75% of the remaining useful life

## INTEREST RATES

Interest rates are fixed rate, level-pay for the life of the loan. The rate will be locked after HUD issues a Firm Commitment and before Endorsement. Prepayment penalties and discounts vary depending on market conditions.

## LOAN AMORTIZATION

The Loan is fully amortized over the loan term.

## PREPAYMENT RESTRICTIONS

Determined by market conditions and loan structure. The lowest interest rate is typically available with 10 total years of call protection in the following structure:

- 2-year lock-out, open in year 3 with a prepayment penalty of 8%
- Prepayment penalty declines 1% per year thereafter
- Loan is open to prepayment without penalty after year 10

## RECOURSE

The Loan is non-recourse with the exception of carve-out provisions to the project's identified sponsors.

## MORTGAGE INSURANCE PREMIUM

Mortgage Insurance Premium (MIP) is collected at closing and monthly thereafter. Annual MIP is based on outstanding Loan Amount and for the fiscal year 2016 is:

- 0.50% of Loan Amount due at Loan closing
- 0.50% of Loan Amount for projects without Low Income Housing Tax Credits
- 0.45% of Loan Amount for projects with new Low Income Housing Tax Credits

### Contact An FHA Loan Specialist

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## **LOAN ASSUMABILITY**

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Assumable with EagleBank and HUD approval.

## **REPLACEMENT RESERVE ESCROWS**

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The reserve for replacement account balance and annual deposits will be maintained at current levels, or re-evaluated if a PCNA is required (see “Third Party Reports”).

## **REPAIR ESCROWS**

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- PCNA-identified and owner-elective repairs/improvements may be included in the Loan Amount.
- The Borrower must escrow in cash a contingency of 10% of the repair/improvements to be released upon completion.
- Repairs identified as “critical” in the PCNA will need to be completed prior to closing.

## **OTHER ESCROWS**

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Insurance, real estate taxes, MIP, and replacement reserves

## **FEES AND EXPENSES**

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- Application fee - 0.15% (net of refund) of Loan Amount - payable to HUD
- Mortgage insurance premium - payable to HUD
- Third-Party Reports - Project Capital Needs Assessment (PCNA) is required for all multifamily projects.
- Lender financing fee
- Good Faith Deposit - 0.50% paid at time of rate lock and fully refunded after closing

## **OTHER CONSIDERATIONS**

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- The 223(a)(7) program is specifically designed to expedite interest rate reductions in HUD’s insured loan portfolio.
- Borrowers may be required to comply with regulations implemented since the original approval.