8

HUD FHA 223a7 Transactions
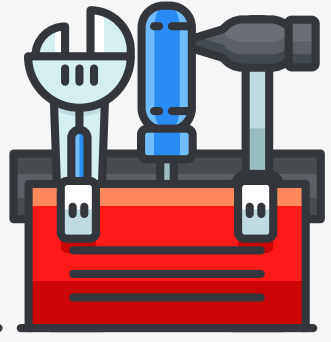## 8 Frequently Asked Questions

Use these FAQs to understand HUD FHA 223a7 Transactions

What properties are eligible?

Multifamily and Healthcare properties with current FHA insured loans.

Are repairs and improvements eligible for this program?

Yes. Minor repairs are allowed not to exceed $1,500 per unit. If the Physical Capital Needs Assessment (PCNA) report reflects required repairs over $1,500 per unit, you would not be eligible for this particular program.
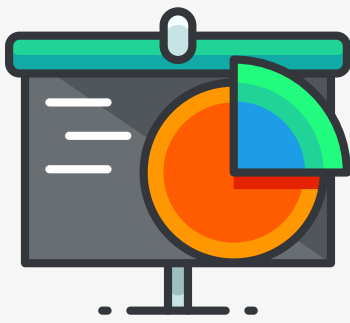
1.05X
1.11X

What are the minimum Debt Service Coverage Ratios (DSCR) to qualify for both for profit and non-profit entities?

1.05x for subsidized in which at least 90% of the units are covered by a project-based Section 8 contract and 1.11x all others.

Do I need an appraisal for a HUD/FHA 223(a)(7) transaction?

No appraisal is required. The only 3rd party report that is required is the Physical Capital Needs Assessment (PCNA) report if one has not been completed within the last 5 years.
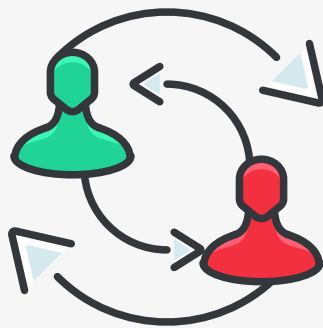
What is the maximum loan term available?

Maximum loan term is the remaining term on the existing mortgage. Can be increased up to 12 years beyond the remaining term of the existing mortgage, but not to exceed the original term. Cannot exceed 75% of the project's remaining economic life.

What is the maximum loan size?

The Lesser of: Original principal amount of existing insured mortgage; DSC of 1.11x (1.05x for non-profit borrowers); 100% of eligible transaction costs, including existing indebtedness, repairs, fees, third party costs and initial reserve deposit. back to top

Can I withdraw overfunded replacement reserve account escrow account of my current loan?

No. The entire balance of the current replacement for reserve escrow account is transferred to the new HUD/FHA 223(a)(7) loan.

How long does the loan process take to complete?

The transaction time from Engagement to close normally takes between 60 and 120 days.