

## Section 223(a)(7)

### Refinance for FHA Insured Projects

**RED Mortgage Capital, LLC** is a leading FHA-approved Mortgagee and MAP/LEAN lender that actively underwrites, funds and services FHA insured mortgage loans on multifamily housing, seniors housing, assisted living and skilled care properties nationwide.

#### PROGRAM PURPOSE:

Provides mortgage insurance to refinance properties currently insured by FHA in an expedited manner.

#### POTENTIAL BENEFITS:

Reduce debt service costs and generate proceeds for needed project repairs with minimal processing and underwriting requirements.

#### ELIGIBLE BORROWERS:

Properties with existing FHA insured loans are eligible.

#### MAXIMUM LOAN:

The lesser of:

1. The original principal amount of the existing insured loan;
2. The outstanding principal balance of the existing insured loan plus the cost of required repairs, improvements, outstanding debt incurred in connection with capital improvements (as approved by HUD), prepayment penalties, and loan closing costs;
3. The amount of debt that can be serviced by 90% of net operating income (95% for Section 8 Properties).

#### Maximum Term:

The term of the new loan may not exceed the remaining term of the original loan; however, HUD may approve a term extension up to 12 years beyond the term of the existing loan to ensure long-term economic viability (not to exceed maximum term of underlying mortgage insurance program).

#### FUNDING:

Qualifies for Ginnie Mae guaranteed mortgage-backed securities, direct placement or may be used to credit enhance tax-exempt bonds.

#### INTEREST RATE:

Subject to market conditions.

#### MORTGAGE INSURANCE PREMIUM:

The annual MIP is .50% of the outstanding loan amount for market rate transactions unless it qualifies for .25% through the Green/Energy Efficient Housing qualifications. 90% affordable or rental assisted quality for the annual MIP of .25%. All other affordable are at .35% MIP. The first year MIP is set at the program rate.

#### PREPAYMENT:

Typically closed for 2 years then open to prepayment at 108% in year 3, declining 1% per year. Other variations are possible based on market conditions and borrower preferences.

#### TIMING:

Section 223(a)(7) processing usually takes about 3 to 4 months (subject to deal specifics).

#### FHA APPLICATION FEES:

0.15% of the loan amount (non-refundable).

#### FHA INSPECTION FEE:

None.

#### REPLACEMENT RESERVES:

Annual deposits required equivalent to the greater of \$250 per unit per annum or as identified in a Project Capital Needs Assessment (PCNA).

#### PERSONAL LIABILITY:

None. The FHA loan is non-recourse.

#### ASSUMABLE:

Yes, subject to HUD and lender approval (0.05% of the original loan amount).

#### TERRITORY:

Nationwide.

#### The Program has the following additional parameters:

- Funds to cover minor repairs (\$1,500/unit max) and costs of the transaction can be included in the loan amount.
- Outstanding debt incurred in connection with capital improvements already made to the property may also be included in the loan amount, subject to HUD approval.
- Davis-Bacon prevailing wage requirements do not apply to any repairs.
- Loans insured under Section 223(a)(7) assume program characteristics of the underlying mortgage insurance program.
- The streamlined nature of the underwriting does not require a new appraisal, market study or environmental; however, a new PCNA is required as part of the application.
- A PCNA will be required every 10 years.

FHA MORTGAGE INSURANCE PROGRAMS

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For additional information visit [www.redcapitalgroup.com](http://www.redcapitalgroup.com) or contact:

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**TRACY W. PETERS**

Senior Managing Director

Head of Affordable Housing

**RED** Mortgage Capital, LLC

[twpeters@redcapitalgroup.com](mailto:twpeters@redcapitalgroup.com)

614.857.1656

800.837.5100 toll-free

*In its prequalifying review, RED Mortgage Capital, LLC will attempt to estimate both the loan amount and the fees and costs associated with the transaction. Actual loan amounts and actual fees and expenses may vary from the prequalifying estimates. A prequalifying estimate is not a commitment to make a loan.*

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10 West Broad Street, 8th Floor • Columbus, OH 43215

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[redcapitalgroup.com](http://redcapitalgroup.com)

**+1.800.837.5100**