



## MULTIFAMILY HOUSING

### REFINANCE AND ACQUISITION

### HUD SECTION 223(F)

#### ELIGIBILITY

- ❖ Mortgagor entity may be either for-profit or not-for-profit.
- ❖ Property must be at least 3 years old.
- ❖ Project must contain 5 or more units and can be a market rate, affordable, subsidized or a combination of all.
- ❖ Property must not be in need of substantial rehabilitation. Minor rehabilitation, including specific capital improvements, modernization, utility conversion or other value enhancement repairs, is allowed and can be included in the property valuation. Repairs can be up to \$6,500 per unit adjusted for the HUD high cost factor (Example: \$6,500 x 270% (San Francisco) = \$17,550 in repairs per unit).

#### REQUIREMENTS

- ❖ Repairs or capital improvements to be completed after closing require an escrow (cash or letter of credit) equal to 20% of cost budget.
- ❖ If project has an existing Section 8 Rental contract, the contract must be renewed for 20 years.

#### ESCROWS

- ❖ Full escrows for property taxes, all applicable insurance and any special assessments are funded at closing and must be maintained throughout the life of the loan.

- ❖ A Replacement Reserve account must be established at closing and is made available for replacement of depreciable capital items.

#### FEATURES

- ❖ Long loan term - up to 35 years.
- ❖ Low, fixed interest rates, fully amortizing.
- ❖ Loan-to-value ratio up to 90% on rental assistance; 87% on affordable; and 83.3% on market rate projects.
- ❖ Debt service coverage ratio of 1.11 on rental assistance; 1.1765 on affordable; and 1.20 on market rate projects.
- ❖ Cash-Out equity may be allowed and is subject to the loan-to-value of 80%.
- ❖ Loan is fully assumable subject to HUD and CMI approval.
- ❖ Most affirmative and negative loan covenants typically found in conventional loan agreements are eliminated.
- ❖ Davis Bacon prevailing wages not required.

**For Additional Information Contact:**

[www.centennialmortgage.com](http://www.centennialmortgage.com)

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