



TERM SHEET

HUD Section 223(a)(7) Program Refinance of Existing FHA-Insured Loan

This expedited program allows borrowers with an existing FHA-insured mortgage to refinance at a lower interest rate. The program allows for limited term extensions and provides funding for repairs and additional deposits to replacement reserves.

Maximum Term

HUD may approve term extensions of up to 12 years, but not to exceed the original term. Term extension requests are subject to HUD approval, and must be supported by property condition and debt service coverage ratios.

Maximum Loan

Limited to the lesser of:

1. The original principal amount of the existing insured mortgage.
2. Loan amount supported by DSC of 1.11 (1.05 for qualified affordable properties).
3. 100% of eligible transaction costs, including existing indebtedness, repairs, fees, third party costs (if needed), and additional deposits to replacement reserves.

No equity takeout is permitted under the 223(a)(7) program.

Personal Liability/Assumability

Non-recourse with standard carve-outs. Can be assumed subject to FHA approval.

Lockout/Prepayment Structure

Negotiable, but typically 10% in year 1, declining by 1% per annum thereafter, until payable at par after the 10th year.

Repairs/Replacements

Existing replacement reserves must be transferred in full at time of closing.

Other Considerations

- No appraisal, market study or environmental assessment required
- Existing prepayment penalties may be paid from sale of loan proceeds.
- Fewer exhibits required for application assembly.
- Expedited processing by HUD, with 30-day approval target.
- Mortgage Insurance Premium varies based on level of affordability and energy efficiency. MIP rates range from 25 bps to 50 bps.