

FHA SECTION 223(A)(7)

PURPOSE

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

ELIGIBLE BORROWERS	Properties with existing FHA insured loans are eligible
MAXIMUM LOAN	The lesser of: <ol style="list-style-type: none"> 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 the 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 0.25% of the outstanding loan amount.
PREPAYMENT	Typically closed for 2 years then opened 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 FEES	None.
REPLACEMENT RESERVES	Annual deposits required equivalent to the greater of \$250 per unit per year or as identified in a Project Capital Needs Assessment (PCNA).
PERSONAL LIABILITY	None. The FHA loan is non-recourse, however, identified principals will be required to sign "Bad Boy" carveouts at closing.
ASSUMABLE	Yes, subject to HUD and lender approval (0.05% of the original loan amount).

CONTINUED

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ADDITIONAL PARAMETERS

- Funds to cover minor repairs (\$1,500/unit maximum) 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.
- Section 223(a)(7) may be used to refinance an FHA-insured subordinate mortgage (such as Section 241(a)) as HUD will permit the refinancing of multiple loans into a single Section 223(a)(7) loan.
- 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.

Legacy Capital is a leading FHA-approved Mortgagee and MAP/LEAN lender and actively provides financing utilizing FHA insurance programs nationwide pursuant to Multifamily Accelerated Processing (MAP) and LEAN underwriting methods.

In its prequalifying review, Legacy 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.

Terms outlined above reflect the Program Requirements as of 01/07/2026