

FHA SECTION 223(F)

Refinance or Acquisition of Apartment Properties

PURPOSE

Provides mortgage insurance for the refinance and acquisition of apartment projects, including independent living projects for seniors (age 62 years and older with no services).

ELIGIBLE BORROWERS	Profit motivated single purpose entities (note: a non-profit can be the general partner of a profit motivated single purpose ownership entity).
ELIGIBLE ASSET TYPE	Market rate, affordable* or rental assisted** properties
MAXIMUM LOAN	<p>REFINANCE, the lesser of:</p> <ol style="list-style-type: none"> 1. The amount of debt that can be serviced by 87% or 90% of net operating income for market rate, affordable* or rental assisted** properties, respectively. 2. 87% or 90% of value for market rate, affordable* or rental assisted** properties, respectively. 3. The greater of 80% of value or 100% of the total cost of refinancing the existing indebtedness and other mortgageable transaction costs. 4. 100% of mortgageable transactions cost less than the portion of grants, public loans and tax credits applied to mortgageable costs. 5. Statutory per unit limits. <p>ACQUISITION: The lesser of:</p> <ol style="list-style-type: none"> 1. The amount of debt that can be serviced by 87% or 90% of net operating income for market rate, affordable* or rental assisted** properties, respectively. 2. 87% or 90% of value for market rate, affordable* or rental assisted** properties, respectively. 3. 87% or 90% of acquisition cost (i.e., total cost to close) for market rate, affordable* or rental assisted** properties, respectively. 4. 100% of mortgageable transactions cost less the portion of grants, public loans and tax credits applied to mortgageable costs. 5. Statutory per unit limits.
MAXIMUM TERM	35 years, not to exceed 75% of remaining economic life.
OCCUPANCY	All properties must demonstrate average physical occupancy of at least 85% for a period of 6 months prior to the submittal of the application and maintain through final endorsement. (See below for additional requirements for properties completed within the three years prior to submission.) Maximum underwritten physical occupancy of 93% for market rate or affordable* properties that do not have an underwritten 10% discount to the market rate rent levels. Maximum underwriting physical occupancy of 95% for affordable* properties with LIHTC unit rents at a 10% discount to market. Maximum underwritten physical occupancy of 97% for rental assisted** properties.
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.

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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(f) processing usually takes about 4 to 5 months (subject to deal specifics).
FHA APPLICATION FEES	0.30% of the loan amount (non-refundable). Properties located in an opportunity zone benefit from a reduced application fee: broadly affordable deals are reduced to 0.10% and affordable and market-rate deals are reduced to 0.20% of the loan amount.
FHA INSPECTION FEES	<ol style="list-style-type: none">1. \$30 per unit where the repairs/improvements are greater than \$100,000 in total but \$3,000 or less per unit2. \$30 per unit or 1.0% of the cost of repairs or \$1,500, whichever is greater, where the repairs/improvements are more than \$3,000 per unit.3. \$1,500 where the repairs/improvements are less than \$100,000
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). An initial deposit will be required at closing which can be capitalized in the mortgage loan and is based on the 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).
SECONDARY FINANCING	Permitted in the form of a surplus cash note, combined loan to value cannot exceed 92.5% unless the secondary financing is from a government source.
REPAIRS/IMPROVEMENTS	Funds for repairs, deferred maintenance and capital improvements for generally up to the greater of (1) \$19,923 per unit (adjusted for high costs areas).
TERRITORY	Nationwide

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ADDITIONAL REQUIREMENTS FOR PROPERTIES COMPLETED WITHIN THREE YEARS

- All projects submitted to HUD for mortgage insurance within three years of issuance of the final Certificate of Occupancy must evidence a minimum Debt Service Coverage Ratio (DSCR) of 1.15 (on the requested insured loan) for market rate projects and 1.11 for projects meeting the definition of Broadly Affordable for a period of three consecutive months prior to loan endorsement. The criteria for Broadly Affordable projects are published in the Federal Register dated March 31, 2016 (24 CFR 266).
- An income and expense statement commencing from initial occupancy to application submission, as well as a projection of income and expense for the succeeding twelve months is required.
- A current rent roll evidencing existing achieved rents as well as rents that were used to underwrite the existing first mortgage is required.
- A leasing history of the project commencing from initial occupancy to application submission, as well as the lease-up projection used to underwrite the existing first mortgage is required.
- Rent concessions, other discounts and short-term leases (less than 12 months) that are offered by the owner to induce a prospective tenant enter into a lease must be disclosed and discussed in the Lender's Narrative.
- HUD will underwrite to actual revenue collected less normalized operating expenses to determine when and if the required programmatic DSCR has been achieved.
- **Cash out may be permitted, subject to the LTV limits of the MAP Guide; however, 50% of the available cash will be held by the lender until such time as the property achieves, for each of six consecutive months, the minimum applicable debt service coverage, inclusive of the months of minimum debt coverage required prior to endorsement**

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

* Affordable defined as: (a) properties that have a recorded regulatory agreement in effect for at least 15 years after final endorsement, and (b) properties that meet at least the minimum Low Income Housing Tax Credit (LIHTC) restrictions on 20% of units at 50% of the Area Median Income (AMI), or 40% of units at 60% of AMI, with economic rents (i.e., portion paid by tenants) on those units no greater than LIHTC rents (i.e., properties need not use LIHTCs to be considered affordable so long as they comply with (a) and (b).

** Rental assistance is defined as: properties that have at least 90% of their units supported by a project based rental assistance contract. The contract or separate agreement must ensure affordability restrictions for at least 15 years.