

FHA® 223(f)

Refinance, Acquisition, or Moderate Renovation

Arbor provides FHA-insured, long-term, fixed-rate financing for refinance, acquisition, or moderate renovation of multifamily projects nationwide. Arbor uses the single-stage Multifamily Accelerated Processing (MAP) program to expedite underwriting and approval.

Loan Term and Amortization	Up to 35 years, not to exceed 75% of the remaining economic life (fully amortizing)
Minimum DSCR	1.15x for market rate developments; 1.11x for affordable developments (less than 90% rental assistance or LIHTC income restrictions) or broadly affordable properties (90% or greater rental assistance, or affordable LIHTC income restrictions (and rents 10% below market rates)
Maximum LTV	87% for market rate developments; 90% for affordable developments (less than 90% rental assistance or LIHTC income restrictions) or broadly affordable properties (90% or greater rental assistance, or affordable LIHTC income restrictions (and rents 10% below market rates)
Cash-Out	Cash-out allowed when 80% of value exceeds existing debt plus transaction costs, but only 50% of the net cash will be released at closing; remaining 50% will be held in escrow until all required repairs are completed; potential waiver is available to reduce holdback to 25%
Fixed-Rate	Fixed-rate subject to market conditions at time of rate lock
Eligible Properties	Existing multifamily projects; newly built or substantially rehabilitated properties (with certificates of occupancy less than 3 years prior to application); detached structures and row houses; market-rate, low-to-moderate income, and subsidized multifamily properties
Eligible Borrower	Single asset entity (for-profit or non-profit)
Occupancy Requirements	Average 85% occupancy for the six months prior to HUD application submission; maximum economic underwriting occupancy of: <ul style="list-style-type: none"> • 93% for market-rate properties (i.e., at least 20% market-rate units, or LIHTC whose rents are less than 10% below market) • 95% for LIHTC restrictions on at least 80% of units at rents at least 10% below market • 97% for properties having at least 90% rental assistance, or 90% LIHTC-set aside with rents at least 10% below market
Ongoing Escrows	Monthly deposits required for taxes, insurance, replacement reserves (minimum \$250/unit/year), and mortgage insurance premiums
Recourse	Non-recourse
Commercial Space	Maximum 25% of net rentable area and maximum 20% of effective gross income; minimum 10% underwritten vacancy
Required Reports	Appraisal, Market Study, Environmental Phase I, Phase II (if applicable), and PCNA. Pre-1978 properties may require lead-based paint and asbestos-containing material testing; projects 30 years of age or older may require additional testing; costs can be reimbursed from loan proceeds at closing
Prepayment	Typically, 10% year one, declining 1% per year; other prepayment options available subject to market conditions
Assumable	Subject to Arbor and HUD approval and payment of assumption fee
Good Faith Deposit	Negotiable based on project type and loan size
Expense Escrow	Yes, sufficient to cover Arbor's expenses and third-party report costs

Origination Fee	Negotiable
HUD Application Fee	Nonrefundable fee of \$3 per \$1,000 (0.3%) of the mortgage amount due to HUD upon application submission
HUD Inspection Fee	\$30 per unit when repairs are less than \$3,000 per unit; if greater than \$3,000 per unit, 1% of the total cost of the repairs
Legal/Closing Fee	Borrower pays Arbor's counsel fee and miscellaneous closing costs
Rehabilitation Qualifications	Repairs cannot exceed \$19,293 per unit (adjusted for local high-cost factor and number of project units); inclusive of soft costs
Davis-Bacon	Not applicable to this program
HUD Mortgage Insurance Premiums (MIP)	<p>HUD sets the cost of the FHA insurance; initial MIP is 1% of the loan amount due to HUD at closing; annual MIP rates:</p> <ul style="list-style-type: none"> • Market rate properties: 0.60% • Affordable properties: 0.35% • Broadly affordable or energy-efficient properties: 0.25%