

[HUD](#) > [Program Offices](#) > [Housing](#) > [Multifamily](#) > [Programs](#) > [Multifamily Housing - Program Description](#)

Mortgage Insurance for Purchase or Refinancing of Existing Multifamily Rental Housing: Sections 207/223(F)

[Want More Information?](#)

Program instructions are in HUD Handbooks, Notices and Forms which can be found on [HUDclips](#).

Prospective applicants should contact the local [HUD Multifamily Hub or Program Center](#) with jurisdiction for the property.

Summary:

Section 207/223(f) insures mortgage loans to facilitate the purchase or refinancing of existing multifamily rental housing. These projects may have been financed originally with conventional or FHA insured mortgages. Properties requiring substantial rehabilitation are not eligible for mortgage insurance under this program. HUD requires completion of critical repairs before endorsement of the mortgage and permits the completion of non-critical repairs after the endorsement for mortgage insurance.

Purpose:

Section 223(f) insures lenders against loss on mortgage defaults. The program allows for long-term mortgages (up to 35 years) that can be financed with Government National Mortgage Association (GNMA) Mortgage-Backed Securities. This eligibility for purchase in the secondary mortgage market improves the availability of loan funds and permits more favorable interest rates.

Type of Assistance:

FHA mortgage insurance for HUD-approved lenders.

Eligible Activities:

The property must contain at least 5 residential units with complete kitchens and baths and have been completed or substantially rehabilitated for at least 3 years prior to the date of the application for mortgage insurance. The program allows for non-critical repairs that must be completed within 12 months of loan closing. Projects requiring substantial rehabilitation are not acceptable under this section and may not involve the replacement of more than one major system. The remaining economic life of the project must be long enough to permit a ten-year mortgage. The mortgage term cannot exceed 35 years or 75 percent of the estimated life of the physical

improvements, whichever is less. Davis Bacon prevailing wage requirements do not apply to this program.

Refinance and Acquisition Processing:

The Amount Based on Value. The applicable percentage of the estimated value of the property after completion of repairs and improvements.

90% - for Section 202 & 202/8 Direct Loans

87% - for projects with 90% or greater rental assistance

85% - for projects that meet the definition of Affordable Housing

83.3% – for market rate projects

Eligible Borrowers:

Both for profit and non-profit borrowers are eligible to apply.

Eligible Customers:

All persons are eligible to occupy such projects subject to normal occupancy restrictions.

Application:

Section 223(f) is eligible for Multifamily Accelerated Processing (MAP). The sponsor works with the MAP-approved lender who submits required exhibits for Firm Commitment application, including a full underwriting package to the local Multifamily Hub or Program Center for review. The Multifamily Hub or Program Center reviews the application to determine whether the proposed loan is an acceptable risk. Considerations include market need and the capabilities of the borrower. FHA underwriting analysis must determine that there is enough project income to repay the loan, taking into account all necessary project expenses. If the proposed project meets program requirements, the local Multifamily Hub or Program Center issues a commitment to the lender for mortgage insurance.

Applications submitted by non-MAP lenders must be processed by HUD field office staff under Traditional Application Processing (TAP). Under TAP, there are only two processing stages: the conditional commitment stage and the firm commitment stage. The sponsor is required to have a pre-application conference during the conditional commitment stage to determine the appraised value and maximum mortgage amount. At the firm commitment stage the local HUD Multifamily Hub or Program Center

determines the amount of the mortgage available to the purchaser or refinancing borrower in the proposed transaction. If the proposal meets FHA program requirements, the local Multifamily Hub or Program Center issues a commitment to the lender for mortgage insurance.

Technical Guidance:

Section 223(f) of the National Housing Act was added by Section 311(a) of the Housing and Community Development Act of 1974. Regulations are found at 24 CFR, Part 200. For processing and underwriting instructions refer to HUD Handbook 4565.1- Mortgage Insurance for the Purchase of Existing Multifamily Housing Projects available on **HUDclips**. Refer to the MAP web site for guidelines and instructions, lender approval requirements, and MAP coordinators. The program is administered by the Office of Multifamily Housing Programs, Office of Production, Program Administration Division.

Program Accomplishments:

In fiscal year 2015, the Department insured mortgages for 223 projects with 32,048 units, totaling \$1.9 billion.