

# FAQ: HUD-Insured Financing For Multifamily Properties

Over the years, many clients have successfully acquired or refinanced multifamily properties with long term, fixed rate financing insured by the U.S. Department of Housing and Urban Development ("HUD"). The following answers some frequently asked questions regarding HUD insured financing for multifamily properties under section 223(f) of the National Housing Act:

**1. Are for profit borrowers eligible to apply?**

Yes! Both for profit and nonprofit borrowers are eligible.

**2. Are only affordable housing projects eligible?**

No! Market rate projects can be great candidates for HUD insured financing; section 223(f) does not place restrictions on rental rates or the income levels of tenants.

**3. Is HUD the lender?**

HUD insures mortgage loans issued by HUD-approved lenders.

**4. What terms can I expect?**

- Mortgage Term: Lesser of 35 years or 75% of the remaining economic life of the property.
- Maximum Mortgage Amount: Up to 85% of the fair market value for market rate projects, 87% for projects that meet the definition of affordable housing, and 90% for projects with 90% or greater rental assistance. A cash-out refinance is limited to 80% of the fair market value.
- Interest Rate: Fixed for the term of the loan; locked upon receipt of a HUD firm commitment (fluctuates based on market conditions).
- Nonrecourse, with limited carve outs.
- Assumption/Transfer of Physical Assets ("TPA"): Assumable, subject to HUD's approval. HUD requires a fee of 0.5% of the original mortgage amount to process the TPA. Individual lender requirements and fees may vary.
- Prepayment: Standard provisions assume no lock out period with a 10% penalty the first year, declining 1% per year, or a 2 year lock out, 8% the third year, declining 1% each year thereafter; prepayment provisions are negotiable, but will impact the interest rate.

**5. Can the program be used for permanent take-out financing?**

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At least three years must have elapsed between the date of issuance of the last certificate of occupancy and the date of application to HUD. For new construction or substantial rehabilitation, HUD provides insurance under section 221(d)(4).

**6. Are projects that include commercial space eligible?**

Yes, up to 25% of commercial space by net rentable area, or properties that derive up to 20% of effective gross project income from commercial space, are eligible.

**7. Are there programs for properties other than multifamily?**

Yes! Under section 232, HUD provides mortgage insurance on loans for residential care facilities, such as nursing homes, assisted living facilities, and board and care facilities.

If you have questions about HUD insured financing, please contact [Lucas Roe](#) or your Reinhart attorney.

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