

HUD 223(f) Refinance Checklist

Market-rate multifamily refinance through FHA Section 223(f) — borrower-side workflow from program selection through stabilization. Not legal or lending advice; lender, HUD, and counsel guidance controls.

Phase 1 — Program Fit & Pre-Application Strategy

223(f) is for the refinance or acquisition of existing, stabilized multifamily. Confirm fit before spending money on third-party reports.

Property & Sponsor Eligibility

- Property is at least 3 years old from final certificate of occupancy (or repairs threshold met for newer assets).
- Property is stabilized — typically 90%+ occupancy for at least 6 consecutive months.
- 5+ residential units, market-rate or affordable.
- Repairs are limited (the smaller of \$16,800/unit (adjusted) or 15% of value, and not structural).
- Sponsor is a single-asset entity (SAE/SPE) — form one if needed.
- Sponsor and key principals can pass HUD's Previous Participation Review (APPS / 2530 review).
- No felony convictions, defaults on federal obligations, or LDP/SDN list issues among principals.

Loan Sizing Pre-Underwriting

- Run preliminary loan sizing against HUD's three tests: (1) DSCR (typically 1.176x for market-rate), (2) LTV (typically 85% refi / 80% cash-out), (3) statutory per-unit limits (varies by MSA and elevator status).
- Confirm whether deal qualifies as a cash-out refi (additional restrictions, often 80% LTV cap and 50% of cash-out held back).
- Estimate MIP (annual mortgage insurance premium) — currently ~25 bps for market-rate, lower for green/affordable.
- Build sources & uses including HUD financing fees, lender fees, third-party reports, replacement reserves, working capital escrow.
- Compare against conventional / agency (Fannie/Freddie) execution — HUD wins on term (35 yr fully amortizing, non-recourse, assumable) but loses on speed.

Lender & Team Selection

- Engage a HUD/MAP-approved lender (Multifamily Accelerated Processing).
- Sign lender engagement letter; pay good faith / processing deposit.
- Engage HUD-experienced borrower's counsel.
- Confirm lender's typical timeline (firm app to close is usually 60–120 days; concept meeting to close is typically 6–9 months).

Phase 2 — Concept Meeting & Pre-Application

Most HUD offices require a concept meeting before formal pre-application. The lender drives this; borrower provides data.

Concept Meeting Package (Lender Assembled)

- Project narrative and sponsor summary.
- Trailing 12-month operating statements.
- Current rent roll.
- Preliminary sources & uses.
- Sponsor org chart and SAE structure.
- Description of any proposed repairs.

Concept Meeting

- Lender presents to local HUD field office (multifamily hub or satellite).
- Document HUD feedback on loan sizing, repairs scope, identified concerns.
- Adjust underwriting based on HUD feedback before incurring third-party costs.

Phase 3 — Third-Party Reports

HUD requires specific third-party reports prepared to HUD standards. They drive the firm application package.

Required Third-Party Reports

- Appraisal — MAP-compliant, includes income/sales/cost approaches and HUD-specific exhibits.
- Project Capital Needs Assessment (PCNA) — 20-year reserve study to HUD scope.
- Phase I Environmental Site Assessment (ASTM E1527-21) plus HUD-specific items (radon, asbestos, lead-based paint, mold, noise, vapor encroachment, operations/maintenance plans as applicable).
- Phase II ESA if Phase I recommends.
- Architectural / engineering review for any non-critical repairs scope.
- Market study (in some cases — confirm with lender).

Borrower Coordination

- Provide site access for inspectors and appraisers.
- Provide rent rolls, T-12, T-3, leases, vendor contracts, utility bills, capex history.
- Review draft reports for factual errors before finalization.

Phase 4 — Firm Application Submission

The firm application is the formal submission to HUD. It is voluminous (often 1,000+ pages) and triggers the HUD review clock.

Borrower Deliverables for Firm App

- 3 years of audited or compiled financial statements on the property.
- Trailing 12-month operating statement (T-12), current month.
- Current rent roll (within 30 days of submission).
- Trailing 3-month rent rolls and bank statements.
- All current leases and lease addenda.

- All service / vendor contracts.
- Existing loan payoff statement.
- Title commitment (HUD-specific endorsements required) and recent ALTA survey.
- Zoning verification letter.
- Certificate of occupancy / final inspection.
- Property tax bills (current + prior 2 years).
- Insurance policies (declarations and full policies).
- Utility bills (12 months) for owner-paid utilities.
- Sponsor financial statements: 3 years personal/entity, current REO schedule, schedule of contingent liabilities.
- Sponsor liquidity verification (10% of loan typical for principals collectively).
- Sponsor net worth verification (typically equal to loan amount in aggregate).
- Organizational documents for borrower SAE: certificate of formation, operating agreement, EIN, good standing certificate.
- Form HUD-2530 (Previous Participation) for all principals — submitted via APPS.
- Authorization for credit checks on all principals.
- AFHMP (Affirmative Fair Housing Marketing Plan) — even for market-rate.
- Management agent certification (Form HUD-9839 series); management plan.
- Tenant relocation plan if any units affected by repairs.

Lender-Prepared Submission Components

- Lender narrative.
- Underwriting summary and loan sizing.
- All HUD forms (HUD-92013, HUD-92264, HUD-92264-A, HUD-92438, etc.).
- Repairs schedule with cost estimates and HUD repair categorization (critical / non-critical).
- Replacement reserve analysis.
- Mortgage credit review.

Submission

- Lender uploads firm app to HUD via electronic submission.
- Pay HUD application fee (0.30% of loan amount, typically split between submission and commitment).
- Calendar HUD review timeline (typically 60 days target, often longer).

Phase 5 — HUD Underwriting & Firm Commitment

HUD underwrites the loan — expect questions, conditions, and sometimes loan resizing.

HUD Review Process

- Track HUD's punch list / questions and respond promptly through lender.
- Re-run sizing if HUD adjusts NOI, cap rate, or repair scope.
- Negotiate any required carve-outs, escrows, or operating restrictions.

Firm Commitment

- Receive HUD Firm Commitment letter.
- Review all conditions (pre-closing and post-closing).
- Pay second half of HUD application fee (commitment fee).
- Lender prepares closing checklist of HUD conditions.
- Confirm rate lock strategy (GNMA execution — when to lock, who locks, breakage exposure).

Phase 6 — Rate Lock

HUD loans are funded via Ginnie Mae MBS. The interest rate is locked through a separate process tied to GNMA pricing.

Rate Lock Mechanics

- Confirm rate lock authorization from sponsor in writing.
- Lender executes rate lock (typically 30–60 days before closing).
- Pay rate lock deposit (typically 0.5%, refundable at closing).
- Lock confirmation issued — confirm coupon, MIP, all-in rate, GNMA price.

Phase 7 — Closing Preparation

HUD closings are document-heavy. The lender's closer and borrower's counsel coordinate dozens of deliverables.

Title, Survey, Zoning

- Title commitment updated, all HUD-required endorsements (ALTA 9, comprehensive, survey, zoning 3.1, contiguity, environmental protection lien, others as required).
- Survey updated, certified to HUD, lender, title company, borrower.
- Zoning verification letter current; confirms property is conforming or legal non-conforming with rebuild rights.

Entity, Authority, and Closing Documents

- Borrower SAE good standing in state of formation and state of property.
- Authorizing resolutions and certificates of incumbency.
- Opinion of borrower's counsel addressing HUD's required opinions (formation, authority, enforceability, no conflicts, securities, single-asset, etc.).
- Regulatory Agreement reviewed (this is the document that governs the property for the life of the loan — distributions, reserves, financial reporting, etc.).
- Note, Mortgage / Deed of Trust, Security Agreement reviewed.
- Replacement Reserve Agreement and initial deposit confirmed.
- Repair Escrow Agreement (typically 120% of non-critical repair cost) and deposit confirmed.
- Working Capital Escrow (4% of loan for refis with repairs — confirm with lender).
- Operating Deficit Escrow if required.

Existing Debt Payoff

- Payoff letter from existing lender (good through closing date + cushion).
- UCC search; identify any UCCs to terminate.
- Coordinate lien releases / mortgage satisfactions.
- Defeasance or yield maintenance calculations if existing debt is CMBS/agency.

Insurance

- Property insurance meeting HUD requirements (replacement cost, building ordinance, business income / rent loss 12 mo, deductibles, named insureds).
- Flood insurance if any portion in SFHA.
- Liability insurance per HUD minimums.
- Fidelity bond / crime coverage for management agent.
- Earthquake / wind coverage if HUD requires by location.

Tenant & Property Items

- Tenant lease addenda or notices if required.
- Service contract assignments.
- Utility account confirmations.
- AFHMP approved by HUD.
- Management agent approved; management certification executed.

Phase 8 — Closing & Endorsement

“Closing” in HUD-speak is the initial/final endorsement of the note by HUD.

Pre-Closing

- Final closing checklist circulated; all HUD conditions cleared.
- Settlement statement reviewed and approved by borrower.
- Wire instructions verified by phone with title company (wire fraud risk).

Closing Day

- Borrower executes all loan documents.
- Lender funds loan via GNMA investor.
- Existing debt paid off; lien releases recorded.
- New mortgage / deed of trust recorded.
- HUD endorses the note (final endorsement for 223(f), as there is no construction phase).
- Reserves and escrows funded at closing.

Phase 9 — Post-Closing & Ongoing Compliance

HUD financing comes with a permanent compliance overlay. Build the calendar on day one.

Repairs & Repair Escrow Drawdown

- Complete non-critical repairs within HUD-approved timeframe (typically 12 months).
- Submit draw requests with invoices, lien waivers, inspection sign-offs.
- Repair escrow released as work is completed and inspected.
- Final repair completion certification.

Ongoing Compliance Calendar

- Annual financial statement (AFS) submission via REAC/FASS — within 60 days of fiscal year end (audited if required).
- Monthly MIP payments (along with P&I).
- Replacement reserve deposits (typically monthly).
- REAC physical inspections (frequency based on prior scores).
- Distribute surplus cash only after fiscal year end and only if surplus cash exists per Regulatory Agreement.
- Notify HUD of any changes in ownership, management, principals (2530 reviews required).
- Maintain insurance and provide renewals to lender.
- Maintain AFHMP and update every 5 years (or upon material change).
- File annual property tax payments; verify no delinquencies.

File Closeout

- Assemble closing binder (all HUD forms, loan docs, third-party reports, title policy, survey, insurance binders).
- Distribute to internal stakeholders, asset management, and counsel.
- Calendar all reporting and reserve deposit dates.

HUD/FHA program requirements change. Current MAP Guide (Multifamily Accelerated Processing Guide) and Notices control over any general checklist. Confirm current thresholds, forms, and process with your MAP lender.