



FHA Section 242/223(a)(7) Refinance of an Existing FHA Hospital Insured Loan

Program Overview:

Streamlined FHA program designed to allow borrowers with existing FHA Section 242 insured loans to lower the interest rate, fund project repairs and (in limited circumstances) extend the loan term. All borrowers with existing 242 mortgages may apply for FHA mortgage insurance under this program.

Maximum Loan	<ul style="list-style-type: none">• Lesser of:<ul style="list-style-type: none">• Original principal amount of existing insured mortgage;• The unpaid principal balance of the existing insured mortgage plus loan closing charges (including prepayment penalties) associated with the refinancing mortgage, and costs of improvements, upgrading, or additions required to be made to the property, as approved by HUD.
Maximum Term	<ul style="list-style-type: none">• Under limited circumstances, HUD may approve a term of up to 12 years beyond the remaining term of the existing mortgage, but not exceed the original term. A term extension request must be supported by a determination of the remaining economic life of the property.
Personal Liability	<ul style="list-style-type: none">• FHA loan is non-recourse.
Assumability	<ul style="list-style-type: none">• Yes, subject to FHA approval.
FHA Fees and Mortgage Insurance Premium	<ul style="list-style-type: none">• Upfront FHA fee of 0.3% of the mortgage amount, which can be included in the financing. Annual Mortgage Insurance Premium (MIP) is 0.55% of the outstanding loan balance.
Qualified Properties	<ul style="list-style-type: none">• Properties with Existing FHA 242 insured loans are eligible.
Other FHA Requirements	<ul style="list-style-type: none">• The Mortgage Reserve Fund (MRF) established for the hospital's original 242 insured loan must be continued. However, the MRF Schedule can be renegotiated to make it consistent with the interest rate and term of the refinancing loan.