

**223(a)(7) Underwriting Standards  
Comparison**

**Between Normal Housing Processing and OMHAR Debt Restructuring Transactions\***

	<b>HUD Multifamily Hub or Program Center</b>	<b>OMHAR</b>
<b>Purpose of program</b>	To refinance existing loan to reduce interest rate and/or extend amortization period in order to reduce risk of default.	To refinance existing loan, re-underwrite at market rents/expenses/interest rates and restructure debt in order to prevent default upon reduction of rents.
<b>2530</b>	Required for new or proposed principal partners.	Required for all restructurings.
<b>Debt Service Coverage Ratio</b>	1.11	Generally 1.2 to 1.4 to determine supportable debt.
<b>Loan-to-Value Ratio</b>	LTV not relevant.	Less than or equal to 100% LTV.
<b>Loan Ceiling</b>	Lesser of original principal balance, or current UPB plus rehab and transaction costs, or DS coverage criterion.	Lesser of current UPB, or DS coverage or LTV criterion.
<b>Loan Term</b>	Remaining term + 12 years.	Remaining term + 12 years.
<b>Transaction Costs</b>	100% financeable, to the extent it can be supported in mortgage. Refund half of fees	Owner/borrower responsible for 50% of transaction costs for new takeout.
<b>Appraisal Standards</b>	Not required for A7.	PAE obtains limited-scope appraisal for restructuring.
<b>Inspection Standards/ Replacement Reserve Requirement</b>	Owner/mortgagee is required to submit work write-up and estimates for 12-year reserve for replacement. HUD Field Office reviews.	Owner is required to submit their work write-up and estimates for 20-year reserve for replacements/repairs. PAE obtains independent inspection (PCA), OMHAR reviews. OCAF applied annually to required deposit.
<b>Environmental Standards</b>	HUD Field Office performs environmental review for projects needing capital improvements.	PAE prepares draft environmental review for all projects undergoing restructuring. OMHAR reviews and approves.
<b>Rental Income</b>	Generally, the lesser of market or possibly project based rents.	Market, unless further constrained for underwriting purposes by LIHTC standby.
<b>Commercial Income</b>	Generally, based on lesser of current long-term leases or market.	Market unless further constrained for underwriting purposes by LIHTC standby.
<b>Vacancy/Bad Debt</b>	At least 3% vacancy.	Rental vacancy should be at least 5% and bad debt expense should be at least 2%.
<b>Operating Expenses</b>	Based on the last 3 years actual operating data, owner and field office estimates.	Analysis should be based on limited scope appraisal, last 3 years actual operating data, underwriter's own sources, consultation with HUD field offices, industry standards, and owner estimates.
<b>Rehabilitation Escrow</b>	Escrow must consist of 100% of cash from mtg proceeds, plus 10% in either cash or LOC. No substantial rehab; repairs only.	Same.

\* OMHAR processing of 223(a)(7)'s for rent renewals without debt restructuring (i.e. OMHAR lites) will be fully consistent with normal FHA processing

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<b>Impact on Credit Subsidy Allocations</b>	Varies, currently 0.78%.	None.
	<b>HUD Multifamily Hub or Program Center</b>	<b>OMHAR</b>
<b>Application</b>	Submitted by mortgagee to HUD Multifamily Hub or Program Center. May or may not include draft of 2264/Form Commitment processing.	Submitted by mortgagee to PAE. Must include mortgagee's draft of 2264/Form Commitment processing.
<b>Processing</b>	FO reviews/revises based on staff (and possibly Technical Discipline Contractor) analyses.	PAE reviews/revises underwriting based on third party analysis.
<b>Approval</b>	Multifamily staff makes recommendation. Multifamily Director issues firm commitment.	PAE internal loan committee make recommendation. OMHAR FO Director approves after OMHAR staff (and third party underwriter if necessary) review.
<b>Closing</b>	OGC Field Office conducts closing. Multifamily Director endorses loan.	PAE attorney conducts closing. OMHAR FO Director endorses loan.

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