

---

CHAPTER 1. INTRODUCTION

- 1-1. PURPOSE. Section 223(a)(7) of the National Housing Act (NHA) permits refinancing of HUD-insured multifamily projects. Refinancing under section 223(a)(7) results in prepayment of the existing mortgage, endorsement of a new, refinanced mortgage and a new project number. Such refinancing may entail certain required improvements and/or a new mortgagee. This Handbook supersedes the instructions of Handbook 4260.1, dated 1972 relative to refinancing of insured multifamily mortgages under Section 223(a)(7).
- 1-2. BACKGROUND. Many mortgagors have expressed interest in refinancing existing multifamily insured mortgages, particularly those insured when interest rates were high. Refinancing of existing multifamily insured mortgages is permitted under each Section of the NHA pursuant to Section 223(a)(7) of the Act. Regulations are contained under each applicable Section (e.g., 24 CFR Section 221.560). Such refinancings strengthen HUD's security by reducing debt service loads and permitting minor repairs to projects already in the Department's portfolio of insured loans.

If the proposal is solely for a reduction in interest rate, as agreed between the mortgagor and mortgagee, it may be handled by a modification of the mortgage documents rather than using Section 223(a)(7). Modifications may be approved by the Field Office Manager and must take into account any Housing Management requirements relative to reduction in subsidized rents.

Section 223(a)(7) refinancing may involve only a financial transaction - refinancing of the mortgage and loan closing - or may involve repairs or improvements to the project. When the latter is the case, procedures relative to environmental review, completion of repairs, cost certification and the like are based on similar procedures in the Section 223(f) program. Because it is in the Department's interest for projects to be refinanced under Section 223(a)(7) and only insured portfolio projects that are not HUD-held are eligible, the procedures have been kept to a minimum. It is hoped that they are flexible enough to allow minimal processing for solely financial transactions and reduced processing for repair cases.