

221(d)(4) and 220

New Construction or Substantial Rehabilitation of Multifamily Properties

PURPOSE	New construction or substantial rehabilitation of Market Rate or Affordable Multifamily Housing Properties.
SUBSTANTIAL REHABILITATION	Qualifies as substantial rehabilitation if the cost of repairs, replacements and improvements exceeds \$16,983 per unit adjusted by HUD's high-cost factor.
COMMERCIAL SPACE	Eligible for up to 25% of net rentable area and 15% of EGI for 221(d)(4). Eligible for up to 25% of net rentable area and 30% of EGI for 220.
BORROWER	Single asset, special purpose entity. Either for-profit or nonprofit.
MAXIMUM LOAN AMOUNT	The lesser of: a) for Market Rate properties, applicable factors: 85% LTC, 1.176 DSCR; b) for Affordable properties, applicable factors: 87% LTC, 1.15 DSCR; and c) for properties with 90% or greater rental assistance, applicable factors: 90% LTC, 1.11 DSCR. * Other parameters apply to mortgages over \$75 million. ** Other than the above constraints, there are no minimum or maximum loan sizes.
TERM & AMORTIZATION	Interest only during the construction period, plus 40 years fully amortizing.
INTEREST RATE	Fixed-rate, subject to market conditions at the time of rate lock.
MORTGAGE INSURANCE PREMIUM	Based upon the following: a) 0.65% for 221(d)(4); b) 0.70% for 220; c) 0.25% - 0.35% for affordable and subsidized properties; and d) 0.25% for Green Certified properties.
RECOURSE	Non-recourse during both construction and permanent phases of financing.
ASSUMABILITY	Fully assumable, subject to HUD approval.
PREPAYMENT	Negotiable. Best rates typically have a 1–2-year lockout with a declining prepayment penalty for the remainder of the first 10 years.
THIRD PARTY REPORTS	Market Study, Appraisal, Architectural and Costs Review and Phase I ESA. Other reports as needed.
ESCROWS	Escrows for debt service, mortgage insurance premium, taxes, insurance, replacement reserves, and working capital and operating deficits are required.
FEDERAL LABOR STANDARDS	Davis-Bacon prevailing wages and reporting requirements.
ASSURANCE OF COMPLETION	Payment and performance bond or cash deposit/letter of credit.
HUD APPLICATION FEE	\$3 per \$1,000 of requested loan amount (1/2 due at pre-application).
HUD INSPECTION FEE	\$5 per \$1,000 of requested loan amount for new construction. \$5 per \$1,000 of improvement costs for substantial rehabilitation.

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