

221(d)(4) and 220

PURPOSE	New construction or substantial rehabilitation of market-rate or affordable multifamily properties.
SUBSTANTIAL REHABILITATION	Qualifies as substantial rehabilitation if the cost of repairs, replacements, and improvements exceeds \$19,293 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: 87% LTC, 1.15x DSCR; b) for affordable properties, applicable factors: 90% LTC, 1.11x DSCR; and c) for properties with 90% or greater rental assistance, applicable factors: 90% LTC, 1.11x DSCR. <i>* Other parameters apply to mortgages over \$125 million.</i> <i>** Other than the above constraints, there are no minimum or maximum loan sizes.</i>
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	0.25%
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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