



MULTIFAMILY | FHA/HUD Section 221(d)(4)
New Construction or Substantial Rehabilitation Loan

This program provides long-term, low fixed-rate, non-recourse, assumable financing for the construction and permanent financing of new apartment projects or substantial rehabilitation of existing apartment projects.

Eligible Properties	Market rate, affordable, or subsidized multifamily properties.
Eligible Borrowers	Single asset, special-purpose entity, either for profit or not-for-profit.
Term	Maximum of 40 years, fully amortizing (plus interest only period during construction).
Interest Rate	Locked before closing and fixed for the duration of the construction period and full 40-year term. (Subject to market conditions.)
Guarantees	Non-recourse for the construction period and duration of the term.
Prepayment	Customizable, typically a 10-year step down, based on market conditions and borrower preferences.
Assumable	Subject to FHA/HUD and lender approval.

Loan Parameters

Property Type	Max Loan-to-Cost Ratio	Min Debt Service Coverage Ratio
Market Rate	87%	1.15
Eligible Affordable	90%	1.11
Subsidized	90%	1.11
*Middle Income	90%	1.11

Large loans carry more conservative UW parameters.

*Eligible Middle Income projects must be regulated with minimum 50% of units at or below 120% median income.

HUD Fees & Expenses

- The annual Mortgage Insurance Premium (MIP) is 0.65% of the outstanding loan amount for market rate transactions. Reduced MIP rates as low as 0.25% for affordable projects or projects that qualify for Green/Energy Efficient Housing.
- FHA Application Fee of 0.30% of loan amount.
- FHA Inspection Fee of 0.50% of loan amount (new construction) and 0.50% of costs associated with construction (substantial rehabilitation).
- Replacement Reserves determined by a 20-year capital needs analysis, minimum of \$250 per unit per annum.

Commercial Space	Limited to 25% of net rentable space and 15% of gross income. Alternative Section 220 program may be available for properties with more commercial income.
Third-Party Reports	Market Study, Appraisal, Phase I Environmental, and Architectural & Cost Review
Construction Wages	Local prevailing wages, as per Department of Labor, paid under Davis-Bacon Act.
Timing	Approximately 8 – 12 months for engagement, submission, FHA/HUD review, and closing.
Funding	Ginnie Mae guaranteed mortgage-backed securities.

Other Program Parameters	<ul style="list-style-type: none">- Escrows for property taxes, insurance, MIP, and replacement reserves are required.- Working Capital and Initial Operating Deficit escrows held by lender and, if not used for intended purposes, generally released at final endorsements plus 12 months (assumes 6 months Break Even coverage).- Cost includes a builders fee and sponsor profit amount depends upon ownership structure.- Age-restricted properties may qualify so long as head of household 62+ and all others unrestricted. Children must be permitted. Alternative program available restricting all residents to 62+.- Value of land is included in eligible costs.
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