



MULTIFAMILY HOUSING

NEW CONSTRUCTION OR SUBSTANTIAL REHABILITATION HUD SECTION 221(d)(4)

ELIGIBILITY

- ❖ Mortgagor entity may be either for-profit or not-for-profit.
- ❖ Rehabilitation costs must involve the greater of 15% of the estimated replacement cost after completion of all repairs, replacements and improvements that exceed \$6,500 per unit, adjusted by HUD's high cost factor (Example: \$6,500 x 270% for San Fran High Cost factor = \$17,550) or at least 2 major building systems are being replaced.

REQUIREMENTS

- ❖ Subject to Davis-Bacon requirements.
- ❖ An Operating Deficit escrow will be required by HUD to cover operating losses until sustaining occupancy is reached and must be funded by mortgagor with cash or a letter of credit.
- ❖ An escrow equal to 4% of the mortgage amount is required for Working Capital. This must be funded by mortgagor with cash/letter of credit.
- ❖ A Replacement Reserve account must be established at closing and is made available for replacement of depreciable capital items. The account must be maintained with monthly contributions throughout the life of the loan.

ESCROWS

- ❖ Full escrows for property taxes, all applicable insurance and any special assessments are funded at closing and must be maintained throughout the life of the loan

FEATURES

- ❖ This is a non-recourse loan.
- ❖ Long loan term - up to 40 years in addition to the construction period, fully-amortizing.
- ❖ Low, fixed interest rates.
- ❖ High loan-to-cost ratio up to 90% for rental assistance; 87% for affordable; and 83.3% for market projects.
- ❖ Most affirmative and negative loan covenants typically found in conventional loan agreements are eliminated.
- ❖ Converts to permanent financing upon completion (no occupancy requirements) at no extra cost.
- ❖ No low-income tenancy requirements.
- ❖ Fully assumable, subject to HUD and CMI approval.
- ❖ Can be used as a credit enhancement for tax exempt bonds.
- ❖ Debt service coverage ratio of 111% for rental assistance; 115% for affordable; and 120% for market rate projects.

For Additional Information Contact: