Centennial Mortgage, Inc.

MULTIFAMILY HOUSING

Substantial Rehabilitation of Existing
USDA 515 Multifamily
USDA RHS 538/515

Eligibility

- ❖ Borrowers may be for-profit, not-for-profit, individuals, partnerships, state or local public agencies, LLCs, trusts, or Indian tribes.
- ❖ For New Construction or Substantial Rehabilitation of Multifamily Projects only with an existing 515 loan in place.
- ❖ A minimum of $6,500 per unit in rehab costs is required for the Revitalization, Repair, and Transfer Cost of Existing Direct Section 515 Housing.

Requirements

- ❖ Project must be in a designated “Rural Area,” as defined by USDA—population must be less than 20,000.
- ❖ Tenant income restrictions of 115% of area median income upon initial occupancy.
- ❖ Rents plus tenant paid utilities may not exceed 30% of 115% of area median income, and average rent for project including utilities may not exceed 30% of 100% of area median income.
- ❖ Property must contain at least five units.
- ❖ Property must be under one management.
- ❖ The property must comply with all RHS 538 GRRHP requirements until the loan maturity date, even if the Loan is paid in full prior to such maturity date.

Escrows

- ❖ Full escrows for property taxes and all applicable insurance are funded at closing.
- ❖ A Replacement Reserve account must be established at closing and maintained with monthly contribution throughout the life of the loan.
- ❖ The borrower must contribute initial operating capital equal to at least 2 % of the loan amount.
- ❖ A Construction Contingency Escrow in the amount of 2%.
- ❖ An Operating Escrow Reserve in the amount of 2% of the total development cost or appraised value (whichever is greater) may be required to cover operating losses until sustaining occupancy is reached, and must be funded by mortgagor with cash or a letter of credit at the closing of the loan.

Features

- ❖ This is a non-recourse loan.
- ❖ Security: Assets of the borrowing entity.
- ❖ Long loan term up to 40 years
- ❖ Low fixed interest rate, fully amortizing.
- ❖ Loan-to-cost ratio up to 70%.
- ❖ Loan-to-value ratio up to 90% for a for-profit enterprise and up to 97% for a non-for-profit enterprise.
- ❖ The program can be used to guarantee permanent financing, or a combination construction and permanent loan. It cannot be used for a loan that covers only construction.
- ❖ Fully assumable subject to CMI and USDA approval.
- ❖ A loan can be combined with other financing sources such as: Low Income Housing Tax Credits, HOME grant or loan, State or local assistance (including tax-exempt bond financing) or a second bank loan.
- ❖ Debt service coverage ratio of 1.15.
- ❖ Not subject to Davis-Bacon requirements.

For Additional Information Contact:

www.centennialmortgage.com **(574)-233-6773**