



## Multifamily Housing New Construction/Substantial Rehabilitation

# FHA MORTGAGE INSURANCE SECTION 221(d)(4)

**ELIGIBLE PROPERTIES** Market-rate, affordable, and subsidized multifamily housing properties are eligible. To qualify for substantial rehabilitation, the cost of repairs and/or alterations must exceed \$15,000 per unit adjusted for the HUD High Cost Factor or replace two or more building systems.

**INTEREST RATE** Fixed-rate for both construction and permanent terms - determined by market conditions

**BORROWER** For-profit or not-for-profit single-asset entity

**PERSONAL LIABILITY** Non-recourse, subject to standard carve-outs

**MAXIMUM LOAN**

PROPERTY TYPE	MAX LOAN TO VALUE	MIN. DEBT SERVICE
Broadly Affordable <sup>1</sup>	90%	1.11x
Affordable <sup>2</sup>	87%	1.15x
Market-Rate	85%	1.18x

<sup>1</sup> At least 90% of units supported by a project-based rental assistance contract

<sup>2</sup> Regulatory agreement that at least meets the minimum Low-Income Housing Tax Credit restrictions of 40% of units at 60% AMI or 20% of units at 50% AMI in effect for at least 15 years

**TERM** Maximum of 40 years - plus construction period

**COMMERCIAL SPACE** Limited to 25% of net rentable area and 15% of effective gross income

**PREPAYMENT AND ASSUMPTION** Flexible - best execution typically has a combination of lockout and prepayment penalty for 10 years, and is fully assumable, subject to HUD approval

**MORTGAGE INSURANCE PREMIUM** .25% - .65% annually depending on project type

**FEES** **HUD Application:** 0.30% of requested loan amount or associated costs  
**HUD Inspection:** 0.50% of loan amount or total of all improvements

**RESERVE ACCOUNTS** **Initial Operating Deficit Reserve:** Four to twelve months of amortizing debt service depending on deal  
**Replacement Reserves:** Minimum of \$250 per unit, per year, or as determined by their third-party vendor  
**Working Capital Deposit:** 4% for new construction and 2% for substantial rehabilitation

**LABOR STANDARDS** Davis-Bacon prevailing wage rate requirements apply