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. Build-to-Rent (BTR) communities consisting of detached single-family rental homes, duplexes, or triplexes are eligible for new construction only – minimum of five units on one cohesive, contiguous site, professionally managed as one multifamily property.

**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[1] | 90% | 1.11x |
| Affordable[2] | 90% | 1.11x |
| Market-Rate | 87% | 1.15x |

[1] At least 90% of units supported by a project-based rental assistance contract
[2] 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

**MINIMUM VACANCY**

**Vacancy:** 3% for 90%+ Section 8, minimum of 5% for affordable properties; greater of 7% or comparable market vacancy for market-rate properties
**Lease-Up:** Absorption period of up to 24 months may be considered, subject to supporting analysis

**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**

0.25%

**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. BTR: Minimum of the greater of 3% of the loan amount or four months of debt service, subject to underwriting
**Replacement Reserves:** Minimum of $250 per unit, per year - higher initial and annual deposits may be required for BTR
**Working Capital Deposit:** 4% for new construction and 2% for substantial rehabilitation

**LABOR STANDARDS**

Davis-Bacon prevailing wage rate requirements apply