

New Construction and Substantial Rehabilitation of Multifamily Rental Housing (5+ Units)

Section 221(d)(4) – For Profit ♦ Section 221(d)(3) – Non-Profit

This financing is available for the new construction and substantial rehabilitation of multifamily rental housing (market rate and affordable). The program provides long-term, fixed-rate financing (up to 40 years) and allows securitization through GNMA Mortgage-Backed Securities.

Eligibility

- ▶ New construction or substantial rehabilitation of multifamily rental housing properties

Underwriting Guidelines

Project Type	Loan To Value Ratio	Loan To Cost Ratio	Debt Service
Market Rate	83.3%	83.3%	1.200x
Affordable	87.0%	87.0%	1.150x
>= 90% Rental Assistance	90.0%	90.0%	1.110x
Affordable (Non-Profit/Public)	90.0%	90.0%	1.111x

Affordable Projects must have 1) Recorded Regulatory Agreement in effect for 15 years after Final Endorsement; 2) Meet the minimum Low-Income Housing Tax Credit restrictions of 20% at 50% AMI or 40% at 60% AMI; 3) Mixed-Income projects where the projects meet the above criteria.

Loan Structure

Loan Term – up to 40 years

Consistent with the above Underwriting Guidelines, the Loan Amount is determined by the lesser of:

- ▶ For new construction, the applicable percentage of estimated replacement cost after completion, less the amount of grant/loan funds attributable to replacement cost items, multiplied by the applicable percentage or for substantial rehabilitation, the applicable percentage of the estimated rehabilitation cost plus the Fair Market Value of the land and existing improvements, less the amount of grant/loan funds attributable to replacement cost items, multiplied by the applicable percentage.

- ▶ HUD Statutory Per Unit Limits as adjusted by Local office high cost factor

- ▶ Debt Service that does not exceed the above applicable percentage of project's estimated net income

- ▶ Layered Financing Permitted

Prepayment

- ▶ No yield maintenance required
- ▶ Flexible lockout terms established at interest rate lock

Requirements/Fees

Application fees:

- ▶ 0.3% commitment fee to HUD (Non-refundable HUD exam fee)
- ▶ Third party reports, as applicable

Paid at closing:

- ▶ 0.5% construction inspection fee paid to HUD
- ▶ 2% working capital cash escrow or LOC during construction period, and possibly an initial operating deficit escrow or LOC for lease-up period
- ▶ 1% Mortgage Insurance Premium (MIP)

Annual fees:

- ▶ 0.45% MIP

Adherence to Davis-Bacon wage