

ADROC | CAPITAL

FHA/HUD Mortgage Insurance Program – Section 221(d)4 New Construction and Substantial Rehabilitation of Multifamily Properties

PURPOSE:	Provides attractive FHA-insured financing for new construction and substantial rehabilitation of multifamily housing projects
ELIGIBLE PROPERTIES:	Market rate, affordable and subsidized multi-family housing projects. Substantial rehabilitation is defined as projects where the scope of rehab exceeds \$15,000 per unit adjusted for the local high cost factor; or replaces two or more major building systems
COMMERICAL SPACE:	Limited to 25% of net rentable area and 15% of effective gross income; 25% of net rentable area and 30% of effective gross income for Section 220 projects in qualified urban renewal areas
BORROWER TYPE:	For-profit or non-for-profit single asset borrower entity
GUARANTEES:	Non-recourse
LOAN TERM:	40 years, plus the construction period
AMORTIZATION:	Interest-only during construction; converts to fully-amortizing loan after construction
INTEREST RATE:	Determined by market conditions (call for a quote), fixed for the full term of the loan

LOAN PARAMETERS:

Property Type	Loan-to-Cost	Minimum DSCR
Market Rate	85%	1.176x
Affordable (40% units @ 60% AMI or 20% units @ 50% AMI)	87%	1.15x
Subsidized (> 90% LIHTC or rental assistance)	90%	1.11x

**More conservative loan parameters applied to large loans (\$120MM+); discuss with your loan originator if applicable.*

PREPAYMENT & ASSUMPTION:	Negotiable. Typical best pricing for 10-year call protection (lockout and/or prepayment penalty). Loans are fully assumable, subject to Lender & HUD approval.
LENDER FINANCING FEE:	To be determined based on size and complexity of transaction, subject to HUD limitations
HUD APPLICATION FEE:	0.3% of the loan amount (0.15% due at pre-application and 0.15% due at firm application)
HUD INSPECTION FEE:	0.5% of loan amount (new construction) or total for all improvements (substantial rehab)
HUD MIP:	0.65% annually for market rate properties, 0.35% annually for projects with 10-90% LIHTC or rental assistance, and 0.25% annually for “green” projects or projects with greater than 90% LIHTC or rental assistance
THIRD-PARTY REPORTS:	Appraisal, Market Study, Phase I ESA, and Architectural and Cost Analysis
ESCROWS/RESERVES:	Typical tax and insurance escrows (including MIP) Replacement Reserves: Minimum annual deposit of \$250/unit Initial Operating Deficit: 4-12 months of debt service Working Capital: 4% for new construction projects; 2% for substantial rehab projects
LABOR STANDARDS:	Davis-Bacon wage rates required
TIMING:	Typically 9-12 months from engagement to closing. Timeframes may vary.

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