

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:	<table border="1"><thead><tr><th>Property Type</th><th>Loan-to-Cost</th><th>Minimum DSCR</th></tr></thead><tbody><tr><td>Market Rate</td><td>87%</td><td>1.15x</td></tr><tr><td>Middle Income (> 50% @ up to 120% AMI)</td><td>90%</td><td>1.11x</td></tr><tr><td>Affordable (40% units @ 60% AMI or 20% @ 50% AMI)</td><td>90%</td><td>1.11x</td></tr><tr><td>Subsidized (> 90% LIHTC or Section 8 HAP)</td><td>90%</td><td>1.11x</td></tr></tbody></table> <p><i>*More conservative loan parameters applied to large loans (\$125MM+); discuss with your loan originator if applicable.</i></p>	Property Type	Loan-to-Cost	Minimum DSCR	Market Rate	87%	1.15x	Middle Income (> 50% @ up to 120% AMI)	90%	1.11x	Affordable (40% units @ 60% AMI or 20% @ 50% AMI)	90%	1.11x	Subsidized (> 90% LIHTC or Section 8 HAP)	90%	1.11x
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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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