

Construction or Substantial Rehabilitation of Multifamily Properties

Eligible Properties

Market rate, low-to-moderate income and subsidized multifamily properties.

Commercial Space Limitation

Limited to 25% of net rentable area and 15% of underwritten effective gross income (up to 30% of underwritten EGI permitted in Urban Renewal and Opportunity Zones).

Minimum Scope of Work

All new construction plus renovation of existing buildings when renovating costs exceed \$15,000 per unit (adjusted for inflation) times a local cost factor, typically 190% - 270%.

Davis Bacon Wages

Payment of prevailing wages, as determined by the Department of Labor, is required for all contractors and subcontractors.

Borrower

Single-asset, special-purpose entity, either for profit or nonprofit.

Recourse

Non-recourse.

Loan Parameters

Loan amounts up to \$125 Million.

Property Type	Maximum Loan to Eligible Cost ³	Minimum Debt Service Coverage
Subsidized ¹	90%	1.11x
Affordable ²	87%	1.15x
Market Rate	85%	1.18x

Loan amounts \$125 Million and above. HUD may impose restrictive limits on loan amount above \$120 Million.

Property Type	Maximum Loan to Eligible Cost ³	Minimum Debt Service Coverage
Subsidized ¹	87%	1.15x
Affordable ²	80%	1.25x
Market Rate	75%	1.30x

¹At least 90% of the units covered by a project-based Section 8 contract for at least 15 years after the new loan closes.

²Regulatory Agreement in place with minimum set-aside (e.g., 40% of units at 60% AMI, or 20 % of units at 50% AMI) in effect for at least 15 years after the new loan closes.

³Eligible cost includes hard costs and most soft costs plus the as-is value of project or land. Examples of ineligible costs include refundable reserves, preliminary marketing costs, and offsite improvements.

In addition, loan cannot exceed the programmatic per-unit maximum as adjusted by HUD for project location.

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Interest Rate

Single fixed rate for both the construction I-O period and the permanent loan term, determined by market conditions at time of rate lock. Rate lock deposit is 0.5%, refunded at closing.

Term and Amortization

Interest-only term during construction period and cost certification followed by 40 years fully amortizing.

Prepayment and Assumption

Negotiable, with best pricing for 10 years of call protection (can be a combination of lockout and/or penalty); loan is fully assumable subject to HUD approval.

Escrows

Prior to construction, reserves for interest, taxes, insurance, working capital (2%-4% of the loan), and initial operating deficit; balances will be released to the borrower after 6 consecutive months of break-even operations.

Post construction, taxes, insurance and mortgage insurance premium will be escrowed monthly and a capital needs reserve maintained with monthly deposits in accordance with HUD guidelines on a property-specific basis (minimum \$250/unit/year).

Mortgage Insurance Premium

0.65% annually (0.70% for urban renewal projects under Section 220, 0.25%-0.35% for affordable and subsidized properties, and 0.25% for properties with Green Building certification from a list of accepted standards). Note that any MIP due during the the construction period will be escrowed at the initial closing, prior to the start of construction.

HUD Application Fee

0.15% of estimated loan amount due with submission of initial application, plus 0.15% due with final application (entire 0.30% due with final application for affordable and subsidized properties). HUD Application Fees are reduced for properties in Opportunity Zones.

Third Party Reports

Appraisal, Market Study, Environmental, and future Capital Needs Assessment, plus a review of the final construction and architectural documents by a HUD-approved third party contractor.