

## **FHA/HUD 221(d)(4) Apartment Construction Loan**

**ELIGIBLE DEVELOPMENTS:** Market Rate Apartments, Mixed use or affordable housing properties

**LOAN TYPE TERM - AMORTIZATION:** Construction term, plus 40-year fully amortizing Permanent Loan

**Minimum Loan:** \$5,000,000 or greater are cost effective for the borrower

**New Construction:** Amount equal to the lesser of:

1. Statutory unit mortgage limits adjusted by cost not attributable to dwelling use; or
2. 83.5% of the HUD estimated replacement cost; or
3. 1.2 debt service coverage.

**Substantial Rehabilitation Projects:** Amount equal to the lesser of the three criteria above or 83.5% of the sum of the HUD estimated cost of repair and rehabilitation and the as is value of the property

**INTEREST RATES:** Fixed rate determined by market rates at the time of rate lock

**NO PERSONAL RECOURSE:** Non-recourse

**ASSUMABILITY:** Assumable, subject to approval

**SUBORDINATE FINANCING:** Generally not permitted, special requirements apply

**PREPAYMENT:** Negotiable

**WAGE REQUIREMENTS:** Adherence to Davis-Bacon prevailing wage laws is required

**ANNUAL MORTGAGE INSURANCE PREMIUM:** During the construction period, the MIP is paid annually in advance, based on a rate established by HUD. The rate is fixed at initial endorsement. After commencement of amortization, the MIP is escrowed monthly based on the average principal balance

**ESCROWS:** Monthly escrows for real estate taxes, property insurance, reserves for replacement (as determined by HUD) and mortgage insurance premiums

**COMMERCIAL SPACE:** Up to 10% of the gross floor area of the project. Commercial income cannot exceed 15% of gross project income

**ENVIRONMENTAL ISSUES:** Special rules apply for properties that are located in Flood Hazard Zones as designated by FEMA. Phase I site assessment required

**APPLICATION FEE:** \$25,000 for market study, appraisal, architectural report, cost analysis, environmental assessment and other loan processing costs. A non-refundable fee of 0.3% of the requested mortgage amount is payable to HUD at the time of application.

**INSPECTION FEE:** 0.5% of the mortgage amount is payable to HUD at Initial Endorsement

**FINANCING AND PLACEMENT FEES:** Negotiable

## FHA 221(d)(4) - New Construction or Substantial Rehabilitation Apartments

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### **KENDALL REALTY ADVISORS**

**LIHTC:** Program can be used in conjunction with Low Income Housing Tax Credits

**BOND ENHANCEMENT:** Program can be used to provide a AAA rating of tax exempt bonds

**CLOSING EXPENSES:** Standard transaction costs, including legal fees, title insurance and survey

**BSPRA:** Program permits the use of a Builders and Sponsors Profit and Risk Allowance for the partial fulfillment of the equity requirement of the loan

**OTHER HUD REQUIREMENTS:** Cash escrows or letters of credit are required for the following:

1. Forecasted operating deficits, to be released one year after final endorsement if break even operations have been achieved.
2. 2% of the mortgage amount for working capital, to be released one year after project completion if loan is not in default.
3. 100% performance and 100% payment bond or a letter of credit equal to 15% or 25% (depending on structure type) of the construction contract.
4. If not covered by performance and payment bond, 2.5% of the construction contract amount as latent defects guarantee.
5. 100% of off-site construction costs

**HUD PROCESSING TIME:** One or two stages for HUD Multifamily Accelerated Processing (MAP) procedures:

1. Per-application Stage: 45 days for review.
2. Firm Commitment Stage: 45 days for review.
3. One stage combining items 1 and 2 above: 60 days.

FHA 221(d)(4) Apartment New Construction Concept Meeting

1. Number of market rate units / restricted rent units
2. Previous HUD experience if applicable
3. Geographic location with map
4. Photographs of the subject and immediate surroundings
5. Site improvements (existing/proposed)
6. Commercial component discuss potential tenants
7. Amenities
8. Community / city / state support
9. Green / sustainability Issues
10. Development status (have any permits/approvals been obtained?) discuss general market conditions, competitive properties
11. Environmental issues
12. Potential risks and mitigating factors

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