



FHA 221(d)(4) – New Construction or Substantial Rehabilitation of Apartment Properties

ELIGIBLE PROPERTIES: Proposed new construction or substantial rehabilitation of apartment properties.

In order to qualify as a substantial rehabilitation project either (1) the cost of repairs, replacements and improvements exceeds the greater of 15% of the estimated replacement cost after completion of all repairs, or (2) \$6,500 per unit adjusted by the local FHA high cost percentage; or two or more building systems are being replaced.

Affordable housing projects must (1) have a recorded regulatory agreement in effect for at least 15 years after final endorsement, and (2) meet at least the minimum Low Income Housing Tax Credit restrictions of 20% of units at 50% of the Area Median Income (AMI) or 40% of units at 60% AMI. Mixed income projects may qualify if they meet the above criteria.

LOAN TYPE: Construction and permanent loan.

MAXIMUM LOAN:

New Construction:

Amount equal to the lesser of:

1. Statutory unit mortgage limits adjusted by cost not attributable to dwelling use plus the value of land; or
2. Depending on the rental mix, the following DSCR and LTC ratios:

	DSCR Loan Ratio	
≥90% Rental Assistance	1.11	90%
Affordable	1.15	87%
Market Rate	1.20	83.3%

Substantial Rehabilitation Projects:

Amount equal to the lesser of the criteria above; or

1. The percentage listed above of the sum of the FHA 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.



AMORTIZATION: Construction loan which converts into a 40-year, fully amortizing loan.

PERSONAL RECOURSE: Non-recourse.

ASSUMABILITY: Assumable, subject to Radclift Capital 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 FHA. 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 FHA) 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: A non-refundable fee totaling 0.3% of the requested mortgage amount is payable to FHA, plus estimated underwriting costs for market study, appraisal, architectural/engineering report, cost analysis, environmental assessment and other loan processing costs.

INSPECTION FEE: 0.5% of the mortgage amount (or cost of improvements for Substantial Rehabilitation projects) is payable to FHA at Initial Endorsement.

FINANCING AND PLACEMENT FEES: Negotiable.

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.

FURNITURE, FIXTURE, & EQUIPMENT: Reasonable costs of furniture, fixture and equipment may be included in the mortgageable project costs.

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

1. Forecasted operating deficits, to be released at the later of one year after final endorsement or after 6 months of break-even operations have been achieved, as determined by FHA.
2. 4% 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.

FHA PROCESSING TIME: One or two stages for FHA Multifamily Accelerated Processing (MAP) Procedures:

1. Pre-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.

PRELIMINARY SUBMISSION PACKAGE: Include the following in your request for a loan quote:

1. Property description and location map.
2. Number of units with breakdown of proposed rents by unit type.
3. Pro forma operating budget, including breakdown of other income.
4. Development cost estimate.
5. Acquisition cost of land.
6. Sponsor resume.

This is a summary of general program terms, which are subject to change. This is not a commitment to lend.