



HUD 221(d)(4)

NEW CONSTRUCTION / SUB REHAB & PERMANENT FINANCING

Rose Community Capital (RCC) is a HUD approved Multifamily Accelerated Processing (MAP) lender and can arrange for FHA insured new construction/sub rehab financing under Section 221(d)(4) of the National Housing Act.

MAP new construction/sub rehab underwriting is subject to the type of loan; i.e. market rate vs affordable LIHTC/rental assisted projects.

KEY NOTES

HUD has more favorable loan terms for rental assisted and affordable housing projects. Affordable projects are those that have a Use Agreement that restricts the projects rents and occupancy to income qualifying residents. To be considered a rental assisted property, the property must benefit from a project based rental assistance contract that covers 90% of the units or more. To be considered an affordable project, the Regulatory/Use Agreement must have at least 15 remaining years of restriction post-endorsement of the HUD note and meet at least the minimum Low Income Housing Tax Credit (LIHTC) restrictions of 20% of the units affordable at 50% of Area Median Income (AMI), or 40% of the units affordable at 60% of AMI, with tenant paid rents on those units no greater than LIHTC rents. Mixed Income properties qualify as affordable if the funding restrictions provide a Regulatory/Use Agreement and unit rent and occupancy restrictions meet the LIHTC criteria.

LOAN TYPE

221(d)(4): New Construction/Sub Rehab and Permanent Financing

PROPERTY TYPES

Affordable and market rate multifamily housing

*Does not include student housing or assisted living facilities

COMMERCIAL SPACE & INCOME LIMITS

Up to 25% of total net rentable area and up to 15% of effective gross income

*HUD may require a separate commercial market study

MINIMUM REHAB COSTS

Repairs cost per unit must exceed \$6,500 adjusted for HUD's high cost factor for the locality; or

15% of the "as rehabbed" appraised value

Replacement of at least two (2) major systems

PREVAILING WAGE REQUIREMENTS

Davis Bacon applies to both new construction and sub rehab Occupancy Requirement

Minimum 85% occupancy to qualify

Maximum 93% underwritten occupancy for market rate projects (97% for rental assisted and 95% for affordable)

MAX LOAN AMOUNT

Determined by the lowest of the following:

1. 90% of total eligible development costs for rental assisted projects (87% for affordable and 85% for market rate); or
2. 1.11x DSCR for rental assisted projects (1.15x for affordable and 1.176x for market rate);
3. HUD's statutory mortgage limits for the locality

TERM

Interest Only during construction plus up to 40 year permanent loan term/ amortization



MIP

25 bps for LIHTC and 90% Rental Assisted properties

25 bps for green and energy efficient housing meeting certain independently verified standards

35 bps for inclusionary housing, density bonus set-asides and other local affordability restrictions

65 – 70 bps for market rate properties

One year MIP prepaid at closing

LOAN SECURITY

First lien mortgage

PREPAYMENT

Negotiable (subject to limitations); Shorter lock out terms can affect rate

REPLACEMENT RESERVES

New Construction: Reserves set by RCCi and HUD

LEGAL FEES

Borrower pays Lender's fee and miscellaneous closing cost

BORROWER

Must be a single asset entity

Must present a full REO schedule, along with plan for debt maturing within 5 years

LIMITED PARTNERS/ INVESTORS

Equity Investor acceptable to RCC and Equity Investor pay-in schedule acceptable to HUD; no less than 20% pay-in at closing and pari passu thereafter; exceptions can be made for the cost of acquisition (requires a waiver) boilerplate forms with no modifications

ASSUMPTION

With RCC & HUD approval and payment of \$3,000 processing fee

CLOSING CONDITIONS

HUD boilerplate forms with no modifications and standard industry due diligence

SUBORDINATE FINANCING

Subject to RCC and HUD guidelines

STRUCTURE HIGHLIGHTS

- Non-recourse, fixed rate for both construction and permanent loan periods
- 40 year term/amortization
- More favorable underwriting for affordable and rental assisted projects
- Reduced MIP for affordable and energy efficient properties

NORMAL PROCESSING TIME

Varies by HUD office; 5-8 months depending upon the complexity of the project

ORIGINATION FEE

Negotiable

HUD INSPECTION FEE

50 bps

HUD APPLICATION FEE

Non-refundable fee of 30 bps of the loan amount due to HUD with the firm commitment application; for market rate projects, HUD collects 15 bps of the fee upon submission of the pre-application package

ESCROWS

New Construction: Working Capital Reserve funded at 4% of the loan amount (of which 2% is construction contingency)

Sub Rehab: 2% of the loan amount (a separate working capital escrow is included in the development budget)

PRE-DEV. THIRD PARTY REPORTS

PNA, Market Study, Appraisal, Architect/Cost Review, Environmental Phase 1, Independent CPA "reviewed" financial statements

FUNDING

Ginnie Mae mortgage backed securities

RECOURSE

Non-recourse construction and permanent loan; identified principles required to sign "Bad Boy" carve outs at closing