

HUD insured loans: Section 221D4 | Section 223F

HUD PROGRAM – 221D4

- ▶ APARTMENT
- ▶ NEW CONSTRUCTION
- ▶ SUBSTANTIAL REHABILITATION
 - 40 Year Fixed Rate Loan
 - No Personal Liability
 - Fully Assumable
 - Rate Locked Prior to Construction

Maximum Loan is the Lesser of:

1. 90% Debt Service Mortgage
 - The maximum loan that can be supported by 90% of the projected Net Operating Income
2. 90% Replacement Cost – Defined as the Sum of:
 - Allowable Construction and Soft Cost
 - 10% of Allowable Cost (BSPRA)
 - Land Value
3. FHA per unit Statutory Limit

Non-mortgagable Cost

- ▶ Operating Deficit (LOC or Cash)
- ▶ Offsite or Unusual Site Development Cost (LOC or Cash)
- ▶ 2% Working Capital (LOC or Cash) Contractors Profit if BSPRA is used

Typical Processing Steps

1. Pre-app meeting with FHA
2. “SAMA” Application Submitted – (FHA’s Site Appraisal & Market Analysis) Rents & Land Value Established
3. Firm Application Submitted will include:
 - All Engineering
 - Full Set of Plans and Specs
 - Contractors Construction Cost
 - Credit information on all Sponsors/Mortgagor
 - Verified working capital sufficient to meet all closing obligations including letters of credit

HUD PROGRAM – 223F

- ▶ APARTMENTS
- ▶ ASSISTED LIVING
- ▶ NURSING HOMES
 - 35 Year Term
 - 35 Year Amortization
 - No Personal Liability
 - Fully Assumable

Maximum Loan is the Lesser of:

1. 100% of Allowable Cost
 - Payoff Existing Mortgage
 - Financing Cost
 - Repairs
 - Initial Deposit to Replacement Reserve
2. 85% Debt Service Mortgage – The maximum loan that can be supported by 85% of the projected Net Operating Income
3. 85% of Appraised Value

Non-mortgagable Cost

- ▶ 50% of estimated repairs (LOC or Cash) – Held until repairs are complete.
- ▶ Tax and Insurance Escrow
- ▶ One Month MIP

Typical Processing Steps

1. Pre-app meeting with FHA
2. Firm Application Submitted will include:
 - Appraisal and Engineering Report (Fast Track)
 - Credit and financial information on limited partners with over 25% interest, all general partners and 10% stockholders.
 - Verified working capital sufficient to meet all closing obligations including letters of credit