



TERM SHEET

HUD Section 221(d)(4) Program
Multifamily New Construction or Substantial Rehabilitation Loan

This program is a non-recourse construction loan that rolls into a 40-year, self-amortizing loan. The construction loan is interest only and converts to a permanent loan without performance requirements (i.e.: debt service coverage requirements or lease up). The construction-to-permanent loan is rate locked with a fixed interest rate before construction commences. Profit motivated, nonprofit motivated and public owners are eligible.

Maximum Term

The maximum term is 40 years plus the construction period.

Maximum Loan

	Loan to Cost	DSC
Market-Rate	85%	1.176
Affordable	87%	1.15
Affordable (>90% Section 8)	90%	1.11

Personal Liability/Assumability

Non-recourse with standard carve-outs. Can be assumed subject to FHA approval.

Lockout / Prepayment Structure

Negotiable, but typically closed for two years then open to prepayment at 8% in year three, declining 1% per year until payable at par after the 10th year.

Financing Fee

Negotiable.

Other Considerations

- Davis Bacon wage rates apply.
- Large loan sizes are subject to more conservative underwriting.
- Mortgage Insurance Premium varies based on level of affordability and energy efficiency. MIP rates range from 25 bps-60 bps.
- Working capital escrow is 4% of loan amount.
- Initial operating deficit escrows may be required and can be posted in cash or letter of credit.
- Absorption period used in estimated market demand is 18 months.
- Final plans and specifications required.
- Any offsite construction or demolition costs require separate funding by the borrower.
- GC must provide 100% payment and performance bond and have 5% working capital.
- Cost certification for GC and owner is generally required after construction completion.