

FHA/HUD Section 221(d)(4) & 220

New Construction or Substantial Rehabilitation of Multifamily

Term and Amortization	Up to 35 years, fully amortizing
Commercial Space Limitation	Limited to 25% of net rentable area and 20% of effective gross income
Borrower	Single asset, special purpose entity, either for profit or non-profit

Eligibility

- Market rate, low-to-moderate income and subsidized multifamily properties
- Section 220 is available in urban renewal areas or where local governments are undertaking designated revitalization areas.

For loan amounts up to \$75 million

Property Type	Acquisition Loan to Cost	Refinance Loan to Cost
Broadly Affordable/ Subsidized ¹	90%	1.11x
Affordable ²	87%	1.15x
Market Rate	85%	1.18x

Loan Parameters

For loan amounts \$75 million and above, although HUD may impose more restrictive limits on loan amounts over \$100 million

Property Type	Acquisition Loan to Cost	Refinance Loan to Cost
Broadly Affordable/ Subsidized ¹	87%	1.15x
Affordable ²	80%	1.25x
Market Rate	75%	1.30x

In addition, loan cannot exceed the programmatic per-unit maximum as adjusted by HUD for property location (local cost factor).

For More Information:

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Interest Rate	Single fixed rate for both the construction I-O period and the permanent loan term, determined by market conditions at time of rate lock. Rate lock deposit is 0.5% and refunded at closing.
Underwritten Occupancy	93% for market rate, 95-97% for subsidized and affordable.
Davis Bacon Wages	Payment of prevailing wages, as determined by the Department of Labor, is required for all contractors and subcontractors.
Prepayment and Assumption	Negotiable; 0-1 year lockout, followed by a declining 1% per year penalty, open after year 10; no yield maintenance or defeasance.
Escrows	Prior to construction, reserves for interest, taxes, insurance, working capital (2%-4% of the loan), and initial operating deficit; balances will be released to the borrower after 6 consecutive months of break-even operations. Post construction, taxes, insurance and mortgage insurance premium will be escrowed monthly and a capital needs reserve maintained with monthly deposits in accordance with HUD guidelines on a property-specific basis (minimum \$250/unit/year).
Mortgage Insurance Premium	0.65% annually (0.70% for urban renewal projects under Section 220, 0.25%-0.35% for qualifying affordable properties, and 0.25% for Green certified properties); amount due during construction term paid up front at closing.
HUD Application Fee	0.15% of estimated loan amount due with submission of initial application, plus 0.15% due with final application (entire 0.30% due with final application for affordable and subsidized properties). HUD Application Fee is reduced to 0.20% total for qualified opportunity zone properties (and 0.10% for Broadly Affordable).
Third Party Reports	Appraisal, Market Study, Environmental, plus a review of the final construction and architectural documents by a HUD-approved third party contractor.
Timing	Varies by transaction; typically 12 months from due diligence to closing.

¹ At least 90% of the units covered by a project-based Section 8 contract or LIHTC.

² Regulatory Agreement with a minimum set-aside (e.g., 40% of units at 60% AMI, or 20% of units at 50% AMI) in effect for at least 15 years after the new loan closes.

³ The greater of (a) this % of the value of (b) 100% of the "Cost to Refinance", which includes satisfaction of existing debt (including penalties), any needed repairs, an initial deposit to capital needs reserve, due diligence and closing costs.