



Multifamily

Section 221(d)(4) New Construction and Substantial Rehabilitation

Term	40 years, fully amortizing (plus interest-only period during construction)
Interest Rate	Locked before closing and fixed for construction period and full 40-year term
Assumable	Fully assumable
Recourse	Non-recourse
Prepayment	Customizable 10-year step-down (typically 10% Year 1, then 9%, 8%, etc.)
Third-party Reports	Market Study, Appraisal, Phase I Environmental, and Architectural & Cost Review
Time to Close	Approximately 8 to 12 months
Construction Wages	Local prevailing wages must be paid under the Davis-Bacon Act
Minimum Scope for Substantial Rehabilitation	Approximately \$52,000 per unit

For loan amounts below \$125MM:

Multifamily Project Type	Maximum LTC Ratio	Minimum DSC Ratio	Mortgage Insurance Premium
Section 8*	90%	1.11	0.25%
Affordable**	87%	1.15	0.35% / 0.25%
Market Rate / Green	85%	1.176	0.65% / 0.25%

For loan amounts at or above \$125MM:

Section 8*	87%	1.15	0.25%
Affordable**	80%	1.25	0.35% / 0.25%
Market Rate / Green	75%	1.30	0.65% / 0.25%

* Requires at least a 15-year project-based Section 8 HAP contract on 90% of the units.

** Rent and income restrictions must be imposed, monitored, and enforced by a governmental agency for at least 15 years after Final Endorsement; there must be a recorded Regulatory Agreement requiring the project to meet the minimum LIHTC restrictions of 20% of units at 50% of area median income (AMI), or 40% of units at 60% of AMI, with economic rents (i.e., the portion paid by the residents) on those units no greater than LIHTC rents; and achievable tax credit rents must be at least 10% below market rents.

Important to note:

- HUD’s Builder and Sponsor’s Profit and Risk Allowance (BSPRA) may allow for even higher effective LTCR
- Value of land already owned is included in eligible costs
- Commercial space must not exceed 25% of total net rentable area or 15-30% of effective gross income
- HUD application fee is 0.30% of loan amount (0.15% due at pre-application and 0.15% at firm application)
- Escrows required for initial operating deficit, working capital, taxes, insurance, HUD mortgage insurance premium, and replacement reserves

