

For more information,  
please contact your  
Hunt Real Estate Capital  
representative.

## HUD PROGRAM – 221(D)(4)

Eligible properties containing 5 or more rental units with no more than 10% of the total gross floor space dedicated to commercial use (20% for sub-rehab).

### APARTMENT ■ NEW CONSTRUCTION ■ SUBSTANTIAL REHABILITATION

- 40-year fixed term or up to 75% of building's remaining economic life
- Non-recourse loan
- Assumable if approved by HUD and lender
- Rate locked prior to construction
- **Maximum loan is the lesser of**
  - Replacement cost multiplied by
    - 90% for projects with 90% or greater rental assistance
    - 87% for affordable housing transactions
    - 85% for market rate projects
    - Land value (new construction) or "as is" value of the property (sub rehab) are included in replacement costs
  - Debt Service Coverage
    - 1.11 or 90% of NOI for projects with 90% or greater rental assistance
    - 1.15 or 87% of NOI for affordable housing transactions
    - 1.176 or 85% of NOI for market rate projects
- **Non-mortgageable Costs**
  - Operating deficit escrow (LOC or cash)
  - Offsite or unusual site development cost (LOC or cash)
  - 4% working capital escrow (LOC or cash), half of which is a construction contingency to cover cost overruns and approved change orders
- **Typical Processing Steps**
  - Concept meeting with HUD
  - Pre-application submitted – will include:
    - Appraisal (land value established) and market study
    - Preliminary sketch plans
    - Phase I
  - Firm Application submitted – will include:
    - A&E and cost reports
    - Final appraisal
    - Full set of plans and specs
    - Contractors construction cost (wage requirements under the Davis-Bacon Act)
    - Financials/credit information on sponsor and contractor
    - Verified working capital sufficient to meet all closing requirements
    - Verification of utility availability and zoning
    - Management documents
    - Site control
- **HUD Application Fees**
  - \$3 per thousand of requested mortgage amount (1/2 due at pre-application; the balance at firm submission)

## HUD PROGRAM – 221(D)(4) - CONTINUED

- **HUD Inspection Fees**
  - \$5 per thousand of mortgage amount for new construction and \$5 per thousand of improvement costs for sub-rehab
- **Mortgage Insurance Premium**
  - HUD construction and annual MIP are based on a percentage of the mortgage amount. The initial premium of 0.25% for affordable and 0.65% for market rate is payable in advance at initial endorsement/loan closing with 0.65% annually thereafter escrowed monthly for market rate and 0.25% for affordable.
- **Green Building Standards/Energy Efficiency**
  - If a property will meet these standards, the MIP rate can be reduced to 0.25%
- **Additional Requirements**
  - Project must comply with the specified HUD, state and local standards
  - Cost certification is required prior to final endorsement
  - Loans in excess of \$40 million will be subject to additional underwriting criteria.
- **Excess Land Value Proceeds**
  - Any excess land value proceeds are payable upon stabilization (6 months at breakeven occupancy)