



Multifamily Rental Housing

NEW CONSTRUCTION OR SUBSTANTIAL REHABILITATION FHA Section 220

ELIGIBLE PROPERTY TYPES

New construction and substantial renovation of mixed-use housing projects located in urban renewal areas or Opportunity Zones

ELIGIBLE BORROWERS

Single asset entities (*i.e. Individuals, limited liability companies, partnerships, trusts, private corporations, non-profit corporations, public bodies and cooperatives*)

MAXIMUM LOAN AMOUNT

New Construction*

The lesser of:

- 1.176x Debt Service Coverage for market rate properties; 1.11 – 1.15x for qualified affordable properties
- 85% (market rate properties) or 87%-90% (affordable properties) of estimated replacement cost of the project, including land at market value and a 10% builder/developer credit for profit
- FHA's statutory per unit mortgage limits

Substantial Rehabilitation*

The lesser of:

- 1.176x Debt Service Coverage for market rate properties; 1.11 – 1.15x for qualified affordable properties
- 85% (market rate properties) or 87%-90% (affordable properties) of the estimated eligible rehabilitation costs, including a 10% builder developer credit and the project's as-is market value prior to rehabilitation
- FHA's statutory per unit mortgage limits

****Commercial Space is allowable up to 25% of Total Net Rentable Area and maximum of 30% of Effective Gross Income***

GENERAL LOAN TERMS

- Up to 40 year loan term plus construction period, fully amortizing
- Fixed interest rate for the term of the loan
- Typically a one or two-year lockout with a declining penalty through year 10 (negotiable); no yield maintenance
- Loan is non-recourse and assumable



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- Secondary financing repayable from surplus cash is allowed within limits
- Program can be used as credit enhancement for bond financing

ESCROWS – CASH OR LETTER OF CREDIT

WORKING CAPITAL: 4% of mortgage amount

- 2%: Uses include initial marketing and rent-up, operating deficits in first operating year, shorts falls in taxes, interest, insurance and MIP.

Subject to HUD approval, the Lender may release any unused balance in the working capital portion of the escrow to the Borrower if the project is not in default and when the operations of the project have demonstrated to the Regional Production Director's satisfaction that the project has achieved six (6) consecutive months of sustaining occupancy.

- 2%: New construction contingency used to fund necessary change orders.

Unused balance to be release at final endorsement subject to HUD approval.

INITIAL OPERATING DEFICIT

- Loans under \$25,000,000: The greater of 3% of mortgage or 4 months debt service if project is a garden apartment or 6 months debt service if property is an elevator where one CO will be issued.
- Loans \$25,000,000-\$75,000,000: 9 months debt service
- Loans over \$75,000,000: 12 months debt service

Unused balance will be released upon the Lender's request when the project has demonstrated to the Regional Production Director's satisfaction that the project has achieved six consecutive months of sustaining occupancy.