Multifamily Rental Housing

NEW CONSTRUCTION OR SUBSTANTIAL REHABILITATION

FHA Section 221(d)(4)

Highland Commercial Mortgage is a HUD MAP approved lender and is a national leader offering underwriting, loan origination and servicing for affordable multifamily mortgages and assisted living facilities. Our team is recognized nationally for its work with HUD 221(d)(4) new construction and substantial rehabilitation projects, HUD 223(f) refinance, HUD 223(a)(7) refinance of existing HUD insured properties, and LIHT projects utilizing Tax Exempt Bond Financing. Highland works closely with developers, non-profit housing organizations, and large property managers across the United States. The Highland team has also developed long-standing and strategic relationships within FHA and has a deep and thorough understanding of FHA/HUD underwriting guidelines.

For additional information contact:

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ELIGIBLE PROPERTY TYPES:

New construction and substantial renovation of Market Rate and/or Affordable multifamily rental properties

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

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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
- Non-profit mortgagors are eligible for up to 95% of costs and a debt service loan of 1.11x under the FHA 221(d)(3) program

***Commercial Space is allowable up to 25% of Total Net Rentable Area and maximum of 15% 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
- 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 contingence 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.

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