



Multifamily Rental Housing

NEW CONSTRUCTION OR SUBSTANTIAL REHABILITATION

FHA Section 231-Affordable

ELIGIBLE PROPERTY TYPES

New construction and substantial renovation of Broadly Affordable or Affordable (as defined below) senior housing projects with eight (8) or more units; all persons living in a unit must be 62 years and older

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:

- 1.11x Debt Service Coverage for Broadly Affordable properties; 1.15x for Affordable properties
- 90% (Broadly Affordable) or 87% (Affordable) 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:

- 1.11x Debt Service Coverage for Broadly Affordable properties; 1.15x for Affordable properties
- 90% (Broadly Affordable) or 87% (Affordable) of the "as rehabilitated" value
- FHA's statutory per unit mortgage limits

***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



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PROPERTY TYPES

Broadly Affordable – Property must have Section 8 assistance or another recorded affordability restriction, and/or Low Income Housing Tax Credits with at least 90% of its units covered by a Section 8 Project Based Rental Assistance (PBRA) contract or other federal rental assistance program contract serving very low income residents, with a remaining term of at least 15 years; or at least 90% of its units covered by an affordability use restriction under the Low Income Housing Tax Credit (“LIHTC”) program or similar state or locally sponsored program and with a recorded regulatory agreement in effect for at least 15 years after final endorsement and monitored by a public entity.

Affordable – Property must provide a set-aside of affordable units as defined below, and agree to accept voucher holders with the project having between 10% and 90% of units covered by a Section 8 PBRA contract or other state or federal rental assistance program contract serving very low income residents, with a remaining term of at

least 15 years; or between 10% and 90% of its units covered by an affordability use restriction under the LIHTC program or similar state or locally sponsored program with a recorded regulatory agreement in effect for at least 15 years after final endorsement and monitored by a public entity.

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.



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- 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.