HIGHLAND COMMERCIAL MORTGAGE

New Construction or Substantial Rehabilitation FHA Section 221(d)(4)

Eligible Properties	New construction and substantial rehabilitation of market rate and/or affordable multifamily rental properties
Commercial Space	Limited to 25% of net rentable area and 15% of underwritten effective gross income (up to 30% of underwritten EGI permitted in urban renewal areas under section 220)
Eligible Borrowers	Single-asset entity; either for-profit or not-for-profit

Programatic Underwriting Parameters for loans < $130,000,000

Property Type	Loan to Cost	Minimum Debt Service Coverage	Statutory Limits
Subsidized/Affordable	**90%**	**1.11x**	**Per unit limits adjusted by high cost factor**
Middle Income	**90%**	**1.11x**	
Market-Rate	**87%**	**1.15x**	

Loan Term & Amortization	Interest only during construction, followed by 40 year, fully-amortizing permanent loan
Interest Rate	Interest rate is fixed for the construction to permanent loan; the loan is interest only during construction period and automatically converts to the permanent loan upon completion of construction
Prepayment	Locked to prepayment during the construction period; permanent loan is open to prepayment with a sliding scale penalty through year 10 after which the loan may be prepaid without penalty
Recourse	Loan is non-recourse and assumable
Secondary Financing	Secondary financing is allowable within the programmatic limits - the maximum cumulative loan to cost allowance is dependent on the funding source (private vs public)
Application Fees	HUD Exam Fee of 0.30%; application fee is reduced to 0.20% for Opportunity Zone Market-Rate, and 0.10% for Opportunity Zone Affordable
Third Party Reports	Appraisal, Market Study, Environmental, Radon and Architectural & Engineering Cost Review
Escrows	Typical escrows required include Initial Operating Deficit and Working Capital; escrows can be funded through cash or letters of credit
Prevailing Wage	Payment of Davis Bacon Prevailing Wages, as determined by the Department of Labor, is required for all contractors and subcontractors
Experience	Sponsors and development team, General Contractor, Architect, Management Agent should have relevant “like kind” experience; HUD experience preferred
MIP	Mortgage Insurance Premium is payable to HUD annualy throughout the life of the loan

If this programmatic overview is something that fits your needs, interests you, or that you would like to learn further detail on, please reach out to us at info@hcmd4.com. Additional program sheets and terms are available upon request.