

ROCKPORT MORTGAGE

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TERM SHEET

HUD Section 221(d)(4) Loan Program

Multifamily New Construction or Substantial Rehabilitation Loan Program

This loan program provides a non-recourse, interest only construction loan that converts to a 40-year fully amortizing permanent loan without performance requirements (i.e. debt service coverage or lease-up requirements). The construction-to-permanent loan is rate-locked with a fixed interest rate before construction.

Maximum Term

The maximum term is 40 years plus the construction period.

Maximum Loan (with the exception of Large Loans*)

	Loan-to-Cost	DSC
Market-Rate	87%	1.15
Affordable	90%	1.11
Broadly Affordable (90% or more Section 8)	90%	1.11

Personal Liability / Assumability

Non-recourse with standard carve-outs. Can be assumed subject to FHA approval.

Lockout / Prepayment Structure

Negotiable, but typically 10% in year 1**, declining 1% per annum thereafter, until payable at par after the 10th year.

Other Considerations.

- Davis-Bacon / prevailing wage rates apply.
- Mortgage Insurance Premium (MIP) varies on level of affordability and energy efficiency. MIP rates range from 25 bps to 65 bps.
- Working capital escrow is 4% of the loan amount for new construction without LIHTC and 2% for new construction with LIHTC and substantial rehabilitation.
- Initial operating deficit escrows are required for substantial rehabilitation in cases where the projected NOI during lease-up is not sufficient to meet the new debt service.
- GC must provide 100% payment and performance bond and have 5% working capital.

*The threshold defining a Large Loan is a loan amount of \$120 million and greater. HUD has provided specific underwriting guidelines for Large Loans. Please contact Rockport Mortgage for specific terms and guidelines.

**Year 1 is considered the first year following final endorsement and is not during the construction period.

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