



TERM SHEET

**HUD Section 221(d)(4) Program
Multifamily New Construction or Substantial Rehabilitation Loan**

This 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 commences.

Maximum Term

The maximum term is 40 years plus the construction period.

Maximum Loan

	Loan to Cost	DSC
Market-Rate	85%	1.176
Affordable	87%	1.15
Broadly Affordable (>90% Section 8 or >90% LIHTC)	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, payable at par after the 10th year.

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

Other Considerations

- Davis Bacon/prevaling wage rates apply.
- Mortgage Insurance Premium varies based on level of affordability and energy efficiency. MIP rates range from 25 bps to 65 bps.
- Working capital escrow is 4% of loan amount for new construction without LIHTC and 2% for new construction with LIHTC and substantial rehabilitation.
- Initial operating deficit escrows are required for new construction and may be required for substantial rehabilitation. The amount is lesser of 3% of the mortgage amount or 4-6 months of debt service (incl. MIP) and can be posted in cash or letter of credit.
- GC must provide 100% payment and performance bond and have 5% working capital.