

# MULTIFAMILY HOUSING NEW CONSTRUCTION / SUBSTANTIAL REHABILITATION

## FHA MORTGAGE INSURANCE SECTION 221(d)(4)

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**Eligible Properties** Market-rate, affordable, and rent-assisted multifamily housing properties. To qualify for substantial rehabilitation the cost of repairs and/or alterations must exceed \$15,000 per unit adjusted for the HUD High Cost Factor or replaces two or more building systems

**Interest Rate** Fixed rate for both construction and permanent terms; determined by market conditions

**Borrower** For-profit or not-for-profit single asset entity

**Personal Liability** Non-recourse subject to standard carve-outs

**Maximum Loan**

<i>Property Type</i>	<i>Max Loan to Cost</i>	<i>Min Debt Service</i>
Subsidized <sup>1</sup>	90%	1.11x
Affordable <sup>2</sup>	87%	1.15x
Market Rate	85%	1.18x

<sup>1</sup> At least 90% of units supported by a project-based rental assistance contract

<sup>2</sup> Regulatory agreement that at least meets the minimum Low-Income Housing Tax Credit restrictions of 40% of units at 60% AMI or 20% of units at 50% AMI in effect for at least 15 years

**Term** Maximum term of 40 years plus construction period

**Commercial Space** Limited to 25% of net rental area and 15% of effective gross income

**Prepayment and Assumption** Flexible. Best execution typically has a combination of lockout and prepayment penalty for 10 years; fully assumable subject to HUD approval

**Mortgage Insurance Premium** 0.25% to 0.65% due at closing for each 12 month period of construction; 0.25% to 0.65% annually thereafter

**Fees** *HUD Application:* 0.30% of requested loan amount or associated costs  
*HUD Inspection:* 0.50% of loan amount or total for all improvements

**Reserve Accounts** *Initial Operating Deficit Reserve:* 4 to 12 months of amortizing debt service depending on deal  
*Replacement Reserves:* minimum \$250 per unit per year or as determined by a Project Capital Needs Assessment (PCNA)  
*Working Capital Deposit:* 2-4% of mortgage amount

**Labor Standards** Davis-Bacon prevailing wage rate requirements apply

# REFINANCE OF AN EXISTING FHA MULTIFAMILY INSURED LOAN

## FHA MORTGAGE INSURANCE SECTION 223(a)(7)

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<b>Eligible Properties</b>	Only properties with existing FHA multifamily insured loans
<b>Interest Rate</b>	Fixed rate; determined by market conditions
<b>Borrower</b>	For-profit or not-for-profit single asset entity
<b>Personal Liability</b>	Non-recourse subject to standard carve-outs
<b>Maximum Loan</b>	The lesser of: (1) the original principal balance, (2) existing indebtedness plus transaction costs (3) 1.05x-1.11x debt service coverage depending on deal
<b>Term and Amortization</b>	Maximum of 12 years beyond in-place financing term; fully amortizing
<b>Prepayment and Assumption</b>	Flexible; best execution typically has a combination of lockout and prepayment penalty for 10 years; fully assumable subject to HUD approval
<b>Mortgage Insurance Premium</b>	0.25% to 0.50% due at closing and 0.25% to 0.50% annually thereafter
<b>HUD Application Fee</b>	0.15% of requested loan amount due with submission of application
<b>Replacement Reserves</b>	Minimum \$250 per unit per year or as identified by a Project Capital Needs Assessment (PCNA). Existing Reserve for Replacements will be transferred and loan proceeds may be used for additional deposits
<b>Third Party Reports</b>	PCNA is required unless completed within the last five years
<b>Timeline</b>	Firm commitment issued 30 calendar days after HUD's receipt of complete application. Closing one-month thereafter.

# ACQUISITION AND REFINANCING OF MULTIFAMILY PROPERTIES

## FHA MORTGAGE INSURANCE SECTION 223(f)

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**Eligible Properties** Market-rate, affordable, and rent-assisted multifamily housing that are at least three years old and have physical occupancy of at least 85%. Independent living for seniors may qualify

**Interest Rate** Fixed rate; determined by market conditions

**Borrower** For-profit or not-for-profit single asset entity

**Personal Liability** Non-recourse subject to standard carve-outs

**Maximum Loan**

<i>Property Type</i>	<i>Max Loan to Value</i>	<i>Min Debt Service</i>
Subsidized <sup>1</sup>	90%	1.11x
Affordable <sup>2</sup>	87%	1.15x
Market Rate	85%	1.18x

<sup>1</sup> At least 90% of units supported by a project-based rental assistance contract

<sup>2</sup> Regulatory agreement that at least meets the minimum Low-Income Housing Tax Credit restrictions of 40% of units at 60% AMI or 20% of units at 50% AMI in effect for at least 15 years

**Term and Amortization** Maximum term of 35 years but no less than 10 years; fully amortizing

**Commercial Space** Limited to 25% of net rental area and 20% of effective gross income

**Prepayment and Assumption** Flexible; best execution typically has a combination of lockout and prepayment penalty for ten years; loan is fully assumable subject to HUD approval

**Replacement Reserves** Minimum \$250 per unit per year or as identified by a Project Capital Needs Assessment (PCNA). Initial deposit will be required at closing

**Mortgage Insurance Premium** 0.25% to 1.00% due at closing and 0.25% to 0.60% annually thereafter

**HUD Application Fee** 0.30% of requested loan amount

**HUD Inspection Fee** Dependent on repairs/improvements cost; minimum of \$1,000

**Third Party Reports** Appraisal, Phase I and PCNA are required; Market study may be required

**Timeline** Deal dependent; typically 4-5 months after submission of firm application

# SENIOR LIVING NEW CONSTRUCTION / SUBSTANTIAL REHABILITATION

## FHA MORTGAGE INSURANCE SECTION 232

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<b>Eligible Properties</b>	Nursing homes, board and care homes, assisted living and intermediate care facilities that have a maximum of 25% independent living units. To qualify for substantial rehabilitation, the hard costs of repairs must exceed 15% of the project's value after completion or substantially replace (at least 50%) two or more major building components
<b>Interest Rate</b>	Fixed rate for both construction and permanent terms; determined by market conditions
<b>Borrower</b>	For-profit or not-for-profit single asset entity
<b>Personal Liability</b>	Non-recourse subject to standard carve-outs
<b>Maximum Loan</b>	<i>New Construction:</i> Up to 90% of the replacement cost provided it satisfies property specific Loan-to-Value (LTV) and Debt Service Coverage (DSC) constraints  <i>Substantial Rehabilitation:</i> Up to 95% of "as-is" market value plus 100% of rehabilitation costs provided it satisfies property specific LTV and DSC constraints
<b>Term</b>	Maximum term of 40 years plus construction period
<b>Commercial Space</b>	Limited to 10% of gross rental area and 15% of effective gross income
<b>Prepayment and Assumption</b>	Flexible. Best execution typically has a combination of lockout and prepayment penalty for 10 years; fully assumable subject to HUD approval
<b>Mortgage Insurance Premium</b>	0.45% to 0.77% due at closing for each 12 month period of construction; 0.45% to 0.77% annually thereafter
<b>Fees</b>	<i>HUD Application:</i> 0.30% of requested loan amount <i>HUD Inspection:</i> 0.50% of loan amount or improvement costs
<b>Reserve Accounts</b>	<i>Initial Operating Deficit Reserve:</i> determined by HUD analysis <i>Replacement Reserves:</i> as determined by a 15-year Project Capital Needs Assessment (PCNA) <i>Working Capital Escrow :</i> 4% of mortgage amount
<b>Labor Standards</b>	Davis-Bacon prevailing wage rate requirements apply

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# REFINANCE OF AN EXISTING FHA SENIOR LIVING / HEALTHCARE INSURED LOAN

## FHA SECTION 232/223(a)(7)

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<b>Eligible Properties</b>	Only properties with existing FHA insured loans pursuant to Section 232
<b>Interest Rate</b>	Fixed rate; determined by market conditions
<b>Borrower</b>	For-profit or not-for-profit single asset entity
<b>Personal Liability</b>	Non-recourse subject to standard carve-outs
<b>Maximum Loan</b>	The lesser of: (1) the original principal balance, (2) existing indebtedness plus transaction costs (3) 1.11x debt service coverage
<b>Term</b>	The lesser of: (1) the original loan term and (2) 12 years greater than the remaining term of the existing loan;
<b>Amortization</b>	Fully Amortizing
<b>Prepayment and Assumption</b>	Flexible; best execution typically has a combination of lockout and prepayment penalty for ten years; loan is fully assumable subject to HUD approval
<b>Replacement Reserves</b>	As identified by a Project Capital Needs Assessment (PCNA). Initial deposit will be required at closing
<b>Mortgage Insurance Premium</b>	0.50% due at closing and 0.45% to 0.55% annually thereafter
<b>HUD Application Fee</b>	0.15% of requested loan amount
<b>Third Party Reports</b>	Appraisal is required; Phase I and PCNA are may be required
<b>Timeline</b>	Deal dependent; typically three months

# ACQUISITION AND REFINANCING OF SENIOR LIVING FACILITIES

## FHA SECTION 232/223(f)

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<b>Eligible Properties</b>	Licensed nursing homes, board and care homes assisted living and intermediate care facilities. Facilities must be completed at least three years ago
<b>Interest Rate</b>	Fixed rate; determined by market conditions
<b>Borrower</b>	For-profit or not-for-profit single asset entity
<b>Personal Liability</b>	Non-recourse subject to standard carve-outs
<b>Maximum Loan</b>	Acquisition financing is eligible for up to 90% of the purchase price while refinance of an existing project is eligible for up to 85% of the appraised value. Both require at least a 1.45x debt service coverage ratio
<b>Term and Amortization</b>	Maximum term of 35 years; fully amortizing
<b>Commercial Space</b>	Limited to 20% of gross rental area and 20% of effective gross income
<b>Prepayment and Assumption</b>	Flexible; best execution typically has a combination of lockout and prepayment penalty for ten years; loan is fully assumable subject to HUD approval
<b>Replacement Reserves</b>	As identified by a Project Capital Needs Assessment (PCNA). Initial deposit will be required at closing
<b>Mortgage Insurance Premium</b>	1.00% due at closing and 0.45% to 0.65% annually thereafter
<b>HUD Application Fee</b>	0.30% of requested loan amount
<b>HUD Inspection Fee</b>	Generally, \$30 per underwritten bed or 1% of total cost of critical, non-critical and borrower proposed repairs
<b>Third Party Reports</b>	Appraisal, Phase I and PCNA are required; Market study may be required
<b>Timeline</b>	Deal dependent; typically 3-4 months

# SUPPLEMENTAL LOANS FOR RESIDENTIAL HEALTHCARE FACILITIES

## FHA MORTGAGE INSURANCE SECTION 241(a)

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<b>Eligible Properties</b>	Projects with a HUD-insured Section 232 loan that require repairs, finance improvements, additional units/beds or financing for furniture and major equipment
<b>Interest Rate</b>	Fixed rate; determined by market conditions
<b>Borrower</b>	For-profit or not-for-profit single asset entity
<b>Personal Liability</b>	Non-recourse subject to standard carve-outs
<b>Maximum Loan</b>	The lesser of: <ul style="list-style-type: none"><li>(1) 90% of the HUD-estimated value of improvements, additions or equipment</li><li>(2) Maximum statutory limits in combination with first mortgage</li><li>(3) 1.11x debt service coverage combined with first mortgage</li></ul>
<b>Term</b>	Generally, co-terminous with FHA-insured first mortgage unless otherwise approved by HUD
<b>Labor Standards</b>	Davis-Bacon prevailing wage rate requirements apply unless underlying first mortgage was not subject to Davis-Bacon
<b>Prepayment and Assumption</b>	Flexible; best execution typically has a combination of lockout and prepayment penalty for ten years; fully assumable subject to HUD approval
<b>Reserves</b>	Based on previous mortgage
<b>Mortgage Insurance Premium</b>	Based on HUD-insured first mortgage
<b>HUD Application Fee</b>	0.30% of requested loan amount
<b>HUD Inspection Fee</b>	0.50% of total for all improvements
<b>Third Party Reports</b>	Appraisal, Phase I and PCNA are required
<b>Timeline</b>	Deal dependent; typically 4-5 months after engagement

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# SUPPLEMENTAL LOANS FOR MULTIFAMILY PROPERTIES

## FHA MORTGAGE INSURANCE SECTION 241(a)

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<b>Eligible Properties</b>	Projects with a HUD-insured first mortgage that require repairs, substantial rehabilitation or additional units.
<b>Interest Rate</b>	Fixed rate; determined by market conditions
<b>Borrower</b>	For-profit or not-for-profit single asset entity
<b>Personal Liability</b>	Non-recourse subject to standard carve-outs
<b>Maximum Loan</b>	The lesser of: <ul style="list-style-type: none"><li>(1) 90% of the HUD-estimated value of improvements, additions or equipment</li><li>(2) Maximum statutory limits in combination with first mortgage</li><li>(3) 1.11x debt service coverage combined with first mortgage</li></ul>
<b>Term</b>	Generally, co-terminous with FHA-insured first mortgage unless first mortgage has less than 25 years remaining. In this case, HUD will consider amortization period up to 40 years
<b>Labor Standards</b>	Davis-Bacon prevailing wage rate requirements apply unless underlying first mortgage was not subject to Davis-Bacon
<b>Prepayment and Assumption</b>	Flexible; best execution typically has a combination of lockout and prepayment penalty for ten years; fully assumable subject to HUD approval
<b>Reserves</b>	Based on previous mortgage
<b>Mortgage Insurance Premium</b>	0.25% to 0.95% due at closing and 0.25% to 0.95% annually thereafter
<b>HUD Application Fee</b>	0.30% of requested loan amount
<b>HUD Inspection Fee</b>	0.50% of total for all improvements
<b>Third Party Reports</b>	Appraisal, Phase I and PCNA are required
<b>Timeline</b>	Deal dependent; typically 4-5 months after engagement

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# CONSTRUCTION, REHABILITATION, ACQUISITION & REFINANCE OF HOSPITALS

## FHA MORTGAGE INSURANCE SECTION 242

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<b>Eligible Properties</b>	New or existing hospitals where no more than 50% of the total patient days are assignable to categories of chronic convalescent and rest, drug and alcoholic, epileptic, mentally deficient, mental, nervous and mental, and tuberculosis. Exceptions apply to Critical Access Hospitals
<b>Interest Rate</b>	Fixed rate; determined by market conditions
<b>Eligible Borrowers</b>	Public entities, private non-profit corporations or for-profit entities
<b>Personal Liability</b>	Non-recourse subject to standard carve-outs
<b>Maximum Loan</b>	90% of replacement cost of the hospital including equipment to be used in its operation. Loans on existing hospitals must have an average debt service coverage ratio of at least 1.25x in the three most recent audited annual financials and have an operating margin greater than zero.
<b>Term and Amortization</b>	Maximum term of 25 years following any construction; fully amortizing
<b>Prepayment Structure</b>	Flexible; best execution typically has at least ten years of hard lockout but other combinations of lockout and prepayment penalty are allowed
<b>Labor Standards</b>	Davis-Bacon prevailing wage rate requirements apply to construction and substantial rehabilitation projects
<b>Mortgage Insurance Premium</b>	<i>Construction &amp; Substantial Rehabilitation:</i> 0.70% due at closing for each 12 month period of construction and 0.70% annually thereafter <i>Refinance &amp; Acquisition:</i> 0.50% to 1.00% due at closing and 0.55% to 0.65% annually thereafter
<b>Fees and Expenses</b>	<i>HUD Application Fee:</i> 0.15% of requested loan amount <i>HUD Commitment Fee:</i> 0.15% of requested loan amount <i>HUD Inspection Fee:</i> Not to exceed 0.5% of requested loan amount
<b>Third Party Reports</b>	Appraisal, Phase I and Study of Market Need and Financial Feasibility
<b>Other Requirements</b>	Borrower will be required to make contributions to a Mortgage Reserve Fund (MRF). At five years following commencement of amortization, the MRF must contain one year of debt service; increasing to two years by the tenth year following commencement of amortization

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