FHA SECTION 221(d)(4)

CPC is a MAP-approved lender. The 221(d)(4) product is a fixed-rate construction and 40-year permanent loan covering the substantial rehabilitation or new construction of a multifamily property.

ELIGIBLE PROPERTIES

The 221(d)(4) (for profit) program provides loans for the construction or substantial rehabilitation of detached, semidetached, row, walkup, or elevator-type rental or cooperative housing containing 5 or more units. Independent living facilities may qualify as long as all services are optional and fees from services and meals are not included in underwritten rents.

- The program is available for market rate rental housing or for properties accepting rental assistance, either tenant based or project based.
- Commercial space permitted up to 25% of NET rentable square feet and a maximum of 15% of gross rental income.

LOAN TERMS

Minimum Loan Size

$2,000,000 - smaller loans considered on a deal by deal basis.

Statutory Mortgage Limits

The (d)(4)program has statutory mortgage limits which vary according to the size of the unit, the type of structure, and the location of the project.

Prevailing Wage

Contractors for new construction and substantial rehabilitation projects must comply with prevailing wage standards under the Davis-Bacon Act.

Insured Mortgage Amount

Maximum loan amount will be the lesser of:

1. A total percentage of eligible development cost, including as is value of land for new construction and as is value of property for substantial rehabilitation, as follows:

   85% for market rate transactions
   87% for affordable transactions
   90% for projects with 90% or greater rental assistance

2. FHA mortgage statutory per unit limits adjusted for local high cost factor
3. An amount that achieves a minimum debt service coverage, as follows:

   1.17 DSC for market rate properties
   1.15 DSC for affordable transactions
   1.11 DSC for projects with 90% or greater rental assistance

   Cost of offsite improvements, FF&E, marketing, construction contingency and operating deficit reserve excluded from loan amount. FF&E cost are included in the loan amount.

Substantial Renovation

Cost of improvements must exceed:

1. $15,000 per unit (adjusted for local high cost factor);
2. 15% of the “as rehabbed” appraised value.

Replacement of 2 or more major building systems is required.

Contact your local Mortgage Officer to see how we can tailor a loan to meet your needs.

Community Preservation Corporation

Eligible Locations	Northeast Region and others on case by case basis.
Fixed Rate Term	Actual construction period plus 40 years (fully amortizing with interest only payable during construction period).
Minimum DSCR	1.17 for market rate properties 1.15 for affordable properties. 1.11 for project based rental assistance properties.
Minimum Occupancy	Underwritten to a maximum of 93% occupancy. Underwritten to a maximum of 97% occupancy for 90% Section 8 units. Underwritten to a maximum of 85% occupancy for broadly affordable.
Prepayment Penalty	Negotiable - typically a two-year lock out followed by a step down premium (e.g. 8,7,6,5,4,3,2,1)
Guarantees	Non-recourse for most loans subject to standard carve-outs.
Assumable	Yes, subject to lender approval.
Escrows	1. Replacement reserves required in accordance with HUD guidelines; 2. Taxes and Insurance escrowed monthly (post construction) 3. Working Capital Reserve equal to 2% of the loan amount for sub-rehab (post in cashor LOC) 4. Operating Deficit Reserve equal to 3% of loan amount, or greater as determined by HUD at commitment (post in cash or LOC)
Mortgage Insurance Premium	Payable at Closing in an amount equal to 0.60% of the loan amount for each year of construction. MIP between 0.35% and 0.25% for affordable or Green Certified properties.
Fees and Expenses	1. HUD application fee of 15 basis points due with submission of preapplicaiton and 15 basis points due with submission of firm application; 2. FHA Mortgage Insurance Premium due at closing 3. Lender Financing and Placement fee up to 3.5% payable at closing 4. Actual cost of Third Party Reports
Third Party Reports	Appraisal, Market Study, Phase I, Construction Cost Review, and Plans and Specs Review are required.
Sponsor Requirements	Experienced owner operators. Minimum credit and financial capacity requirements.
Application Process	**Step 1 Concept Stage** The first step of the process (Pre-Application) is to complete an initial due diligence package to be submitted to HUD. **Step 2 Pre-Application Stage** HUD reviews the Pre-Application package and will either invite the lender to apply for a Firm Commitment for mortgage insurance, or decline to consider the application further. If HUD determines that the Pre-Application package meets its minimum underwriting and eligibility requirements, a full underwriting package is completed and submitted along with the Firm Commitment application to the local Multifamily Hub or Program Center for review. **Step 3 Firm Application Stage** The application package is reviewed to determine whether the proposed loan is an acceptable risk. HUD will consider market need, zoning, architectural merits, strength of sponsorship, availability of community resources, etc. If the proposed project meets program requirements and is determined to be of acceptable risk, the local Multifamily Hub or Program Center issues a commitment to the lender for mortgage insurance.

For more information, visit us online at

communityp.com