FHA SECTION 221(D)(4)

Mortgage Company

A COOPERATIVE OF IMPACT-DRIVEN NONPROFIT LENDERS AND INVESTORS

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.

Minimum Loan Size	$2,000,000 - smaller loans considered on a deal by deal basis.
Statutory Mortgage Limits	The 221 (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: 1.176 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, marketing, working capital and operating deficit reserve excluded from loan amount.

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, tax credit properties, and 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 effective gross income.

— Commercial income increased to 30% of effective gross income in Urban Renewal Areas.

Substantial Rehabilitation	Cost of improvements must exceed $15,000 per unit (adjusted for local high cost factor). Base limit of $15,000 adjusted annually for inflation.
Eligible Locations	Nationwide.
Fixed Rate Term	Actual construction period plus 40 years (fully amortizing with interest only payable during construction period).
Minimum DSCR	1.176 for market rate properties. 1.15 for affordable properties. 1.11 for properties with 90% or greater rental assistance. *Note: Loans > $75 M vary.*
Maximum Occupancy	Underwritten to a maximum of 93% occupancy (Market Rate). Underwritten to a maximum of 95% occupancy for affordable. Underwritten to a maximum of 97% occupancy for 90% Section 8 property.
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 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 4% (2% for sub rehab) of the loan amount (post in cash or 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 Up Front at Closing and Annually	1. Payable at closing in an amount equal to 0.65% of the loan amount; 2. Payable at closing in an amount equal to 0.25% for broadly affordable and green; 3. Payable at closing in an amount equal to 0.35% for 10%-90% LIHTC or Section 8.
Fees and Expenses	**1. A.Single Stage:** HUD application fee of 30 basis points due at firm application. **B.Two Stage:** HUD application fee of 15 basis points due with submission of pre-application 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 (5.5% for bond transactions); 4. Actual cost of Third Party Reports.
Third Party Reports	Appraisal, Market Study, Environmental Review, Construction Cost Review, and Plans and Specs Review are required. Other reports may be required for Green Certification.

Sponsor Requirements	Experienced owner operators. Minimum credit and financial capacity requirements.
Application Process	**Step 1 - Concept Stage:** The first step of the process is to complete an initial due diligence package to be submitted to HUD to root out any concerns about marketability, environment, competing proposals, loans over $75 M or for particularly complex financing structures. **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.

About CPC Mortgage Company

A first of its kind cooperative of impact-driven, nonprofit mortgage lenders and investors, CPC Mortgage Company brings together the unique expertise of managing member The Community Preservation Corporation and cooperative owners Cinnaire and National Equity Fund. This innovative model leverages the best in class execution, commitment to service, transparency and reach of three nonprofit lenders, with the shared goal of expanding and preserving affordable and workforce housing.

For more information, visit us at communityp.com/mortgagecompany.

CPC Mortgage Company, in its sole discretion, may, at any time and without prior notice, terminate the loan program, amend or waive compliance with any terms, or reject any or all proposals for funding. Feb., 2023