HUDSON REALTY CAPITAL

FHA / HUD Section 221(d)(4)

Long-term, fixed-rate financing for new construction/substantial rehabilitation of multifamily rental communities (minimum 5 units)

	LOAN PARAMETERS [1]			
Property Type	Maximum Loan to Eligible Cost [2]	Minimum Debt Service Coverage	Vacancy Factor	Statutory Limits
Subsidized [3]	90%	1.11x	3%	Per unit limits adjusted by High Cost Factor
Affordable [4]	90%	1.11x	5%	
Market Rate	87%	1.15x	7%	

(1) Applies to loan sizes up to $130,000,000. Lending parameters available upon request for loans above $130,000,000.
(2) Eligible cost includes hard costs and most soft costs plus the as-is value of the project or land. Examples of ineligible costs include refundable reserves, preliminary marketing costs, and offsite improvements.
(3) At least 90% of the units are covered by a project-based Section 8 contract.
(4) Regulatory Agreement with minimum set-aside (e.g. 40% of units at 60% AMI, or 20% of units at 50% AMI) in effect for at least 15 years after the new loan closes **OR** 50% of units targeted for Tenant Income Levels up to 120% AMI) – no rent advantage, but must be regulated by a state or local government entity annually (vacancy to be underwritten at 7%).

Eligible Properties	Subsidized, affordable, or market rate multifamily properties. Commercial space is limited to 25% of net rentable area and 15% of underwritten effective gross income (up to 30% of underwritten EGI permitted in Urban Renewal Opportunity Zones).
Eligible Borrowers	Single-asset entity; either for-profit or not-for-profit.
Loan Term	Interest only during construction plus 2 months for cost certification followed by 40 years fully amortizing.
Interest Rate	Fixed interest for life of loan; Determined at rate lock based on prevailing market conditions
Mortgage Insurance (MIP)	Annual - 0.25% of outstanding loan amount.
Loan Fees	HUD Application fee: 0.30%. (Opportunity Zone Market Rate: 0.20%, Opportunity Zone Affordable 0.10%).
Prepayment	Prepayment provisions negotiable, generally subject to lockout period and declining penalties.
Recourse	Non-Recourse and assumable with HUD approval.
Timing	Typical timeline is 12 months from application to Initial Endorsement; (1) 45-60 days to submit pre-application, (2) 45-60 days to HUD issuance of invitation letter, (3) 90-120 days to submit firm application; (4) 45-60 days to HUD issuance of Firm Commitment; (5) 45-60 days to initial closing.
Escrows	Monthly: Real estate taxes, property insurance, MIP, replacement reserves (minimum $250 per unit) Escrows Required at Closing: Initial Operating Deficit and Working Capital (2%-4% of the loan); will be released after 6 consecutive months of break-even occupancy. May be covered with cash or letter of credit.
Third Party Reports	Appraisal, Market Study, Environmental, Radon and Architectural & Engineering Cost Review.
Prevailing Wage	Davis Bacon, prevailing wage requirements apply – determined by Department of Labor and applies to work done on-site.
Experience	Borrower and development team, General Contractor, Architect, Management Agent all need to have relevant "like kind" experience **(HUD experience strongly preferred).**

This term sheet details an overview of the program guidelines and is not a summary of every term or requirement, which are subject to change without notice. This summary is not an offer or commitment to lend, and any such offer shall only be set forth in a signed, written commitment letter from lender. All transactions are contingent on satisfactory due diligence review and approval including evaluation of borrower credit and the loan collateral. Hudson is an Equal Opportunity Lender.