



**MAP 221(d)(4) – Construction/Substantial Rehabilitation
Term Sheet**

Documentation Needed for Initial Loan Analysis:

- Project details
- Resumes of Principals, General Contractor, Architect and Management Agent
- Operating Budget (Proforma)
- Construction Budget
- Last three years and year-to-date financial statements for the property (if substantial rehab)
- Current rent roll and previous five months rent rolls (if substantial rehab)

Loan Parameters:

Loan amounts up to \$75 million:

Property Type	Maximum Loan to Eligible Cost***	Minimum Debt Service Coverage	Statutory Limits
			Per unit limits adjusted by High Cost Factor
Subsidized*	90%	1.11	
Affordable**	87%	1.15	
Market Rate	85%	1.18	

Loan amounts \$75 million and above, though HUD may impose more restrictive limits on loan amounts over \$100 million:

Property Type	Maximum Lost to Eligible Costs***	Minimum Debt Service Coverage	Statutory Limits
			Per unit limits adjusted by High Cost Factor
Subsidized*	87%	1.15	
Affordable**	80%	1.25	
Market Rate	75%	1.30	

*At least 90% of the units covered by a project-based Section 8 contract.

**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.

***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.

Interest Rate - Subject to market conditions

Key General Program Requirements:

- All HUD loans are non-recourse, assumable with Lender and HUD approval.
- Prepayments are negotiable (combination of Lockout and/or penalty).



- Loan term is Interest-only during construction plus 2 months for cost certification followed by 40 years fully amortizing.
- Annual MIP 0.65% of the outstanding loan amount for market rate projects (Green 0.25%), Affordable can qualify for Annual MIP (0.25%-0.35%).
- HUD application fees are 0.30% of the loan amount for projects under this program except for projects located in opportunity zones where the application fee is 0.20% for market rate and affordable and 0.10% for properties that are broadly affordable.
- Initial Operating Deficit and Working Capital (2%-4% of the loan) Escrows required at closing and will be released after 6 consecutive months of break-even operations. Covered with Cash of Letter of Credit.
- Monthly Escrows – Taxes, Insurance, MIP and Replacement Reserves (Minimum \$250/unit).
- A property generally qualifies as substantial rehabilitation when the cost of repairs/improvements nears \$16,299 per unit adjusted by HUD High Cost Factor for geographic region.
- Offsite improvements and demolition costs are not mortgageable, escrowed at Initial Endorsement.
- 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 and Opportunity Zones).
- Davis Bacon, prevailing wage requirements apply- determined by the Department of Labor, and applies to work done on-site.
 - 4 stories and under residential Davis Bacon wage
 - 5 stories or more commercial Davis Bacon wage (18-40% higher)
- All 221 d4 transactions must participate in a Concept Meeting with HUD.
- Most deals will follow two-stage processing- Pre-application and Firm Application.
- Typical timeline takes 12 months from application to Initial Endorsement.
- HUD compliant third-party reports required:
 - Appraisal, Market Study, Phase I, Arch & Cost Review, Environmental (ESA I)
- **Borrowers and development team, General Contractor, Architect, and Management Agent all need to have relevant “like-kind” experience (HUD experience strongly preferred)**

Eligible Borrowers:

Profit motivated, no-profit owners and public owners are eligible. Foreign Nationals may participate as principals, the Single Asset Entity must be registered in the United States and in a state where its corporate office is located. At least one principal with operational decision-making authority must be a US citizen or Foreign National lawfully residing in the United States.

- A schedule of real estate owned for principal(s) is required and reviewed.
- Principals or entities with 25% ownership, key decision makers and financial control will be subject to mortgage credit review.