

New Construction or Substantial Rehabilitation of an Apartment Project

HUD 221(d)(4) Program

Purpose: Provides mortgage insurance for proposed apartment projects and new construction, including elderly projects.

Eligible Borrowers: For-profit or non-profit single purpose entities.

Maximum Term: 40 years plus construction period.

Maximum Loan:

	<i>Debt Service Coverage</i>	<i>Loan to Cost</i>
Affordable with 90% or more Section 8:	1.11	90%
Affordable:	1.15	87%
Market Rate:	1.20	83.3%

Prepayment: Negotiable. Typically closed for the construction period and the first two years after construction, then open to prepayment at 8% in year three, declining 1% per year thereafter. Prepayment structures may be negotiated.

FHA Application Fee: An application fee of .3% of the requested mortgage amount.

Builder/Developer's Profit: Profit and risk allowance equal to 10% of all costs other than land is included in the replacement cost calculations.

Mortgage Insurance Premium: .45% at closing for each year of the construction period, then .45% annually.

Personal Liability: None.

Amortization: 40 years.