

# FHA SECTION 221(d)(4) & 220



## New construction and substantial rehabilitation of affordable and market rate multifamily housing nationally

<b>Eligible Property Type</b>	<ul style="list-style-type: none"> <li>• <b>221(d)(4)</b>: Multifamily rental apartments with a minimum of five units</li> <li>• <b>220</b>: Multifamily rental apartments with a minimum of five units in urban renewal areas</li> </ul>
<b>Purpose</b>	<ul style="list-style-type: none"> <li>• New construction or substantial rehabilitation of eligible properties</li> <li>• Substantial rehabilitation is at least two major systems, 15% of “as completed value” or \$40,000 per unit.</li> </ul>
<b>Eligible Borrowers</b>	<ul style="list-style-type: none"> <li>• Profit or Non-Profit sponsorship</li> <li>• Single-asset, single-purpose entities (LPs, LLCs, Corporations)</li> </ul>
<b>Loan Amount</b>	<ul style="list-style-type: none"> <li>• Minimum: Contact PNC.</li> <li>• Maximum: No limit. Restrictions apply to loans in excess of \$75 million.</li> </ul>
<b>Maximum Loan-to-Cost</b>	<ul style="list-style-type: none"> <li>• Subsidized*: 90% Loan-to-Replacement-Cost</li> <li>• Affordable***: 87% Loan-to-Replacement-Cost</li> <li>• Market Rate: 85% Loan-to-Replacement-Cost</li> <li>• HUD’s Replacement Costs include hard and soft construction costs, financing, closing and legal costs. Some costs are excluded.</li> </ul>
<b>Minimum Debt Service Coverage Ratio</b>	<ul style="list-style-type: none"> <li>• Subsidized: 1.11x (90% of NOI)</li> <li>• Affordable: 1.15x (87% of NOI)</li> <li>• Market Rate: 1.176x (85% of NOI)</li> </ul>
<b>Interest Rate</b>	Fixed rate subject to market conditions at time of rate lock. Construction/ Permanent rate locked after the Firm Commitment has been accepted.
<b>Annual Mortgage Insurance Premium</b>	<ul style="list-style-type: none"> <li>• Subsidized: 0.25%</li> <li>• Affordable: 0.35%; some restrictions apply.</li> <li>• Green: 0.25%; contact PNC for qualifying “Green” Program.</li> <li>• Market Rate 221(d)(4): 0.65%</li> <li>• Market Rate 220: 0.70%</li> </ul>
<b>Maximum Term/Amortization</b>	40 years or 75% of remaining useful life from initial principal payment. Level principal and interest payments. Construction period is interest only.
<b>Commercial Space Limits</b>	<ul style="list-style-type: none"> <li>• <b>221(d)(4)</b>: 25% of Total Net Rentable Area and 15% of Effective Gross Income</li> <li>• <b>220</b>: 25% of Total Net Rentable Area and 30% of Effective Gross Income</li> </ul>
<b>Guaranty</b>	<ul style="list-style-type: none"> <li>• Non-recourse construction/permanent loan</li> <li>• Certain non-monetary, non-recourse carve outs apply.</li> </ul>
<b>Davis-Bacon Wages</b>	Davis-Bacon prevailing wage required to be paid on all 221(d)(4) and 220 transactions
<b>Assumability</b>	Yes, with HUD approval, upon completion of Transfer of Physical Assets (TPA) process. Assumption fees apply.

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<b>Prepayment</b>	Typically, a 0- or 1-year lockout with a 10%–1% declining prepayment penalty. Other prepayment options are available.
<b>Transaction Escrows</b>	<ul style="list-style-type: none"> <li>▪ <b>Substantial Rehabilitation:</b> Working Capital of 2% x Loan Amount. May be covered in whole or part with a letter of credit.</li> <li>▪ <b>New Construction:</b> Working Capital of 4% x Loan Amount and Operating Deficit Escrow of up to 3% x Loan Amount. May be covered in whole or part with a letter of credit.</li> <li>▪ <b>Rate Lock Good Faith Deposit:</b> 0.50% x Loan Amount refunded 45 days after closing.</li> </ul>
<b>HUD Fees</b>	Borrower is responsible for the following HUD fees that can be paid from loan proceeds: <ol style="list-style-type: none"> <li>1) Application Fee: 0.30% of loan amount (at time of application submission)</li> <li>2) MIP: Applicable MIP x number of years of construction (at closing)</li> <li>3) Inspection Fee: <ul style="list-style-type: none"> <li>Substantial Rehabilitation: 0.50% x Total Improvements (at closing)</li> <li>New Construction: 0.50% x Loan Amount (at closing)</li> </ul> </li> </ol>
<b>Lender-Ordered Third Party Reports</b>	Borrower is responsible for all required reports, including but not limited to: Appraisal, Market Study, Phase I, Phase II (if applicable), Architectural Plan & Cost Review, Seismic (if applicable) and Construction Monitoring. Amount of reports will vary depending on project. Costs can be reimbursed from loan proceeds at closing.
<b>Lender Fees</b>	Borrower is responsible for Lender Financing Fee, Processing Fee and Legal Fee. Amounts will vary depending on complexity of transaction. Lender fees are paid at closing from loan proceeds.
<b>Timing</b>	This transaction typically can be completed in 6 to 12 months. Processing times vary depending on project. Market rate transactions require two-stage processing.
<b>Other Requirements</b>	<ul style="list-style-type: none"> <li>▪ <b>Plans &amp; Specifications:</b> Complete architectural plans and specifications must be submitted to HUD.</li> <li>▪ <b>Permits:</b> All required permits are required at closing.</li> <li>▪ <b>Bonding:</b> Payment and Performance Bond or 15% Letter of Credit must be posted.</li> <li>▪ <b>LIHTC:</b> 20% of equity paid in at closing, other requirements must be met.</li> </ul>
<b>Cash Flow Distribution &amp; Post-Closing Reporting</b>	Cash flow distribution allowed up to two times per year upon HUD approval of audit. Submission of annual audited financial statements is required.
<b>Ongoing Escrows</b>	Monthly escrows are required for property insurance, real estate taxes, reserves for replacement and mortgage insurance premiums.

\*Greater than 90% of units are subsidized, e.g., Section 8

\*\*Regulatory agreement in place and resident income restricted, e.g., LIHTC



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