JLL SEE A BRIGHTER WAY

FHA Section 221(d)(4):

Apartment New Construction or Substantial Rehabilitation

Program Overview:	This program provides combined construction and permanent financing for new construction and substantial rehabilitation of affordable and market rate multifamily projects. The debt is non-recourse, fully amortizing and fixed rate for the life of the loan.
Eligible Properties:	New construction or substantial rehabilitation of apartment projects.
Eligible Borrowers:	Profit motivated or non-profit borrowers. Mortgagor must be a single asset entity. TICs or Delaware Statutory Trusts are not permitted.
Maximum Loan Amount:	See table below. Loan amounts are also subject to geographic statutory per unit loan limitations
Loan Term:	Maximum of 40 years, plus the construction period.
Loan Amortization:	Interest only during construction, fully amortizing over the term of the loan thereafter.
Interest Rate:	Fixed for the term of the loan, inclusive of the construction period. The interest rate is based upon market conditions at the time of rate lock. Government insurance ensures a low interest rate relative to other financing sources.
Prepayment Restrictions:	3-year lockout, 7% declining prepay; 1 year lockout, 10% declining prepay, open at par after 10 years, or another prepay structure less onerous to the borrower, to be determined by lender at time of rate lock.
Recourse:	The loan is non-recourse with the exception of carve-out provisions to the project’s identified sponsors.
Mortgage Insurance Premium:	See table below.

Maximum Loan Amount:

	Loan to Cost	Debt Service Coverage	Underwritten Occupancy[3]
Market Rate	85%	1.176x	93%
Loans $125m and over	75%	1.300x	
Affordable[1]	87%	1.150x	95%
Loans $125m and over	80%	1.250x	
Rental Assisted [2]	90%	1.110x	97%
Loans $125m and over	87%	1.150x	

Loan amounts are also subject to geographic statutory per unit loan limitations

Mortgage Insurance Premium:

	Market Rate	Broadly Affordable[4]	Affordable[5]	Green Housing[6]
Upfront MIP	0.65%	0.25%	0.35%	0.25%
Annual MIP	0.65%	0.25%	0.35%	0.25%

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Loan Assumability:	Fully assumable with JLL and HUD approval.
Secondary Financing:	Permitted only if provided by a public source or if LTC is below 50% (primarily applicable in LIHTC transactions).
Replacement Reserve Escrows:	Annual deposits required. Calculated on a replacement reserve schedule provided by the lender's construction analyst.
Other Escrows:	Property insurance, real estate taxes, MIP.
Commercial Space:	Commercial space is allowable up to 25% of Net Rentable Area and 15% of Effective Gross Income. If the project is located in an Urban Renewal Area, the loan is processed under Section 220. Under a Section 220 the Net Rentable Area restrictions remain the same, but the Effective Gross Income percentage increases to 30%.
Fees and Expenses:	• FHA application fee — 0.30% of loan amount – payable to HUD. If two stage processing is selected, 0.15% of loan amount payable to HUD is due at each application submission. Reductions for properties in Opportunity Zones available. • FHA inspection fee — 0.50% of loan amount (or of total rehab costs if substantial rehabilitation) — payable to HUD. • Mortgage Insurance Premium — see previous page — payable to HUD. • Third party reports — appraisal, market study, Phase I ESA, architectural and cost review, and for Green MIP, a Statement of Energy Design Intent (SEDI) is needed. • Lender financing fee. • Good Faith Deposit — 0.50% paid to JLL at the time of rate lock and fully refunded at closing. • Other standard real estate transactional costs (legal, title, survey, etc.).
Construction Contract Considerations:	• Requires a bonded contractor. In lieu of bonding, cash or a letter of credit may be posted in the amount of either: i) 15% of construction cost (3 stories or less), or ii) 25% of construction cost (elevator buildings of 4 stories of more). • Requires contractor retainage of 10%. Retainage percentage reduces to 5% after the project is 50% complete, and 2.5% at 75% completion, reductions subject to HUD approval. • Requires payment of Davis Bacon prevailing wages. • A 10-15% contingency is required for substantial rehabilitation. • If an identity of interest exists between the owner and general contractor, in lieu of builder's profit a non-cash Builder Sponsor Profit Risk Allowance (BSPRA) of 10% of construction and soft costs can be included in the eligible cost basis used for calculating the maximum loan amount.
Other Considerations:	• A PCNA is required every 10 years throughout the loan term. • Loan to cost calculations exclude developer fees, initial operating deficit (minimum 3% of the loan amount), and a working capital deposit (minimum 4% for NC or 2% for SR of the loan amount). • The market study, appraisal and lender underwriting must demonstrate that the projected unit absorption period is 18 months or less (exceptions for high-rise projects). • Surplus cash may be distributed out of the mortgagor entity monthly after the second year. In some cases, this could be more frequently with approval. • Developer Fees can be mortgageable for LIHTC projects as long as BSPRA or SPRA is not also included. • Previous like kind and like size experience required on the development team. • Verification of cash-to-close, if applicable, prior to firm application is strongly encouraged. • Tax exemptions and/or PFC structures may be accounted for in underwriting.

1 Projects qualify as Affordable if a recorded regulatory agreement i) has at least 15 years remaining in its compliance period, and ii) restricts 20% of units at 50% AMI or 40% of units at 60% AMI, with such affordable units leased at LIHTC rents or lower.
2 Projects qualify as Rental Assisted if at least 90% of units are subject to a project-based rental assistance contract.
3 For occupancy purposes: **Market Rate** includes LIHTC properties without a 10% discount to market. **Affordable** includes properties with minimum LIHTC set aside requirements, with attainable tax credit rents at a 10% discount to market. **Rental Assisted** includes properties with a HAP contract on 90% or more of the units or an in-place rehab with greater than 90% occupancy and greater than 90% of units set aside as LIHTC units with attainable tax credit rents at least 10% below market.
4 **Broadly Affordable** ≥90% of the units covered by a Section 8 contract or LIHTC restrictions with a 10% rent advantage. 15 or more years remaining is required.
5 **Affordable** 10% to 90% of the units covered by Section 8 Contract or LIHTC restrictions. 15 or more years remaining is required. Or at least 10% of units covered by Inclusionary Zoning. 30 or more years remaining is required. Owner must execute a rider agreeing to accept Section 8 Vouchers for the life of the regulatory agreement.
6 **Green Housing** Project must achieve an industry recognized green building standard and achieve a score of 75 or better on the Energy Star scale of 1 – 100. Owner must annually certify that green building standard and score is maintained.

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For more information, please contact:

We can support you with expert advice that reflects your business needs and priorities

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About JLL

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