Forbright BANK

HUD Section 221(d)(4)

Multifamily New Construction and Substantial Rehabilitation:
This program provides non-recourse, assumable financing for the construction or rehabilitation of market-rate, affordable, and age-restricted multifamily properties.

ELIGIBLE PROPERTIES

- Ground up new construction (so long as work has not started) or substantial rehabilitation of existing projects or structures. HUD defines substantial rehabilitation as projects with a proposed scope of work that exceeds the Aggregate Cost Limit, which generally translates to $49,600 - $57,900 per unit, depending on location.
- Davis Bacon prevailing wages are required.
- Loans $120MM or higher, more conservative underwriting parameters in place; key principals aggregate net worth equal to 20% of loan amount and liquidity equal to 7.5% of loan amount.

MAXIMUM LOAN

- Project Based Section 8 – When there is a Section 8 HAP Contract for 90% or more of the units (with 15+ years remaining on HAP contract), the loan is sized to the lesser of the following constraints:
    - 90% of Eligible Costs
    - 1.11x DSC
- Affordable – When the project meets HUD's definition of Affordable Housing** and tax credit rents are at least 10% below market rents:
    - 87% of Eligible Costs
    - 1.15x DSC
- Market Rate – When the project does not meet either of the two requirements above:
    - 85% of Eligible Costs
    - 1.176x DSC

TERM / AMORTIZATION

- Up to 40 Years, Fully Amortizing plus the Construction Period

INTEREST RATE / PREPAYMENT

- Fixed for term of loan; locked at receipt of Firm Commitment; based on market conditions at time of rate lock. 0.50% Rate Lock Deposit required but credited at closing.
- Prepayment of loan permissible but based on lockout and penalty provisions associated with rate lock for 10 years of call protection (can be a combination of lockout and/or penalty).

**Affordable Housing – To qualify under the LIHTC affordability requirement, rent and income restrictions must be imposed, monitored, and enforced by governmental agency for at least 15 years after closing by means of a recorded Regulatory Agreement requiring the project to meet either of the following LIHTC restrictions: 20% of Units at 50% of AMI or 40% of Units at 60% of AMI. Projects need not use LIHTC's to qualify as "Affordable Housing" so long as they meet the restrictions outlined.

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RECOURSE
- Non-Recourse with standard carve-outs for Key Principals

ASSUMPTION
- Fully assumable subject to HUD approval

COMMERCIAL SPACE
- Limited to 25% of Net Rentable Area and 15% of underwritten Effective Gross Income (30% for Section 220 urban renewal)

ESCROWS
- Monthly for Real Estate Taxes, Insurance, and Replacement Reserves
- Upfront for Working Capital (2%-4% of Loan Amount) and Initial Operating Deficit (4-12 months of debt service)

THIRD PARTY REPORTS
- Appraisal, Market Study, Phase I ESA, and Architectural/Engineering & Cost Reviews required.
- Additional reports may be required.
- All third-party report fees are the responsibility of the sponsorship; however, all third-party vendors must be engaged by Forbright directly.

LENDER FEES
- Forbright charges a nominal processing fee to cover due diligence costs, a Financing Fee as a percentage of the Loan Amount, and fees associated with the cost of Lender's legal counsel.

APPLICATION FEE
- HUD requires an Application Fee of 0.15% to be submitted with the Pre-Application, and the remaining 0.15% to be submitted with the Firm Application (0.30% be submitted with the submission of the Firm Application for Subsidized and Affordable projects).

MORTGAGE INSURANCE PREMIUM (MIP)
- Broadly Affordable – MIP of 25 bps upfront and ongoing
- Affordable – MIP of 35 bps upfront and ongoing
- Green – MIP of 25 bps upfront and ongoing
- Market Rate – MIP of 65 bps ongoing; MIP of 65 bps upfront per each 12-month construction period or part thereof

For more information please contact:

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