LMD
CAPITAL PARTNERS

FHA / HUD

FHA HUD Section 221(d)(4) - Construction or Substantial Rehab

FHA-insured construction and substantial rehabilitation financing for multifamily properties, carrying a single fixed rate across the construction and permanent periods and 40 years of full amortization after completion.

Indicative Terms

LOAN PARAMETERS (UNDER $130M)	Subsidized: 90% maximum loan-to-cost, 1.11x minimum DSCR. Affordable and middle income: 90% maximum loan-to-cost, 1.11x minimum DSCR. Market rate: 87% maximum loan-to-cost, 1.15x minimum DSCR.
LOAN PARAMETERS ($130M AND ABOVE)	Subsidized: 87% maximum loan-to-cost, 1.15x minimum DSCR. Affordable and middle income: 80% maximum loan-to-cost, 1.25x minimum DSCR. Market rate: 75% maximum loan-to-cost, 1.30x minimum DSCR.
LOAN AMOUNT CAP	Maximum $130,000,000. HUD may apply stricter limits on larger loans, and statutory per-unit maximums apply by location.
MINIMUM SCOPE OF WORK	New construction, or renovation where cost exceeds $15,000 per unit, inflation-adjusted and multiplied by the local cost factor of 190% to 270%.
COMMERCIAL SPACE	Capped at 25% of net rentable area and 15% of underwritten effective gross income, rising to 30% in urban renewal areas and Opportunity Zones.
DAVIS-BACON WAGES	Department of Labor prevailing wages are required for all contractors and subcontractors.
BORROWER STRUCTURE	Single-asset, special-purpose entity, for-profit or non-profit. Non-recourse.
INTEREST RATE	A single fixed rate covering both the construction interest-only period and the permanent term, set at rate lock. Rate lock deposit of 0.5%, refunded at closing.
TERM AND AMORTIZATION	Interest-only during construction and cost certification, then 40 years fully amortizing.
PREPAYMENT AND ASSUMPTION	Negotiable, with best pricing at 10 years of call protection through a combination of lockout and penalty. Fully assumable with HUD approval.
ESCROWS	At closing, non-mortgageable escrows of 2% to 4% of the loan for working capital and initial operating deficit, released after six consecutive break-even months. After construction, monthly escrows for taxes, insurance and mortgage insurance premium, plus a capital needs reserve at a minimum of $250 per unit per year.

Indicative Terms (continued)

MORTGAGE INSURANCE PREMIUM	0.25% annually. The amount attributable to the construction term is paid up front at closing.
HUD APPLICATION FEES	0.15% with the initial application and a further 0.15% with the final application. For affordable and subsidized properties the full 0.30% is due at final application. Reduced rates apply in Opportunity Zones.
THIRD PARTY REPORTS	Appraisal, market study, environmental assessment, capital needs assessment, and a HUD-approved third-party review of final construction costs and architectural documents.
APPLICATION FEE	Quoted per transaction.
ORIGINATION FEE	Quoted per transaction.
LEGAL FEES	Quoted per transaction.

Eligible Properties & Sponsors

Market rate, low-to-moderate income, affordable and subsidized multifamily properties undergoing new construction or substantial rehabilitation. The borrower must be a single-asset, special-purpose entity, for-profit or non-profit. Davis-Bacon prevailing wages apply to all contractors and subcontractors.

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