

# HUD 221(d)4 & HUD 220 Age Restricted New Construction or Substantial Rehabilitation of Apartments

WALKER &  
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ELIGIBLE PROPERTIES:	<p>New construction or substantial rehabilitation for elderly apartments.</p> <p>One resident must be 62 years or older and permit children. Mandatory meals are prohibited. Non-shelter and optional services are excluded from underwritten income. Residency preferences are permitted provided they are not mandatory and require HUD approval. Note, restricted occupancies to certain populations pursuant to specific HUD statutory authorities may be eligible</p> <p>Market rate, Middle Income &amp; Affordable properties</p> <p>Middle Income projects must (1) have 50% of units targeted for tenant income levels up to 120% AMI (no rent advantage required), and (2) all targeted units must be secured by a use restriction and must be monitored by a state or local government entity annually for a minimum of ten (10) years. Regional Center Directors may approve a waiver for the use agreement term for less than ten (10) years when enhanced benefits to middle income tenants exist but in no case be less than a five (5) year term. Mixed income projects may qualify if they meet the above criteria. Middle Income only applies to the 221(d)(4) program.</p> <p>Affordable housing projects must meet the following criteria: (1) have a recorded regulatory agreement in effect for at least 15 years after final endorsement, (2) meet at least the minimum Low Income Housing Tax Credit restrictions including income averaging as applicable of 20% of units at 50% of the Area Median Income (AMI) or 40% of units at 60% AMI and (3) LIHTC achievable rents reflecting a minimum 10% discount to market. Mixed income projects may qualify if they meet the above criteria..</p>
SUBSTANTIAL REHAB:	<p>Qualifies as sub-rehab by meeting one of the following criteria:</p> <p>Exceeds in aggregate cost, a sum equal to the base per dwelling unit limit (currently \$19,293) times the applicable High Cost Factor times the number of dwelling units proposed for the property after completion of any construction</p>
BORROWER:	Single asset and single purpose entity
RECOURSE:	Fully non-recourse during both construction and permanent phases of financing
LOAN AMOUNT:	< \$130M <sup>1</sup>
MAXIMUM MORTGAGE LIMITS:	<p>For Section 220, the lesser of:</p> <ul style="list-style-type: none"> <li>a) 85% (87% for affordable, 90% for properties with 90% or greater rental assistance) of HUD's estimated cost plus land/as-is value</li> <li>b) 1.176 DSCR (1.15 for affordable, 1.11 for properties with 90% or greater rental assistance)</li> <li>c) HUD statutory per unit limits</li> <li>d) Higher limits for nonprofits</li> <li>e) 100% of mortgageable transaction costs less grants, public loans and tax credits</li> </ul> <p>For Section 221(d)(4), the lesser of:</p> <ul style="list-style-type: none"> <li>f) 87% (90% for middle income, affordable or properties with 90% or greater rental assistance) of HUD's estimated cost plus land/as-is value</li> <li>g) 1.15 DSCR (1.11 for middle income, affordable or properties with 90% or greater rental assistance)</li> <li>h) HUD statutory per unit limits</li> <li>i) Higher limits for nonprofits</li> <li>j) 100% of mortgageable transaction costs less grants, public loans and tax credits</li> </ul>
INTEREST RATE:	Interest only during construction phase, amortization during perm
AMORTIZATION AND TERM:	Maximum of 40 years
ESCROWS:	Escrows for taxes, insurance, replacement reserves and mortgage insurance premium are required
MORTGAGE INSURANCE PREMIUM:	<p>0.25% each year during construction</p> <p>0.25% annually</p>
FEDERAL LABOR STANDARDS:	Federal prevailing wage and reporting requirements
SECONDARY FINANCING:	Permitted under certain conditions at closing
ASSURANCE OF COMPLETION:	Payment and performance bond or cash deposit/LOC
BSPRA:	Builder & Sponsor's Profit & Risk Allowance is used as a credit against the mortgagor's required equity contribution and is capped at 10% of development costs

<sup>1</sup>For projects over \$130M see 221(d)4 Large Loan sheet

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COMMERCIAL SPACE:	Permitted up to 25% of total NRA and commercial income up to 15% of EGI (30% of EGI for HUD 220).
HUD EXAM FEE:	\$3 per \$1,000 of requested mortgage. Opportunity Zone & broadly affordable projects qualify for exam fee of \$1 per \$1,000. For Opportunity Zone projects not Broadly Affordable, exam fee of \$2 per \$1,000.
HUD INSPECTION FEE:	\$5 per \$1,000 of requested mortgage
RATE LOCK DEPOSIT:	Typically 0.5% of mortgage amount
THIRD PARTY REPORTS:	Market study, Appraisal, A&E Cost Review, Phase I ESA, CNA (for sub rehab), Green/Energy Efficient reports (if applicable)
CLOSING:	One closing for both Loans - Construction and Permanent
ASSUMABILITY:	Fully assumable
CREDIT ENHANCEMENTS:	Can be used as credit enhancement for tax exempt bonds and low income tax credits

<sup>1</sup>For projects over \$130M see 221(d)4 Large Loan sheet