



**New Construction or Substantial Rehabilitation of Apartment Properties**

**ELIGIBLE PROPERTIES:**

Proposed new construction or substantial rehabilitation of apartment properties.

In order to qualify as a substantial rehabilitation project either (1) the cost of repairs, replacements and improvements exceeds the greater of 15% of the estimated replacement cost after completion of all repairs, or (2) \$6,500 per unit adjusted by the local FHA high cost percentage; or two or more building systems are being replaced.

Affordable housing projects must (1) have a recorded regulatory agreement in effect for at least 15 years after final endorsement, and (2) meet at least the minimum Low Income Housing Tax Credit restrictions of 20% of units at 50% of the Area Median Income (AMI) or 40% of units at 60% AMI. Mixed income projects may qualify if they meet the above criteria.

**LOAN TYPE:**

Construction and permanent loan.

**MAXIMUM LOAN:**

New Construction:

Amount equal to the lesser of:

1. Statutory unit mortgage limits adjusted by cost not attributable to dwelling use plus the value of land; or
2. Depending on the rental mix, the following DSCR and LTC ratios:

	DSCR	Loan Ratio
≥90% Rental Assistance	1.11	90%
Affordable	1.15	87%
Market Rate	1.20	83.3%

Substantial Rehabilitation Projects:

Amount equal to the lesser of the criteria above; or

1. The percentage listed above of the sum of the FHA estimated cost of repair and rehabilitation and the “as is” value of the property.

**INTEREST RATES:**

Fixed rate determined by market rates at the time of rate lock.

**AMORTIZATION:**

Construction loan which converts into a 40-year, fully amortizing loan.

**PERSONAL RECOURSE:**

Non-recourse.

**ASSUMABILITY:**

Assumable, subject to CWCapital approval.

**SUBORDINATE FINANCING:**

Generally not permitted, special requirements apply.

**PREPAYMENT:**

Negotiable.

**WAGE REQUIREMENTS:**

Adherence to Davis-Bacon prevailing wage laws is required.

**ANNUAL MORTGAGE INSURANCE PREMIUM:**

During the construction period, the MIP is paid annually in advance, based on a rate established by FHA. The rate is fixed at initial endorsement. After commencement of amortization, the MIP is escrowed monthly based on the average principal balance.

<b>ESCROWS:</b>	Monthly escrows for real estate taxes, property insurance, reserves for replacement (as determined by FHA) and mortgage insurance premiums.
<b>COMMERCIAL SPACE:</b>	Up to 10% of the gross floor area of the project. Commercial income cannot exceed 15% of gross project income.
<b>ENVIRONMENTAL ISSUES:</b>	Special rules apply for properties that are located in Flood Hazard Zones as designated by FEMA. Phase I site assessment required.
<b>APPLICATION FEE:</b>	A non-refundable fee totaling 0.3% of the requested mortgage amount is payable to FHA, plus estimated underwriting costs for market study, appraisal, architectural/engineering report, cost analysis, environmental assessment and other loan processing costs.
<b>INSPECTION FEE:</b>	0.5% of the mortgage amount (or cost of improvements for Sub-Rehabilitation projects) is payable to FHA at Initial Endorsement.
<b>FINANCING AND PLACEMENT FEES:</b>	Negotiable.
<b>LIHTC:</b>	Program can be used in conjunction with Low Income Housing Tax Credits.
<b>BOND ENHANCEMENT:</b>	Program can be used to provide a AAA-rating of tax exempt bonds.
<b>CLOSING EXPENSES:</b>	Standard transaction costs, including legal fees, title insurance and survey.
<b>BSPRA:</b>	Program permits the use of a Builders and Sponsors Profit and Risk Allowance for the partial fulfillment of the equity requirement of the loan.
<b>FURNITURE, FIXTURE &amp; EQUIPMENT:</b>	Reasonable costs of furniture, fixture and equipment may be included in the mortgageable project costs.
<b>OTHER FHA REQUIREMENTS:</b>	Cash escrows or letters of credit are required for the following: <ol style="list-style-type: none"><li>1. Forecasted operating deficits, to be released at the later of one year after final endorsement or after 6 months of break-even operations have been achieved, as determined by FHA.</li><li>2. 4% of the mortgage amount for working capital, to be released one year after project completion if loan is not in default.</li><li>3. 100% performance and 100% payment bond or a letter of credit equal to 15% or 25% (depending on structure type) of the construction contract.</li><li>4. If not covered by performance and payment bond, 2.5% of the construction contract amount as latent defects guarantee.</li><li>5. 100% of off-site construction costs.</li></ol>
<b>FHA PROCESSING TIME:</b>	One or two stages for FHA Multifamily Accelerated Processing (MAP) Procedures: <ol style="list-style-type: none"><li>1. Pre-Application Stage: 45 days for review.</li><li>2. Firm Commitment Stage: 45 days for review.</li><li>3. One stage combining items 1 and 2 above: 60 days.</li></ol>
<b>PRELIMINARY SUBMISSION PACKAGE:</b>	Include the following in your request for a loan quote: <ol style="list-style-type: none"><li>1. Property description and location map.</li><li>2. Number of units with breakdown of proposed rents by unit type.</li><li>3. Pro forma operating budget, including breakdown of other income.</li><li>4. Development cost estimate.</li><li>5. Acquisition cost of land.</li><li>6. Sponsor resume.</li></ol>