



**Substantial Rehabilitation of
 Section 202/811 Direct Loans**

ELIGIBLE PROPERTIES:	<p>Substantial Rehabilitation of existing Section 202/811 developments that currently have a direct loan from FHA.</p> <p>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 repairs, or \$6,500 per unit adjusted by the local FHA high cost percentage; or (2) two or more building systems are being replaced.</p>
PROGRAM REQUIREMENTS AND BENEFITS:	<ol style="list-style-type: none"> 1. Project Owner must agree to operate the property under terms at least as advantageous to the residents as those required by the original Section 202/811 loan agreements. 2. In most cases, prepayment of the Section 202 loan must be approved by FHA. 3. Savings resulting from reduced interest rate may be used for: <ol style="list-style-type: none"> a) increasing supportive services by up to 15 %, b) rehabilitation of common areas or individual units, c) construction of an addition or other facility in the project, or d) rent reduction of unassisted tenants residing in the project.
MAXIMUM LOAN:	<p>Amount equal to the lesser of:</p> <ol style="list-style-type: none"> 1. Statutory unit mortgage limits adjusted by cost not attributable to dwelling use; or 2. 90% of the FHA estimated replacement cost; or 3. 1.11 debt service coverage, using Section 8 contract rents for the income analysis; 4. 90% 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 and FHA approval.
SUBORDINATE FINANCING:	Allowable, subject to FHA requirements.
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.
ESCROWS:	Monthly escrows for real estate taxes, property insurance, reserves for replacement (as determined by FHA) and mortgage insurance premiums.

hardworking + successful + prepared + accomplished
innovative + versatile + knowledgeable + resourceful
reliable + efficient + collaborative + flexible + creative
accountable + prepared + problem solver
flexible + responsive +

COMMERCIAL SPACE:	Up to 10% of the gross floor area of the project. Commercial income cannot exceed 15% of gross project income.
ENVIRONMENTAL ISSUES:	Special rules apply for properties which are located in Flood Hazard Zones as designated by FEMA.
APPLICATION FEE:	A non-refundable fee of 0.3% of the requested mortgage amount is payable to FHA at the time of application, plus estimated underwriting costs for market study, appraisal, architectural/engineering report, cost analysis, environmental assessment and other loan processing costs.
INSPECTION FEE:	0.5% of the cost of improvements is paid to FHA at Initial Endorsement.
FINANCING AND PLACEMENT FEES:	Negotiable.
CLOSING EXPENSES:	Standard transaction costs, including legal fees, title insurance and survey.
DEVELOPER'S FEE:	A maximum Developer's Fee of 15% of acceptable development cost is permitted.
LIHTC:	Program can be used in conjunction with Low Income Housing Tax Credits.
BOND ENHANCEMENT:	Program can be used to provide a AAA rating of tax exempt bonds.
OTHER FHA REQUIREMENTS:	Cash escrows or letters of credit are required for the following: <ol style="list-style-type: none">1. Forecasted operating deficits, to be released one year after final endorsement if breakeven operations have been achieved.2. 2% of the mortgage amount for working capital, to be released one year after project completion if loan is not in default.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.4. If not covered by performance and payment bond, 2.5% of the construction contract amount as latent defects guarantee.5. 100% of off-site construction costs.
FHA PROCESSING TIME:	One or two stages for FHA Multifamily Accelerated Processing (MAP) Procedures: <ol style="list-style-type: none">1. Pre-Application Stage: 45 days for review.2. Firm Commitment Stage: 45 days for review.3. One stage combining items 1 and 2 above: 60 days.
PRELIMINARY SUBMISSION PACKAGE:	Include the following in your request for a loan quote: <ol style="list-style-type: none">1. Property description and location map.2. Number of units with breakdown of proposed rents by unit type, including last approved rent schedule.3. Current Rent Roll and year-to-date operating statement.4. Operating history (FHA Audits) – prior 3 years, if available.5. Current year operating budget.6. Existing debt or purchase price.7. Development cost estimate.8. Current HAP Contract.9. Current Mortgage Note.10. Current REAC Report.