



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

ELIGIBLE PROPERTIES:

Substantial Rehabilitation of existing Section 202/811 developments that currently have a direct loan from HUD.

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 (2) \$6,500 per unit adjusted by the local HUD high cost percentage; or (3) two or more building systems are being replaced.

PROGRAM REQUIREMENTS AND BENEFITS:

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 HUD.
3. Savings resulting from reduced interest rate may be used for:
 - 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:

Amount equal to the lesser of:

1. Statutory unit mortgage limits adjusted by cost not attributable to dwelling use; or
2. 90% of the HUD 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 HUD 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 HUD approval.

SUBORDINATE FINANCING:

Allowable, subject to HUD 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 HUD. 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 HUD) and mortgage insurance premiums.

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 HUD 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 HUD 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 HUD 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.
HUD PROCESSING TIME:	One or two stages for HUD 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 (HUD 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.