

# Great Lakes Financial Group

*Real Estate Finance & Investments*

## FHA Section 221(d) (4)

<b>Property Type:</b>	Multifamily rental apartments.
<b>Purpose:</b>	New Construction or substantial rehabilitation. For-profit or nonprofit borrowers may utilize this program.
<b>Maximum Loan Amount:</b>	Subsidized*: 90% loan-to-cost Affordable**: 87% loan-to-cost Market Rate: 83.3% loan-to-cost
<b>Debt Service Coverage:</b>	Subsidized*: 1.11x Affordable**: 1.15x Market Rate: 1.20x
<b>Interest Rate:</b>	Fixed rate subject to market conditions at rate lock.
<b>Maximum Term/ Amortization:</b>	40 years, or 75% of remaining useful life, from initial principal payment. Level principal and interest payments. Construction period is interest only.
<b>Guaranty:</b>	Non-recourse construction/permanent loan.
<b>Eligibility (Sub. Rehab):</b>	Certain cost thresholds must be met for rehabilitation projects. Davis-Bacon prevailing wage standards apply.
<b>Assumability:</b>	Yes, with FHA approval.
<b>Prepayment:</b>	Commonly either: <ul style="list-style-type: none"><li>• a 5-year lockout followed by a prepayment penalty of 5% in the sixth year and declining 1% per year, or</li><li>• a similar combination of lockout and penalties which cover a 10-year period post closing</li></ul>
<b>Escrows:</b>	Monthly escrows for property insurance, real estate taxes, reserves for replacement and mortgage insurance premiums.
<b>Fees &amp; Expenses:</b>	Borrower is responsible for \$20,000-\$25,000 in due diligence fees. At time of closing, these fees and all other closing costs may be included in the loan amount.
<b>Timing:</b>	This transaction typically can be completed in 9-12 months. Actual processing times vary depending on the project.
<b>Post-closing</b>	Annual audited financial statements.

\*greater than 90% of units are subsidized, e.g. Section 8

\*\*regulatory agreement in place and resident income restricted, e.g. LIHTC

# Information Requested for Preliminary Loan Analysis

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- General Property Information:**
- Project name
  - Project location
  - Description of project (type of construction, number of buildings, elevators, etc.)
  - Amenities/Common areas
  - Details on commercial space, if any
  - Details on other sources of funding (tax credits, grants, etc.)
  - Any third party reports that have been completed (market study, appraisal, phase I, etc.)
- Site:**
- Evidence of site control (i.e. purchase contract)
  - Best estimate of "as-is" land value
  - If the land/structure is already owned, balance of existing debt
  - If the land/structure is to be acquired, balance of the acquisition price
- Operating Proforma:**
- Unit mix including unit types with number of bedrooms/bathrooms, unit square footages, and current market rental rates
  - Projected stabilized occupancy
  - Breakout of ancillary income
  - Breakout of commercial income, if any
  - Detailed stabilized operating expenses at current market levels
- Construction:**
- Detailed hard cost budget, inclusive of costs related to site improvements, structures, contractor general conditions, contractor overhead, contractor fee, etc.
  - Detailed soft cost budget, reflecting all soft costs required to build the project, including architect fees, tap/impact fees, permit costs, taxes during construction, etc.
  - Anticipated construction period
  - Projected unit absorption rate and estimate of operating deficit
- Development Team:**
- Name of Borrower
  - Name and experience of Sponsor
  - Name and experience of the General Contractor, if available
  - Name and experience of the Architect, if available
  - Name and experience of the Management Agent, if available
  - Details regarding any identities of interest that exist between the sponsor and other entities involved in the transaction (General Contractor, Management Agent, Commercial tenant, etc.

**\*\*The above outlined information is subject to change\*\***