

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

WALKER &
DUNLOP

ELIGIBLE PROPERTIES:	New construction or substantial rehabilitation for elderly apartments. One resident must be 62 years or older and permit children. Market rate and affordable properties. 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.
SUBSTANTIAL REHAB:	Qualifies as sub-rehab by meeting one of the following criteria: <ul style="list-style-type: none"> a) Exceeds in aggregate cost, a sum equal to the base per dwelling unit limit (currently \$18,392) times the applicable High Cost Factor times the number of dwelling units proposed for the property after completion of any construction
BORROWER:	Single asset and single purpose entity
RECOURSE:	Fully non-recourse during both construction and permanent phases of financing
LOAN AMOUNT:	< \$125M ¹
MAXIMUM MORTGAGE LIMITS:	The lesser of: <ul style="list-style-type: none"> a) 85% (87% for affordable, 90% for properties with 90% or greater rental assistance) of HUD's estimated cost plus land/as-is value b) 1.176 DSCR (1.15 for affordable, 1.11 for properties with 90% or greater rental assistance) c) HUD statutory per unit limits d) Higher limits for nonprofits e) 100% of mortgageable transaction costs less grants, public loans and tax credits
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:	Market Rate: <ul style="list-style-type: none"> 0.65% each year during construction 0.65% annually Green/energy efficient and broadly affordable: 0.25% each year during construction 0.25% annually Affordable inclusionary/vouchers: <ul style="list-style-type: none"> 0.35% each year during construction 0.35% annually 0.35% annually
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
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, Plan and Spec Review & Phase I ESA
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

¹For projects over \$125M see 221(d)4 Large Loan sheet

As of August 2023