



MASON JOSEPH, LLC

## New Construction & Sub-Rehab Permanent Financing HUD Section 221(d)(4) Loan Program

The purpose of the HUD 221(d)(4) program is to provide long-term, fixed-rate financing for the construction or substantial rehabilitation of market-rate and/or affordable multifamily properties. The program provides for competitive interest rates without restriction on rents, cash flow or income levels of residents.

### BASIC LOAN FEATURES

Property Type	Market Rate	Middle Income <sup>1</sup>	LIHTC Affordable <sup>2</sup>
Max LTC	87% <sup>3</sup>	90% <sup>3</sup>	90%
Min DSCR	1.15x	1.11x	1.11x
Eligibility	Multifamily Properties with 5+ residential units		
Term	Construction Term + 40 years		
Amortization	Same as Term (Fully Amortizing)		
Interest Rate	Fixed Rate during Construction and Amortization		
MIP	0.25%		
BSPRA	Builder and Sponsor Profit and Risk Allowance (BSPRA) is a credit that can be added to the replacement cost of the property. The credit amount is calculated as 10% of the hard and soft costs, excluding land and general contractor's fee.		
	By increasing the replacement cost with this mortgageable credit, BSPRA may reduce the amount of cash equity needed by providing a loan amount of more than the Maximum LTC.		
	$Loan\ Amount = (Mortgageable\ Cost + BSPRA) \times Max\ LTC$		

<sup>1</sup> Middle Income is defined as utilizing a state or local program to target 50% of units to residents earning up to 120% of the Area Median Income ("AMI"). Must be monitored by a state or local government entity for a minimum of 10 years. No rent advantage required.

<sup>2</sup> Affordable/LIHTC and/or age-restricted multifamily properties may have different applicable terms and conditions. Please contact Mason Joseph Company for more details.

<sup>3</sup> Potentially greater with BSPRA.





<b>Collateral</b>	Mortgage must be either: <ol style="list-style-type: none"><li>1. 1<sup>st</sup> lien Deed of Trust, or</li><li>2. Ground lease approved by HUD<sup>4</sup></li></ol>
<b>Personal Liability</b>	Non-recourse during construction and amortization. Standard carve-outs required for “bad acts” such as fraud and bankruptcy.
<b>Assumption</b>	Fully assumable
<b>Commercial Area and Income</b>	<ul style="list-style-type: none"><li>• Commercial space is limited to 25% of the net rentable area.</li><li>• Commercial income is limited to 15% of the effective gross income.</li></ul>
<b>Pre-Payment</b>	Pre-payment terms are negotiable. Typical terms are 10% of the outstanding balance at Final Endorsement declining 1% per year to 0% in year 11 and thereafter.
<b>Third-Party Reports</b>	Standard 3 <sup>rd</sup> party reports required including an Appraisal(s), Market Study(s), Phase I Environmental Site Assessment, and Architectural & Cost Review. Additional reports may be required in some instances.
<b>Required Escrows</b>	<u>Operating Escrows</u> <ul style="list-style-type: none"><li>• Replacement Reserve, tax and insurance escrows</li></ul> <u>Refundable Escrows</u> <i>Funded in either cash or letter(s) of credit. Released after 6 months breakeven.</i> <ul style="list-style-type: none"><li>• Initial Operating Deficit Escrow – 3% of loan amount</li><li>• Working Capital Escrow – 4% of loan amount</li></ul> <u>Upfront Escrows (if applicable)</u> <ul style="list-style-type: none"><li>• Off-site construction costs</li><li>• Demolition costs</li></ul>

These are basic terms of the HUD 221(d)(4) program and are not considered exhaustive. Please contact Mason Joseph Company for full loan details and conditions.

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<sup>4</sup> Leasehold Estate approved by HUD for not less than 99 years which is renewable or with a minimum term of 50 years from the date of the mortgage.