Bedford Lending

FHA Mortgage Insurance Programs
Section
221(d)(4)

Apartment New Construction or
Substantial Rehabilitation

Bedford Lending is a leading FHA-approved Mortgagee and MAP/LEAN lender that actively underwrites FHA insured mortgage loans for multifamily housing, seniors housing, assisted living and skilled care properties nationwide.

Program Purpose: Provides mortgage insurance to facilitate funding the construction or substantial rehabilitation of apartment properties nationwide. For a property to be considered a "substantial rehab", it must require:

1) repairs, replacements, or improvements to the existing property of over $15,000 per unit X the applicable High Cost Factor for the area (typically 190-270%), or;

2) renovation that will replace 50% of two or more building systems (electrical, plumbing, mechanical, building envelope, structural).

Eligible Borrowers: Profit motivated, non-profit motivated and public owners are eligible.

Eligible Asset Type: Market rate, affordable,(1) or rental assisted(2) properties.

Maximum Loan: The lesser of:

1. The amount of debt that can be serviced by a DSCR of 1.176x, 1.15x, or 1.11x for market rate, affordable,(1) or properties with 90%+ rental assistance(2), respectively;
2. 85%, 87%, or 90% of replacement cost (hard costs + soft costs + land) for market rate, affordable,(1) or properties with 90%+ rental assistance(2), respectively;
3. The building cost limited by statutory per unit limits (varies by market)

Maximum Term: 40 years (fully amortizing), not to exceed 75% of remaining economic life. Interest only during construction period.

Occupancy: Maximum underwritten physical occupancy of 93% for market rate properties, 95% for affordable(1) properties, and 97% rental assisted(2) properties.

Commercial Space: Commercial space allowed up to 15% of project's Effective Gross Income, and 25% of project square footage.

Interest Rate: Subject to market conditions.

Mortgage Insurance Premium: 0.25% to 0.70% of loan amount due at initial loan closing for each 12 months of construction term, or part thereof; 0.25% to 0.70% of the outstanding principal balance calculated annually thereafter. MIP varies depending on different qualifications. .25-.35 = affordable and subsidized buildings, .25 = Energy Star certified, .65 = standard MIP, .70 = urban renewal projects under section 220.

Prepayment: Typically closed for 2 years then open to prepayment at 108% in year 3, declining 1% per year. Other variations are possible based on market conditions and borrower preferences.

Timing: Section 221(d)(4) processing usually takes about 4 to 6 months (subject to deal specifics).

FHA Application Fees: 0.30% of the loan amount (non-refundable – half due at "pre-application", half due at "firm application").

FHA Inspection Fees: 0.50% of mortgage amount

Escrows: Before construction, borrower must set aside reserves for interest, taxes, insurance, working capital (2%-4% of the loan), and initial operating deficit (generally 6 months of debt service); balances will be released to the borrower after six consecutive months of break-even operations.

After construction, taxes, insurance and mortgage insurance premium will be escrowed monthly and a capital needs reserve maintained with monthly deposits in accordance with HUD guidelines on a property-specific basis (minimum $250/unit/year).

Third Party Reports: Required reports include an appraisal, market study, environmental, capital needs assessment (for future repairs/replacements), and a review of the final construction and architectural docs by a third-party. Third party reports must be commissioned by the lender.

Personal Liability: None. The FHA insured loan is non-recourse; however, identified principal(s) will be required to sign "Bad Boy" carve outs at closing.

Assumable:	Yes, subject to HUD and lender approval.
Territory:	Nationwide.
The program has the following additional parameters:	• FF&E allowed as mortgageable cost • Davis-Bacon prevailing wage requirements required • A schedule of real estate owned by principals is required and reviewed.

For additional information visit www.bedfordlending.com **or contact:**

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[1] Affordable defined as: (a) properties that have a recorded regulatory agreement in effect for at least 15 years after final endorsement, (b) properties that meet at least the minimum Low Income Housing Tax Credit (LIHTC) restrictions of 20% of units at 50% of the Area Median Income (AMI), or 40% of units at 60% of AMI, with economic rents (i.e. portion paid by tenants) on those units no greater than LIHTC rents, and (c) mixed income properties if the minimum low income unit rent and occupancy restrictions and regulatory agreement meet the above criteria (i.e. properties need not use LIHTCs to be considered affordable so long as they comply with (a) and (b)).

[2] Rental assisted defined as: properties that have at least 90% of their units supported by a project based rental assistance contract.