



FHA® 221(d)(4): NEW CONSTRUCTION AND SUBSTANTIAL REHAB

Arbor provides FHA-insured, long-term, fixed-rate financing for new construction or substantial rehabilitation of multifamily projects nationwide. Applications are typically processed as a 2-stage application (Preliminary Application followed by Firm Application). HUD-experienced development teams may request “straight to Firm” application, saving significant time by eliminating the Preliminary Application stage.

Loan Term & Amortization	Construction loan period (interest only), followed by 40-year, fully amortizing, permanent.
Maximum Loan Amount	The lesser of: <ol style="list-style-type: none"> 85% of total eligible development costs (for market rate); 87% for LIHTC restricted; 90% for properties with at least 90% rental assistance, Development cost includes value of land for new construction and as-is value of property for substantial rehabilitation; FHA mortgage statutory per unit limits adjusted for local high cost factor; or An amount that achieves a minimum debt service coverage: a) 1.176x DSC for market rate properties; b) 1.15x DSC for LIHTC restricted; and c) 1.11x DSC for properties having at least 90% rental assistance.
Eligible Properties	New construction or substantial rehabilitation of apartment properties.
Eligible Borrower	Single Asset Entity (for profit or non-profit).
Underwriting Occupancy	Maximum economic underwriting occupancy of: <ul style="list-style-type: none"> 93% for market rate properties (i.e. at least 20% market rate units, or LIHTC unit whose rents are < 10% below market rents). 95% for LIHTC restrictions on at least 80% of units at rents at least 10% below market. 97% for properties having at least 90% rental assistance, or 90% LIHTC set aside with rents at least 10% below market
Tax & Insurance Escrows	Monthly deposits required.
Recourse	Non-recourse – Construction and Permanent.
Commercial Space	Maximum 25% of gross floor area and maximum 20% of effective gross income. 20% vacancy rate applied.
Required Reports	Market Study, Appraisal, Architect/Cost Review and Phase I Environmental. CPA reviewed Borrower financial or last fiscal year – sub rehab.
Prepayment	Typically 10% year 1, declining 1% per year. Other pre-payment options available subject to market conditions.
Assumable	Subject to Arbor and HUD approval and payment of assumption fee.
Good Faith Deposit	Negotiable based on property type and loan size.
Expense Escrow	Yes – sufficient to cover Arbor’s expenses and third-party report costs.
Origination Fee	Negotiable
HUD Application Fee	Non-refundable. 0.3% of the loan amount: 0.15% of the loan amount due to HUD at Pre-application submission; 0.15% at Firm Application.



HUD Inspection Fee	0.5% of the mortgage amount for new construction. 0.5% of the cost of the repairs for substantial rehab.
Legal/Closing Fee	Borrower pays Arbor's counsel fee and miscellaneous closing costs.
Rehabilitation Qualifications	Repairs must exceed \$15,000 per unit (adjusted for local high cost factor) or replacement of 2 or more major building systems.
Davis Bacon	Davis Bacon labor standards and wage requirements apply to construction and rehab work.
HUD Mortgage Insurance Premium	Annual MIP Rates: <ul style="list-style-type: none">• Market Rate Properties: 0.65%• Affordable Properties: 0.35%• Broadly Affordable or Energy Efficient Properties: 0.25%