



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 two-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 AND AMORTIZATION	Construction loan period (interest-only), followed by 40-year permanent (fully amortizing)
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 <i>or</i> 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 nonprofit)
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 AND INSURANCE ESCROWS	Monthly deposits required
RECOURSE	Nonrecourse – 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 one, declining 1% per year; other prepayment 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	Nonrefundable – 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 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 two or more major building systems
DAVIS BACON	Davis Bacon labor standards and wage requirements apply to construction and rehab work
HUD MORTGAGE INSURANCE PREMIUM (MIP)	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%