



## FHA® 231: AGE-RESTRICTED NEW CONSTRUCTION/SUB REHAB

Arbor provides FHA-insured, long-term, fixed-rate financing for new construction or substantial rehabilitation of seniors apartments restricted to age 62 and above. Applications 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.

<b>LOAN TERM AND AMORTIZATION</b>	Construction loan period (interest-only), followed by 40-year permanent (fully amortizing); term not to exceed 75% of economic life
<b>MAXIMUM LOAN AMOUNT</b>	The lesser of: <ol style="list-style-type: none"> <li>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</li> <li>FHA mortgage statutory per unit limits adjusted for local high cost factor <i>or</i></li> <li>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</li> </ol>
<b>ELIGIBLE PROPERTIES</b>	New construction or substantial rehabilitation for age-restricted properties (tenants limited to 62 years and over)
<b>ELIGIBLE BORROWER</b>	Single asset entity (for profit or nonprofit)
<b>UNDERWRITING OCCUPANCY</b>	Maximum economic underwriting occupancy of: <ul style="list-style-type: none"> <li>93% for market rate properties (i.e., at least 20% market rate units, or LIHTC whose rents are &lt; 10% below market rents)</li> <li>95% for LIHTC restrictions on at least 80% of units at rents at least 10% below market</li> <li>97% for properties having at least 90% rental assistance, or in-place rehabs with at least 90% occupancy and 90% LIHTC restricted at rents at least 10% below market</li> </ul>
<b>TAX AND INSURANCE ESCROWS</b>	Monthly deposits required
<b>RECOURSE</b>	Nonrecourse – construction and permanent
<b>COMMERCIAL SPACE</b>	Maximum 25% of gross floor area and maximum 30% of effective gross income
<b>REQUIRED REPORTS</b>	Market Study, Appraisal, Architect/Cost Review and Phase I Environmental; CPA reviewed financial or last fiscal year – sub rehab
<b>PREPAYMENT</b>	Typically 10% year one, declining 1% per year; other prepayment options available subject to market conditions
<b>ASSUMABLE</b>	Subject to Arbor and HUD approval and payment of assumption fee



<b>GOOD FAITH DEPOSIT</b>	Based on project type and loan size
<b>EXPENSE ESCROW</b>	Yes – sufficient to cover Arbor’s expenses and third-party report costs
<b>ORIGINATION FEE</b>	Negotiable
<b>HUD APPLICATION FEE</b>	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
<b>HUD INSPECTION FEE</b>	0.5% of the mortgage amount for new construction; 0.5% of the cost of repairs for substantial rehab
<b>LEGAL/CLOSING FEE</b>	Borrower pays Arbor’s counsel fee and miscellaneous closing costs
<b>REHABILITATION QUALIFICATIONS</b>	Repairs must exceed \$15,000 per unit (adjusted for local high cost factor) or replacement of two or more major building systems
<b>DAVIS BACON</b>	Davis Bacon labor standards and wage requirements apply to construction and rehab work
<b>HUD MORTGAGE INSURANCE PREMIUM (MIP)</b>	Annual MIP rates <ul style="list-style-type: none"><li>• Market rate properties 0.70%</li><li>• Affordable properties: 0.35%</li><li>• Broadly affordable or energy efficient properties: 0.25%</li></ul>