

# 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 are typically processed in two stages (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); term not to exceed 75% of economic life

## Maximum Loan Amount

The lesser of:

1. 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;
2. FHA mortgage statutory per unit limits, adjusted for local high-cost factor; *or*
3. 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 for age-restricted properties (tenants limited to 62 years and over)

## Eligible Borrower

Single asset entity (for-profit or non-profit)

## Underwriting Occupancy

Maximum economic underwriting occupancy of:

- 93% for market-rate properties (i.e., at least 20% market rate units, or LIHTC whose rents are less than 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 in-place rehabs with at least 90% occupancy and 90% LIHTC-restricted at rents at least 10% below market

## Tax and Insurance Escrows

Monthly deposits required

## Recourse

Non-recourse – construction and permanent

## Commercial Space

Maximum 25% of gross floor area and maximum 30% of effective gross income

## Required Reports

Market Study, Appraisal, Architect/Cost Review, and Phase I Environmental; CPA reviewed 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

Based on project 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

<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 \$19,293 per unit (adjusted for local high-cost factor and number of project units); inclusive of soft costs.
<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>