



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

New Construction and Substantial Rehabilitation

Program Overview:	The 221(d)(4) program is a single construction-to-permanent loan for New Construction and Substantial Rehab of multifamily and elderly apartment properties in urban renewal areas.
Borrowers:	Single purpose entities that can either be profit motivated or a public body.
Personal Liability:	None. Loans are non-recourse.
Loan Amount:	There is no maximum loan unless limited by statutory caps.
Term:	40 year term plus up to two years of construction.
Amortization:	Interest only during construction period, then loan is fully amortized.
Loan-to-Value:	85%, 87% or 90% of the replacement costs for market rate, qualified affordable or qualified rental assistance properties, respectively.
Construction-to-Permanent Feature:	Permanent long term rates are locked in prior to the start of construction.
Interest Rates:	Interest rates are fixed at closing. Rates are typically set lower than conventional financing due to the credit enhancement provided by FHA at closing.
Assumability:	Loans are fully assumable.
Prepayment:	Terms are negotiable with no yield maintenance or achievement clauses. Standard provisions include a short lockout period followed by a declining prepayment penalty computed as a percentage of the loan until reaching 0% after ten years.
Mortgage Insurance Premium:	A mortgage insurance premium is paid annually based on the outstanding principal. Premiums range from between .25% and .65% depending on the project.
Commercial Space:	Commercial space may be up to 25% of the project's net rentable area and up to 15% of the effective gross income.
BSPRA:	A Builder's Sponsor Profit and Risk Allowance is available to be used as a credit to the mortgagor's required equity contribution. This credit is capped at 10% of the development cost.
Davis-Bacon Wages:	Davis-Bacon wage rates will apply to all projects for the construction or rehabilitation.

For any questions pertaining to FHA Mortgage Insurance Loan Programs please contact Gershman Mortgage. Gershman Mortgage will assist borrower in conducting loan analysis on potential or existing projects. For any questions please visit www.gershman.com or contact Gershman Mortgage directly at (314)-889-0600.

