Eligible Properties/Borrowers/Transactions

Section 221(d)(4) Mortgage insurance for the new construction or substantial rehabilitation of multifamily rental housing

- Multifamily rental or cooperative housing containing five or more units. For profit developers. (Section 221(d)(4) is the program for non-profits.)
  - 40 years, 40 years
  - 83.3% for multifamily market-rate properties, 87% for multifamily affordable properties.
  - Min. 1.05x for multifamily market-rate properties, 1.15x for multifamily affordable properties.
  - 0.45% for multifamily.
  - Depends on HUD field office workloads; however, HUD targets 60 days for review and issuance of the commitment.
  - Typically a two-year term out with an 8% prepayment penalty in year three; declining one percent per year thereafter for the next year. Other options are available.

Section 223(a)(7) Insures mortgage loans for the purchase or refinancing of existing multifamily rental housing

- The property must contain at least 5 residential units with complete kitchens and baths and have been completed or substantially rehabilitated for at least 6 months prior to submission to HUD; Non-critical repairs must be completed within 12 months of closing. Projects requiring substantial rehabilitation are not acceptable and may not replace the employment of more than one year.
  - 35 years, up to 35 years
  - 83.3% for multifamily market-rate properties, 87% for multifamily affordable properties.
  - 0.45% for multifamily
  - Depends on HUD field office workloads; however, HUD targets 60 days for review and issuance of the commitment.
  - Typically a two-year term out with an 8% prepayment penalty in year three; declining one percent per year thereafter for the next year. Other options are available.

Section 220a(7) Refinance of existing FHA-insured loans for market-rate, affordable or senior multifamily housing

- Properties with existing fully insured FHA mortgages. Project-based Supportive Housing properties may be processed under the expedited procedures.
  - 35 years, 35 years
  - No cash out. Can be leveraged up to original loan amount.
  - Min. 1.1x
  - 0.45% (market-rate), 0.55% (affordable)
  - HUD processes in 30 days
  - Typically a two-year term out with an 8% prepayment penalty in year three; declining one percent per year thereafter for the next year. Other options are available.

Section 225 Insures bonds for the construction of rehabilitation of multifamily projects in urban renewal areas, rural areas, state or local areas where public authorities have undertaken rehabilitation activities, and as urban areas receiving rental assistance as a result of natural disasters.

- Properties must consist of two or more units
  - Up to 45 years, up to 45 years
  - Up to 95% for projects with 95% or greater rental assistance
  - 67% for projects that meet the definition of affordable housing
  - Property having 90% or greater rental assistance — 87% LTV
  - Property with 90% or greater rental assistance — 67%
  - Minimum term — 30 years
  - Maximum LTV — 60 basis points w/o Green RS and 50 basis points w/LHCT.
  - Typically a two-year term out unless there is a 99% prepayment penalty in year three.
  - Other options are available.

Section 241(a) Insures mortgage loans to finance repairs, additions, and improvements to multifamily rental housing and health care facilities with FHA insured first mortgages or HUD-held mortgages

- A program to enhance the rate of loan closings to multifamily rental housing and health care facilities with FHA insured first mortgages or HUD-held mortgages.
  - Up to 40 years
  - Not to exceed the remaining term of the first mortgage
  - 87% of market-rate properties
  - 83.3% for rate market properties
  - Up to 50% of value.
  - Based on the provisions of the first FHA mortgage. Pre-application Review (New Construction/ Rehabilitation): 60 days. Firm Commitment Application Review (New Construction/ Substantial Rehabilitation): 45 days. Firm Commitment Application Review (Existing Property Purchase or Refinancing): 60 days. Combined Pre-application and Commitment Application: 60 days.
  - Typically a two-year term out unless there is a 99% prepayment penalty in year three.
  - Other options are available.

Section 203 Provides insurance and mortgage insurance on multifamily housing whose loans are unsecured, pre-approved, and approved by HUD. The FHA provides insurance for loans made or insured by HUD on a self-sustaining basis.

- 15 years maximum for Green RS; 10 years minimum for Green RS. (No max term limit.)
  - Normally 15-15 years based on 30-year amortization. But 10-15 years minimum payment term for projects with 95% or greater rental assistance with non-Green RS, along with 30-year amortization.
  - 65% LTV for Green RS, no max loan amount unless approved by HUD for higher.
  - 1.15 DSC for Green RS, no max loan amount unless approved by HUD for higher.
  - HUD processes in 15 days
- Less than 10 years: 15% prepayment penalty in year three; declining one percent per year thereafter for the next year. Other options are available.

Section 203(b) Provides an alternative to Section 221(d)(4) for the new construction or substantial rehabilitation of multifamily housing

- No minimum or maximum terms, but must be fully amortized
- No minimum or maximum terms, but must be fully amortized (no balloons)
- “Level I” — 50-50 Risk-Sharing, 10-20 year max, “Level II” — up to 35-year max, “Level III” — 85% or less as MAP
- “Level I” — 50-50 Risk-Sharing, 10-20 year max, “Level II” — up to 35-year max, “Level III” — 85% or less as MAP
- “Level I” — 50-50 Risk-Sharing, 10-20 year max, “Level II” — up to 35-year max, “Level III” — 85% or less as MAP
- 1.175 DSC same as MAP
- HUD processes in 15 days
- Typically a two-year term out unless there is a 99% prepayment penalty in year three.
- Other options are available.

Sources: Beech Street Capital (Sections 221(d)(4), 223(f), 232/223(f), 203(a)(7)) Department of Housing and Urban Development (Sections 232(f), 203, 241(a), 542(b), 542(c), and FY 2011 volumes)