

## **221(d)4 Multifamily “New Construction/Substantial Rehab”** **PROGRAM SHEET**

The following description is a summary of a core lending program offered by Texas Commercial Mortgage. We encourage you to contact us today for specific information and for a more thorough explanation of TCM's lending services.

- **Up to 90% Loan-to-Costs (100% for Non-Profit sponsor).**
- **No Loan-to-Value Constraint.**
- **Interest-only construction loan that automatically converts to 40-year permanent financing.**
- **40 Year Amortization. 40 Year Term (no balloon)**
- **No maximum loan amount. Minimum +/- \$3,000,000.**
- **Low, fixed interest rate, base on market spreads over 10-Year Treasury Yield.**
- **Builders & Sponsor Profit and Risk of 10% of allowable costs may be utilized as credit to equity requirements.**
- **Non-recourse, with no carve-outs, including construction period.**
- **Flexible and negotiable pre-payment terms. NEVER defeasance or yield maintenance after 3 years of loan inception.**
- **This is a conventional mortgage, FHA does not limit rents, tenant income, or return on equity.**
- **1:11 Minimum Debt Service Coverage (1:05 for Non-Profit Sponsors).**
- **This loan is always assumable.**
- **Third-party expenses and loan costs are financeable.**

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**Process and time line;**

**STAGE I: PRE-APPLICATION:**

- Lender Processing Fee: \$5,000
- Phase I Environmental Report (est.) \$2,500
- Market Study & Limited Appraisal (est.) \$5,000 to \$9,000/

Estimate 45 days for 3<sup>rd</sup> parties to complete reports and HUD Review of 45 days.

At successful conclusion of processing, an “Invitation Letter” which sets NOI and demand will be issued by HUD.

**STAGE II: FIRM SUBMISSION:**

- Appraisal (est.) \$5,000 to \$9,000
- A/E & Cost Review (est.) \$8,000
- Exam Fee to HUD is 3/10 of 1% (30bps)
- Additional costs may be incurred, including architects, legal expenses, surveys, other fees that may be charged by municipalities, sellers, etc.

Estimate 45 days for 3<sup>rd</sup> parties to complete reports, and HUD review of 45 days.

At successful conclusion of processing, a Firm Commitment will be issued.

**STAGE III: CLOSING:**

- Good Faith Deposit (locks the rate and is paid at commitment) ½ of 1% of mortgage (50 bps). Credited to fees at closing.

Typical closing time line is within 30 days of the rate-lock. This may be expedited with waivers from HUD, efficient reviews, etc.

The above time line indicates 7months for closing with HUD . This time frame can be significantly shortened by processing the Pre-Application and the Firm Submission concurrently, and by expedited third party and borrower response.

## **POINTS TO CONSIDER:**

- “Non-recourse” construction financing eliminates risk and does not tie up lines of credit at Bank or other credit lines.
- A “FORWARD COMMITMET RATE” for the permanent loan is locked at closing of the construction loan, an invaluable element.
- A 90% loan to costs, if DCR is under 1:11, is the highest in the industry and eliminates the long periods to find or use other equity.
- The 1:11 DCR is the lowest in the Industry, thus allowing larger loan amounts.
- 40 year amortization lowers the debt service and provides a larger cash flow plus it can eliminate financing issues in later years.
- One closing eliminates costly refinancing from construction to permanent.
- The program is EXCELLENT FOR REHAB. PROJECTS as it provides the purchase funds and the rehab costs simultaneously.
- With no lock-out and elimination of yield maintenance and defeasance after 3 years, an exit stratgedy can be planned with projected returns.
- With a bonded contractor for costs and performance; third party audits of all costs; close Lender, Architect and Contractor supervision, costs are exceptionally firm and accountable.

## **PRELIMINARY REVIEW INFORMATION:**

1. Project Description including unit mix with net square footages, amenities, acreage, and building(s) gross square footage.
2. Site location map and address.
3. Estimated Site Value and Costs.
4. Proforma of Income and Expenses.
5. Estimated Construction Costs including any Special Fees, Off-site expense, Architectural Design and Supervisory Fee.
6. Any available Market Studies, Appraisals, Environmental and/or Engineering reports. **“DO NOT ORDER ANY REPORTS”**.

We are available for discussions with clients regarding this and our other financing sources. We represent numerous sources of capital including banks, conduits, life insurance companies, credit unions, REIT’s, pension fund advisors, and both private and institutional equity sources. Whether construction or permanent loans to structured finance, we provide customized commercial real estate financing. Bring our years of experience to the forefront for your project.