

# HUD Debt Options – Section 221(d)(4)

## ■ Positives

- Completion requirement, but no conversion DSC test.
- Single execution construction and permanent loan
- 40 year term and amortization
- Cost based program
- Higher loan proceeds
- Lower rate
- Currently, no negative arbitrage

## ■ Negatives

- Davis Bacon wages
- Time to close
- Higher cost of issuance
- Will likely need bridge loan to maximize equity pricing

# HUD Debt Options – Section 223(f)

- Positives

- Moderate Rehab up to \$15k/unit x area High Cost Factor
  - Nashville is 223% x \$15k = \$33,450/unit
  - Memphis is 220%, Knoxville is 226%
- No Davis Bacon Wage requirement

- Negatives

- LTV constraint
- Starts fully amortizing at initial closing

# HUD Section 221(d)(4) Example – Meadow Lane

- Rome, GA
- 119 units (96% PBRA)
- Closed 12/6/17
- \$10,500,000 HUD Loan /  
\$19,107,042 total Development Cost
- 168 days from the engaging of 3<sup>rd</sup>  
party reports to closing
  - 65 days in underwriting
  - 73 days at HUD
  - 30 days to close



# What's New at HUD for LITHC deals?

- Bridge Loan Clarification
- Section 221(d)(4) PILOT
- Section 223(f) / 241(a) Pre-Year 15 strategy

# Comparison of the FREDDIE TEL, FANNIE M-TEB & HUD 221(d)(4)

	<b>Fannie Mae M-TEB - 24 Month Unfunded Forward</b>	<b>Freddie Mac Tax Exempt - 24 Month Unfunded Forward</b>	<b>HUD 221(d)(4) Substantial Rehabilitation</b>
	<b>15 Year Term / 35 Year 90% LTV/1.15x DSCR</b>	<b>15 Year Term / 35 Year 90% LTV/1.15x DSCR</b>	<b>40 Year Term / 40 Year 87% LTC/1.15x DSCR</b>
<b>Mortgage Amount</b>	\$ 34,164,000	\$ 32,743,000	\$ 36,066,500
<b>Term</b>	15 Years	15 Years	40 Years
<b>Amortization</b>	35 Years	35 Years	40 Years
<b>Indicative Interest Rate Spread ( includes servicing &amp; MIP)</b>	1.90%	2.60%	2.05%
<b>Index Rate</b>	2.10%	2.19%	2.19%
<b>All In Rate</b>	4.00%	4.79%	4.24%
<b>Annual Payment</b>	\$ 1,815,235	\$ 1,930,441	\$ 2,111,534