



WASATCH CAPITAL
GROUP
HUD 221(d)(4)

PURPOSE

Provides mortgage insurance for the new construction and substantial rehabilitation or apartment projects, including independent living projects for seniors (age 62 years and older with no services). This program provides for both construction and permanent financing.

Eligible Properties	Market rate, low-to-moderate income and subsidized multifamily properties.									
Commercial Space Limitation	Limited to 25% of net rentable area and 15% of underwritten effective gross income (up to 30% of underwritten EGI permitted in urban renewal areas under Section 220).									
Minimum Scope of Work	All construction of new buildings plus renovation of existing buildings that meet one of the following conditions: a. Renovation costs total more than \$15,000 per unit times a local cost factor (typically 190% – 270%); b. Renovation will replace more than 50% of two or more building systems: electrical, plumbing, mechanical, building envelope, structural.									
Davis Bacon Wages	Payment of prevailing wages, as determined by the Department of Labor, is required for all contractors and subcontractors.									
Borrower	Single asset, special purpose entity, either for profit or non-profit.									
Recourse	Non-recourse									
Interest Rate	Single fixed rate for both the construction interest only period and the permanent loan term, determined by market conditions at time of rate lock. Rate lock deposit is 0.5% and refunded at closing.									
Loan Parameters	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">Subsidized*</td> <td style="width: 40%; text-align: center;">Max. LTV or LTC 90%</td> <td style="width: 30%; text-align: right;">Min. DCR 1.11x</td> </tr> <tr> <td>Affordable**</td> <td style="text-align: center;">Max. LTC 87%</td> <td style="text-align: right;">Min. DCR 1.15x</td> </tr> <tr> <td>Market Rate***</td> <td style="text-align: center;">Max. LTC 85%</td> <td style="text-align: right;">Min. DCR 1.18x</td> </tr> </table> <p>* At least 90% of the units covered by a project-based Section 8 contract.</p> <p>** Regulatory Agreement in place with minimum set-aside (e.g., 40% of units at 60% AMI, or 20% of units at 50% AMI) in effect for at least 15 years.</p> <p>*** Eligible cost includes hard costs and most soft costs plus the as-is value of project or land. Examples of ineligible costs include refundable reserves, preliminary marketing costs, and offsite improvements.</p>	Subsidized*	Max. LTV or LTC 90%	Min. DCR 1.11x	Affordable**	Max. LTC 87%	Min. DCR 1.15x	Market Rate***	Max. LTC 85%	Min. DCR 1.18x
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Term and Amortization	Interest-only, fixed, for up to 3 years during the construction period plus 2 months for cost certification followed by an additional 40 years fixed and fully amortizing.									

Prepayment and Assumption	Negotiable with best pricing for 10 years of call protection (can be a combination of lockout and/or penalty). Lockout typically ends after final certificate of occupancy followed by a 10 year declining prepayment schedule (10, 9, 8, 7, 6, 5, 4, 3, 2, 1); loan is fully assumable.
Escrow Payments	Prior to construction, reserves for interest, taxes, insurance, working capital (4% of the loan), and initial operating deficit; balances will be released to the borrower after 6 consecutive months of break-even operations. Post construction, taxes, insurance and mortgage insurance premium will be escrowed monthly and a capital needs reserve maintained with monthly deposits in accordance with HUD guidelines on a property-specific basis (minimum \$250/unit/year).
Mortgage Insurance Premium	0.65% annually (0.70% for urban renewal projects under Section 220, 0.25% – 0.35% for affordable and subsidized properties, and 0.25% for Energy Star certified properties); amount due during construction term is capitalized in the loan.
HUD Application Fee	0.15% of estimated loan amount due with submission of initial application, plus 0.15% due with final application (entire 0.30% due with final application for affordable and subsidized properties).
Third-Party Reports	Appraisal, Market Study, Environmental, and future Capital Needs Assessment, plus a review of the final construction and architectural documents by a HUD-approved third party contractor.
Timing	Varies by transaction, but typically between 7 – 12 months from due diligence to closing.

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This term sheet sets out general guidelines and is designed as an aid to prospective borrowers and other clients. This term sheet does not represent or imply a contract or an offer to lend funds. An offer to lend funds may only be made by a signed written commitment letter to a prospective borrower. This term sheet is subject to change at any time without notice at the sole discretion of Wasatch Capital Group. Terms and conditions apply. This is not a commitment to lend.