

# HUD 221d4 New Construction



# *Who is Bedford Lending*

Company formed in 1991

Headquartered in Bedford, N.H. with 5 offices nationwide

Approved to finance Apartment, Healthcare, and Hospital loans

Management averages 30 years commercial experience

Maintains highest designations –MAP and LEAN Approved

Direct FHA and USDA Lender

Certified to underwrite HUD loans Nationwide

Has closed over \$2 billion in loans

# *221(d)(4)*

The 221 (d) (4) program provides construction and permanent financing for new construction and substantial rehabilitation for multifamily and senior housing (62 and older without services) properties.

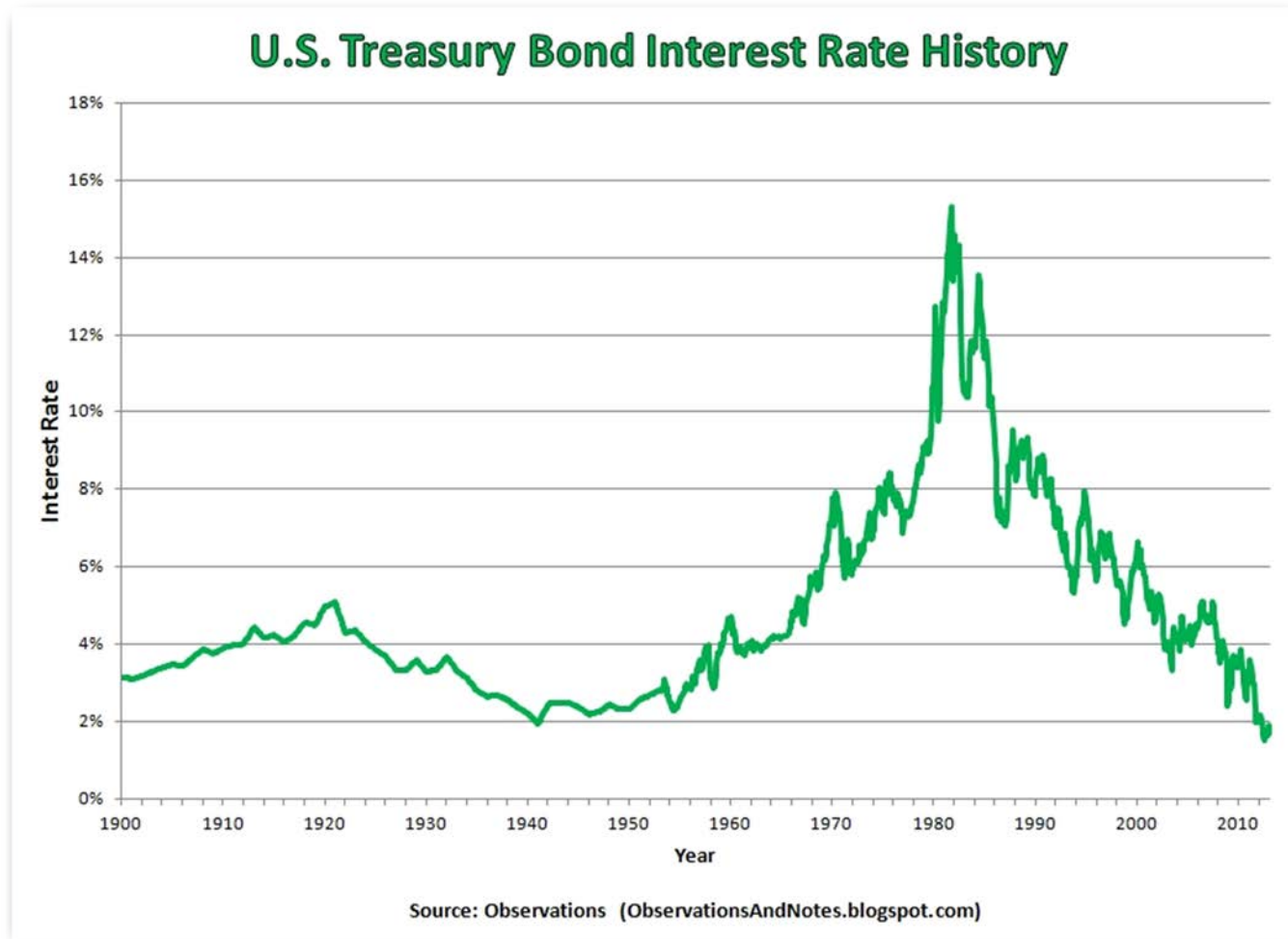
# *Program Benefits*

- HUD financing results in higher loan amount. Sample Property has been pre-qualified for a loan amount of \$21,474,000 resulting in a Loan to Value of **87%** inclusive of BSPRA (Builder's Profit) credit.

BSPRA credit is Builder and Sponsor Risk Allowance. The general contractor, by forgoing a builder's profit, permits the use of a BSPRA credit which increases the loan amount in lieu of builder's profits.
- **Fixed rate for 40 years** – results in improved cash flow and mitigates interest rate adjustments
- Fixed rate results in a higher sales price in a rising interest rate environment.
- Prepayment options are available starting at 5 years but are rate dependent
- One closing for both construction and permanent; fixed rate locked at time of commitment
- Non-Recourse financing
- Assumable Loan
- Recognize entitled value of land
- Soft costs are MORTGAGABLE

# *Program Benefits*

- **Fixed rate for 40 years** – mitigates interest rate risk



# *Loan Process/Timeline*

Step 1 – Bedford Lending has completed a concept document which was approved by the local HUD office in September 2013.



Step 2 - BLC will complete a pre-application submission upon receipt of third party reports – 45 days



Step 3 – HUD review of pre-application, exhibits, and third party reports – 30 days



Step 4 – Completion of firm application which includes all plans, specs, and necessary documentation as required by HUD – 30 days



Step 5 – Issue of a firm commitment, at which time closing is scheduled and rate lock completed – 30 days



# *Recent Closings*

## *Bedford, NH – 83 unit New Construction*



**Project filled up in less than 6 months.**



## *Hoboken, NJ – 140 Units - Rehab*



Project filled in 7 months.

## *Baltimore, MD – 100 Units Substantial Rehab*



Project filled in 5 months.

# *Vernal, UT – 128 unit New Construction*



Project filled up in less than 7 months.

## *Boise, ID – 126 Units*



Project filled in 8 months.

# *Exit Strategy*

1. Sell as condos in five years.
2. Sell to a REIT. “Sample Property” in Bedford recently sold for \$26,000,000. Bedford Lending financed the new construction in 2002 for \$5,600,000.
3. HUD loan assumable at original 40 year locked in rate which will result in a significantly higher sales price during a rising interest rate environment. – Expand upon in conversation.
4. Can refinance HUD loan after 5 years if interest rate is lower.

# Interest Rate Impact on Future Sale

Sensitivity Analysis			
	HUD	Bank - 7%	Bank - 9%
Loan Amount	\$ 21,474,000	\$ 21,474,000	\$ 21,474,000
Interest Rate	5.00%	7.00%	9.00%
Loan Term	40	30	30
Monthly Payment	\$ 103,547	\$ 142,867	\$ 172,785
MIP	\$ 11,632		
Total Payment	\$ 115,179	\$ 142,867	\$ 172,785
Annual Payment	\$ 1,382,144	\$ 1,714,405	\$ 2,073,416
		\$ 332,261	\$ 691,272

## Lost Value Resulting from Higher Interest Rate

Cap Rate	6.5%	\$ 5,111,706	\$ 10,634,956
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# ROI

Reimbursement of 80% Working Cap & IOD to LLC	
Equity Invested	\$3,000,000
Plus Developers Contribution	\$0
<b>Subtotal</b>	<b>\$3,000,000</b>
Less Prepaid Funds (Reimbursed at closing)	
Sitework	\$536,000
Architect	\$194,000
HUD Third Party Reports	\$50,000
Less 50% Working Cap & IOD	\$500,000
<b>Reimbursements</b>	<b>\$1,280,000</b>
<b>Final Equity Requirement</b>	<b>\$1,720,000</b>

## ROI Analysis based on 95% Occupancy w/ 20% General Partner

NOI based on 95%	\$1,713,264
Debt Service including MIP	\$1,382,149
Net Cash Flow before General Partner distribution	\$331,115
Less General Partner - 20%	\$66,223
Cash Flow after General Partner distribution	\$264,892
ROI	15.4%

## *Contact Information*

**Bedford Lending**  
**40 South River Road,**  
**Bedford, N.H. 03110**  
**Ph: 603.647.4646**  
**[www.bedfordlending.com](http://www.bedfordlending.com)**