

HUD 221(d)(4) Loan Program



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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 HUD 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.

Finance Opportunities

- New Construction
- Acquisition and Substantial rehab of existing apartment buildings
- Repositioned properties (i.e. office, retail, municipal, mill)
- Blanket Properties that need renovation
- Senior Housing – 62 and Older
- Single Room Occupancy (Rooming House)

*Potential Equity Sources That can we used
with the Program*

- Historical Tax Credits
- 4 & 9% Low Income Tax Credits
- New Market Tax Credits
- TIF Funds
- Tax Abatements
- CDB Grants
- Other public grants
- Entitled land value
- Builders profit credit

Type of Tenants

- A common myth is that the property must offer reduced rents or subsidies to qualify for the program. **This is not accurate.** Properties can be:
- 100% market rate
- 100% subsidized (Section 8 Vouchers and HAP Contracts)
- Combination of Market and Subsidized rents

Program Benefits

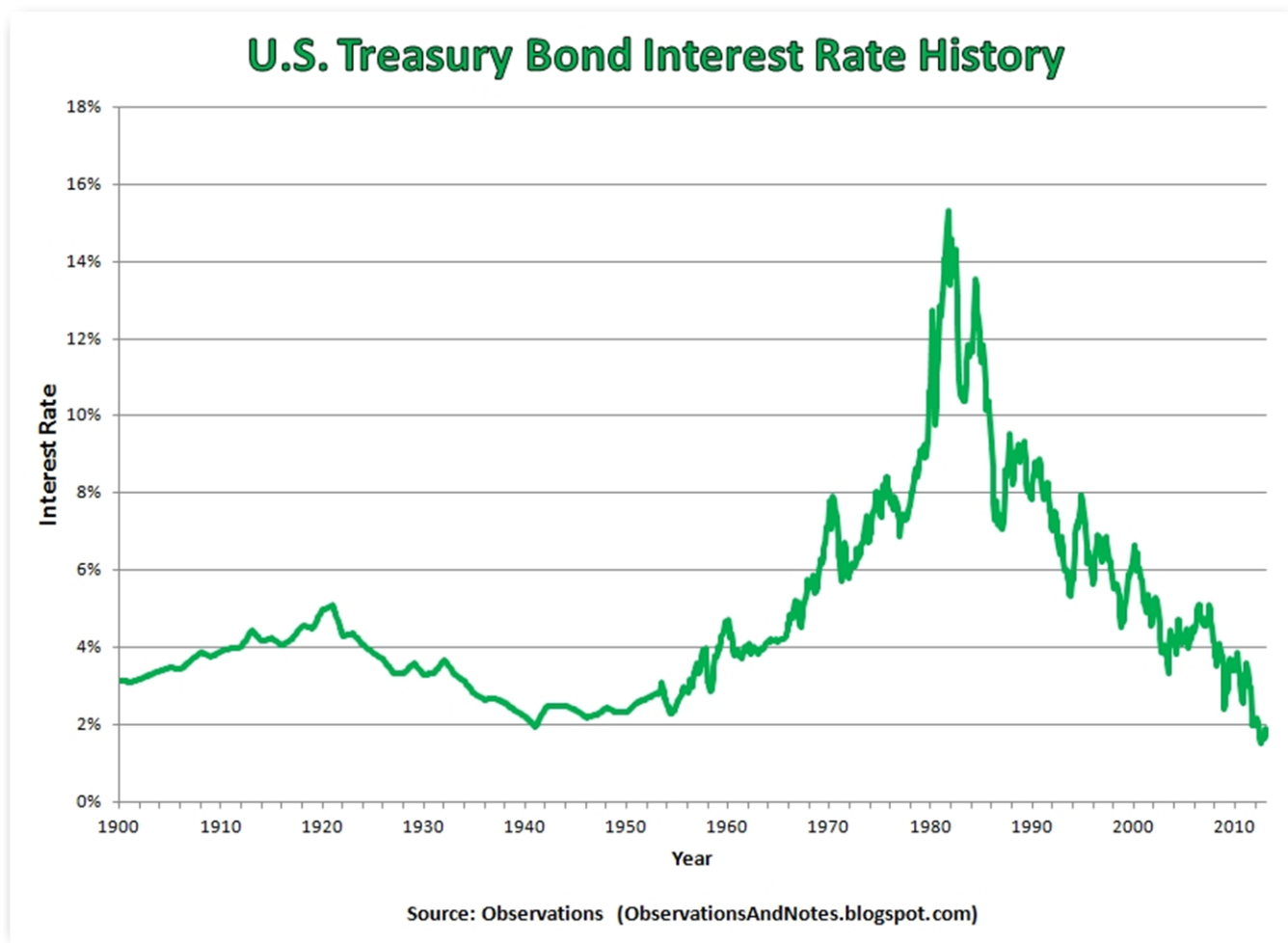
- Maximum 40 Year Loan
- Fixed rate for life of loan (see following chart)
- 85-90 % Financing
- Can blend program with tax credits or grants
- Fixed Rate during construction period
- Tenants can be market rate rents, subsidized or a combination
- Non-Recourse financing from Day 1

Program Benefits (con't)

- Interest Carry Cost is built into the Loan
- One closing – Construction loan converts to permanent financing. This eliminates interest rate risk and multiple fees. Also removes risk of loan being re-sized if actual rents are less than proforma rents.
- Assumable Loan
- Allow commercial income - 25% of net rentable area and 15% of effective gross income.
- Builder can get credit profit towards equity
- Recognize entitled value of land
- Soft costs are MORTGAGABLE

Program Benefits (con't)

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



Program Benefits (con't)

The image below demonstrates the benefit of locking in a fixed-rate for 40 years compared to bank financing (which typically has a 5-10 year fixed-rate term). A higher interest rate impacts the cash flow of a property, which in turn substantially impacts the value of the property for investors/borrowers.

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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Loan Process

Step 1 - Client complete workbook that includes a construction budget and projections



Step 2 - BLC will complete a **free** analysis and review findings with the borrower



Step 3- Complete a concept documents and submit to HUD



Step 4 – Schedule meeting with borrower at HUD Office



Step 4 - If meeting is favorable, we will begin formal underwriting process.



Step 5 – The loan typically closes within 6 months.

Sample of Recent Closings

Bedford, NH – 83 unit New Construction



Project filled up in less than 6 months.

Vernal, UT – 128 unit New Construction



Project filled up in less than 7 months.

Boise, ID – 126 Units



Project filled in 8 months.

How do I get started?

We need only a few pieces of information to see if your project qualifies for HUD financing:

- 1) Income and expense projections
- 2) Information about the land, including acquisition cost and/or current balance
- 3) Construction costs (can be rough estimates, you do not need a detailed breakdown)

Any other supporting information you can provide about the market or project is helpful. We pride ourselves on our quick, accurate, and free HUD pre-qualifications.

Contact Information

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