

221(d)(4) Loan Program



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Who is Bedford Lending

Company formed in 1991

Headquartered in Bedford, N.H. with 10 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.

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
- 83.3-90 % 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 resized if actual rents are less than proforma rents.
- Assumable Loan
- Allow commercial income - 10% of gross floor area and 15% of potential gross income.
- Builder can get credit profit towards equity
- Recognize entitled value of land
- Soft costs are MORTGAGABLE

Substantial Rehab Qualification

Substantial Rehabilitation: a property qualifies as substantial rehabilitation if it meets one of the following criteria:

- The cost of repair, replacements and improvements exceeds the greater of 15% of the estimated replacement cost after completion of all repairs, replacements, and improvements, or \$6500 per unit adjusted by the local HUD field office high cost of percentage for that area. say \$12,000/unit and up.
- Two or more major building components are being substantially replaced. Additions are permitted in substantial rehabilitation projects, but the costs for the additions of new units (not building component additions) are not included in the eligibility test.

Underwriting Requirements

	Market	Affordable	Project Based
Loan to Cost	83.3%	87.0%	90.0%
Debt Coverage Ratio	83.3%	87.0%	90.0%

Affordable defined as (a) properties that have a recorded regulatory agreement in effect for at least 15 years after final endorsement, (b) properties that meet at least the minimum Low Income Housing Tax Credit (LIHTC) of 20% of units at 50% of the Area Median Income (AMI), or 40% of units at 60% of AMI, with economic rents (i.e. portion paid by tenants) on those units no greater than LIHTC rents, mixed income properties if the minimum low income unit rent and occupancy restrictions and regulatory agreement meet the above criteria (i.e. properties need not use LIHTC's to be considered affordable so long as they comply with (a) and (b)). Rental Assistance defined as properties that have at least 90% of their units supported by a project based rental assistance contract.

Key Issues

1. Strength of the Market
2. Careful review of Projections
3. Securing accurate construction numbers.
4. Experience Management Company
5. Borrower

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 – Often times we need to assess the market and call appraisers to document the assumptions.

Step 3 – BLC to complete a concept documents and submit to HUD.

Step 4 – Schedule meeting with borrower at HUD Office.

Step 5 –If meeting is favorable , will order a limited appraisal and market study and submit to HUD with drawings and exhibits.

Loan Process cont.

Step 6 - HUD presents to loan committee. If approved, will issue a commitment letter.



Step 7 – BLC finish 3rd party reports and client needs full plans and specs.



Step 8 – BLC completes extensive submission and presents to HUD for final approval.



Step 9 – Secure new commitment.



Step 10 – Close Loan

Case Studies

Acquisition and Rehab – 95% Financing



Acquisition and Rehab Loan

Challenge

A developer was seeking 95% financing to acquire and rehab a vacant municipal building. His goal was to renovate the property into 72 apartments and wanted the option to sell the units as condos in the future.

Solution

BLC allowed the client to substitute his builders profit as an equity credit and funded a \$5.7m HUD loan. The combined HUD loan and equity credit created 95% financing. The loan was structured with a 3 year prepayment and the client paid off the loan after 3 years and sold the units as condos.

New Construction – 98% Financing



New Construction – 97% financing

Challenge

Our client was looking for maximum financing to construct a 60 unit apartment building.

Solution

Bedford Lending funded a HUD loan that financed 97% of the land acquisition and development costs of a 60 unit apartment building. The total development costs were \$5,700,000. BLC funded a \$5,100,000 non-recourse, 40 year loan and provided and credit (builder) a \$450,00 builders profit credit which was used as equity in the project...The combination e loan and credit provided **97%** financing

In Summary

- HUD is one of the best options for new construction and rehabs.
- Provides up to 83% to 90% Construction Loans

Contact Information

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