

## NEW CONSTRUCTION OR SUBSTANTIAL REHABILITATION HUD SECTION 221(d)(4)

---

### SOURCE OF FUNDS

- ✘ Centennial Mortgage, Inc.

---

### ELIGIBILITY

- ✘ Mortgagor entity may be either for-profit or not-for-profit.
- ✘ Rehabilitation must involve at least 15% of the project value after completion, \$6,500 per unit, (adjusted by HUD's cost percentage) or replacement of at least 2 major building systems.

---

### REQUIREMENTS

- ✘ Subject to Davis-Bacon requirements.
- ✘ Audited project financial statements must be filed annually with CMI.
- ✘ Property must remain a rental property for at least 5 years after the loan closing date.

---

### ESCROWS

- ✘ Full escrows for property taxes and mortgage and property insurance are funded at closing and must be maintained throughout the life of the loan.
- ✘ A Replacement Reserve account must be established at closing and is made immediately available for replacement of short-lived depreciable items. The account must be maintained with monthly contributions throughout the life of the loan. Interest earned on the account inures to the benefit of the property.

- ✘ An Operating Deficit escrow may be required by HUD to cover operating losses until sustaining occupancy is reached and, when required, must be funded by mortgagor with cash or a letter of credit.

---

### FEATURES

- ✘ This is a non-recourse loan. Mortgagor assumes no personal liability.
- ✘ Long-term—up to 40 years, fully-amortizing.
- ✘ Low, fixed interest rates.
- ✘ Loan-to-cost ratio up to 90% for a for-profit enterprise.
- ✘ Most affirmative and negative loan covenants typically found in conventional loan agreements are eliminated.
- ✘ Converts to permanent financing upon completion at no extra cost.
- ✘ No low-income tenancy requirements.
- ✘ Fully assumable.
- ✘ Can be used as a credit enhancement for tax exempt bonds.
- ✘ Debt service coverage ratio of 111%.

*Centennial Mortgage, Inc.*