

Program Overview:	Provides a fixed rate, fully-amortizing supplemental loan to provide improvements or additions to an existing HUD-insured loan. Loan can be used to fund rehabilitation, alternations, or additions to the existing structures. Construction of additional units or buildings is permitted, so long as the number of additional units is equal or lesser than the number of units in the existing project.
Borrower Type:	Same borrower entity that owns the existing HUD-insured mortgage
Recourse/Guaranty:	Non-recourse
Loan Term/Amortization:	Loan term will generally match the remaining loan term on the existing first mortgage. If the existing loan term has less than 25 years remaining, the new loan term may extend up to 40 years, so long as it does not exceed 75% of the projects remaining economic life
Interest Rate:	Determined by market conditions and fixed for the full term of the loan
Loan Parameters:	Loan amount shall be the lesser of: 1. 90% of the value or cost of the repairs or improvements, including the acquisition of additional land 2. Amount supported by 90% of the NOI of the combined project, including debt service costs on the existing first mortgage
Prepayment	Negotiable. Typically, 10-year call protection with a combination of lockout and/or step-down pre-payment penalty
Assumption:	Loans are fully assumable, subject to HUD approval.
HUD Application Fee:	0.3% of the loan amount (0.15% due at Pre-Application and 0.15% due at Firm Application). Application fees may be reduced for projects located in a qualified Opportunity Zone
HUD Inspection Fee:	0.50% of loan amount for New Construction; 0.50% of Total Improvements for Substantial Rehab
HUD MIP:	0.25% due at closing and annually
3rd Party Reports:	Appraisal, Phase I Environmental, Project Capital Needs Assessment (PCNA), Market Study, and Architectural & Cost Review
Reserves:	Typical Tax and Insurance escrows (including MIP) and Replacement Reserves as determined by PCNA and program requirements with a minimum annual deposit of \$250/unit
Escrows:	Initial Operating Deficit and Working Capital Reserve requirements are the same of those required on the 221(d)4 program, but may be waived where appropriate on specific projects subject to HUD approval
Construction Wages:	If the existing first mortgage was insured under 221(d)4, Davis-Bacon wage rates will apply to the supplemental. If the existing first mortgage was insured under 223(f) or 223(a)(7), Davis-Bacon wage rates will not apply to the supplemental