



CAMBRIDGE

Senior Housing & Healthcare Capital

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HUD SECTION 221(D)4 MORTGAGE INSURANCE PROGRAM FOR NEW CONSTRUCTION AND SUBSTANTIAL REHABILITATION OF MARKET RATE RENTAL HOUSING

Cambridge Realty Capital Companies and the HUD Section 221(d)4 Program provide mortgage insurance for new construction and substantial rehabilitation for market rate rental apartment communities, and cooperatives.

SUMMARY OF PROGRAM

Eligible Property

- New construction, or
- Substantial rehab of existing rental housing where more than one major building component is being replaced, or
- Projects where rehab costs are greater than 15% of the property's value after completion, or
- \$6,500/unit times HUD's "High Cost Factor".
- Substantial rehabilitation loans may be either an acquisition or refinance.

Mortgage Amount

Subject to the following limitations:

New Construction

The lesser of:

- 90% of the lender's estimate of replacement cost;
- HUD's statutory mortgage limits, as adjusted by location;
- A loan amount which could be serviced by 90% of the property's NOI.

Special Provision

Refinancing loans may be 100% of replacement cost, provided 100% of replacement cost is not greater than 90% of value.

Amortization

40 years on a fully amortizing basis.

Interest Rate

Subject to market conditions.

Personal Liability

None.

Fees

0.3% Application Fee used for appraisal and engineering costs.

Payable from Loan proceeds.
2.0% Financing Fee.
1.5% available for placement of financing in capital markets.
0.5% Construction Inspection Fee payable to HUD.
0.5% Annual Mortgage Insurance Premium payable to HUD.

BSPRA	By using BSPRA, a developer can substantially reduce the equity requirement. A Builder's and Sponsor's Profit and Risk Allowance is included in the mortgage and may be used as credit against required equity if there is an identity of interest between the borrower and the general contractor. BSPRA may be a maximum of 10% of total project costs, not including the land cost.
Commercial Space	Commercial space may be up to 20% of the project's net rentable area.
Davis-Bacon Wages	The payment of prevailing wages as required by the Davis-Bacon Act apply.
Retainage	10% of each advance.
Assurance of Completion	The general contractor must provide either: <ul style="list-style-type: none">· A payment and performance bond from a bonding company acceptable to CAMBRIDGE for 100% of construction costs; or· An executed Completion Assurance Agreement secured by cash or a letter of credit for a minimum of 15% of construction costs for walk-up structure; 25% for elevator structures.· A Latent Defect Bond or Letter of Credit equal to 2.5% of the construction contract will be required after completion of construction for a 12-month guaranty period.
Assumability	The 221(d)4 loans are fully assumable.
Prepayment	Yes, but with negotiated penalty.
Required Fees And Escrows	<i>Mortgage Insurance Premium</i> A monthly fee equal to 0.5% per annum will be added to the monthly mortgage payment. <i>Replacement Reserve</i> A replacement reserve must be established on a monthly basis to provide for the future replacement of capital items. This cash reserve will be held by CAMBRIDGE in an interest-bearing

account and can be drawn on by the borrower for capital improvements. Interest earned on the account benefits the property and can be paid out periodically. Monthly additions to the reserve are also required.

Real Estate Taxes, Property Insurance

Monthly payments to these escrows will be required and held in a non-interest bearing account by **CAMBRIDGE**.

Working Capital

At initial closing, a 2% or greater letter of credit escrow must be established to insure payment of initial operating and marketing expenses. This deposit is released at Final Endorsement.

Optional Fees And Escrows *Operating Deficit*

If an operating deficit is anticipated, the borrower must provide **CAMBRIDGE** with cash or a letter of credit issued by a financial institution acceptable to **CAMBRIDGE** to cover the anticipated loss.

Offsite Improvements

In a case where offsite improvements are required, an escrow (cash or letter of credit) equal to 100% of estimated offsite costs must be established.

Replacement Cost

HUD replacement cost includes the following:

- Site work
- Building cost (includes General Requirements, General Overhead)
- Fees: Building permit, water and sewer tap, inspection, survey, soil test, utility charges.
- Construction interest
- Property taxes during construction
- Insurance: Builder's Risk and OCP
- HUD Mortgage Insurance Premium
- HUD Inspection Fee
- HUD Application Fee
- Financing Fee
- Placement Fee
- Title, Legal, Audit
- BSPRA
- Land

PRELIMINARY APPLICATION

To assume a prompt initial response, you should provide **CAMBRIDGE** with a preliminary application that includes the following:

- A brief description of the development program.
- A preliminary estimate of rents and expenses, together with a market study and marketing plan, if available.
- The sponsor's resume showing expertise in developing the type of housing to be provided.
- The sponsor's unaudited financial statement.
- Evidence of site control.

SITE VISIT AND CONFERENCE

If the preliminary application indicates that the project may qualify for a 221(d)4 loan, **CAMBRIDGE** will schedule a meeting with you at the site. We will discuss the project, our preliminary response to your application, feasibility of the financing plan and current financing alternatives. If you find our conclusions acceptable, we will ask you to authorize **CAMBRIDGE** to proceed with the formal application review.

FULL APPLICATION

Cambridge will work with you to prepare the full application promptly. The full application will include:

- Application letter.
- Location map showing the site in relation to area features and services.
- A plan and legal description of the property.
- Evidence of satisfactory zoning.
- Evidence of title, option or contract of sale, and purchase price.
- A management plan, which for a congregate facility should address the special needs and expectations of the elderly and the complex services and expenses associated with this type of community.
- Equal employment opportunity and previous participation certificates; affirmative fair housing marketing plan.
- Minority business enterprise certifications from the sponsor, architect, general contractor and management agent.

- Current personal financial statement from the sponsor and general contractor.
- Architectural exhibits including working drawings and trade specifications necessary to bid the project, soil borings, utility analysis, and owner/architect agreement.

CONCLUSION

Cambridge will provide the following comprehensive services for your 221(d)4 insured loan:

- Determine within 10 working days of receipt of the preliminary application if your apartment project or retirement service center meets the basic qualifications for 221(d)4 insured financing from Cambridge.
- Conduct the preliminary review, site visit, and conference at no charge.
- Assemble the full application.
- Coordinate the valuation, architectural, cost, mortgage credit, marketing, and management reviews while working with you and your development team.
- Coordinate initial and final endorsements.

For questions and additional information, please contact:

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DISCLAIMER: This financing outline is designed to provide immediate information regarding a specific real estate capital structure on the above-captioned transaction utilizing HUD insured financing. It is not a Commitment Letter and is subject to complete review and underwriting by HUD and Cambridge Realty Capital Ltd. of Illinois. The information contained herein is for preliminary review purposes only and is subject to errors, omissions, and changes, all without notice. N:\GoldMine\FaxRush\Outfax\excaptconst.doc
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