

FHA / HUD Section 221(d)(4):

New Construction or Substantial Rehabilitation of Multifamily Rental Housing

One loan, one fixed rate, from the first construction draw through a 40 year fully amortizing permanent term. Section 221(d)(4) removes the lease up and takeout risk that sits inside a conventional construction loan plus permanent financing structure, and it does so on a nonrecourse basis. Blueprint underwrites, closes and services the loan as an approved MAP lender.

Program Terms

Eligible Projects	Ground up construction or substantial rehabilitation of rental housing with 5 or more units. Market rate, affordable, mixed income and middle income projects all qualify. All units must be held for rental. Cooperatives and condominium units are not eligible. Site control and as of right zoning, or a clear path to either, must be evidenced before application.
Substantial Rehabilitation Test	A rehabilitation qualifies where hard cost exceeds the greater of 15% of as completed value or the indexed per unit base amount of \$20,406 for 2026 as adjusted by the local high cost percentage, or where two or more major building components are replaced.
Term and Amortization	Interest only during construction, typically up to 36 months, followed by a 40 year fully amortizing permanent term. One fixed rate covers both phases and is set at a single rate lock.
Recourse	Nonrecourse through construction and permanent phases, subject to customary carve outs.
Prepayment and Assumption	Prepayment is customizable. A common structure is a 2 year lock out followed by an 8% premium stepping down to 1% over 10 years. Fully assumable with HUD approval and a fee of 0.05% of the original insured amount.
Borrower and Contractor	Single asset special purpose entity. An arm's length general contractor on a fixed price or guaranteed maximum price contract, a 100% payment and performance bond or an acceptable cash or letter of credit substitute, and an independent supervisory architect.
Davis-Bacon Wages	Prevailing wages apply to all on site construction labor. Off site modular fabrication sits outside the requirement.
Escrows Before Completion	Working capital equal to 4% of the loan, split evenly between construction contingency and lease up working capital, plus an initial operating deficit reserve, plus taxes and insurance. Unused balances are released at the later of 12 months after final endorsement or 6 consecutive months of break even operations.
Escrows After Completion	Monthly deposits for taxes, insurance, mortgage insurance and a replacement reserve set by a 20 year capital needs analysis, subject to a floor of \$250 per unit per year.
Commercial Space	Not more than 25% of net rentable area and not more than 15% of underwritten effective gross income. Up to 30% of effective gross income inside a Section 220 urban renewal area.

Mortgage Insurance	0.25% per year of construction, capitalized at initial endorsement and rounded up to the whole year, then 0.25% annually thereafter.
HUD Fees	Application fee of 0.30% of the requested mortgage at submission. Inspection fee of 0.50% of construction cost.
Third Party Reports	Market study, appraisal, Phase I environmental site assessment, architectural and cost review, and a future capital needs assessment.
Statutory Limits	Proceeds are also capped by HUD per unit statutory limits, which may rise to 270% of base in most metropolitan areas, to 315% on a project by project basis in designated high cost areas, and to 405% in Alaska, Hawaii, Guam and the U.S. Virgin Islands. On new construction this criterion frequently binds first.
Absorption and Timing	Market demand is estimated over an absorption period of up to 18 months. Allow roughly 6 to 9 months from engagement to firm commitment, driven by third party delivery, site control and the HUD queue.

Loan Sizing

The insured mortgage is the least of the requested amount, the applicable statutory per unit limit, the amount supported by the loan to cost test, and the amount supported by the debt service coverage test.

Property Type	Maximum LTC	Minimum DSCR	Vacancy Factor
Rent Assisted	90%	1.11x	3%
Affordable	90%	1.11x	5%
Middle Income	90%	1.11x	7%
Market Rate	87%	1.15x	7%

Requests of \$130 million or more are underwritten to HUD large loan standards, which also require higher operating reserves and sponsor net worth of 20% and liquidity of 7.5% of the loan.

Property Type	Maximum LTC	Minimum DSCR	Vacancy Factor
Rent Assisted	87%	1.15x	3%
Affordable	80%	1.25x	5%
Market Rate	75%	1.30x	7%

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