

USDA SECTION 538

Property Type:	Moderately affordable, rural multifamily rental apartments.
Purpose:	New construction or acquisition with substantial renovation. Existing owners of Sec. 515 complexes may repair existing projects. For-profit or nonprofit borrowers may utilize this program.
Max. Loan Amount:	Up to 90% for new construction or substantial rehabilitation.
Debt Service Coverage:	Minimum 1.15x for nonprofit or for-profit borrowers.
Interest Rate:	Fixed rate subject to market conditions at rate lock.
Maximum Term/ Amortization:	The lesser of 40 years or 100% of remaining useful life. Level principal and interest payments. Construction period is interest only.
Eligibility:	<p>Rural areas with</p> <ul style="list-style-type: none">• Population of 10,000 or less• Population of 10,000 to 20,000 not contained within a MSA• An area classified as rural with a population of 10,000 to 20,000 that has a serious lack of mortgage credit. <p>Income/Rent Limits</p> <ul style="list-style-type: none">• Tenant income cannot exceed 115% of area median income (AMI)• Average rents, including tenant-paid utilities, cannot exceed 30% of 100% of AMI. No single unit can exceed 30% of 115% of AMI.
Prepayment:	<p>Commonly either:</p> <ul style="list-style-type: none">• A 10-year lockout followed by a prepayment penalty at par, or• A 5-year lockout followed by a prepayment period with a penalty through at least year 10.
Escrows:	Monthly escrows for all required insurance, real estate taxes, reserves for replacement and debt service reserves
Fees & Expenses:	Borrower is responsible for \$20,000-\$25,000 in due diligence fees. At time of closing, these fees and all other closing costs may be included in the loan amount.
Timing:	This transaction typically can be completed in five months. Actual processing times vary depending on the project.
Post-closing Reporting:	Annual audited financial statements.