



ROCKHALL FUNDING

People Backed Lending

Rural Multifamily Apartment New Construction/Substantial Rehabilitation USDA-Guaranteed Section 538

Rockhall Funding Corp. is a USDA-approved Mortgagee that provides USDA financing programs nationwide. Rockhall is a GNMA issuer and services the mortgages it originates.

Purpose	Provide loan guarantees for new construction and substantial rehabilitation of affordable rental housing developments in designated rural areas.
Rural Area	USDA designates rural areas with a population of 10,000 or less; 10-20,000 not within an MSA; or 10-20,000 with a serious lack of mortgage credit. Your Rockhall originator can quickly determine if your project is located in a USDA-designated rural area.
Affordability	No unit can have a rent that would not be affordable to someone earning 115% of AMI. On average, rents should be affordable to people making 100% of AMI. Tenant incomes generally should not exceed 115% of AMI. Generally, these affordability requirements are achieved through the combination of USDA financing and 4% LIHTC.
Process	Lender submits a response to a USDA NOFA that allows USDA to score the project to determine its eligibility for an Interest Credit Award Letter. Lender prepares a detailed application package complete with third party reports, preliminary plans and specs, management agreement and plan. Once USDA has completed its review, it issues a Conditional Commitment that is good for two years. Prior to closing, USDA and third party architect review final plans and specs.
Mortgage Term	Minimum term is 25 years. Maximum term is lesser of 40 years or 100% of remaining useful life. Project is interest-only during the construction period with interest payments funded from the loan budget. Amortization commences after the end of the construction period.
Maximum Mortgage	For profit borrowers may receive up to 90% of cost or value. Higher ratios are available for nonprofits. No more than 86.95% of NOI can go to mortgage debt service. USDA projects have the same statutory mortgage limits as FHA loans.

Commercial Space	No more than 10% of gross floor area and no more than 10% of gross revenue can be from commercial space.
Personal Liability	Non-recourse for monetary default so long as borrower has complied with the regulatory agreement that is executed at closing.
Third Party Reports	Market study, appraisal, phase I, cost estimate and plan and spec review report are estimated at \$35,000. This amount is deposited with Rockhall when the financing engagement is executed.
Rockhall Fee	Generally 2% of the loan amount.
RHS Fees	At closing, a 1.0% guarantee fee is required. The fee is based on the amount of the loan that is guaranteed by USDA. An annual RHS fee of 0.50% on the outstanding guaranteed amount of the loan is due at the end of each year.
Prepayment	The best rates typically require ten years of call protection. More flexible prepayment terms are available but they will be reflected in the rate.
Interest Rate	Interest rates change daily. Please call for quote.
Eligible Borrowers	For profit and nonprofit single asset entities.

The program has the following additional features:

- Unlike FHA, USDA does allow certain hard second mortgages. This is particularly relevant to existing Section 515 properties with deeply subsidized interest rates. The existing Section 515 loan is subordinated to the new Section 538 loan that funds the rehab of the project.
- USDA allows developer fees.
- Davis Bacon prevailing wage requirements do not apply
- A bonded general contractor normally is required
- Operating deficit (min 2% of development cost) and construction contingency reserve (2% of mortgage amount) reserves are required at closing
- Required escrows for property taxes, insurance, and replacement reserves once property is operational
- Annual audit of operations is required