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**Humphreys & Partners Architects L.P.  
Streamlines HUD-221(d)(4) Process**

**July 9, 2009 – Dallas, TX** – The U.S. Department of Housing and Urban Development, now the leading lender for new construction, has thrust architectural firms onto the front lines as multifamily developers ready their projects for the HUD 221(d)(4) loan processing pipeline.

"With HUD as the primary lender for new construction, developers are competing for attention to speed the loan process. It's critical that developers and their architects understand the HUD-221(d)(4) requirements to save as much time as possible from application to approval," says Mark Humphreys, CEO of Dallas-based Humphreys & Partners Architects L.P.

HUD's litmus test requires developers to first show demand in the marketplace, selecting sites in submarkets with 91% occupancy or higher and few, if any, concessions. The application must also include a full set of designs, projected rents, estimated operating costs and more. The up-front architectural requirements, as a result, account for the largest piece of the package in a loan process that takes nearly five months to complete.

"An architect with a proven track record of HUD approvals knows how to reduce or eliminate surprises for developers because the team knows what HUD wants and delivers it," Humphreys says. His firm has completed 42 projects in the U.S. in the last 15 years and has nine more under construction, resulting in 9,626 units of HUD-funded loans. Just since January of this year, the Humphreys' team has designed 36 new HUD projects currently moving through HUD's pipeline or about to be submitted.

Last year, HUD approved 100 loans, totaling \$1.07 billion, for 15,359 units nationwide in its new construction programs. Of last year's volume, 91 were HUD-221(d)(4) loans that deployed \$1.04 billion into building 14,544 units in high-occupancy markets. This year, HUD is well positioned to spend more.

"We are seeing a significant increase in requests for new construction loans through the HUD-221(d)(4), HUD-220 and HUD-231 programs. Our overall loan volume across all HUD/FHA programs is also increasing, and we expect to close three to four times more than we closed last year," says Bruce



Minchey, senior vice president/National FHA Program Manager of Cleveland-based KeyCorp Real Estate Capital Markets Inc.

This year, as in years past, about 65% of KeyBank's \$400 million of pending transactions are new construction HUD/FHA loans. To meet the demand, Minchey says he's hired several underwriters. "We're doing our best to stay on top of it," he says.

Not only do HUD's architectural specifications require unit mix, but also the size and number of each floor plan, including the bedroom-and-bath count for each layout. Other fine points are number of storage spaces, parking provisions and the overall lay of the land, its zoning and tract size. Also mandated is a breakdown of estimated construction costs, outstanding debt on the land, projected rents and estimated developer fees.

"We closely study the market for each proposed deal to make sure the demand is well supported and work closely with HUD and the borrower to make sure the project moves smoothly and as quickly as possible," Minchey says.

Among the advantages to a HUD-221(d)(4) loan is the roll to permanent financing as soon as construction wraps up, minus mandates for occupancy hurdles or debt coverage ratios. The permanent package is assumable for qualified borrowers. Today's fixed-rate interest hovers 6.25% plus 45 basis points for the mortgage insurance premium. The HUD-221(d)(4) program can provide up to 90% of the estimated replacement cost in a maximum non-recourse mortgage of 40 years or up to three-quarters of the building's remaining economic life, whichever is less. Eligible borrowers are nonprofit organizations, developers and sellers teamed with a nonprofit purchaser, limited distribution entities, profit-motivated firms or public agencies.

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