



## MULTIFAMILY | FHA/HUD Section 241(a)

### Repairs, Additions, and Improvements to Multifamily Properties with Existing FHA-Insured Debts

*This program provides for the financing of repairs, additions, and improvements to properties with an existing FHA insured first mortgage.*

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<b>Eligible Properties</b>	Market rate, affordable, or subsidized multifamily properties.
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<b>Term</b>	40 years or 75% of the remaining economic life, not to exceed the remaining term of the first mortgage without HUD approval.
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<b>Interest Rate</b>	Locked before closing and fixed for the duration of the term. (Subject to market conditions.)
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<b>Guarantees</b>	Non-recourse for the duration of the term.
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<b>Prepayment</b>	Customizable, typically a step-down period, other variations possible, based on market conditions and borrower preferences.
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<b>Assumable</b>	Subject to FHA/HUD and lender approval.
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<b>Loan Parameters</b>	Loans insured under 241(a) assume program characteristics of the underlying the mortgage insurance program.
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<b>Maximum Loan</b>	<p>The lesser of:</p> <ul style="list-style-type: none"><li>⑥ The amount of debt that can be serviced by 90% net operating income to the property after completion of the new improvements, less the current annual debt service requirements on all outstanding indebtedness relating to the property;</li><li>⑥ The lesser of 90% of (a) value, or (b) costs attributed to the repairs, additions or improvements;</li><li>⑥ The amount of debt which when added to existing outstanding indebtedness relating to the property, does not exceed 90% Loan to Value of the combined first mortgage and 241(a) addition.</li></ul>
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<b>HUD Fees and Expenses</b>	<ul style="list-style-type: none"><li>⑥ The annual Mortgage Insurance Premium (MIP) is 0.25% of loan amount.</li><li>⑥ FHA Application Fee of 0.30% of loan amount.</li><li>⑥ FHA Inspection Fee of 0.50% of loan amount.</li></ul>
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**Third-Party Reports** Market Study, Appraisal, Phase I Environmental, and Architectural & Cost Review

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**Timing** Approximately 6-9 months for engagement, submission, FHA/HUD review, and closing.

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**Funding** Ginnie Mae guaranteed mortgage-backed securities.

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**Other Program Parameters**

- Escrows for property taxes, insurance, MIP, working capital, and replacement reserves are required.
- Davis-Bacon prevailing wage requirements do apply to construction/repair costs if the first mortgage loan was financed under FHA's construction loan program (Section 221(d)(4)). If the existing loan was financed under FHA's acquisition/refinancing program (Section 223(f)) then Davis-Bacon prevailing wages do not apply.

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