



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.

Eligible Properties	Market rate, affordable, or subsidized multifamily properties.
Term	40 years or 75% of the remaining economic life, not to exceed the remaining term of the first mortgage without HUD approval.
Interest Rate	Locked before closing and fixed for the duration of the term. (Subject to market conditions.)
Guarantees	Non-recourse for the duration of the term.
Prepayment	Customizable, typically a step-down period, other variations possible, based on market conditions and borrower preferences.
Assumable	Subject to FHA/HUD and lender approval.
Loan Parameters	Loans insured under 241(a) assume program characteristics of the underlying the mortgage insurance program.
Maximum Loan	The lesser of: 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; ⑥ The lesser of 90% of (a) value, or (b) costs attributed to the repairs, additions or improvements; 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.
HUD Fees and Expenses	⑥ The annual Mortgage Insurance Premium (MIP) is 0.25% of loan amount. ⑥ FHA Application Fee of 0.30% of loan amount. ⑥ FHA Inspection Fee of 0.50% of loan amount.

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Third-Party Reports	Market Study, Appraisal, Phase I Environmental, and Architectural & Cost Review
Timing	Approximately 6-9 months for engagement, submission, FHA/HUD review, and closing.
Funding	Ginnie Mae guaranteed mortgage-backed securities.
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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