

## FHA SECTION 241(A)

MAP | Multifamily, Seniors Housing, Healthcare

# Mortgage Insurance for Supplemental Loans

Lument is a leading FHA-approved Mortgagee and MAP/LEAN lender. Section 241(a) insures mortgage loans to finance repairs, additions, and improvements to multifamily rental housing and health care facilities with FHA insured first mortgages or HUD-held mortgages.

### PURPOSE

Provides insured second mortgages to finance repairs, additions and improvements to existing multifamily properties already held or insured by HUD. The program is intended to keep a property competitive and extend its economic life.

<b>ELIGIBLE BORROWERS</b>	Profit motivated, non-profit and public owners with existing FHA loans are eligible.
<b>ELIGIBLE ASSET TYPE</b>	Market rate, affordable, <sup>1</sup> or rental assisted <sup>2</sup> multifamily properties.
<b>MAXIMUM LOAN</b>	The lesser of: 1. 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; 2. The lesser of 90% of (a) value, or (b) costs attributed to the repairs, additions or improvements for market rate, affordable <sup>1</sup> , or rental assisted <sup>2</sup> properties, respectively; 3. 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; and
<b>MAXIMUM TERM</b>	40 years, not to exceed 75% of remaining economic life.
<b>OCCUPANCY</b>	Maximum underwritten physical occupancy not to exceed parameters of underlying mortgage insurance program.
<b>FUNDING</b>	Qualifies for Ginnie Mae guaranteed mortgage-backed securities, direct placement or may be used to credit enhance tax-exempt bonds.
<b>INTEREST RATE</b>	Subject to market conditions. The construction and permanent financing interest rate is set at initial closing.
<b>MORTGAGE INSURANCE PREMIUM</b>	The annual MIP has historically ranged from 0.25% to 0.95% of the outstanding loan amount.
<b>PREPAYMENT</b>	Typically closed for 2 years then open to prepayment at 108% in year 3, declining 1% per year. Other variations are possible based on market conditions and borrower preferences.
<b>TIMING</b>	Section 241(a) processing usually takes about 5 to 7 months (subject to deal specifics).
<b>FHA APPLICATION FEES</b>	0.30% of the loan amount (non-refundable).
<b>FHA INSPECTION FEES</b>	0.50% of loan amount.
<b>REPLACEMENT RESERVES</b>	Annual deposits based on a 20 year repair and replacement analysis of the property with a minimum deposit of \$250 per unit.
<b>PERSONAL LIABILITY</b>	None. The FHA loan is non-recourse.
<b>ASSUMABLE</b>	Yes, subject to HUD and lender approval (0.05% of the original loan amount due at application submittal).
<b>TERRITORY</b>	Nationwide.

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**THE PROGRAM HAS THE FOLLOWING ADDITIONAL PARAMETERS**

- Loans insured under 241(a) assume program characteristics of the underlying the mortgage insurance program.
  - Proposed repairs may not be primarily items of deferred maintenance.
  - 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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Lument is a leading FHA-approved Mortgagee and MAP/LEAN lender and actively provides financing utilizing FHA insurance programs nationwide pursuant to Multifamily Accelerated Processing (MAP) and LEAN underwriting methods.

In its prequalifying review, Lument will attempt to estimate both the loan amount and the fees and costs associated with the transaction. Actual loan amounts and actual fees and expenses may vary from the prequalifying estimates. A prequalifying estimate is not a commitment to make a loan.

<sup>1</sup>Affordable defined as: (a) properties that have a recorded regulatory agreement in effect for at least 15 years after final endorsement, and (b) properties that meet at least the minimum Low Income Housing Tax Credit (LIHTC) restrictions of 20% of units at 50% of the Area Median Income (AMI), or 40% of units at 60% of AMI, with economic rents (i.e. portion paid by tenants) on those units no greater than LIHTC rents (i.e. properties need not use LIHTCs to be considered affordable so long as they comply with (a) and (b)).

<sup>2</sup>Rental assisted defined as: properties that have at least 90% of their units supported by a project based rental assistance contract. The contract or separate agreement must ensure affordability restrictions for a period of 15 years.

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