

FHA/HUD Section 241(a)

Supplemental Loans for Repairs, Additions or Improvements to HUD First Mortgage Properties

Term and Amortization

Generally coterminous with the FHA-insured first mortgage if that loan has more than 25 years remaining in its term. If less than 25 years remain, an amortization period of up to 40 years regardless of the first mortgage's amortization period as long as the term is no greater than 75% of the project's remaining economic life.

Interest Rate

Fixed for term of the loan, determined by market conditions at time of rate lock.

Borrower

Single asset special purpose entity, either for-profit or non-profit

Recourse

Non-recourse

Eligibility

- Multifamily properties with an existing HUD-insured first mortgage that need repairs, substantial rehabilitation or add additional units.

Loan Parameters

Maximum loan amount will be the lesser of:

- 90% LTV
- 90% LTC
- Min DSCR 1.11x (combined first and second)

Davis Bacon Wages

Davis-Bacon prevailing wage requirements apply to construction/repair costs if the first mortgage loan was financed under the FHA's construction loan program (i.e. HUD 221(d)(4)). If the existing loan was financed under the FHA's acquisition/refinancing program (Section 223(f) or Section 223a(7)) then Davis-Bacon prevailing wages do not apply.

Prepayment and Assumption

Negotiable; 0-1 year lockout, followed by a declining 1% per year penalty, open after year 10; no yield maintenance or defeasance. Other pre-payment options available subject to market conditions. Loans are fully assumable subject to servicer/HUD approval and payment of assumption fee.

Escrows

Escrow is determined by previous mortgage restrictions.

For More Information:

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Mortgage Insurance Premium	Maximum loan amount will be the lesser of: <ul style="list-style-type: none">• Market Rate Properties: 0.95%• Affordable Properties: 0.35%• Broadly Affordable/Subsidized or Green Properties: 0.25%
HUD Application Fee	0.30% of the loan amount.
Rate-Lock Deposit	Typically 0.5% of the loan amount, paid at the time of commitment and refunded at closing.
Third Party Reports	Appraisal, Market Study, Environmental (required if major building changes re made), and Project Capital Needs Assessment (PCNA).
Timing	Varies by transaction, but typically around 4 months from due diligence to closing.
