

# HUD PROGRAM 241(A)

Provides secondary financing for improvements or additions to properties with a HUD-insured first mortgage which need repairs, substantial rehabilitation, or additional units.

<b>MAXIMUM LOAN IS THE LESSOR OF:</b>	<ul style="list-style-type: none"> <li>90% (for-profit) or 95% (non-profit) of the cost or appraised value for new construction projects;</li> <li>or an amount which, when added to the outstanding balance of the existing insured mortgage, does not exceed the amount insurable pursuant to the applicable HUD mortgage program.</li> </ul>
<b>DEBT SERVICE COVERAGE</b>	Minimum 1.11x.
<b>INTEREST RATE</b>	Fixed rate subject to market conditions at rate lock.
<b>MAXIMUM TERM</b>	Conterminous with first mortgage if term exceeds 25 years. If remaining term is less than 25 years, HUD will consider 40 year amortization, not to exceed 75% of remaining economic life.
<b>AMORTIZATION</b>	Amortized over remaining term of first mortgage.
<b>PREPAYMENT</b>	<p>Commonly either:</p> <ul style="list-style-type: none"> <li>a 5-year lockout followed by a prepayment penalty of 5% in the sixth year and declining 1% per year, or</li> <li>a similar combination of lockout and penalties which cover a 10-year period, post-closing.</li> </ul>
<b>MORTGAGE INSURANCE PREMIUM</b>	<ul style="list-style-type: none"> <li>0.25% - 0.95% of loan amount for each 12 months of construction and 0.25% - 0.95% of the outstanding mortgage.</li> </ul>
<b>ADDITIONAL REQUIREMENTS</b>	Energy Audit and Utility Consumption data.
<b>FEES</b>	Calculated at the same percentage as incurred with insurance of first mortgage loan.
<b>MISCELLANEOUS</b>	<ul style="list-style-type: none"> <li>Davis Bacon Wage Rates apply if the underlying first mortgage required Davis Bacon Wage Rates.</li> <li>BSPRA and SPRA are N/A; Builder Profit is eligible.</li> <li>HUD Operating Deficit and Working Capital Escrow Requirements mirror 221d4 program, may be waived on a case by case basis by HUD.</li> <li>1st Mortgage and Supplemental loan contain cross collateralization and cross default provisions.</li> </ul>

## BENEFITS

- Facility must currently hold an FHA-insured first mortgage or HUD-held mortgage (HUD-Held Mortgages or Risk Share Projects are ineligible).
- Non-recourse loan
- Assumable if approved by HUD and Lender