SEE A BRIGHTER WAY

FHA Section 241(a):

Supplemental Loan for FHA-Insured Multifamily Projects

Program Overview:	This program provides secondary, non-recourse financing to properties with a FHA-insured first mortgage. A Section 241(a) supplemental loan provides for repairs, substantial rehabilitation or construction of additional units, and can facilitate the installation of energy conservation measures or the expansion of an existing building's footprint. The program can be used to benefit the existing HUD collateral or complete work on a contiguous parcel amended into the first mortgage.
Eligible Borrowers:	Profit motivated and non-profit borrowers with an existing FHA-insured mortgage. Mortgagor must be a single asset entity. TICs or Delaware Statutory Trusts are not permitted.
Eligible Properties:	Any property with a FHA-insured first mortgage. The Section 241(a) loan combined with the original first mortgage shall be considered one project.
Maximum Loan Amount:	The loan amount will be the lessor of: • 90% of the value of the proposed improvements or additions. Value is defined as the cost of repairs plus the transaction costs (which may include the acquisition of additional parcels). • A mortgage amount which provides a 1.11x DSCR when combining the first mortgage debt service. • Loan amount is subject to geographic statutory per unit loan limitations determined by adding the Supplemental Loan amount to the current outstanding balance of the first mortgage.
Equity Requirements:	The borrower is required to contribute at least 10% of the total development cost. Sources of equity can include: • Borrower cash. • R4R deposits held in excess of the new PCNA recommended initial deposit. • Equity from additional land, not to exceed fair market value, incorporated into the first mortgage.
Loan Term:	If more than 25 years remain, the 241(a) loan is generally coterminous with existing FHA-insured loan. If less than 25 years remain, HUD will consider an amortization period up to 40 years as long as the term is no greater than 75% of the project's remaining useful life.
Loan Amortization:	Dependent on scope of work, amortization begins 4 months after construction completion or the first day of the second month after closing – please discuss with JLL representative for additional detail.
Interest Rate:	Fixed for the term of the loan (including construction period, if applicable). Interest rate is based upon market conditions at time of rate lock. Government insurance ensures a low interest rate relative to other financing sources.
Recourse:	The loan is non-recourse with the exception of carve-out provisions to the project's identified sponsors.
Prepayment Restrictions:	3-year lockout, 7% declining prepay; 1 year lockout, 10% declining prepay, open at par after 10 years, or another prepay structure less onerous to the borrower, to be determined by lender at time of rate lock.

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Mortgage Insurance Premium:	
	Market Rate / **Broadly Affordable**[1] / **Affordable**[2] / **Green Housing**[3]
Upfront MIP	0.95% / 0.25% / 0.35% / 0.25%
Annual MIP	0.95% / 0.25% / 0.35% / 0.25%
Loan Assumability:	Fully assumable with JLL and HUD approval.
Replacement Reserve Escrows:	Initial and annual deposits determined by CNA recommendation and current HUD requirements. The initial deposit may be included in the loan amount. the CNA must produce one R4R schedule and budget for future capital needs inclusive of the existing improvements as well as any proposed substantial rehabilitation or addition.
Fees and Expenses:	• FHA application fee - 0.30% of the loan amount-payable to HUD. • Mortgage Insurance Premium – see previous page – payable to HUD. • FHA inspection fee - 0.50% of loan amount-payable to HUD. • Third-party reports - appraisal, CNA, Phase 1 Environmental Site Assessment, HEROs, Architectural and cost analysis (as needed based on the class of work), and Go Green MIP, a Statement of Energy Performance (SEP)/Statement of Energy Design Intent (SEDI) is needed. • Lender financing fees. • Good faith deposit of 0.50% at rate lock (refunded after closing).
Other Considerations:	• Davis-Bacon Wage requirements apply to construction/repair costs only if the underlying first mortgage was subject to this requirement. • Proposed repairs may not be primarily items of deferred maintenance. • A PCNA update will be required every 10 years. • A cross-default provision will be placed in the loan documents stating a default to the first mortgage will trigger a default to the 241(a) mortgage, however a default to the 241(a) mortgage will not trigger a default under the first mortgage. • The working capital and operating deficit reserve requirements are those of the 221(d)(4) program, waivers on a case-by-case basis.

1 **Broadly Affordable** ≥90% of the units covered by a Section 8 contract or LIHTC restrictions with a 10% rent advantage. 15 or more years remaining is required.

2 **Affordable** 10% to 90% of the units covered by Section 8 Contract or LIHTC restrictions. 15 or more years remaining is required. Or at least 10% of units covered by Inclusionary Zoning. 30 or more years remaining is required. Owner must execute a rider agreeing to accept Section 8 Vouchers for the life of the regulatory agreement.

3 **Green Housing** Project must achieve an industry recognized green building standard and achieve a score of 75 or better on the Energy Star scale of 1 – 100. Owner must annually certify that green building standard and score is maintained.

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For more information, please contact:

We can support you with expert advice that reflects your business needs and priorities

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