

FHA Section 241(a) Multifamily Supplemental Loan Program of Existing FHA Insured or HUD-Held Mortgages

The Section 241(a) Program insures mortgage loans to finance repairs, additions, and improvements to multifamily rental housing with FHA insured first mortgages or HUD-held mortgages. The program is intended to keep the project competitive, extend its economic life, and to finance the replacement of obsolete equipment. 241(a) may be used to finance additions and improvements of properties already subject to HUD/FHA insured mortgages. Projects may also obtain FHA insurance on loans to preserve, expand, or improve housing opportunities, to provide fire and safety equipment, or to finance energy conservation improvements to conventionally financed projects.

Eligible Borrowers: Single Asset Entity with existing FHA Insured Mortgages

Loan Term: Coterminous with the existing loan

Loan Amount: Maximum insurable loan amount is determined based on the lesser of a percentage of either the project cost of the addition, the value of the addition, or the amount of debt the entire project can support.

Interest Rate: Subject to market conditions, the fixed interest rate is set at initial closing.

Timing: HUD's processing involves a two-step application progression: pre-application and firm application.

Funding: Qualifies for Ginnie Mae government guaranteed mortgage-backed securities, direct placement or may be used to credit enhance tax-exempt or taxable bonds.

Personal Liability: None, FHA is non-recourse.

Fees: FHA application fee, inspection fee, lender fees, and mortgage insurance premiums will be collected. Various third party reports are required. All of these costs may be eligible for inclusion in the mortgage note and are reimbursable to client at closing.

Other: Compliance with Davis Bacon wage rates is consistent with original FHA loan program requirements. For multifamily projects, a pre-application conference is required with the local HUD Multifamily Hub or Program Center to confirm the feasibility of proposed improvements before submitting a pre-application.

Client pays for all third party reports which include a market study, full appraisal, engineering report, architectural report, a seismic report, if applicable, and environmental studies, as well as, legal and organizational costs.

This is a general outline of the program requirements. For complete information and to determine how your property can benefit from this financing opportunity, please contact your Oppenheimer representative, or call (215)631-9151.