LMD
CAPITAL PARTNERS

FHA / HUD

FHA HUD Section 241(a) - Supplemental Loan for Improvements

An FHA-insured supplemental mortgage that funds improvements to a property already carrying an FHA-insured first mortgage, sitting alongside that first mortgage rather than refinancing it.

Indicative Terms

MAXIMUM LOAN TO ELIGIBLE COST	90% of replacement cost for the improvements and any additional land.
MINIMUM DEBT SERVICE COVERAGE	Multifamily: 1.11x. Healthcare: 1.45x. Supplemental debt service must be supported by post-improvement NOI after covering the first mortgage's existing debt service, while maintaining the first mortgage's own minimum coverage.
HEALTHCARE MAXIMUM LTV	85% for non-profit mortgagors and 80% for all other entities, measured against post-improvement value less the unpaid principal of the first mortgage.
MULTIFAMILY MAXIMUM MORTGAGE	100% of the total maximum combined mortgage permitted under federal statutory limits, less the unpaid principal balance of the existing first mortgage.
BORROWER	Must be the same entity as the borrower on the FHA-insured first mortgage.
RECOURSE STRUCTURE	Non-recourse with cross-default. A default on the first mortgage triggers a default on the 241(a) mortgage; a default on the 241(a) does not trigger a default on the first mortgage.
INTEREST RATE	Fixed for the full term, set at rate lock against market conditions. Rate lock deposit of 0.5%, refundable at closing.
TERM AND AMORTIZATION	In most cases the supplemental mortgage must be coterminous with the FHA-insured first mortgage.
PREPAYMENT AND ASSUMPTION	Negotiable, with best pricing at 10 years of call protection. Fully assumable subject to HUD approval.
ESCROWS	The existing capital needs reserve continues and no second reserve is established, with a re-analysis required after closing. The capital needs assessment sets reserve levels for the whole post-improvement project. Excess reserve funds may cover transaction costs including the 10% equity requirement but may not be released as cash distributions.
MORTGAGE INSURANCE PREMIUM	Multifamily: 0.25% at closing and 0.25% annually. Healthcare: 1.00% at closing and 0.72% annually.

Indicative Terms (continued)

HUD APPLICATION FEE	0.30% of the estimated loan amount, with reductions available for properties in Opportunity Zones.
APPLICATION FEE	Quoted per transaction.
ORIGINATION FEE	Quoted per transaction.
LEGAL FEES	Quoted per transaction.
TIMING	Application, underwriting documentation and HUD review run comparable to new construction or substantial rehabilitation financing.

Eligible Properties & Sponsors

Existing multifamily and healthcare properties financed with an FHA-insured first mortgage. The borrower must be the same entity as the first mortgage borrower. Eligible work includes structural improvements, project additions, or new units on contiguous or nearby land, where the work maintains competitiveness, extends economic life or replaces obsolete equipment. New units may not exceed the original property's unit count.