

FHA SECTION 241(a) LEAN PROGRAM

Property Type:	Multifamily apartments, hospitals, nursing homes or assisted living properties.
Purpose:	To finance repairs, additions and improvements to facilities with an existing FHA insured first mortgage or HUD-held mortgage.
Maximum Loan Amount:	Up to the lesser of 90% (for-profits) or 95% (nonprofits) of the cost or appraised value for new construction projects; 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.
Debt Service Coverage:	Minimum 1.11x.
Interest Rate:	Fixed rate subject to market conditions at rate lock.
Maximum Term:	Forty years or 75% of the the remaining economic life, not to exceed the remaining term of the first mortgage without HUD approval.
Amortization:	Amortized over remaining term of first mortgage.
Guaranty:	Non-recourse loan.
Eligibility:	The facility must currently hold an FHA insured first mortgage or HUD-held mortgage.
Assumability:	Yes, with FHA approval.
Prepayment:	Commonly either: <ul style="list-style-type: none">• A 5-year lockout followed by a prepayment penalty of 5% in the sixth year and declining 1% per year, or• A similar combination of lockout and penalties which cover a 10-year period post closing
Escrows:	Based on previous mortgage.
Annual & Upfront Fees:	Calculated at the same percentage as incurred with insurance of first mortgage loan.
Timing:	Application preparation and review for the Pre-Application and Firm Application stages can be completed in as short as eight weeks each, for a total of 16 weeks, with closing occurring 3-4 weeks thereafter (20 weeks total). Both Substantial Rehabilitation and New Construction projects have the option of single-stage processing, shortening the application timeframe. Actual processing times will vary depending on the complexity of the project and the timing required for architectural design and estimating construction costs.