Multifamily Term Sheet

Colliers Mortgage

HUD 241(a)

Mortgages financed under Section **241(a)** of the National Housing Act are insured by the Federal Housing Administration (FHA) to provide insured second mortgages to finance repairs, additions, and improvements to multifamily rental housing and healthcare facilities with FHA insured first mortgages. FHA insurance combined with a Ginnie Mae security provides "AAA" credit enhancement for bonds.

Term	Up to 40 years; Fully amortizing. Term not to exceed 75% of remaining economic life. 241(a) must be coterminous.
Interest Rate	Fixed-rate at commitment based on market conditions and risk.
Maximum Loan and Minimum DSCR (1.11x)	Maximum loan amount is based on the lesser of: • The amount of debt that can be serviced by 90% NOI to the property after completion of new improvements, less the current annual debt service requirements on all outstanding indebtedness relating to the property. • 90% (for-profits) and 95% (non-profits) of the (a) appraised value, or (b) cost attributed to the repairs, additions, or improvements for market rate, affordable, or rental assisted properties; • An amount of debt which when added to existing outstanding indebtedness relating to the property, does not exceed 90%LTV of the combined first mortgage and 241(a).
Prepayment Availability	Lockout terms may vary (typically 0-year lock with 10% declining to 0% after year 10). No Yield Maintenance.
Recourse	Non-recourse. Principals sign a "Section 50" certification ensuring compliance with project Regulatory Agreement. Note that a cross-default provision will be added, where a first mortgage default will trigger default on the 241(a), however a 241(a) default will not default the first mortgage.
Escrows	Replacement reserves, taxes, and insurance typically required. The 241(a) will trigger re-analysis of existing reserve to determine future capital improvement needs for both existing and new additions based on post-improvements condition.
Third-Party Reports	Standard third party reports (including Appraisal, Phase I Environmental Site Assessment, and Capital Needs Assessment) are required. Properties older than 30 years may also need intrusive testing of important concealed components such as sewer lines and electrical panels.
Mortgage Insurance	• First year's premium paid at loan closing and included in mortgageable cost. • Annual MIP varies, but typically 0.25-0.95%
HUD Exam Fee	0.3% of loan amount; payable at application submission to HUD; may be reimbursed from mortgage proceeds.
HUD Inspection Fee	Greater of 1.0% of repairs or $30 per unit; with repairs below $100,000, the fee is a flat $1,500. Fee payable at initial closing; may be reimbursed from mortgage proceeds.
Processing Fee	Competitive – includes cost of Third Party Reports (previously discussed) and lender due diligence. Borrower is responsible for legal fees and standard closing costs.
Commitment Fees	Competitive and negotiable.

Eligibility

- Existing multifamily and healthcare properties financed with an FHA-insured first mortgage.
- The borrower must be the same entity of the FHA-insured first mortgage.
- Profit motivated, non-profit, and public owners with existing FHA loans are eligible.
- Market-rate and affordable properties.
- Assumable - subject to HUD and lender approval (fee of 0.05% of the original loan amount due at application submittal).
- Loans insured under 241(a) assume program characteristics of the underlying mortgage insurance program.

CONTACT

For current **rates and terms** contact a Colliers Mortgage representative for more information.

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