

FHA Mortgage Insurance Programs Section 241(a) Mortgage Insurance for Supplemental Loans

Red Mortgage Capital, LLC is a leading FHA-approved Mortgagee and MAP/LEAN lender that actively underwrites, funds and services FHA insured mortgage loans on multifamily housing, seniors housing, assisted living and skilled care properties nationwide.

Program Purpose:	Provides insured second mortgages to finance repairs, additions and improvements to existing multifamily and healthcare properties already held or insured by HUD. The program is intended to keep a property competitive and extend its economic life. Eligible property types include multifamily apartments, assisted living, nursing homes, and hospitals. Major movable equipment for insured nursing homes or hospitals may be covered by a mortgage under this program.
Eligible Borrowers:	Profit motivated, non-profit and public owners with existing FHA loans are eligible.
Eligible Asset Type:	Market rate, affordable, ⁽¹⁾ or rental assisted ⁽²⁾ multifamily properties, or health care properties.
Maximum Loan:	The lesser of: <ol style="list-style-type: none">1. 83.3%, 87%, or 90% of replacement cost for market rate, affordable,⁽¹⁾ or rental assisted⁽²⁾ properties, respectively (90% for health care properties);2. The amount of debt that can be serviced by the applicable percentage of net operating income to the property after completion of the new improvements, less the current annual debt service requirements on all outstanding indebtedness relating to the property. The percentage of net operating income used is that programmatic percentage used in insuring the first mortgage (i.e. 83.3% to 90%);3. The amount of debt which when added to existing outstanding indebtedness relating to the property, does not exceed the maximum loan amount currently insurable under the Section which the existing loan on the property is insured (i.e. 83.3% to 90%).
Maximum Term:	40 years, not to exceed 75% of remaining economic life.
Occupancy:	Maximum underwritten physical occupancy not to exceed parameters of underlying mortgage insurance program.
Funding:	Qualifies for Ginnie Mae guaranteed mortgage-backed securities, direct placement or may be used to credit enhance tax-exempt bonds.
Interest Rate:	Subject to market conditions. The construction and permanent financing interest rate is set at initial closing.
Mortgage Insurance Premium:	The annual MIP has historically ranged from 0.45% to 0.80% of the outstanding loan amount.
Prepayment:	Typically closed for 2 years then open to prepayment at 108% in year 3, declining 1% per year. Other variations are possible based on market conditions and borrower preferences.
Timing:	Section 241(a) processing usually takes about 5 to 7 months (subject to deal specifics).
FHA Application Fees:	0.30% of the loan amount (non-refundable).
FHA Inspection Fees:	0.50% of loan amount.

- Replacement Reserves:** Annual deposits required equivalent to the greater of: (i) 0.60% of total structure cost or (ii) \$250 per unit per annum. HUD may consider waivers where formula-based calculations exceed \$500 per unit per annum.
- Personal Liability:** None. The FHA loan is non-recourse.
- Assumable:** Yes, subject to HUD and lender approval (0.05% of the original loan amount).
- Territory:** Nationwide.
- The Program has the following additional parameters:**
- Loans insured under 241(a) assume program characteristics of the underlying the mortgage insurance program.
 - Proposed repairs may not be primarily items of deferred maintenance.
 - Davis-Bacon prevailing wage requirements do apply to construction/repair costs if the first mortgage loan was financed under FHA’s construction loan program (Section 221(d)(4) or 232). If the existing loan was financed under FHA’s acquisition/refinancing program (Section 223(f) or 232 pursuant to 223(f)) then Davis-Bacon prevailing wages do not apply.
 - A Project Capital Needs Assessment (PCNA) will be required every 10 years.

Terms outlined above reflect the Revised MAP Guide Effective 11/1/11

For additional information visit www.redcapitalgroup.com or contact:

Edward H. Tellings
 Senior Managing Director
 Red Mortgage Capital, LLC
 ehtellings@redcapitalgroup.com
 800.837.5100

Kevin M. Korn
 Director
 Red Mortgage Capital, LLC
 kmkorn@redcapitalgroup.com
 800.837.5100

Scott Moore
 Managing Director
 Red Mortgage Capital, LLC
 slmoore@redcapitalgroup.com
 800.837.5100

Red Mortgage Capital, LLC is a leading FHA-approved Mortgagee and MAP/LEAN lender and actively provides financing utilizing FHA insurance programs nationwide pursuant to Multifamily Accelerated Processing (MAP) and LEAN underwriting methods.

In its prequalifying review, **Red Mortgage Capital, LLC** will attempt to estimate both the loan amount and the fees and costs associated with the transaction. Actual loan amounts and actual fees and expenses may vary from the prequalifying estimates. A prequalifying estimate is not a commitment to make a loan.

RED CAPITAL GROUP, LLC Offices
 Columbus, OH_Chicago, IL_Charlotte, NC_Dallas, TX_Fairfield, CT_Newport Beach, CA_Reston, VA_San Diego, CA

