

## 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 and actively provides financing utilizing FHA insurance programs nationwide pursuant to Multifamily Accelerated Processing (MAP) and LEAN underwriting methods.

<b>Program Purpose:</b>	Provides insured second mortgages to finance repairs, additions and improvements to existing multifamily and healthcare projects already held or insured by HUD. The program is intended to keep a project 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.
<b>Eligible Borrowers:</b>	Profit motivated, non-profit and public mortgagors with existing FHA loans are eligible.
<b>Maximum Term:</b>	The lesser of 40 years or 75% of the remaining economic life.
<b>Maximum Loan:</b>	The lesser of: <ol style="list-style-type: none"><li>1. 90% of the HUD estimated replacement cost of the proposed repairs, improvements, or additions;</li><li>2. An amount that can be serviced by the applicable percentage of estimated net income to the project after completion of the new improvements, less the current annual debt service requirements on all outstanding indebtedness relating to the property. The percentage of NOI used is that programmatic percentage used in insuring the first mortgage (85% to 90%).</li><li>3. An amount which when added to existing outstanding indebtedness relating to the property, does not exceed the maximum mortgage amount currently insurable under the Section which the existing mortgage on the property is insured (i.e., 85% or 90%).</li></ol>
<b>Interest Rate:</b>	Subject to market conditions. The construction and permanent financing interest rate is set at initial closing.
<b>Funding:</b>	Qualifies for government guaranteed mortgage-backed securities, direct placement or may be used to credit enhance tax-exempt bonds.
<b>Timing:</b>	Section 241(a) processing usually takes about 3 to 4 months.
<b>Personal Liability:</b>	None. The FHA loan is non-recourse.
<b>Assumable:</b>	Yes, subject to HUD and lender approval.
<b>Prepayment:</b>	Typically closed for 3 years then open to prepayment at 107% in year 4, declining 1% per year. Other variations are possible based on market conditions and borrower preferences.
<b>FHA Application Fees:</b>	0.3% of the loan amount.
<b>Mortgage Insurance Premium:</b>	Fees are calculated at the same rates as are used in connection with insurance of first mortgage.
<b>FHA Inspection Fees:</b>	0.50% of loan amount.
<b>Territory:</b>	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.
- Land acquisition is not a mortgagable cost.

**For additional information visit [www.redcapitalgroup.com](http://www.redcapitalgroup.com) or contact:**

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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 Offices**

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