

## FHA SECTION 241(A)

### Repairs, Additions, Improvements to HUD-Insured properties

#### PURPOSE

Provides insured second mortgages to finance repairs, additions, and improvements to existing multifamily properties already held or insured by HUD. The program is intended to keep property competitive and extend its economic life. Construction of additional units, or expansion of the footprint of the existing building, is allowed so long as the number of units in the new addition is equal to or less than the existing building. Such work may be completed on the existing parcel secured by the first mortgage, or a contiguous or nearby parcel acquired and included in an amendment to the existing first mortgage security documents.

<b>ELIGIBLE BORROWERS</b>	Profit motivated, non-profit, and public owners with existing FHA loans are eligible
<b>ELIGIBLE ASSET TYPE</b>	Market rate, affordable* or rental assisted** properties
<b>MAXIMUM LOAN</b>	The lesser of: <ol style="list-style-type: none"> <li>1. The amount of debt that can be serviced by 90% net operating income to the property after the completion of the new improvements, less the current annual debt service requirements on all outstanding indebtedness relating to the property.</li> <li>2. The lesser of 90% of (a) value, or (b) costs attributed to the repairs, additions, or improvements for market rate, affordable* or rental assisted** properties, respectively.</li> <li>3. The amount of debt which when added to existing outstanding indebtedness relating to the property does not exceed 90% Loan to Value of the combined first mortgage and 241(a) addition.</li> <li>4. Statutory per unit limits.</li> </ol>
<b>MAXIMUM TERM</b>	40 years, not to exceed 75% of remaining economic life. The Section 241(a) loan generally should be coterminous with the underlying FHA-insured first mortgage if it has more than 25 years remaining on its term.
<b>FUNDING</b>	Qualifies for Ginnie Mae guaranteed mortgage-backed securities, direct placement or may be used to credit enhance tax-exempt bonds.
<b>INTEREST RATE</b>	Subject to market conditions. The construction and permanent financing rate is set at initial endorsement (closing).
<b>MORTGAGE INSURANCE PREMIUM</b>	The annual MIP is 0.25% of the outstanding loan amount.
<b>PREPAYMENT</b>	Typically closed for 2 years then opened to prepayment at 108% in year 3, declining 1% per year. Other variations are possible based on market conditions and borrower preferences.
<b>TIMING</b>	Section 241(a) processing usually takes about 5 to 7 months (subject to deal specifics).
<b>FHA APPLICATION FEES</b>	0.30% of the loan amount (non-refundable).
<b>FHA INSPECTION FEES</b>	0.50% of the loan amount
<b>REPLACEMENT RESERVES</b>	Annual deposits based on a 20-year repair and replacement analysis of the entire property (existing and proposed) with a minimum requirement of \$250 per unit per year.

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<b>PERSONAL LIABILITY</b>	None. The FHA loan is non-recourse, however, identified principals will be required to sign "Bad Boy" carveouts at closing.
<b>ASSUMABLE</b>	Yes, subject to HUD and lender approval (0.05% of the original loan amount due at application submittal).
<b>TERRITORY</b>	Nationwide.
<b>ADDITIONAL PARAMETERS</b>	<ul style="list-style-type: none"><li>Loans insured under Section 241(a) assume characteristics of the underlying mortgage insurance program.</li><li>Proposed repairs may not be primarily items of deferred maintenance.</li><li>Davis-Bacon prevailing wage requirements do apply to construction/repair costs if the first mortgage loan was financed under Section 221(d)(4). If the existing loan was financed under FHA's acquisition/refinancing program (Section 223(f)) then Davis-Bacon prevailing wages do not apply.</li></ul>

*Legacy Capital 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, Legacy 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.*

*Terms outlined above reflect the Program Requirements as of 01/07/2026*

*\* Affordable defined as: (a) properties that have a recorded regulatory agreement in effect for at least 15 years after final endorsement, and (b) properties that meet at least the minimum Low Income Housing Tax Credit (LIHTC) restrictions on 20% of units at 50% of the Area Median Income (AMI), or 40% of units at 60% of AMI, with economic rents (i.e., portion paid by tenants) on those units no greater than LIHTC rents (i.e., properties need not use LIHTCs to be considered affordable so long as they comply with (a) and (b).*

*\*\* Rental assistance is defined as: properties that have at least 90% of their units supported by a project-based rental assistance contract. The contract or separate agreement must ensure affordability restrictions for at least 15 years.*