



FHA Mortgage Insurance Programs Section

241(a)

Financing for Supplemental Loans (Second Mortgages)

Program Overview:	The 241(a) program is a financing program designed to insure a second mortgage to finance repairs, additions and improvements of existing multifamily apartments, that already have an existing FHA insured mortgage.
Borrowers:	Single purpose entities that can either be profit or non-profit motivated.
Personal Liability:	None. Loans are non-recourse.
Loan Amount:	There is no maximum loan cap associated with this program.
Term:	The term is limited to the term of the existing loan.
Amortization:	Loan is fully amortized.
Loan-to-Value:	Up to 90% of the value of the project's addition and/or improvements. A minimum 10% equity contribution based on the development costs is required.
Interest Rates:	Interest rates are fixed at closing. Rates are typically set lower than conventional financing due to the credit enhancement provided by FHA at closing.
Assumability:	Loans are fully assumable.
Prepayment:	Terms are negotiable with no yield maintenance or achievement clauses. Standard provisions include a short lockout period followed by a declining prepayment penalty computed as a percentage of the loan until reaching 0% after ten years.
Mortgage Insurance Premium:	A mortgage insurance premium is paid annually based on the outstanding principal. Premiums range from between .25% and .95% depending on the project.

For any questions pertaining to FHA Mortgage Insurance Loan Programs please contact Gershman Mortgage. Gershman Mortgage will assist borrower in conducting loan analysis on potential or existing projects. For any questions please visit www.gershman.com or contact Gershman Mortgage directly at (314)-889-0600.

