



Multifamily

241(a) Supplemental Loan

Summary

HUD's 241(a) supplemental loan provides secondary financing for improvements or additions to properties with first-mortgage loans currently insured under Sections 223(f), 221(d)(4), 220, 231, and 223(a)(7) of the National Housing Act. The 241(a) loan can be used to finance repairs, alterations, or substantial rehabilitation of existing structures as well as the construction of additional units to expand the footprint of the existing project on nearby land. It does not provide cash-out proceeds to the borrower.

Program Terms and Parameters

Eligible Properties	Any property with a HUD-insured loan	
Borrower	Same borrower entity as the existing HUD-insured first mortgage	
Loan Amount (lesser of the following)	90% of the replacement cost attributable to improvements and additional land	Minimum 1.11x debt-service-coverage ratio—must be supported by the remainder of the project's post-improvement NOI after the existing loan's debt service is paid
Interest Rate	Subject to market condition at rate lock and fixed for full term of the loan. First mortgage interest rate and debt service remain unchanged	
Loan Term / Amortization	Fully amortizing with same maturity date as the existing HUD-insured loan. However, if the existing loan has less than 25 years remaining on its term, maximum loan term is the lesser of 40 years and 75% of the project's remaining economic life, regardless of the original term of the first mortgage	
Prevailing Wages (Davis-Bacon)	Payment of Davis-Bacon prevailing wages are required when the first mortgage is a 221(d)(4), 220, or 231 loan. They are <u>not</u> required when the first mortgage is a 223(a)(7) or 223(f) loan	



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CAPITAL **241(a) Supplemental Loan**

Mortgage Insurance Premium (MIP)	<u>Market Rate</u> 0.95%	<u>Affordable</u> 0.35%	<u>Broadly Affordable</u> 0.25%	<u>Green</u> 0.25%
Assumable	Fully assumable			
Prepayment	Customizable 10-year step-down (typically 10% Year 1, then 9%, 8%, etc.)			
Default Provisions	A cross-default provision will be included in the 241(a) mortgage documents such that a default of the existing HUD-insured first mortgage will automatically trigger a default of the 241(a) loan. However, default of the 241(a) loan will not automatically trigger a default of the underlying first mortgage			
Third-party Reports	Appraisal, Phase I Environmental, Capital Needs Assessment, Market Study, and Architectural & Cost Review			
Equity Requirement	Borrower is required to contribute at least 10% of total development cost of the transaction. Existing reserve for replacement deposits in excess of the initial deposit requirement concluded in the CNA and land equity from adjacent or nearby parcels incorporated into the existing first mortgage security may be used to meet the equity requirement			
HUD Application Fee	0.30% of the loan amount. Reduced for projects located in qualified Opportunity Zones			
Closing Timeline	Approximately 8 to 12 months depending on level of plan completion			

