

## FHA Section 241(a) LEAN Program

**Property Type:**

Multifamily apartments, hospitals, nursing homes or assisted living properties.

**Purpose:**

To finance repairs, additions and improvements to facilities with an existing FHA insured first mortgage or HUD-held mortgage.

**Debt Service Coverage:**

Minimum 1.11x

**Interest Rate:**

Fixed rate subject to market conditions at rate lock.

**Maximum Term:**

Forty years or 75% of the remaining economic life, not to exceed the remaining term of the first mortgage.

**Amortization:**

Amortized over remaining term of first mortgage.

**Guarantee:**

Non-recourse loan.

**Eligibility:**

The facility must currently hold an FHA insured first mortgage or HUD-held mortgage.

**Assumability:**

Yes, with FHA approval.

**Prepayment:**

Commonly either:

- A 5-year lockout followed by a prepayment penalty of 5% in the sixth year and declining 1% per year, or
- A similar combination of lockout and penalties which cover a 10-year period post closing

**Escrows:**

Based on previous mortgage.

**Annual & Upfront Fees:**

Calculated at the same percentage as incurred with insurance of first mortgage loan.

**Timing:**

Application preparation and review for the Pre-Application and Firm Application stages can be completed in as short as eight weeks each, for a total of 16 weeks, with closing occurring 3-4 weeks thereafter (20 weeks total). Both Substantial Rehabilitation and New Construction projects have the option of single-stage processing, shortening the application timeframe. Actual processing times will vary depending on the complexity of the project and the timing required for architectural design and estimating construction costs.