ROCKPORT MORTGAGE CORPORATION

HUD Section 241(a)

Multifamily Addition or Renovation Supplemental Loan

This loan program provides mortgage insurance for a supplemental loan for the purpose of improvements or additions to a multifamily project covered by an FHA-insured loan, without the need for refinancing the existing loan.

Maximum Term

Generally the amortization period is not to exceed the remaining term of the first mortgage if that loan has more than 25 years remaining on its term. If less than 25 years remain on that term, HUD will consider an amortization period of up to 40 years so long as that term does not exceed 75% of the remaining economic life of the project.

Maximum Loan (the lesser of):

1. 90% of the estimated costs of improvements or additions (including the acquisition of adjacent land).

2. The Supplemental Loan, when added to the outstanding balance of the mortgage, may not exceed the maximum statutory limitation applicable for the Section of the Act under which the existing first mortgage is insured.

3. Combined 1.11% debt service coverage (combined supplemental and first mortgage payments).

Personal Liability

Non-recourse with standard carve-outs.

Lockout / Prepayment Structure

Negotiable, depending on the term and loan amount.

Other Considerations

- Supplemental loan may be originated by new lender.
- An FHA application fee of 0.3% of the requested loan amount applies.
- An FHA inspection fee of 0.5% of the requested loan amount applies.
- Davis-Bacon Wage rates do not apply for loans in which the first mortgage is a Section 223(f) loan or a 223(a)(7) loan.
- Mortgage Insurance Premium (MIP) is set at 25 basis points for both upfront capitalized and annual premiums.

Equity Requirement

The owner is required to contribute at least 10% of the total development cost of the transaction. Existing Replacement Reserve deposits in excess of the Initial Deposit requirement may be used to meet the equity requirement as can land equity from adjacent or nearby parcels added and incorporated into the existing first mortgage security.

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