

Health Care Facilities - New Construction or Substantial Rehabilitation **FHA Section 232**

DESCRIPTION

First Housing Development Corporation provides competitive financing for the new construction or substantial rehabilitation of licensed skilled nursing care, board & care or assisted living facilities.

QUALIFYING PROPERTIES

- Nursing Homes, Board & Care homes and Assisted Living Facilities requiring new construction or substantial rehabilitation.
- Nursing Homes must have at least 20 beds and a CON or market study; Board & Care homes and Assisted Living Facilities must have at least 5 units with not more than 4 residents sharing each full bathroom.
- Up to 25% of the units in a Board & Care home may have bedrooms and kitchenettes or full kitchens. Assisted Living Facilities may offer 0, 1 and 2 bedroom units with or without full kitchens/kitchenettes. Both must provide central dining and recreational areas for residents.
- Nursing Homes may include Board & Care units but Board & Care residents must be kept separate. Assisted Living units may be offered in a nursing home, but nursing home beds may not be offered in an Assisted Living Facility.

LOAN STRUCTURE

MAXIMUM LOAN: New Construction, Lessor of:
 (i) 90%* of estimated value; or
 (ii) 90%* of estimated replacement cost of project; or
 (iii) Depending on the rental mix, the following DSCR and LTV ratios apply:

	Statutory		FHA Benchmark	
	DSCR	LTV*	DSCR	LTV*
Skilled Nursing:	1.11	90%	1.45	80%
Assisted Living:	1.11	90%	1.45	75%
Independent Living:	1.11	90%	1.45	80%

Substantial Rehabilitation, Lessor of:

Criteria (i), (ii) and (iii) above; or

Refinance:

- (iv) 100% of the estimated rehabilitation cost plus the lessor of:
 a. existing secured indebtedness; or
 b. 90%* of the "as-is" value before rehabilitation; or

Purchase:

- (vi) 90%* of the estimated rehabilitation cost plus the lessor of:
 a. 90%* of the actual purchase price of the property; or
 b. 90%* of the "as-is" value before rehabilitation.

*LTVs and LTCs for nonprofits are 5% higher than shown above.

AMORTIZATION: Construction loan which converts to a 40-year fully amortizing loan.

RECOURSE: Loan is nonrecourse.

RATES: Fixed rate determined by market rates at the time of rate lock.

MIP: During construction period, the MIP is paid annually in advance based on the rate established by FHA. The rate is fixed at initial endorsement. After commencement of amortization, the MIP is escrowed monthly based on average principal balance.

OPTIONAL FEATURES

- PREPAYMENT: Any prepayment lock-out or penalty periods negotiable with Investor.
- ASSUMABILITY: Fully assumable with HUD's and Lender's consent.
- SUBORDINATE FINANCING: Generally not permitted, special requirements apply.

REQUIREMENTS

- Single-asset Borrower entity.
- Five years of experience developing, managing and marketing is required for Assisted Living Facilities.
- Proof of professional liability insurance with a minimum coverage of \$1 million per occurrence; \$3 million aggregate with a max deductible of \$100,000; Waivers may be granted in cases where premiums are high and claims history is clean.
- Davis-Bacon (prevailing wages) apply. Residential wage rates apply to Board & Care and Assisted Living Facilities; commercial wage rates apply to nursing homes.
- Board & Care homes and Assisted Living Facilities must offer three meals per day. Assisted Living residents with kitchens must take at least one meal per day.
- MAP processing requires 3rd Party market study, appraisal, environmental, plans and cost review at owner's expense.

MORTGAGEABLE FEES

- HUD Application Fee (0.30% of Mortgage Amount).
- Inspection Fee (0.50% of the Mortgage Amount for New Construction)
(0.50% of Construction Costs and Fees for Substantial Rehabilitation).
- Financing Fee (Up to 2.0% of the Mortgage Amount).
- Placement Fee (Up to 1.5% of the Mortgage Amount).
- Mortgage Insurance Premium (Paid for each 12 months of Construction).
- 3rd Party Reports

ANNUAL FEES AND RESERVES

- Mortgage Insurance Premium (rate fixed at Initial Endorsement).
- Reserve for Replacement
- Major Movable Equipment Reserve
- Real Estate Taxes
- Insurance

LETTERS OF CREDIT

- 2% Working Capital (Posted at Initial Closing and released 1 year after Final Closing).
- Operating Deficit, if required (Posted at Initial Closing and released as needed or after 90 days of sustainin occupancy).
- 100% of Off-site Costs, if required (Posted at Initial Closing and released after work is completed).
- Completion Assurance (100% Payment and Performance Bond or Letter of Credit equal to 15% of the construction contract for low-rise or 25% for high-rise (Posted at Initial Closing and released at Final Closing and replaced by a 2 1/2% Latent Defects Escrow).
- Minor Movables equal to cost of equipment (Posted at Initial Closing and released after equipment is in pla

This is a summary of general program terms, which are subject to change. This is not a commitment to lend.

om.

on a

the

ig

ce).