

## Health Care Facilities - Acquisition or Refinance **FHA Section 232 Pursuant to Section 223(f)**

### **DESCRIPTION**

First Housing Development Corporation provides competitive financing for the acquisition or refinance of licensed skilled nursing care, board & care homes or assisted living facilities.

### **QUALIFYING PROPERTIES**

- Nursing Homes, Board & Care homes and Assisted Living Facilities that are at least 3 years old.
- An addition may be built as part of an acquisition or refinance of an existing property.
- Allowable repairs include replacement of no more than one system and the cost can be no more than 15% of the as-repaired value.
- 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**

LOAN AMOUNT: ..... The lessor of the following criteria:

(i) Depending on the rental mix, the following DSCR and LTV ratios apply:

	<b>Statutory</b>		<b>FHA Benchmark</b>	
	<b>DSCR</b>	<b>LTV*</b>	<b>DSCR</b>	<b>LTV*</b>
Skilled Nursing:	1.176	85%	1.45	80%
Assisted Living:	1.176	85%	1.45	80%
Independent Living:	1.176	85%	1.45	80%

Refinance Transaction:

(ii) The eligible indebtedness plus eligible transaction costs and repairs.

Acquisition Transaction:

(iii) 85%\* of the eligible acquisition costs.

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

AMORTIZATION: ..... Up to 35-year, fully amortizing.

RECOURSE: ..... Loan is nonrecourse.

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

MIP: ..... 1% of the mortgage amount is payable at closing. Thereafter, the MIP is escrowed monthly based on a rate established by FHA. The rate is fixed at closing.

**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.
- Initial Deposit to the Replacement Reserve can be included in the mortgage; monthly deposits required.
- 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).
- HUD Inspection Fee ( Greater of 1% of Repairs Cost or \$30/Bed)
- Financing Fee (Up to 2.0% of the Mortgage Amount).
- Placement Fee (Up to 1.5% of the Mortgage Amount).
- Mortgage Insurance Premium (Reset Annually by HUD).
- 3rd Party Reports (Appraisal, Phase land HUD-4128 and Physical Condition Needs Assessment)

**ANNUAL FEES AND RESERVES**

- Mortgage Insurance Premium (Annual Amount Determined by HUD at Closing).
- Reserve for Replacement (Based on Physical Needs of the Property)
- Major Movable Equipment Reserve
- Real Estate Taxes
- Insurance

**CASH REQUIREMENTS OR LETTER OF CREDIT**

- 20% of Repair Cost (Posted at Closing and released after repairs are complete).
- Latent Defect Guarantee of 2.5% of repair costs is due at completion of repairs.
- Operating Deficit, if required (Posted at Closing and released as needed or after 90 days of sustaining occupancy).

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