

FHA/HUD SECTION 232 LEAN HEALTHCARE CONSTRUCTION OR SUBSTANTIAL REHABILITATION

Eligibility Licensed Skilled Nursing, Assisted Living, and Board and Care facilities.

- May have up to 25% Independent Living units
- Must offer three meals per day
- Must provide continuous oversight
- Non-resident day care less than 20% of gross area and 20% of gross income

Substantial Rehabilitation Substantial rehabilitation is defined as replacement of two or more building components, or repairs totaling >15% of post-rehabilitation appraised value.

Borrower A single-asset, special purpose entity. Can be either for-profit or non-profit.

Mortgage Term 40 years plus up to two-year interest only construction period. Fully amortizing.

Recourse Non-recourse

Loan Parameters	New Construction	Substantial Rehabilitation
<i>The lesser of</i>	ALF – 75% LTV (80% not-for-profit) SNF – 80% LTV (85% not-for-profit)	ALF – 75% LTV (80% not-for-profit) SNF – 80% LTV (85% not-for-profit)
	DSCR of 1.45x based on underwritten NOI	DSCR of 1.45x based on underwritten NOI
	90% of replacement cost (95% for not-for-profit)	90% of replacement cost (95% for not-for-profit) LTC varies owned vs. purchased

- Statute permits higher LTV & lower DSCR; chart reflects current published guidance

Interest Rate Rate is subject to market conditions at the time of rate lock. The rate is fixed for the term of the loan.

Mortgage Insurance Premium 0.77% annually

Prepayment Fixed and negotiable; typically, the loan is closed for 2 years then open for prepayment at 8% and declining 1% per annum until open after Year 10.

Assumption Loan is fully assumable subject to HUD approval.

Commercial Space Allowable up to 10% of the net rentable area and limited to 15% of total gross income.

FHA Application Fee HUD requires a fee of 0.3% of the requested mortgage amount for the review of the Firm Commitment application.

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Escrows/Reserves	Taxes, insurance, and mortgage insurance premium are escrowed monthly. Working capital (4.0% of loan amount for new construction and 2.0% for substantial rehabilitation) and operating deficit/debt service reserve (varies by market/appraisal) will be escrowed at closing for construction and lease-up period.
Replacement Reserves	Replacement reserves are required. The monthly deposit amount will be determined in accordance with HUD guidelines.
FHA Inspection Fee	Inspection fees are 0.5% of the requested mortgage for new construction and 0.5% of improvements for substantial rehabilitation. The inspection fee is payable at closing.
Davis Bacon Wages	Payment of prevailing wages is required.
Third Party Report Costs	The costs for third party reports, such as appraisal, property condition report, environmental reports and other organization costs may be included as mortgageable soft costs in the mortgage calculation.
Closing Costs	Includes standard transaction costs such as the borrower's legal fees, title insurance and survey.
Timing	Varies with HUD workload and single or two-stage processing but typical timing is 9-10 months. Contact your D&K expert for additional information.

For additional information on this or other lending products, please contact:

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