



FHA / HUD Section 232

Long-term, fixed-rate financing for construction or substantial rehabilitation of healthcare facilities

LOAN PARAMETERS ⁽³⁾			
Property Type	Maximum Loan to Value ⁽¹⁾	Minimum Debt Service Coverage	Maximum Loan to Eligible Cost ⁽²⁾
Assisted Living	75%	1.45x	90%
Skilled Nursing, etc.	80%	1.45x	90%

⁽¹⁾ Maximum LTV may be increased by 5% for nonprofit borrower entities.

⁽²⁾ Cost of offsite improvements, demolition costs, working capital and operating deficit reserve are ineligible.

⁽³⁾ For substantial rehabilitation financing, there will be an additional limitation as follows: 100% of the cost of rehabilitation plus the lesser of: (1) 90% of the as-is value of the property or (2) 100% existing indebtedness, if the property is owned or 85% of eligible acquisition cost, if the property is to be purchased.

Eligible Properties Licensed Skilled Nursing, Assisted Living, Intermediate Care, and Board and Care facilities; must provide continuous protective oversight; offer three meals per day; facility must be licensed by state; non-resident day care not to exceed 20% of gross area and 20% of gross income; may include up to 25% non-licensed independent units; not less than one full bathroom must be provided for every four residents (the bathroom access from any bedroom or sleeping area must not pass through public corridor or area). Commercial space is limited to 10% of gross floor area and 15% of underwritten effective gross income.

Eligible Borrowers Single-asset entity; either for-profit or not-for-profit

Loan Term Interest only during construction plus 2 months for cost certification followed by 40 years fully amortizing

Interest Rate Fixed interest for life of loan; Determined at rate lock based on prevailing market conditions

Mortgage Insurance (MIP) Annual - .77% of outstanding loan amount (Qualifying LIHTC eligible for lower MIP of 0.45%)

Loan Fees HUD Application fee: 0.3% of estimated loan amount

Prepayment Prepayment provisions negotiable, generally subject to lockout period and declining penalties

Recourse Non-Recourse and assumable with HUD approval

Timing Typical timeline is 12 months from application to Initial Endorsement; (1) 45-60 days to submit pre-application, (2) 45-60 days to HUD issuance of invitation letter, (3) 90-120 days to submit firm application; (4) 45-60 days to HUD issuance of Firm Commitment; (5) 45-60 days to initial closing

Escrows Monthly: Real estate taxes, property insurance, MIP, replacement reserves (minimum \$250 per unit)

Escrows Required at Closing: Initial Operating Deficit and Working Capital (2%-4% of the loan); will be released after 6 consecutive months of break-even occupancy. May be covered with cash or letter of credit.

Third Party Reports Appraisal, Market Study, Environmental, Radon, and Architectural & Engineering Cost Review

Experience Borrower and development team, General Contractor, Architect, Management Agent all need to have relevant "like kind" experience (**HUD experience strongly preferred**)

Prevailing Wage Davis Bacon, prevailing wage requirements apply – determined by Department of Labor and applies to work done on-site

Professional Liability Insurance Professional liability coverage will be required in a minimum amount of \$1 million per occurrence, \$3 million aggregate with a maximum deductible of \$25,000

For more information, please contact at.

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