

Long-term, fixed-rate financing for acquisition or refinance of existing hospitals.

Eligible Properties	Licensed acute care hospitals, including critical access hospitals. 50% of patient days must be acute care days. Hospitals that provide a significant level of outpatient services can use an adjusted patient day calculation to determine eligibility.
Eligible Borrowers	Single-asset; special purpose entity (can be either for-profit or not-for-profit).
Eligibility Requirements	<p>The hospital must have an aggregate operating margin of at least 0.00% and an average debt service coverage ratio of at least 1.40 for the past three years, and meet three of the following seven criteria*:</p> <p>(1) Total operating expenses will be decreased as a result of refinancing by at least 0.25%; (2) New interest rate will be at least 50 bps less than the current rate; (3) Current interest rate has increased at least 1% since January 1, 2008 or will very likely increase by that amount within a year of filing an application; (4) Total annual debt service in the most recent audited financials is at least 3.4% of total operating revenues; (5) Credit enhancement on current financing has been or will imminently be withdrawn or expired, or the provider has been or will be downgraded; (6) Existing financing has overly restrictive or onerous bond covenants; or (7) Other circumstances exist that demonstrate that the hospital's financial health depends upon refinancing its existing capital debt.</p> <p><i>*If the operating margin and DSC criteria are not met, OHF will recast these ratios for prior periods by applying its estimate of the projected interest rate at the time the mortgage is expected to close in lieu of the historical rate(s). In addition, if the hospital's performance in one of the three years used in the calculation was affected by exceptional, one-time events that substantially altered financial performance, the hospital may exclude that year (and include a fourth year) in determining the three-year average.</i></p>
Maximum Loan Amount	The lesser of: (1) 90% of net property plant, or equipment (or 90% of appraised value); (2) (Refinance) 100% of the cost to refinance the existing indebtedness, including the amount required to pay off the indebtedness; or (3) (Acquisition) 100% of the cost to acquire the hospital, including the actual purchase price for the land and improvements.
Two Year Rule	Projects are ineligible if the property was constructed within two years of application.
Secondary Financing	Allowable, subject to FHA criteria.
Loan Term	Fully amortizing; Maximum of 25 years.
Interest Rate	Fixed, subject to market conditions. The interest rate will be locked after issuance of a Firm Commitment by HUD.
Mortgage Insurance (MIP)	The initial mortgage insurance premium is 1.00% the mortgage amount. Mortgageable and paid at closing. Thereafter, 0.65% annually, payable in monthly installments.
Application Fee	0.30% of the mortgage amount, one half payable at firm application submission and one-half payable upon issuance of HUD's firm commitment for insurance.
Inspection Fee	0.10% of the mortgage amount, increasing pro rata up to 0.40% for transactions that include a limited rehabilitation project (hard costs of less than 20% of the mortgage amount).
Prepayment	Prepayment provisions negotiable, generally subject to lockout period and declining penalties.
Recourse	Non-Recourse subject to carve-outs for fraud and misrepresentation. Assumable; subject to HUD & Lender approval.
Timing	Call Hudson for current timing.
Third Party Reports	Phase I Environmental and Feasibility Study (scope to be determined by HUD). An appraisal will only be required for proposed mortgage loans greater than 90% of net property, plant, and equipment or where there has been significant increase in value since purchase.
Equity Takeout	No equity take-out permitted for this program.
Repairs	May include a construction component (hard costs) of up to 20% of the mortgage amount.
Escrows	Real estate taxes, property insurance, MIP, and a Mortgage Reserve Fund (MRF). Escrow payments collected monthly. The MRF deposits are made monthly on a pro rata basis in order to achieve the fiscal year-end balances reflected in the MRF Schedule. Must equal one year's debt service after five years and two years debt service after 10 years. The MRF is reduced pro rata each year after Year 15.