SEE A BRIGHTER WAY

FHA Section 232/223(f):
Seniors Housing and Healthcare Facility Acquisition or Refinance

Program Overview:	This program provides permanent financing for the acquisition or refinance of affordable or market rate residential care facilities. The debt is non-recourse, fully amortizing and fixed rate for the life of the loan.
Eligible Properties:	Existing residential care facilities serving a 62+ elderly population that are at least 3 years old and have not been substantially rehabilitated within the last 3 years.
Licensure:	Eligible facilities must have state licensure for 75% of units/beds. Property types include skilled nursing, rehabilitation centers, assisted living, memory care, board and care, and other licensed facilities.
Eligible Borrowers:	Profit motivated and non-profit borrowers.

Maximum Loan Amount:

	Loan to Value[1]	Loan to Cost[2]	Debt Service Coverage
Acquisition	80%	85%	1.45x
Refinance	80%	100%	1.45x

Debt Eligibility:	All existing debt to be refinanced must be an obligation of the current real estate owning entity, and i) be at least two years old, or ii) have been used for an eligible purpose. Eligible purposes include arms-length acquisition, property improvements, coverage of operating deficits, and other project related costs.
Loan Term:	Maximum of 35 years, not to exceed 75% of the project's estimated remaining economic life.
Loan Amortization:	Fully amortizing over the term of the loan.
Interest Rate:	Fixed for the term of the loan. The interest rate is based upon market conditions at the time of rate lock. Government insurance ensures a low interest rate relative to other financing sources.
Prepayment Restrictions:	3-year lockout, 7% declining prepay; 1 year lockout, 10% declining prepay, open at par after 10 years, or another prepay structure less onerous to the borrower, to be determined by lender at time of rate lock.
Recourse:	The loan is non-recourse with the exception of carve-out provisions to the project's identified sponsors.
Mortgage Insurance Premium:	Mortgage Insurance Premium (MIP) of 1% of loan amount due at loan closing. 0.65% of loan amount due annually; 0.45% for projects with low income housing tax credits. Green Housing MIP is 0.25% (upfront and annual)[3].

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Loan Assumability:	Fully assumable with JLL and HUD approval.
Secondary Financing:	HUD compliant “Surplus Cash Notes” are permitted, but combined leverage must not exceed 92.5% of the project’s value. If secondary financing is from a public source, there are no LTV restrictions.
Fees and Expenses:	• FHA application fee — 0.30% of loan amount — payable to HUD. • Mortgage Insurance Premium — see above — payable to HUD. • FHA Inspection fee — greater of $30 per unit or 1.0% of required repairs cost — payable to HUD. • Third party reports — appraisal, phase I ESA, project capital needs assessment (PCNA). • Lender financing fee. • Good Faith Deposit — 0.50% paid to JLL at the time of rate lock and fully refunded after closing. • Other standard real estate transactional costs (legal, title, survey, etc.).
Replacement and Other Escrows:	Initial and annual deposits as determined in the PCNA. The initial deposit may be included in the loan amount. The reserve escrow is required to maintain a minimum balance of $1,000/unit for the first 15 years of the loan term.
Repair Limits:	The hard costs of repairs, replacements, and improvements (not including major movable equipment) cannot exceed 15% of the project’s As-Repaired value. In addition, no more than one (1) major building component may be substantially replaced.
Repair Escrows:	PCNA-identified and owner-elective repairs/improvements may be included in the loan amount; the borrower must escrow in cash a contingency of 20% of the repair/improvements, to be released upon completion. Repairs identified as “critical” in the PCNA will need to be completed prior to closing.
Other Escrows:	Insurance, real estate taxes and MIP.
Other Considerations:	• Professional liability insurance coverage requirements are $1MM (per occurrence)/$3MM (aggregate). • PCNA required every 10 years throughout the loan term. • Accounts receivable financing by the operator is allowable but subject to HUD guidelines and an intercreditor agreement. • Portfolio transactions of three or more properties and/or $15MM or more in aggregate loans will require a master lease. • After closing, annual audited financing statements and quarterly operating statements are required for the mortgagor entity.

[1]Eligible non-profit borrowers qualify for a 5% increase in LTV and LTC.
[2]Cost includes existing debt, property improvements, and other eligible costs. Equity take-out is not permitted.
[3]Green Housing project must achieve an industry recognized green building standard and achieve a score of 75 or better on the Energy Star scale of 1 – 100. Owner must annually certify that green building standard and score is maintained.

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For more information, please contact:

We can support you with expert advice that reflects your business needs and priorities

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