SEE A BRIGHTER WAY

FHA Section 232:
Seniors Housing and Healthcare Facility
New Construction or Substantial Rehab

Program Overview:	This program provides construction and permanent financing for new construction and substantial rehabilitation of affordable and market rate residential care facilitates. The debt is non-recourse, fully amortizing and fixed rate for the life of the loan.
Eligible Properties:	Combined construction and permanent financing for the new construction or substantial rehabilitation of residential care facilities.
Licensure:	Eligible facilities must have state licensure for 75% of units/beds. Property types include skilled nursing, rehab centers, assisted living, board and care, and other licensed facilities.
Eligible Borrowers:	Profit motivated or non-profit borrowers.

Maximum Loan Amount:

	Loan to Cost	Loan to "As Stabilized" Value[1]	Debt Service Coverage
Assisted Living	90%	75%	1.45x
Skilled Nursing	90%	80%	1.45x

Loan Term:	Maximum of 35 years, not to exceed 75% of the project's estimated remaining economic life.
Loan Amortization:	Interest only during construction, fully amortizing over the term of the loan thereafter.
Interest Rate:	Fixed for the term of the loan, inclusive of the construction period. 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 1.54% of loan amount due at loan closing. Mortgage Insurance Premium (MIP) of 0.77% of loan amount due annually; 0.45% for projects with new low income housing tax credits. Green Housing MIP is 0.25% (upfront and annual)[1].
Loan Assumability:	Fully assumable with JLL and HUD approval.

Secondary Financing:	Permitted only if provided by a public source.
Replacement Reserve Escrows:	Annual deposits required and are determined based on size/scope of project. The reserve escrow is required to maintain a minimum balance of $1,000/unit for the first 15 years of the loan term.
Other Escrows:	• Insurance, real estate taxes and MIP.
Fees and Expenses:	• FHA application fee — 0.30% of loan amount – payable to HUD. • FHA inspection fee — 0.50% of loan amount – payable to HUD. • Mortgage Insurance Premium — see above — payable to HUD. • Third party reports — appraisal, market study, Phase I ESA, architectural and cost review • 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, zoning, survey, etc.).
Professional Liability Insurance:	Professional liability insurance coverage requirements are $1MM (per occurrence)/$3MM (aggregate).
Commercial Space:	Commercial space is allowable up to 10% of Gross Floor Area or 15% of underwritten revenue.
Construction Contract Considerations:	• Requires a bonded contractor. In lieu of bonding, cash or a letter of credit may be posted in the amount of either: i) 15% of construction cost (3 stories or less), or ii) 25% of construction cost (elevator buildings of 4 stories or more). • Requires contractor retainage of 10%. Retainage percentage reduces to 5% after the project is 90% complete and 2.5% until the loan reaches Final Closing. • Requires payment of Davis Bacon prevailing wages. • No contingency is included for new construction. A contingency ranging from 1-10% is required for substantial rehabilitation.
Other Considerations:	• PCNA is required every 10 years throughout the loan term. • Loan to cost calculations exclude developer fees, initial operation deficits, and a working capital deposit of 2% of the loan amount. • Surplus cash can only be distributed out of the mortgagor entity twice a year. Distributions from the operator/lessee, if applicable, are not restricted. • Accounts receivable financing by the operator is allowable but subject to HUD guidelines and an intercreditor agreement. • Debt service reserves may be required to mitigate project risk. • 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.
[2] 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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About JLL

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