



HUD 232

Construction or Substantial Rehabilitation of Healthcare Properties

Eligible Properties

Licensed Nursing Homes, Assisted Living, Intermediate Care, and Board and Care:

- a. Must provide continuous protective oversight.
- b. Must offer three meals per day.
- c. Facility must be licensed by state.
- d. Non-resident day care not to exceed 20% of gross area and 20% of gross income.
- e. May include up to 25% non-licensed independent living units.

Commercial Space

Limited to 10% of gross floor area and 15% of gross income.

Use of Proceeds

New Construction or Substantial Rehabilitation which is defined as the following:

- a. 15% of post-rehabilitated appraised value, or
- b. replacement of two or more major building components

Davis Bacon Wages

Payment of prevailing wages is required by HUD; Wages are determined by the Department of Labor.

Borrower

Single asset, special purpose entity, either for profit or non-profit.

Recourse

Non-recourse

Interest Rate

Single fixed rate for both the construction I-0 period and the permanent loan term, determined by market conditions at time of rate lock. Rate lock deposit is 0.5% and refunded at closing.

Loan Parameters

Maximum loan amount will be the least of the applicable limits.

Assisted Living	Max. LTV 75%²	Max. LEC 90%	Min. DSC 1.45x
Other	Max. LTV 80%²	Max. LEC 90%	Min. DSC 1.45x

¹ Cost of offsite improvements, working capital and operating deficit reserve are ineligible.

² Maximum LTV may be increased by 5% for non-profit borrower entities.

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For Substantial Rehabilitation Financing, there will be an additional limitation.

- 100% of the cost of rehabilitation + the lesser of:
 - » 90% of the as-is value of the property
 - » 100% existing indebtedness, if the property is owned OR 85% of eligible acquisition cost, if the property is to be purchased

Term and Amortization

Interest-only term equal to actual construction period plus 2 months for cost certification followed by 40 years fully amortizing.

Prepayment and Assumption

Negotiable with best pricing for 10 years of call protection (can be a combination of lockout and/or penalty); loan is fully assumable subject to HUD approval.

Escrows

Prior to construction, reserves for interest, taxes, insurance, working capital (4% of the loan), and initial operating deficit; balances will be released to the borrower after 6 consecutive months of break-even operations. Post construction, taxes, insurance and mortgage insurance premium will be escrowed monthly and a capital needs reserve maintained with monthly deposits in accordance with HUD guidelines on a property-specific basis.

Mortgage Insurance Premium

0.77% payable at closing, and annually thereafter until principle is repaid.

HUD Application Fees

0.30% of the estimated loan amount due with submission of the final application.

Lender Application Fee

Generally \$25,000 to cover third-party reports and due diligence.

Rate-Lock Deposit

Typically 0.5% of the loan amount, paid at the time of commitment and refunded at closing.

Other Costs

Lender's legal, title, and other standard borrower closing costs.

Third Party Reports

Appraisal, Market Study, Environmental, plus a review of the final construction and architectural documents by a HUD-approved third party reviewer.

Timeline

Varies by transaction, but typically 12 months from due diligence to closing.