



HOSPITALS | FHA/HUD Section 242

Affordable Financing for New Construction or Substantial Rehabilitation of Hospitals

This program provides long-term, low fixed-rate, financing for the construction and permanent financing of acute care and critical access hospitals.

Eligible Properties	The facility must be a licensed hospital.
Eligible Borrowers	For-profit or not-for-profit.
Term	Up to 25 years, self-amortizing. Construction period is interest only.
Interest Rate	Locked before closing and fixed for the duration of the term. (Subject to market conditions.)
Security	First mortgage on subject property and all improvements and equipment financed.
Loan Parameters	Over the past three years: <ul style="list-style-type: none">● Aggregate debt service coverage ratio greater than 1.25%.● Aggregate positive operating margin.● Construction must be approved before start of construction.
HUD Fees and Expenses	<ul style="list-style-type: none">● FHA Application Fee of 0.30% of loan amount.● FHA Inspection Fee of 0.50% of loan amount.● Annual Mortgage Insurance Premium of 0.70% of the outstanding loan amount.
Third-Party Reports	Market Study, Appraisal, Phase I Environmental, and Architectural & Cost Review
Timing	Approximately 8 – 10 months for engagement, submission, FHA/HUD review, and closing.
Funding	Ginnie Mae guaranteed mortgage-backed securities.
Other Program Parameters	<ul style="list-style-type: none">● Escrows for property taxes, insurance, MIP, working capital, and replacement reserves are required.● If the State has a Certificate of Need (CON) process, a CON must be issued or pending.● Local prevailing wages, as per Department of Labor, paid under Davis-Bacon Act.