**HEALTHCARE PROPERTIES | FHA/HUD Section 232/223(f)**

# Acquisition and Refinancing of Healthcare Properties

*This program provides long-term permanent financing for the acquisition or refinance of healthcare properties.*

**Eligible Properties**

Licensed assisted living, skilled nursing homes, intermediate care, and board and care facilities.

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

**Eligible Borrowers**

Experienced for-profit or not-for-profit owners. Single asset, special purpose entity.

**Term**

Up to 35 years, or 75% of the remaining economic life, but no less than 10 years.

**Interest Rate**

Locked before closing and fixed for the duration of the term. (Subject to market conditions.)

**Guarantees**

Non-recourse for the duration of the term.

**Prepayment**

Customizable, typically a 10-year step down, based on market conditions and borrower preferences.

**Assumable**

Subject to FHA/HUD and lender approval.

**Loan Parameters**

| Property Type | Max Loan-to-Cost Ratio | Max LTV Ratio | Min DSC Ratio | Mortgage Insurance Premium (LIHTC) |
|---|---|---|---|---|
| For-Profit | 100% | 80%* | 1.45 | 0.65% (0.45%) |
| Not-for-Profit | 100% | 85%* | 1.45 | 0.65% (0.45%) |

(*For acquisition financing, LTVs increase by 5%.)

**HUD Fees and Expenses**

- FHA Application Fee of 0.30% of loan amount.
- FHA Inspection Fee of the greater of $30 per /bed or 1% of repairs.

**Commercial Space**

Limited to 20% of net rentable area and 20% of effective gross income.

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|---|---|
| **Third-Party Reports** | Appraisal, Environmental, Property Capital Needs Assessment (PCNA). |
| **Repairs/Improvements** | Funds for repairs, deferred maintenance, and capital improvements for generally up to 15% of value can be included in the loan amount, subject to the maximum loan limitations. |
| **Timing** | Approximately 6-9 months for engagement, submission, FHA/HUD review, and closing. Process may vary due to Office of Residential Care Facilities volume. |
| **Funding** | Ginnie Mae guaranteed mortgage-backed securities. |
| **Other Program Parameters** | • Escrows for property taxes, insurance, MIP and replacement reserves are required.<br>• Cash-Out is not permitted.<br>• Facilities financed under this program must be at least 3 years old.<br>• Existing debt to be refinanced must be at least two years old unless it was used for an eligible purpose as defined by FHA (refinancing of prior eligible indebtedness, arms-length acquisition, property improvements, operating losses, etc.).<br>• A master lease may be required when an owner finances 3 or more properties or $15 million or greater in combined loan amounts with the FHA healthcare programs within an 18-month period. |

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