LMD
CAPITAL PARTNERS

FHA / HUD

FHA HUD Section 232 - Construction or Substantial Rehab of Healthcare

FHA-insured construction and substantial rehabilitation financing for licensed healthcare properties, with a single fixed rate through construction and 40 years of full amortization thereafter.

Indicative Terms

LOAN PARAMETERS	Assisted living: 75% maximum LTV, or 80% for non-profit borrowers, 90% maximum loan-to-cost, 1.45x minimum DSCR. Skilled nursing and other: 80% maximum LTV, or 85% for non-profit borrowers, 90% maximum loan-to-cost, 1.45x minimum DSCR. On substantial rehabilitation, 100% of rehabilitation cost plus the lesser of 90% of as-is value, 100% of existing debt, or 85% of acquisition cost.
MINIMUM SCOPE OF WORK	Renovation exceeding 15% of post-rehabilitation value, or replacement of 50% or more of two or more major building systems, being electrical, plumbing, mechanical, envelope or structural.
COMMERCIAL SPACE	Limited to 10% of gross floor area and 15% of gross income.
DAVIS-BACON WAGES	Department of Labor prevailing wages are required.
BORROWER STRUCTURE	Single-asset, special-purpose entity, for-profit or non-profit. Non-recourse.
INTEREST RATE	A single fixed rate across the construction interest-only period and the permanent term. Rate lock deposit of 0.5%, refundable at closing.
TERM AND AMORTIZATION	Interest-only during construction and cost certification, then 40 years fully amortizing.
PREPAYMENT AND ASSUMPTION	Negotiable, with best pricing at 10 years of call protection through a combination of lockout and penalty. Fully assumable subject to HUD approval.
ESCROWS	Before construction, reserves for interest, taxes, insurance, 4% working capital and operating deficit, released after six break-even months. After construction, monthly taxes, insurance and mortgage insurance premium plus a capital needs reserve under HUD guidelines.
MORTGAGE INSURANCE PREMIUM	0.77% per year of construction duration.
HUD APPLICATION FEE	0.30% of the estimated loan amount, 50% refundable if the application is declined.
THIRD PARTY REPORTS	Appraisal, environmental assessment and capital needs assessment.

Indicative Terms (continued)

APPLICATION FEE	Quoted per transaction.
ORIGINATION FEE	Quoted per transaction.
LEGAL FEES	Quoted per transaction.

Eligible Properties & Sponsors

Licensed nursing homes, assisted living, intermediate care, and board and care facilities. The property must provide continuous protective oversight and three meals daily and hold state licensure. Non-resident day care is limited to 20% of gross area and income, and up to 25% of units may be non-licensed independent living. The borrower must be a single-asset, special-purpose entity, for-profit or non-profit.

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