

# CONSTRUCTION, REHABILITATION, ACQUISITION & REFINANCE OF HOSPITALS

## FHA MORTGAGE INSURANCE SECTION 242



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<b>Eligible Properties</b>	New or existing hospitals where no more than 50% of the total patient days are assignable to categories of chronic convalescent and rest, drug and alcoholic, epileptic, mentally deficient, mental, nervous and mental, and tuberculosis. Exceptions apply to Critical Access Hospitals
<b>Interest Rate</b>	Fixed rate; determined by market conditions
<b>Eligible Borrowers</b>	Public entities, private non-profit corporations or for-profit entities
<b>Personal Liability</b>	Non-recourse subject to standard carve-outs
<b>Maximum Loan</b>	90% of replacement cost of the hospital including equipment to be used in its operation. Loans on existing hospitals must have an average debt service coverage ratio of at least 1.25x in the three most recent audited annual financials and have an operating margin greater than zero.
<b>Term and Amortization</b>	Maximum term of 25 years following any construction; fully amortizing
<b>Prepayment Structure</b>	Flexible; best execution typically has at least ten years of hard lockout but other combinations of lockout and prepayment penalty are allowed
<b>Labor Standards</b>	Davis-Bacon prevailing wage rate requirements apply to construction and substantial rehabilitation projects
<b>Mortgage Insurance Premium</b>	<i>Construction &amp; Substantial Rehabilitation:</i> 0.70% due at closing for each 12 month period of construction and 0.70% annually thereafter <i>Refinance &amp; Acquisition:</i> 0.50% to 1.00% due at closing and 0.55% to 0.65% annually thereafter
<b>Fees and Expenses</b>	<i>HUD Application Fee:</i> 0.15% of requested loan amount <i>HUD Commitment Fee:</i> 0.15% of requested loan amount <i>HUD Inspection Fee:</i> Not to exceed 0.5% of requested loan amount
<b>Third Party Reports</b>	Appraisal, Phase I and Study of Market Need and Financial Feasibility
<b>Other Requirements</b>	Borrower will be required to make contributions to a Mortgage Reserve Fund (MRF). At five years following commencement of amortization, the MRF must contain one year of debt service; increasing to two years by the tenth year following commencement of amortization

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