

FEATURED ARTICLE

HUD CONSTRUCTION LENDING PROGRAMS

As providers explore alternative financing mechanisms, to perhaps traditional sources used in the past, it is important to know the variety of options available along with their respective benefits and potential drawbacks. Today's challenged economic times support an in-depth analysis of all possible sources and structures available to today's senior living providers.

Many senior living provider organizations are not aware that HUD has construction lending programs. Yes, it is true! HUD is a significant source of capital for the sector. HUD programs provide mortgage insurance for new construction and substantial rehabilitation loans across many asset types including multifamily, seniors housing, healthcare, and hospitals. These programs are unique in the market because they combine non-recourse construction and permanent financing into one loan, while offering competitive terms. For example, up to 90% of the eligible cost can be borrowed; during construction, payments are made on an interest-only basis and after construction is complete, the loan converts to a 40-year fully amortizing loan.

HUD-insured loans generally offer lower interest rates than conventional mortgages and this combined with the long amortization period can result in meaningfully larger loan amounts.

It is also important to note that this is not only available for those new to the HUD-lending environment. If you already have a HUD-insured loan in place, supplemental loans are available to finance additions or standalone phases.

HUD financing is most applicable for assisted living, memory care and skilled nursing with maximum limitations on the percentage of independent living units. This funding is most applicable for providers who are more care-centric in their offerings.

Ziegler has been a HUD-approved lender since the 1970's. This experience and historical relationship with HUD can make a significant difference in accessing this source of capital. Readers can [click here](#) to learn more.

If you have specific questions related to Ziegler's HUD lending or other related topics, we encourage readers to reach out to the Ziegler representative in the region or email [Lindsay Konkell](#).

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NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS

AS OF JUNE 20, 2023

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
BHI Senior Living (IN)	Fitch	BBB Stable	Affirmed Rating Affirmed IDR*	6/14/23
Brazos Presbyterian Homes (TX)	Fitch	BB+ Stable	Affirmed Rating Affirmed IDR* Evolving Outlook Removed	6/20/23

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* IDR – Issuer Default Rating

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INTEREST RATES/YIELDS

WEEK ENDING JUNE 16, 2023

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	3.50%	3.50%	3.42%
Senior Living 30-Yr “A”	5.25%	5.35%	4.99%
Senior Living 30-Yr “BBB”	5.65%	5.75%	5.38%
Senior Living Unrated	6.40%	6.50%	6.16%
Senior Living New Campus	7.25%	7.40%	7.09%
SIFMA Muni Swap Index	3.23%	2.84%	2.44%

	CURRENT	WEEKLY AVERAGE	SPREAD TO MMD
ZSLMLB Index [†]	5.94%	5.95%	2.45%

[†] Ziegler Senior Living Municipal Long Bond Index

Source: Bloomberg BVALS

FEATURED FINANCING


FOREFRONT LIVING SAN ANTONIO
(Bella Vida at La Canterra)
 San Antonio, Texas

New Hope Cultural Education
 Facilities Finance Corporation,
 Retirement Community Revenue Notes,
 Series 2023

\$22,340,000

June, 2023

MARKET REVIEW

MONEY MARKET RATES

	06/16	Last week
Prime Rate	8.25	8.25
Federal Funds (weekly average)	5.07	5.07
90 Day T-Bills	5.21	5.23
30-Day Commercial Paper (taxable)	5.08	5.10
Libor (30-day)	5.15	5.22
SOFR	5.05	5.05
7 Day Tax-Exempt VRDB	3.23	2.84
Daily Rate Average	3.12	2.42

COMPARATIVE YIELDS

TAXABLE REVENUE

	GOVT	A		MMD	NR*	BB	BBB	A	AAA
2 Year	4.64	5.74	1 Year	3.07	5.32	4.87	4.22	3.47	3.17
5 Year	3.91	5.36	5 Year	2.64	4.99	4.54	3.89	3.24	2.79
7 Year	3.81	5.41	7 Year	2.55	5.00	4.65	4.00	3.25	2.75
10 Year	3.71	5.56	10 Year	2.57	5.27	4.82	4.27	3.37	2.82
30 Year	3.83	6.28	30 Year	3.50	6.40	6.00	5.40	4.50	3.95

(* Representative of institutional sales)

TAX-EXEMPT MARKET INDICATORS

	THIS WEEK	LAST WEEK	CHANGE
Bond Buyer			
20 Bond Index	3.67	3.67	0.00
11 Bond Index	3.57	3.57	0.00
Revenue Bond Index	3.95	3.95	0.00
30 Year MMD	3.50	3.50	0.00
Weekly Tax-Exempt Volume (Bil)	2.08	6.36	-4.28
30 Day T/E Visible Supply (Bil)	5.78	4.67	+1.11
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	117.4	115.6	+1.80

Source: Bloomberg