HUD 232/223(f): REFINANCING, ACQUISITION, OR MODERATE REHABILITATION OF ASSISTED LIVING, BOARD & CARE, AND SKILLED NURSING FACILITIES

Ziegler
CAPITAL :: INVESTMENTS :: ADVICE

GENERAL TERMS

Eligible Properties:	Existing skilled nursing, assisted living, or board and care properties
Eligible Borrowers:	Single-asset, special purpose entity (for profit or not-for-profit)
Territory:	Nationwide and Puerto Rico
Term & Amortization:	Maximum of 35 years or 75% of the remaining economic life of the property. Fully amortizing.
Maximum Loan Amount:	For for-profit mortgagors, the lesser of: 1. 85% of value*; 2. The amount of debt that can be serviced by 85% (1.176x) of net operating income*; 3. (Acquisition) 85% of total cost of acquisition; or 4. (Refinance) 100% of the cost to refinance. For not-for-profit mortgagors, the lesser of: 1. 90% of value*; 2. The amount of debt that can be serviced by 90% (1.111x) of net operating income*; 3. (Acquisition) 90% of total cost of acquisition; or 4. (Refinance) 100% of the cost to refinance. * Represents the program maximum LTV and minimum debt service coverage however HUD's preferred target maximum loan-to-value under the LEAN program is 80% (for-profit) and 85% (not-for-profit) and minimum debt service coverage is 1.45 (for-profit and not-for-profit).
Interest Rate:	Fixed, subject to market conditions.
Prepayment Options:	To be determined at time of interest rate lock. Typical options include a 2-year lockout with penalty of 8% in the 3rd year, declining 1% each year thereafter and reaching zero after the 10th year.
Timing:	**Call Ziegler for current timing.**
Assumability:	Yes, subject to FHA approval.
Personal Liability:	Non-recourse loan subject to carve-outs for fraud and misrepresentation.
Secondary Financing:	Allowable up to 92.5% of value, subject to FHA criteria.

ADDITIONAL PARAMETERS

Repair and Rehab Limitations:	Must meet the following criteria: 1. Up to 15% of the project's value after completion of all repairs, replacements, and improvements; and 2. Does not replace more than 50% of any two building systems All critical repairs must be completed prior to closing. All non-critical repairs must be completed within 12 months of closing.
Independent Living Units:	Allowable up to 25% of the total units or beds of the project.
Commercial Space:	Limited to 20% of gross floor area and 20% of gross project income.
Required Third Party Reports:	Appraisal, Phase I ESA, and Project Capital Needs Assessment (PCNA)
Davis Bacon Wages:	Not applicable for Section 232/223(f) mortgage loans.

ADDITIONAL PARAMETERS (Continued)

Three Year Rule:	Projects are ineligible if the property was constructed or substantially rehabilitated within three years of application. Projects with additions completed less than 3 years previous are eligible as long as the addition was not larger than the original project in size and number of beds. Consult Ziegler for further information.
Debt Seasoning Requirement:	A two-year seasoning requirement applies only to applications for which the requested FHA loan amount is greater than 70% loan-to-value or for applications in which the requested loan amount is between 61%-70% loan-to-value and less than 50% of the existing debt was used for project purposes. Consult Ziegler for further information.
Equity Cash-Out:	Not allowed under the Section 232/223(f) program.
Post-closing Reporting:	Annual audited financial statements.
Rate Lock Deposit:	0.5% of the mortgage amount set forth in the firm commitment. Required after client's acceptance of firm commitment and prior to rate lock. The rate lock deposit will be held until closing and it will be returned shortly thereafter.
Extension Fees:	A fee is required to extend the closing date if the mortgage does not close within the timeframe agreed to by the borrower when the mortgage loan was rate locked. This fee is determined at the time of the rate lock.

ADDITIONAL FEES & EXPENSES (CAPITALIZED WITHIN THE LOAN)

HUD Exam Fee (Application Fee):	0.3% of the mortgage amount.
HUD Inspection Fee:	1. $30 per unit where the repairs/improvements are equal to or less than $3,000 per unit/bed. 2. 1% of the cost of repairs where the repairs/improvements are more than $3,000 per unit./bed. *Note: If the lender elects to administer the non-critical repair escrow, HUD will not charge an inspection fee.*
HUD Mortgage Insurance Premium:	The initial mortgage insurance premium is 1.00% the mortgage amount. Thereafter, 0.65% annually, payable in monthly installments.
Existing Debt:	100% of the existing debt can be included within the FHA insured loan (if applicable).
Prepayment Penalties:	100% of the associated prepayment penalties on the existing debt can be included within the FHA insured loan (if applicable).
Defeasance Costs:	Program penalties arising from the defeasance (or yield maintenance) of conventionally financed loans, tax-exempt bonds, and taxable bonds in an amount not to exceed 10% of the proposed mortgage loan amount are allowed.
Swap Termination Fees:	The costs of settling prepayment penalties associated with swaps or other derivatives in an amount not to exceed 10% of the proposed mortgage loan amount are allowed.
Acquisition Costs:	100% of the acquisition cost can be included within the FHA insured loan (if applicable).
Initial Deposit to the Replacement Reserve:	An initial deposit will be required at closing which can be capitalized in the mortgage loan and is based on a PCNA.

Other Fees	Borrower must pay for third-party reports (e.g., Appraisal, Phase I ESA, PCNA), survey, and for ZFC's legal fees associated with closing. An upfront deposit will be required to cover these costs and will be reimbursable at closing.

REQUIRED ESCROWS

Completion Assurance (Cash or Letter of Credit):	The completion assurance escrow is equal to 120% of the non-critical repair costs and must be established at closing. The 20% escrow above the 100% of the non-critical repair cost is non-mortgageable.
Reserve for Replacement:	Ongoing annual deposits to the reserve for replacement are required for all projects in order to maintain a minimum balance of $1,000 per unit for 15 years. The annual deposit will be identified in the PCNA during loan underwriting.
Additional Escrows:	Property taxes, insurance, MIP and replacement reserves.

REQUESTED ITEMS FOR PRELIMINARY ANALYSIS

- Description of project, location, unit mix, year built, physical characteristics, elevator, etc.
- If applicable, description of any substantial rehabilitation in the past three years.
- Details on commercial space, if any
- Any third party reports that have been completed
- Last three years of detailed operating statements and interim year-to-date, including occupancy data
- Budget for upcoming 12-months (note any large variances from historical)
- (If refinance) Detail on existing debt (including amount outstanding, interest rate, maturity, any prepayment penalties, etc.)
- (If acquisition) Detail on proposed acquisition terms (including purchase price, timing and source of sponsor equity, etc.)
- Detailed description and cost estimate of any contemplated repairs
- Description of ownership structure, experience of sponsor, experience of management agent