

# HUD 242/223(a)(7): REFINANCING OF EXISTING FHA HOSPITAL INSURED MORTGAGES



## GENERAL TERMS

Eligible Properties:	Existing FHA insured licensed acute care hospitals, including critical access hospitals.
Eligible Borrowers:	Non-profit, for-profit or public entity.
Territory:	Nationwide and Puerto Rico
Term & Amortization:	The term will be the remaining term on the existing FHA mortgage or under limited circumstances, HUD may approve a term of up to 12 years beyond the remaining term of the existing mortgage, but not to exceed the original term. A term extension request must be supported by a determination of the remaining economic life of the property. Fully amortizing.
Maximum Loan Amount:	The loan is limited to the lesser of: <ol style="list-style-type: none"><li>1. Original principal balance; or</li><li>2. Existing indebtedness plus transaction costs.</li></ol>
Interest Rate:	Fixed, subject to market conditions.
Prepayment Options:	To be determined at time of interest rate lock.
Timing:	<b>Call Ziegler for current timing.</b>
Assumability:	Yes, subject to FHA approval.
Personal Liability:	Non-recourse loan subject to carve-outs for fraud and misrepresentation.
Secondary Financing:	Allowable, subject to FHA criteria.

## ADDITIONAL PARAMETERS

Repair and Rehab Limitations:	Only hard costs that are required to be made to the property (as determined by HUD) may be included in loans insured under Section 223(a)(7).
Required Third Party Reports:	Feasibility Study (scope to be determined by HUD). An environmental review is not required if there is no new construction, rehabilitation, or physical changes except for routine maintenance.
Equity Cash-Out:	Not applicable for Section 223(a)(7) mortgage loans.
Post-closing Reporting:	Quarterly unaudited financial statements and 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 loan does not close within the timeframe agreed to by the borrower when the mortgage was rate locked. This fee is determined at the time of the rate lock.

## REQUIRED ESCROWS

Mortgage Reserve Fund (MRF):	Deposits are made monthly on a pro rata basis in order to achieve the fiscal year-end balances reflected in the MRF Schedule. Must equal one year's debt service after five years and two years debt service after 10 years. The MRF is reduced pro rata each year after year 15 to "\$0" by Year 25.
Additional Escrows:	Property taxes, insurance and MIP.

**ADDITIONAL FEES & EXPENSES (CAPITALIZED WITHIN THE LOAN)**

HUD Exam Fee (Application Fee):	0.3% of the mortgage amount, one half payable at firm application submission and one half payable upon issuance of HUD's firm commitment for insurance.
HUD Inspection Fee:	Generally 0.1% of the mortgage amount for Section 242/223(f) loans, increasing pro rata up to 0.4% of the mortgage amount for transactions that include a limited rehabilitation project (hard costs of less than 20% of the mortgage amount).
HUD Mortgage Insurance Premium:	The initial mortgage insurance premium is 0.55% of the mortgage amount. Thereafter, 0.55% annually, payable in monthly installments.
Existing Debt:	100% of the existing debt can be included within the FHA insured loan.
Prepayment Penalties:	100% of the prepayment penalties on the existing debt can be included within the FHA insured loan.
Other Fees:	Borrower must pay for any third-party reports (if required), 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.

**REQUESTED ITEMS FOR PRELIMINARY ANALYSIS**

- ◆ Description of project, location, unit mix, year built, physical characteristics, etc.
- ◆ Last three years of audited financial statements and interim year-to-date, including occupancy data
- ◆ Budget for upcoming 12-months (note any large variances from historical)
- ◆ Most recent balance sheet
- ◆ Detail on existing debt (including amount outstanding, interest rate, maturity, any prepayment penalties, etc.)
- ◆ Detailed description and cost estimate of any contemplated repairs or rehabilitation projects