

FHA/HUD 232: NEW CONSTRUCTION OR SUBSTANTIAL REHABILITATION OF HEALTHCARE FACILITIES



GENERAL TERMS

Eligible Properties Skilled nursing, assisted living, memory care, or board and care properties that:

- Provide continuous protective oversight
- Offer three meals per day
- Are licensed by the state
- Have non-resident day care less than 20% of gross area and 20% of gross income
- Has 25% or less non-licensed independent living units

Eligible Borrowers Single-asset, special purpose entity (for profit or not-for-profit)

Term and Amortization Interest-only during construction followed by 40 years fully-amortizing

Maximum Loan Amount For *new construction*, the lesser of:

Property Type	Minimum Debt Service	Maximum Loan to Eligible Cost	Maximum Loan to Value (For profit)	Maximum Loan to Value (Not-for-profit)
Assisted Living	1.45x	90%	75%	80%
Skilled Nursing	1.45x	90%	80%	85%

For *substantial rehabilitation*, the following additional limitation applies:

- 100% of the rehabilitation costs plus the lesser of: 95% of the property's as-is market value or 100% existing indebtedness (if owned) / 85% eligible acquisition cost (if to be purchased)

Prepayment options Negotiable with best pricing for 10 years of call protection (can be a combination of lockout and/or penalty)

Assumability Yes, subject to FHA/HUD approval

Personal Liability Non-recourse loan subject to carve-outs for fraud and misrepresentation

ADDITIONAL PARAMETERS

Rehab Limitations Must meet the following criteria:

1. The hard costs of repairs, replacements, and improvements exceeds 15% of the project's value after completion; or
2. Two or more major building components are being substantially replaced (>50%).

Commercial Space Limited to 10% of gross floor area and 15% of gross project income

Third Party Reports Market Study, Appraisal, Phase I ESA, and Architectural Plans, Specifications and Cost Review

Davis Bacon Wages Payment of prevailing wages is required for all contractors and subcontractors

Cost Certification The borrower must submit a cost certification prepared by an independent CPA upon completion

Required Escrows	Property taxes, insurance, HUD mortgage insurance premium and replacement reserves
Additional Escrows	Working Capital (4% of the loan amount) - Balances will be released to the borrower 12 months after final closing and after six consecutive months of break-even operations Initial Operating Deficit - Balances will be released to the borrower 12 months after final closing and after three consecutive months of at least 1.45x debt service cover
HUD Application Fee	0.30% of the mortgage amount
HUD MIP	The initial mortgage insurance premium 0.77% per year of construction, or part thereof. Thereafter, 0.77% annually, payable in monthly installments
HUD Inspection Fee	0.50% of the mortgage amount for new construction or 0.50% of improvement costs for substantial rehabilitation