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HUD/FHA Mortgage Insurance Program – Section 232 New Construction and Substantial Rehabilitation of Healthcare Properties

PURPOSE:	Provides attractive FHA-insured financing for new construction and substantial rehabilitation of eligible healthcare projects.												
ELIGIBLE PROPERTIES:	Skilled Nursing, Assisted Living, and Board & Care Facilities. Facility must contain at least 20 beds, be licensed and regulated by the State, and provide 3 meals a day and continuous protective oversight. May include up to 25% non-licensed, independent living units.												
COMMERCIAL SPACE:	Limited to 10% of gross floor area of the project and 15% of gross project income; excludes commercial space intended to exclusively serve residents												
BORROWER TYPE:	For-profit or non-for-profit single asset borrower entity												
GUARANTEES:	Non-recourse												
LOAN TERM:	40 years, plus the construction period												
AMORTIZATION:	Interest-only during construction; converts to fully-amortizing loan after construction												
INTEREST RATE:	Determined by market conditions (call for a quote), fixed for the full term of the loan												
LOAN PARAMETERS:	<table border="1"><thead><tr><th>Property Type</th><th>Loan-to-Cost</th><th>Loan-to-Value (For Profit/NFP)</th><th>Minimum DSCR</th></tr></thead><tbody><tr><td>Skilled Nursing Facilities</td><td>90%</td><td>80%/85%</td><td>1.45x</td></tr><tr><td>Assisted Living and Board & Care Facilities</td><td>90%</td><td>75%/80%</td><td>1.45x</td></tr></tbody></table>	Property Type	Loan-to-Cost	Loan-to-Value (For Profit/NFP)	Minimum DSCR	Skilled Nursing Facilities	90%	80%/85%	1.45x	Assisted Living and Board & Care Facilities	90%	75%/80%	1.45x
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Skilled Nursing Facilities	90%	80%/85%	1.45x										
Assisted Living and Board & Care Facilities	90%	75%/80%	1.45x										
PREPAYMENT:	Negotiable. Typical best pricing for 10-year call protection (lockout and/or pre-payment penalty).												
ASSUMPTION:	Loans are fully assumable, subject to Lender & HUD approval.												
LENDER FINANCING FEE:	To be determined based on size and complexity of transaction, subject to HUD limitations												
HUD APPLICATION FEE:	0.3% of the loan amount												
HUD INSPECTION FEE:	0.5% of loan amount (new construction) or total for all improvements (substantial rehab)												
HUD MIP:	0.25% for projects with Green building certifications 0.45% for projects with LIHTC 0.77% annually for healthcare facilities without LIHTC												
THIRD-PARTY REPORTS:	Appraisal (with Market Study), Phase I ESA, and Plans and Specs Review												
ESCROWS/RESERVES:	Typical tax and insurance escrows (including MIP) Replacement Reserves: Minimum annual deposit of \$250/unit Initial Operating Deficit: 4-12 months of debt service Working Capital: 4% for new construction projects; 2% for substantial rehab projects												
LABOR STANDARDS:	Davis-Bacon wage rates required												
TIMING:	Typically 8-12 months from engagement to closing. Timeframes may vary.												

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