



Skilled Nursing & Assisted Living Facilities

REFINANCE/ACQUISITION

FHA Section 232/223(f)

ELIGIBLE PROPERTIES

Provides mortgage insurance for the refinance or acquisition of skilled nursing and assisted living facilities with no equity take-out. Other licensed seniors housing property types are also eligible, including intermediate care facilities and board & care homes (collectively, "Residential Care Facilities").

- Unlicensed independent living units are also allowed but cannot exceed 25%/waiverable up to 30% in some instances.
- Must offer three meals per day
- Non-resident day care less than 20% of gross area and 20% of gross income is allowed
- Must have been constructed or substantially rehabilitated with certificate of occupancy issued at least three years prior to the date of the application

ELIGIBLE BORROWERS

Experienced profit motivated, non-profit and public owners are eligible, must be Single Asset Entity (*i.e. Individuals, limited liability companies, partnerships, trusts, private corporations, non-profit corporations, public bodies and cooperatives*)

MAXIMUM TERM

Lesser of 35 years or 75% of remaining economic life; fully amortizing.

STANDARD LOAN AMOUNTS

Refinance:

The lesser of:

- 1.80% LTV (85% for non-profits)
2. Amount that results in a debt service coverage ratio of 1.45x based on the underwritten NOI
3. 100% of FHA's allowable debt plus costs less grants, public loans and tax credits

Acquisition:

The lesser of:

- 1.80% LTV (85% for non-profits)
2. Amount that results in a debt service coverage ratio of 1.45x based on the underwritten NOI
3. 85% of FHA's allowable acquisition costs (90% for non-profits) less grants, public loans and tax credits

****Commercial Space is allowable up to 20% of Gross Floor Area AND 20% of Gross Project Income. Minimum 20% vacancy used for underwriting purposes.***



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GENERAL LOAN TERMS NOI & VALUE CALCULATION

In determining underwritten NOI, market-based management fees are included for debt service coverage and loan-to-value sizing tests.

RECOURSE

None. The FHA loan is non-recourse; however, identified principal(s) will be required to sign “bad acts” and malfeasance carve outs at closing.

ASSUMABLE

Yes, subject to HUD and lender approval and payment of the assumption fee (0.05% of the original loan amount).

INTEREST RATE

Subject to market conditions. A rate lock deposit in the amount of 0.5% of the loan amount is collected at acceptance of the Firm Commitment and fully refunded at initial endorsement.

PREPAYMENT

Subject to market conditions. Typical structures include either a 1 or 2-year lock-out period, with the remainder of

the first 10 years open to prepayment subject to a penalty that declines annually. Other variations are possible based on market conditions and borrower preferences.

FHA APPLICATION FEES

0.3% of loan amount, payable to HUD at submission of the firm application.

ESCROWS/RESERVES

Taxes, insurance, and MIP are escrowed monthly. Replacement reserves are required, and the monthly deposits will be determined in accordance with HUD guidelines.

ADDITIONAL PARAMETERS

- The proposed operator/manager needs to demonstrate experience in leasing and operating facilities similar to the proposed development.
- A master lease may be required when an owner finances 3 or more properties or \$15 million or greater in combined loan amounts with the FHA healthcare programs within an 18-month period.



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Highland Commercial Mortgage is a HUD MAP/LEAN approved lender and is a national leader offering underwriting, loan origination and servicing for multifamily mortgages, skilled nursing and assisted living facilities. Our team is recognized nationally for its work with HUD 232, 232/223(f), and 232/223(a)(7) programs. Highland works closely with developers, non-profit housing organizations, operators, and large property managers across the United States. The Highland team has also developed long-standing and strategic relationships within FHA and has a deep and thorough understanding of FHA/HUD underwriting guidelines.

For additional information contact:

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