

White Knight Commercial Funding Factsheet

HUD FINANCING: HEALTHCARE

NEW CONSTRUCTION/SUBSTANTIAL REHABILITATION SECTION 232

The 232 Program features: High leverage, fixed rate, long-term, self-amortizing, non-recourse, assumable, first lien mortgage debt for the **New Construction or Substantial Rehabilitation** of intermediate care, board and care, residential care, skilled nursing facilities, and assisted living facilities.

- Interest-Only Construction Period, rate locked for the construction and permanent loan prior to commencement of construction
 - Please note: If a state has a CON program, a CON must be obtained prior to filing for Pre-Application
 - Financing under this program may be combined with governmental loans or grants
 - FHA insurance combined with a Ginnie Mae security provides a "AAA" credit enhancement for bonds
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Loan Size:	No programmatic minimum or maximum loan size
Property Types:	Intermediate care, board and care, residential care, assisted living facilities, and skilled care nursing facilities that accommodate 20 or more residents (20 or more beds) who require skilled nursing care and related medical services, or residents who are in need of minimum but continuous care provided by licensed or trained personnel. Facilities must offer residents three meals a day under these program guidelines. Operating leases to qualified facility operators are permissible, subject to HUD approval. Major moveable equipment, day-care facilities, and fire safety equipment may be financed under the 232 Program. Intermediate care facilities, board and care facilities, and skilled nursing facilities must be licensed or regulated by an appropriate governmental entity. Any geographic location is potentially acceptable. Financing under this program is not available for properties charging "up-front" or "founder's fees".
LTV/LTC:	For Profit: Up to 80% of the estimated value of the physical improvements and the major moveable equipment (up to 75% for Assisted Living Facilities). Not-for-Profit: Up to 85% of the estimated value of the physical improvements and the major moveable equipment.
Loan Term:	Up to 40 years plus the construction period
Amortization:	Construction period: Interest-Only Permanent period: Self-Amortizing
DSC:	For Profit: 1.45:1 Not-For-Profit: 1.45:1 Medicaid Rule: Medicaid rates, regardless of the composition of the project's actual or proposed occupancy, will be used to establish the income estimate of 67% of skilled nursing

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facility/intermediate care beds. Medicare rates will be used for 3% of the beds. This rule does not apply to board and care or assisted living facilities.

Interest Rate:	Interest rate locked prior to construction for the full loan term. Ginnie Mae securities are priced daily and based upon the current market price
Prepayment:	Negotiable with investor
Assumability:	Fully assumable with HUD and lender's consent
Recourse:	Non-recourse, except for standard carve-outs as required by HUD
Fees and Costs:	<p>Third Party Reports: Transactions financed under these programs typically require various borrower-paid third party reports such as: a market feasibility study, an appraisal, an architectural review and cost analysis, a seismic report (where applicable), and a Phase I Environmental Survey (as well as borrower-paid architectural, legal, and other pre-development costs)</p> <p>HUD Fees: HUD Application Fee, HUD Inspection Fee, and a HUD mortgage insurance premium (initial and ongoing)</p> <p>Lender Fees: The borrower will be responsible for lender legal fees and, for payment of negotiated origination and placement fees</p> <p>Please note that some or all of these costs may be eligible for inclusion within the mortgage loan</p>

Other:

- Commercial Space may be permitted
 - Commercial Space is limited to 10% of gross floor area
 - Commercial Income is limited to 15% of gross income
 - Day Care space may also be permitted
 - Day Care space may not exceed 20% of the gross floor area of the facility, non-residential and day care income may not exceed 20% of gross income
- Independent living units may not exceed 25% of the total projected number of beds or units in any board and care project
- The property will be required to submit an annual audit of operations to HUD and lender
- Surplus cash may be distributed two times per year
- Compliance with Davis Bacon wage rates are required for this program
<http://www.gpo.gov/davisbacon/>
- Full or partial compliance with ADA and UFAS requirements may be required
ADA: <http://www.hud.gov/offices/fheo/disabilities/accessibilityR.cfm>

UFAS: <http://www.access-board.gov/ufas/ufas-html/ufas.htm>
- A post - construction certification of actual costs will be required
- HUD requires that healthcare facilities maintain adequate liability insurance