

## FHA/HUD Section 232 Lean

### Construction or Substantial Rehabilitation of Healthcare Properties

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Eligible Properties	Licensed Nursing Homes, Assisted Living, Intermediate Care, and Board and Care a) Must provide continuous protective oversight; b) Must offer three meals per day; c) Facility must be licensed by state; d) Non-resident day care not to exceed 20% of gross area and 20% of gross income; and e) May include up to 25% non-licensed independent living units
Commercial Space	Limited to 10% of gross floor area and 15% of gross income
Use of Proceeds	New construction or Substantial rehabilitation which is defined as: a) 15% of post-rehabilitated appraised value, or b) replacement of two or more major building components Additions are not included in the eligibility test
Davis Bacon Wages	Payment of prevailing wages is required by HUD; Wages are determined by the Department of Labor
Borrower	Single asset, special purpose entity, either for profit or non-profit
Loan Amount	No maximum (limited by loan parameters)
Recourse	Non-recourse
Interest Rate	Fixed for term of loan, determined by market conditions at time of rate lock (rate lock deposit is 1% and refunded at closing)
Loan Parameters for New Construction	New Construction: Maximum loan amount will be the lesser of: a) Recommended % of Loan to Value; b) Recommended % of Replacement Cost; or c) Recommended Debt Service Coverage Ratio  Substantial Rehabilitation: Maximum loan will be the lesser of: a) Recommended % of Loan to Value; b) Recommended % of Rehabilitation Cost plus the lesser of: existing indebtedness or recommended % of as-is value for properties owned; or c) Recommended % of Rehabilitation Cost plus the lesser of: recommended % of purchase price or recommended % of as-is value for properties to be purchased; or d) Recommended Debt Service Ratio

*Cost of offsite improvements, FF&E, marketing, construction contingency and operating deficit reserve excluded from loan amount*

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<p>Loan Parameters for New Construction (Continued)</p>	<p><i>Based on current economic and fiscal environment, HUD has recommended the following parameters:</i>            For Profit Assisted Living: 75% LTV, 1.45 DSCR            For Profit Skilled Nursing, Board and Care and Independent Living: 80% LTV, 1.45 DSCR            Non-Profit Assisted Living: 80% LTV, 1.45 DSCR            Non-Profit Skilled Nursing, Board and Care and Independent Living: 85% LTV, 1.45 DSCR</p>
<p>Term and Amortization</p>	<p>Actual construction period plus 40 years (fully amortizing with interest only payable during construction period)</p>
<p>Prepayment and Assumption</p>	<p>Negotiable with best pricing for 10 years of call protection (can be a combination of lockout and/or penalty); loan is fully assumable subject to HUD approval.</p>
<p>Escrows</p>	<p>a) Replacement reserves required in accordance with HUD guidelines;            b) Taxes and Insurance escrowed monthly (post construction);            c) Working Capital Reserve equal to 2% (post in cash or LOC);            d) Operating Deficit Reserve determined by HUD at commitment;            e) Twelve month Debt Service Reserve for non-licensed independent living units;            f) Minor movables; and            g) Offsite escrows (if applicable)</p>
<p>Mortgage Insurance Premium</p>	<p>Payable at Closing an amount equal to 0.77% of the loan amount for each year of construction</p>
<p>Fees and Expenses</p>	<p>a) HUD application fee of 30 basis points due with submission of firm application;            b) Mortgage Insurance Premium is 57 basis points of principal mortgage amount a year after final endorsement;            c) HUD Inspection Fee is 0.5% of the mortgage amount for new construction and 0.5% of total improvements for substantial rehabilitation;            d) FHA Mortgage Insurance Premium due at closing; and            e) Actual Cost of Third Party Reports</p>
<p>Third Party Reports</p>	<p>Appraisal, Market Study, Phase I and Plans and Specs Review are required</p>
<p>Timeline</p>	<p>8-12 months depending on whether Borrower wants to submit a pre-application</p>