FHA SECTION 232 BLENDED RATE

LEAN | Seniors Housing

Refinance/Acquisition with New Construction Skilled Nursing and Assisted Living Facilities

Lument is a leading FHA-approved Mortgagee and MAP/LEAN lender that actively underwrites, funds and services FHA insured mortgage loans for multifamily housing, seniors housing, assisted living and skilled nursing properties nationwide.

PURPOSE

Provides mortgage insurance for the refinance or purchase of existing skilled nursing and assisted living facilities, combined with the construction of new units. Unlicensed independent living units are also allowed but cannot exceed 25% of the total units of the project without a waiver. Other licensed seniors housing property types are also eligible, including intermediate care facilities and board & care homes (collectively, "Residential Care Facilities").

ELIGIBLE BORROWERS	Experienced profit motivated, non-profit and public owners are eligible.
TERRITORY	Nationwide.
MAXIMUM TERM	35 years (fully amortizing) or 75% of the estimated remaining economic life, whichever is less, with a minimum term of 10 years.
STANDARD LOAN AMOUNTS	REFINANCING: The lesser of: 1. A blended loan-to-value ratio, derived by weighting the following parameters based on the number of existing units and number of units to be constructed: a. 80% of stabilized value (85% for non-profits) for existing units; b. 80% of stabilized value (85% for non-profits) for the new construction of skilled nursing and independent living units. c. 75% of stabilized value (80% for non-profits) for the new construction of assisted living units. 2. 100% of the existing indebtedness plus 90% of FHA's allowable replacement cost, less the optional purchase price of leased land, grant or loan funds attributable to replacement cost items, excess unusual land improvements, and the unpaid balance of special assessments. 3. Amount that results in a debt service coverage ratio of 1.45x based on the underwritten Net Operating Income. 4. 100% of hard and soft costs plus the lesser of (a) existing debt or (b) 90% of "as is" value (95% for non-profits). ACQUISITION: The lesser of: 1. A blended loan-to-value ratio, derived by weighting the following parameters based on the number of existing units and number of units to be constructed: a. 80% of stabilized (85% for non-profits) value for existing units; b. 80% of stabilized value (85% for non-profits) for the new construction of skilled nursing and independent living units. c. 75% of stabilized value (80% for non-profits) for the new construction of assisted living units. 2. 85% of the purchase price plus 90% of FHA's allowable replacement cost, less the optional purchase price of leased land, grant or loan funds attributable to replacement cost items, excess unusual land improvements, and the unpaid balance of special assessments. 3. Amount that results in a debt service coverage ratio of 1.45x based on the underwritten Net Operating Income. 4. 90% of hard and soft costs (95% for non-profits) plus 90% of the lesser of (a) purchase price or (b) "as is" value (95% for non-profits).

PROGRAMMATIC MAXIMUM LOAN AMOUNTS	FHA is authorized to exceed the stabilized value and debt service coverage limits identified above up to (i) 85% of stabilized value (90% for non-profits) for existing units, (ii) 90% of stabilized value (95% for non-profits) for new construction, and (iii) an amount that results in a 1.11x debt service coverage ratio. Exceptions to the Standard Loan Amounts are rare and only granted when a project has unique attributes that mitigate the additional risk of a higher loan amount.
NOI & VALUE CALCULATION	In determining underwritten NOI, market-based management fees are included for debt service coverage and loan-to-value sizing tests.
PERSONAL LIABILITY	None. The FHA loan is non-recourse; however, identified principal(s) will be required to sign "Bad Boy" 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.
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.
MORTGAGE INSURANCE PREMIUM	The annual MIP is currently 0.77% (0.45% if the project utilizes Low Income Housing Tax Credits) of the outstanding loan amount.
FHA APPLICATION FEES	0.3% of loan amount, payable to HUD at submission of the firm application.
FHA INSPECTION FEE	0.5% of costs associated with construction.
REPLACEMENT RESERVES	Annual deposits are required based on estimates determined by a third-party Project Capital Needs Assessment. An initial deposit to the replacement reserve will be required at closing and can be funded by the mortgage loan.
SECONDARY FINANCING	Annual deposits are required based on estimates determined by a third-party Project Capital Needs Assessment. An initial deposit to the replacement reserve will be required at closing and can be funded by the mortgage loan.
FUNDING	Qualifies for Ginnie Mae guaranteed mortgage-backed securities or direct placement, or may be used to credit enhance tax-exempt bonds.
TIMING	Lender underwriting and preparation of an application will take approximately 8 weeks. Timing for approval from FHA will be contingent on their workload at the time of the application submission. Lument will estimate this timing based on recent experience.
THE PROGRAM HAS THE FOLLOWING ADDITIONAL PARAMETERS	• The FHA Section 232 mortgage insurance program is one of the most attractive credit enhancement programs available for taxable and tax-exempt financing of Residential Care Facilities. • Under the FHA Section 232 program, FHA insures each construction loan disbursement as an advance is made and, upon "Final Endorsement," it insures the permanent mortgage. The mortgagor may also choose insurance upon completion of construction. • The proposed operator/manager needs to demonstrate experience in leasing and operating facilities similar to the proposed development. • Facilities financed under this program must be at least 3 years old. • Existing debt to be refinanced must be at least two years old unless it was used for an eligible purpose as defined by FHA (refinancing of prior eligible indebtedness, arms-length acquisition, property improvements, operating losses, etc.). • 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.

Lument is a leading FHA-approved Mortgagee and MAP/LEAN lender and actively provides financing utilizing FHA insurance programs nationwide pursuant to Multifamily Accelerated Processing (MAP) and LEAN underwriting methods.

In its prequalifying review, Lument will attempt to estimate both the loan amount and the fees and costs associated with the transaction. Actual loan amounts and actual fees and expenses may vary from the prequalifying estimates. A prequalifying estimate is not a commitment to make a loan.