FHA SECTION 242

LEAN | Healthcare

Acute Care Facilities Refinance or Acquisition

PROPERTY TYPE:	Acute care hospitals.
PURPOSE:	Refinance or acquisition; may include moderate repairs/improvements totaling less than 20% of the mortgage amount. Nonprofit, for-profit and public borrowers may utilize this program.
MAXIMUM LOAN AMOUNT	• Refinancing transactions must not exceed the cost to refinance the existing indebtedness, including the amount required to pay off the indebtedness. • Acquisition transactions must not exceed the cost to acquire the hospital, including the actual purchase price of the land and improvements. Additionally, the maximum loan amount for both refinancing and acquisitions may include: the estimated costs of repairs, renovation and/or equipment totaling less than 20% of the mortgage amount, architect, design and inspection fees and reasonable and customary legal, organization, title and recording expenses.
INTEREST RATE	Fixed rate subject to market conditions at rate lock.
MAXIMUM TERM/AMORTIZATION	25 years.
GUARANTY	Non-recourse permanent loan.
ELIGIBILITY	See requirements on the reverse side.
ASSUMABILITY	Yes, with FHA approval.
PREPAYMENT	Negotiable, but commonly either: • A five-year lockout followed by a prepayment penalty of 5% in the sixth year and declining 1% per year, or; • A similar combination of lockout and penalties which cover a 10-year period post closing.
ESCROWS	Monthly escrows for property insurance, real estate taxes, mortgage reserve fund and mortgage insurance premiums.
TIMING	Approximately nine months.
POST-CLOSING REPORTING	Quarterly internal financial statements and annual audited financial statements.

ELIGIBILITY

- Hospitals with an average debt service coverage ratio greater than or equal to 1.4 when calculated from the three most recent annual audited financial statements subject to certain recasting discussed below.
- Hospitals with an aggregate operating margin greater than or equal to zero when calculated from the three most recent audited financial statements subject to certain recasting discussed below.
- Borrowers must meet three of seven of the following criteria:
  1. The proposed refinancing would reduce the hospital's total operating expense by at least .25 percent;
  2. The interest rate of the proposed refinancing would be at least .5 percentage points less than the interest rate on the debt to be refinanced;
  3. The interest rate on the debt that the hospital proposes to refinance has increased by at least one percentage point at any time since January 1, 2008, or is very likely to increase by at least one percentage point within one year of the date of application;
  4. The hospital's annual debt service is in excess of 3.4 percent of total operating revenues, based on its most recent audited financial statement;
  5. The hospital has experienced a withdrawal or expiration of its credit enhancement, or the lender providing its credit enhancement has been downgraded, or the hospital can demonstrate that one of these events is imminent;
  6. The hospital is party to bond covenants that are substantially more restrictive than the Sec. 242 mortgage covenants;
  7. There are other circumstances that demonstrate the hospital's financial health depends upon refinancing its existing capital debt.

RECASTING

The average debt service coverage ratio and operating margin metrics can be recasted to:

- Apply projected new interest rate in lieu of historical rate(s).
- Substitute the fourth year of historical financials for one of the three years affected by exceptional, one-time events that substantially altered financial performance.

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.