



**New Construction or
 Substantial Rehabilitation of Skilled
 Nursing and Assisted Living Facilities
 Not for Profit Sponsor**

ELIGIBLE PROPERTIES:

Proposed new construction or substantial rehabilitation (including both purchase and refinancing) of skilled nursing, assisted living and other specialty care facilities.

Assisted Living facilities must provide room, board, and continuous protective oversight. No “founder fees”, life care fees or other up-front fees are allowed.

In order to qualify as a substantial rehabilitation project, either (1) the cost of repairs, replacements or improvements must exceed 15% of the property’s value after completion, or (2) two or more major building systems must be replaced.

BORROWER:

The borrower must be chartered under Chapter 501(c)(3) of the Internal Revenue Code.

MAXIMUM LOAN:

New Construction:

Amount equal to the lesser of:

1. 95% of appraised value, including major moveables;
2. 100% of the HUD estimated replacement cost; or
3. 1.05 debt service coverage.

Substantial Rehabilitation Projects:

The lesser of the three criteria above; or

Refinance:

4. 100% of the estimated rehabilitation cost plus the lesser of:
 - a. existing secured indebtedness; or
 - b. 95% of the “as is” value before rehabilitation; or

Purchase:

4. 95% of the estimated rehabilitation cost plus the lesser of:
 - a. 95% of the actual purchase price of the property; or
 - b. 95% of the “as is” value before rehabilitation.

INTEREST RATES:

Fixed rate determined by market rates at the time of rate lock.

AMORTIZATION:

Construction loan which converts into a 40-year, fully amortizing loan.

PERSONAL RECOURSE:

Non-recourse.

WAGE REQUIREMENTS:

Adherence to Davis-Bacon prevailing wage laws is required.

ANNUAL MORTGAGE INSURANCE PREMIUM:

During the construction period, the MIP is paid annually in advance, based on a rate established by HUD. The rate is fixed at initial endorsement. After commencement of amortization, the MIP is escrowed monthly based on the average principal balance.

PROFESSIONAL LIABILITY INSURANCE:

Required in all cases. The minimum requirement is \$1 million per occurrence and \$3 million aggregate. Further information regarding this requirement is available upon request.

hardworking + successful + prepared + accomplished
innovative + versatile + knowledgeable + resourceful
reliable + efficient + collaborative + flexible + creative
dependable + prepared + problem solver
adaptable + responsive

BOND ENHANCEMENT:	Program can be used to provide a AAA rating of tax exempt bonds.
ESCROWS:	Monthly escrows for real estate taxes, property insurance, reserves for replacement, sinking fund (if applicable), and mortgage insurance premiums.
COMMERCIAL SPACE:	Up to 10% of the gross floor area of the project. Commercial activity must be compatible with the use of the facility. Day care space is not considered commercial.
ENVIRONMENTAL ISSUES:	Special rules apply for properties which are located in Flood Hazard Zones as designated by FEMA.
APPLICATION FEE:	A non-refundable fee of 0.3% of the requested mortgage amount is payable to HUD at the time of application, plus estimated underwriting costs for market study, appraisal, architectural/engineering report, cost analysis, environmental assessment and other loan processing costs.
INSPECTION FEE:	For New Construction projects, 0.5% of the mortgage amount is payable to HUD at Initial Endorsement. For Sub-Rehabilitation Projects, 0.5% of the cost of improvements is paid to HUD at Initial Endorsement.
FINANCING AND PLACEMENT FEES:	Negotiable.
CLOSING EXPENSES:	Standard transaction costs, including legal fees, title insurance and survey.
DEVELOPER'S FEE:	Based on a sliding scale, 8% of the mortgage with a minimum of \$40,000 and a maximum of \$400,000.
OTHER HUD REQUIREMENTS:	Cash escrows or letters of credit are required for the following: <ol style="list-style-type: none">1. Forecasted operating deficits, to be released 12 months after final endorsement if breakeven operations have been achieved.2. 2% of the mortgage amount for working capital, to be released 12 months after project completion if loan is not in default.3. Purchase of any minor non-realty items.4. 100% performance and 100% payment bond or a letter of credit equal to 15% or 25% (depending on structure type) of the construction contract.5. If not covered by performance and payment bond, 2.5% of the construction contract amount as latent defects guarantee.6. 100% of off-site construction costs.
STATE LICENSURE:	A Certificate of Need and an operating license must be submitted if required by state or local law. An assisted living or board and care facility must be regulated by the state or political subdivision in which the facility is located.
HUD PROCESSING TIME:	One or two stages for HUD Multifamily Accelerated Processing (MAP) procedures: <ol style="list-style-type: none">1. Pre-Application Stage: 45 days for review.2. Firm Commitment Stage: 45 days for review.3. One stage combining items 1 and 2 above: 60 days.