

FHA/HUD Section 232 Term Sheet



New Construction or Substantial Rehabilitation Program for Healthcare Properties

The HUD 232 program provides mortgage insurance for the construction or substantial rehabilitation of nursing homes, assisted living facilities, intermediate care facilities, and board and care homes. This attractive program offers a low fixed interest only rate during the construction period that converts to a permanent rate with a maximum term of **40 years** and is fully amortized. The loan is non-recourse, and assumable subject to HUD approval.

Eligible Facilities

Nursing homes, assisted living facilities, intermediate care facilities, and board and care homes

Eligible Borrowers

Experienced for-profit and non-profit owners are eligible

Interest Rate

Interest only rate during the construction phase that converts to a fixed rate fully amortizing permanent loan upon completion of construction

Recourse

The transaction is non-recourse

Maximum Loan to Value

75% for Assisted Living

80% for Skilled Nursing Facilities

Maximum Loan to Cost

90% for Assisted Living

90% for Skilled Nursing Facilities



Davis Bacon Wages

General Contractor must pay prevailing wage rates as required by the Department of Labor

Minimum Debt Service Requirements

1.45x for Assisted Living

1.45x for Skilled Nursing

Commercial Limitations

10% of the gross floor area; and **15%** of the effective underwritten gross income

Term and Amortization

Interest only during construction period that converts to a fully amortizing fixed rate loan that allows up to a **40-year** term

Initial Operating Escrow

Can be in the form of cash or letter of credit. Amount requested will be approximately **12-18** months of debt service coverage. Will be refunded once a **1.45%** debt service coverage is maintained for **3** consecutive months.

Prepayment and Assumption

2-year lockout followed by **8 years** of declining pre-pay of **8%, 7%, 6%, 5%, 4%, 3%, 2%, and 1%** (other terms may be negotiated). Loan is fully assumable subject to HUD approval

Rate Lock Deposit

0.50% of mortgage amount collected at the time of client's acceptance of the Firm Commitment. The rate lock deposit will be fully refunded at the transaction closing.



Third Party Reports

Market Study, Appraisal, Phase I Environmental Assessment, Phase II Environmental, Architectural Plan and Costs Review (completed by a HUD-approved Third-Party Contractor)

Mortgage Insurance Premium

1% of the loan amount due at closing, and **0.77%** on the remaining balance each year after the remaining term

HUD Application Fee

0.30% application due at the time of Firm Application

Timing

The lender will need approximately **8 to 10** weeks to underwrite and review third-party reports and submit to HUD for Firm Commitment. The timing to receive a Firm Commitment will depend on the LEAN underwriting queue, and how many deals that are currently being processed at the time.



LSG Lending Advisors is a private company and not a government agency. We are a capital markets advisory firm with expertise and relationships with lenders that are licensed to provide HUD-insured and agency financing for apartment buildings and multifamily developments. These terms and requirements are subject to change.

Contact us today for a free phone consultation: 216.645.9816