HUD 232/223(f) LEAN Healthcare Facility Mortgages – Refinance or Purchase of Licensed Healthcare Facilities

WALKER & DUNLOP

ELIGIBLE PROPERTIES:	Skilled nursing and rehabilitation, assisted living, memory care, intermediate care and board and care facilities with limited independent living units. Moderate facility improvements and repairs may be included.
BORROWER:	Single asset and single purpose entity, either for-profit or non-profit
RECOURSE:	Fully non-recourse
LOAN AMOUNT:	No limits
MAXIMUM MORTGAGE LIMITS:	a) For purchase transactions, LTC is 85% (for-profit), 90% (non-profit). LTV is 80% (for-profit), 85% (non-profit). b) For refinance of existing eligible debt transactions, the lesser of 100% of the cost to finance or 80% (for-profits) or 85% (nonprofits) of the appraised value. c) 1.45 DSCR
INTEREST RATE:	Fixed rate determined by market conditions at the time of rate lock
AMORTIZATION AND TERM:	35 years, or 75% of remaining useful life of the property, with full term amortization and level principal and interest payments
MORTGAGE INSURANCE PREMIUM (MIP):	1% payable at closing, 0.65% annually thereafter For Green/energy efficient – 0.25% payable at closing, 0.25% annually thereafter
ESCROWS:	Escrows for taxes, insurance and mortgage insurance premium are required
REPLACEMENT RESERVES:	Initial and monthly deposits required based on long term physical needs
REPAIR ESCROW:	Cash or a letter of credit for up to 20% of the estimated cost of repairs
HUD EXAM FEE:	$3 per $1,000 of requested mortgage
HUD INSPECTION FEE:	1% of the estimated cost of repairs or $30 per unit
RATE LOCK DEPOSIT:	Typically 0.5% of the mortgage amount, fully refunded at closing
ASSUMABILITY:	Fully assumable with FHA Approval
PREPAYMENT:	Prepayment parameters can be negotiable at time of rate lock. Typical structure features a two year lock-out followed by a declining 8% to 1% prepay for the first ten years of the loan.
PROFESSIONAL LIABILITY INSURANCE:	Minimum $1,000,000/$3,000,000 coverage for operators/managers
THIRD PARTY FEE AND EXPENSES:	Borrower upfront costs and due diligence fees typically total $20,000 to $25,000 and can be funded by loan proceeds. Third party reports include PCNA, appraisal, and Phase I environmental review
POST CLOSING INFORMATION REPORTING:	Annual audited financial statement on borrower entity. Ongoing reporting of financial information on operations may be required

As of August 2023