



**NURSING HOME, ASSISTED LIVING & BOARD
AND CARE FACILITIES**

**NEW CONSTRUCTION OR SUBSTANTIAL REHABILITATION
HUD SECTION 232**

ELIGIBILITY

- ❖ Mortgagor entity may be either for-profit or not-for-profit.
- ❖ Board and care facilities:
 - Must have at least one full private bath for every four residents,
 - Must have a central dining area and kitchen, with appropriate recreational facilities, and
 - Must not charge founder's, life care or similar fees.
- ❖ Assisted living facilities:
 - Residents must require assistance with at least 3 activities of daily living,
 - Must provide central dining, kitchen, lounge, etc.
 - Must offer three (3) meals a day.

REQUIREMENTS

- ❖ Subject to Davis-Bacon requirements.

ESCROWS

- ❖ Full escrows for property taxes and all applicable insurance are funded at closing.
- ❖ A Replacement Reserve account must be established at closing and is made immediately available for replacement of short-lived depreciable items.
- ❖ An escrow up to 4% of the mortgage amount is required for Working Capital. This must be funded by mortgagor with cash/letter of credit.
- ❖ An Operating Deficit escrow will be required by HUD to cover anticipated operating losses until sustaining occupancy is reached and funded by cash or a letter of credit.

FEATURES

- ❖ This is a non-recourse loan.
- ❖ Long loan term - up to 40 years in addition to the construction period, fully-amortizing.
- ❖ Low, fixed interest rates.
- ❖ Loan-to-value ratio – Skilled Nursing Facility (SNF) - up to 80% for a for-profit enterprise, inclusive of major movable equipment, (85% for a not-for-profit) for both New Construction and Sub-Rehab.
- ❖ Loan-to-value ratio – Assisted Living Facility (ALF) - up to 75% for a for-profit enterprise inclusive of major moveable equipment, (80% for a not-for-profit) for New Construction and 80% for a for-profit enterprise (85% not-for-profit) for a Sub-Rehab.
- ❖ Most affirmative and negative loan covenants typically found in conventional loan agreements are eliminated.
- ❖ Converts to permanent financing upon completion at no extra cost.
- ❖ Fully assumable, subject to CMI and HUD approval.
- ❖ Can be used as a credit enhancement for tax exempt bonds.
- ❖ Debt Service Coverage of 1.25 - 1.45.