



ACUTE CARE HOSPITALS
REFINANCE AND ACQUISITION
HUD SECTION 242/223(f)

ELIGIBILITY

- ❖ Property must be at least 3 years old.
- ❖ Mortgagor entity may be either for-profit or not-for-profit.
- ❖ Property must not be in need of substantial rehabilitation. Minor rehabilitation, including specific capital improvements, modernization, utility conversion or other value enhancement repairs, is allowed and included in the property valuation.
- ❖ For acute care hospitals, no more than 50% of total inpatient days during any 1 year may be assignable to chronic convalescence and rest, drug and alcohol, epileptic, nervous and mental, mentally deficient and tuberculosis care.

REQUIREMENTS

- ❖ The hospital must grant the 242 program leader a first mortgage on the entire hospital, including all real estate and improvements being financed. (Note: Exceptions may include leased equipment, off-site property, capital associated with affiliations, city- and/or county-owned facilities, etc.)

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 available for replacement of short-lived depreciable items.

- ❖ If the loan includes repairs or capital improvements to be completed after closing, an additional 20% repair escrow must be funded with cash or a letter of credit.

FEATURES

- ❖ This is a non-recourse loan.
- ❖ Long loan term - up to 25 years, fully amortizing.
- ❖ Low, fixed interest rates.
- ❖ Loan-to-cost ratio up to 90% (includes major movable equipment).
- ❖ Most affirmative and negative loan covenants typically found in conventional loan agreements are eliminated.
- ❖ Debt service coverage ratio of 1.25.
- ❖ The Loan is assumable subject to CMI and HUD's approval.
- ❖ Non-profit hospitals can utilize mortgage insurance as credit enhancement to issue tax exempt bonds. Depending on market conditions, a commercial bond insurer may be utilized to achieve an "AAA" bond rating. Of note, non-profit organizations may elect to issue taxable notes in conjunction with GNMA mortgage insurance to achieve the equivalent of "AAA" bond rating.
- ❖ For-profit hospitals can utilize mortgage insurance in conjunction with GNMA mortgage insurance to issue collateralized securities.

For Additional Information Contact: