

**FHA SECTION 232 INSURED MORTGAGE**  
**Financing for Residential Care Facilities**

<b>PURPOSE</b>	Construction <i>and</i> Permanent financing for new construction or substantial rehabilitation for nursing homes, board and care, or assisted living facilities in one commitment without occupancy requirements. This program provides long-term, fixed-rate, fully amortized and fully assumable non-recourse financing for Skilled Nursing Homes, Assisted Living Facilities, and other Residential Care Facilities.
<b>PROPERTY QUALITY</b>	A wide range is permitted, however, underwriting will be adjusted for perceived risk due to age or obsolescence of existing properties. Facilities resembling retirement service centers for independent elderly do not qualify. No “founder’s fees” or similar charges are permitted. Facilities must have a certificate of need (CON) at the time of application, if required by the state.
<b>HUD REVIEW</b>	HUD has delegated most underwriting functions to Enterprise’s Multifamily Mortgage Finance division, however, the local HUD office retains the right to review and approve all final underwriting. Under the Multifamily Accelerated Processing (MAP) program, HUD offices are required to complete their review and must issue a firm commitment within 60 days receipt of firm application.
<b>LOAN TERM</b>	Lesser of 40 years or 75% of the remaining economic life of the property, plus construction period.
<b>AMORTIZATION</b>	Fully amortizing loans of 40 years or 75% of the remaining economic life of the property.
<b>NOTE RATE</b>	Fixed-rate for both construction and permanent based upon market conditions for GNMA mortgage-backed securities. Servicing fee, GNMA guarantee fee, and mortgage insurance premium (MIP) totaling 0.75% will be included in the final interest rate. The interest rate may be locked once a firm commitment is received.
<b>LOAN AMOUNT</b>	No mortgage size limitations other than those imposed by the underwriting standards.
<b>UNDERWRITING</b>	Maximum loan amount is based upon the lesser of 90% of eligible costs, including major moveable equipment; an amount for which debt service does not exceed 90% of NOI, excluding proprietary earnings of 5% - 25%; 90% of appraised value. Non-profit borrowers may borrow up to 100% of eligible costs, including non-profit developer fee and major moveable equipment; an amount for which debt service does not exceed 95% of NOI, excluding proprietary earnings; or 95% of appraised value. Return on equity is limited for non-profit.
<b>ORIGINATION FEES</b>	A total of 3.5% can be included in the mortgage costs to pay Origination and Funding fees for both the construction and permanent loans. An additional 2% can be included for bond transactions. Actual fees are negotiated on a case by case basis depending on the size and complexity of the transaction and the experience of the Borrower.
<b>HUD FEES</b>	<b>Application Fee</b> – equal to 0.03% of the requested loan amount, which is due and payable when application is ready to be delivered to HUD. <b>Inspection Fee</b> – equal to 0.05% of the loan amount, which is due and payable at construction loan closing.

	<p><b>Annual Mortgage Insurance Premium</b> – equal to 1.14% of the outstanding loan amount for the first year, 0.57% of the loan amount per year thereafter (0.90% the first year and 0.45% each year thereafter with LIHTC) (or such other amount in effect at the time the firm commitment is issued by HUD). First payment is due and payable at construction loan closing and is payable from mortgage proceeds.</p>
<b>DELIVERY AND CONTRACT FEE</b>	GNMA fee of \$1,000 for the first \$1.5 million, and \$200 for each \$1 million thereafter, which is due and payable at construction closing.
<b>SECONDARY FINANCING</b>	Secondary financing from federal, state, or local agencies is permitted, but must be fully subordinate to the HUD-insured mortgage, payable from cash flow only, and have a term of at least the term of the HUD mortgage.
<b>PREPAYMENT</b>	No yield maintenance required; prepayment lockout and penalties are negotiated with Investor and Borrower at time of interest rate lock.
<b>ASSUMABILITY</b>	HUD loans are assumable based upon a satisfactory review of the new Borrower and payment of a one percent fee.
<b>LIABILITY</b>	The loans are non-recourse to the Borrower and its Key Principals, subject to certain exceptions, which are industry standard.
<b>CONSTRUCTION REQUIREMENTS</b>	Davis-Bacon (prevailing) wages are applicable. Construction plans and specifications must be 100% complete and comply with all fair housing and ADA laws. Completion assurance may be in the form of 100% payment and performance bonds or a letter of credit equal to 15% of the construction contract (25% for four or more stories and elevator).
<b>ESCROWS</b>	<p><b>Working Capital</b> – equal to 2% of the loan amount, will be funded at construction loan closing and may be in the form of cash or letter of credit. Funds may be used to defray certain costs during construction and lease-up. Any remaining balance will be returned upon stabilization of the property as determined by the Multifamily Mortgage Finance division.</p> <p><b>Initial Operating Deficit</b> – if required, will be funded, in the form of cash or letter of credit, at construction loan closing to cover operating shortfalls during lease-up. HUD will determine the exact amount. Any remaining balance will be returned upon stabilization of the property as determined by the Multifamily Mortgage Finance division.</p> <p><b>Minor Moveable Equipment</b> – equal to a minimum of \$350 per bed, will be escrowed at construction loan closing, and is released when equipment is delivered to the facility.</p>
<b>UPFRONT FEES</b>	<p><b>Lender Engagement Fee</b> – \$2,500 - \$7,500 depending on complexity of the transaction and other factors. Applies against Lender Origination Fees at loan closing.</p> <p><b>Third Party Report Escrow</b> – Typically \$12,500 (for existing properties) - \$20,000 (for new construction or substantial rehab). Reimbursed from mortgage proceeds at loan closing.</p> <p><b>Good Faith Deposit</b> – 0.50% of the loan amount due at rate lock. Could be lower for large loans (over \$25 million) and will be higher for advance rate locks (prior to issuance of the firm commitment to insure by HUD). Returned at loan closing.</p>

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