
**FHA SECTION 232 PURSUANT TO 223(f) INSURED MORTGAGE
Refinance or Acquisition of Skilled Nursing Homes,
Assisted Living Facilities, and other Residential Care Facilities**

PURPOSE	Permanent financing for existing leased nursing homes, assisted living, or other residential care facilities. This program provides long-term, fixed-rate, fully amortized and fully assumable non-recourse financing. Borrowers can be for profit or nonprofit entities.
PROPERTY QUALITY	A wide range is permitted, however, underwriting will be adjusted for perceived risk due to age or obsolescence for existing properties. Facilities resembling retirement service centers for independent elderly do not qualify. No “founder’s fees” or similar charges or fees are permitted. Facilities must have a certificate of need (CON) at the time of application, if required by the state.
HUD REVIEW	HUD has delegated most underwriting functions to Multifamily Mortgage Finance, 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.
LOAN TERM	Lesser of 35 years or 75% of the remaining economic life of the property.
AMORTIZATION	Fully amortizing loans of 35 years or 75% of the remaining economic life of the property.
NOTE RATE	Taxable, low-interest GNMA mortgage-backed securities for both construction and permanent loans or may serve as credit enhancement for tax-exempt bonds. The interest rate is typically locked once a firm commitment issued by HUD is accepted by the borrower. However, advance/early rate locks are available.
LOAN AMOUNT	No maximum mortgage limitations other than those imposed by the underwriting standards. Loans under \$2.5 million become comparatively expensive due to the cost of third party reports.
UNDERWRITING	Maximum loan amount is based upon the lesser of 85% LTV (90% for non-profit borrowers), an amount for which debt service does not exceed 85% (90% for non-profits) of NOI attributable to real estate, or Acquisition – 85% (90% for non-profits) of the sum of cost of acquisition, repairs, replacement reserve, soft costs, and fees. Refinance – 100% of the cost to refinance. (Note – HUD does not permit equity take-outs on Section 232)
ORIGINATION FEES	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.

HUD FEES

Application Fee – equal to 0.03% of the requested loan amount, which is due and payable when application is ready to be delivered to HUD.

Inspection Fee – equal to 0.05% of the loan amount, which is due and payable at construction loan closing.

Annual Mortgage Insurance Premium – equal to 1% of the outstanding loan amount for the first year, 0.50% of the loan amount per year thereafter (0.45% 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.

SECONDARY FINANCING

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.

The aggregate amount of the first and second mortgages cannot exceed 92.5% of HUD's Fair Market Value of the project, unless from Federal, State, or local government agencies, in which case the aggregate amounts cannot exceed 100% of value.

PREPAYMENT

No yield maintenance required; prepayment lockout and penalties are negotiated with Investor and Borrower at time of interest rate lock.

ASSUMABILITY

HUD loans are assumable based upon a satisfactory review of the Borrower and payment of a one percent fee.

LIABILITY

The loans are non-recourse to the Borrower and its Key Principals, subject to certain exceptions, which are industry standard.

AFFORDABLE HOUSING

Tax-exempt Bonds and Low-Income Housing Tax Credits can be used.

REPAIR ESCROW

No substantial rehabilitation is permitted. Repairs are limited to the greater of 15% of value or \$6,500 per bed/unit (adjusted for area high cost factor) excluding the cost of kitchen appliances. Not more than one major component may be replaced. Davis-Bacon (prevailing) wages is NOT applicable. Borrower will be required to escrow 50% of the estimated cost of all repairs identified by the Physical Needs Assessment, unless the repairs are completed prior to closing. Assurance of Completion escrow may be funded with cash or letter of credit. Multifamily Mortgage Finance will engage the services of third-party contractors to conduct architectural and cost reviews.

REPLACEMENT RESERVES

The loan will be underwritten with an initial and annual deposit to fund a replacement reserve account. These reserves are typically drawn by the Borrower for property replacement items, and major moveable equipment.

ENVIRONMENTAL REPORT

An environmental engineer must inspect the property to determine that no unacceptable hazardous substances are present.

ESCROWS

Initial Operating Deficit, if required, will be funded, in the form of cash or letter of credit, at loan closing. The exact amount will be determined by HUD. Any remaining balance will be returned upon stabilization of the property as determined by Multifamily Mortgage Finance.

For more information about our products and services, contact:

Lamar Seats, Senior Vice President
410.772.6019
lseats@enterprisecommunity.com

Jesse Alfriend, Vice President (Mid-Atlantic)
410.772.2570
jalfriend@enterprisecommunity.com

Victor Agusta, Director (Central and Northeast)
312.803.0776
vagusta@enterprisecommunity.com

Jeffrey Redmond, Director (South)
972.387.7430
jredmond@enterprisecommunity.com

Jay Helfrich, Director (West)
206.223.4520
jhelfrich@enterprisecommunity.com

Gary Alex, Director, FHA Lending (National)
678.775.6780 x1842
galex@enterprisecommunity.com

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