

HUD/FHA Lending

Introduction: Pacific Financial can help assist you with obtaining FHA insured mortgages through its various HUD lenders. After an initial overview of your project we will match you with the best lender and program for your project.

Please note that the guidelines presented below are general in nature. Special loan programs may provide more or less flexibility on certain deal points.

Property Types: · Nursing Homes Skilled & Intermediate Care
· Assisted Living Facilities
· Board and Care Facilities
· Personal Care Homes

Loan Size: \$1,500,000 minimum, no maximum.

Security: First mortgage on the Fee Simple interest. Leaseholds and ground leases allowed.

Interest Rate: Long term fixed interest rate set at time of rate lock prior to initial closings for both construction and permanent. Rate lock available prior to closing with refundable deposit at closing.

Borrower: Borrower must be a single purpose entity.

Liability: Non-recourse to Borrower and Key Principals except with respect to fraud, misappropriation or misuse of funds, and as necessary to foreclose on its interest in the mortgaged property.

Term of Loan: Depending on the FHA program type, up to 40 years term. Full amortization for life of loan.

Loan to Value: Depending on the FHA program type, up to 80% for profit-motivated mortgagors and up to 85% for not-for-profit mortgagors.

Debt Service Coverage: 1.11x for new construction and substantial rehabilitation, higher for nonprofits. 1.175x for existing project acquisitions or refinances (higher for nonprofits under healthcare programs).

Timing to Closing: 60 to 90 days from application.

Fees Financing and Placement fee may not exceed 3.5%. HUD LEAN Exam Fee: 0.3%. HUD Inspection Fee: 0.5%, if construction or repairs

Annual Audits: Required to be filed with HUD.

Third Party Reports: Appraisal, Environmental, Engineering, Seismic (if applicable), and Credit Reports.

Escrows: Monthly escrow for taxes, property insurance, and mortgage insurance will be required.

Reserves: Monthly reserve for replacement and repairs is required.

Secondary Financing: Not permitted on new construction or substantial rehabilitation. Existing project refinance or acquisition permits up to 7.5% of value after repairs.

Assumability: Fully assumable. Allowed subject to HUD and Cambridge approval. Payment of a 1.0% fee may be charged for preparing the transfer to HUD.

Prepayment: Negotiable with no yield maintenance or achievement clauses.

Appraisal Report: Current MAI Appraisal conforming to HUD LEAN and FIRREA guidelines and acceptable to Cambridge.

Engineering & Environmental Reports:

Current Architectural final working drawings or Engineering report by licensed architect and/or engineer in State where project is located and a Phase I Environmental report meeting ASTM+ standards and HUD LEAN checklist acceptable to HUD LEAN and Cambridge.

Survey: Current ALTA survey, satisfactory to HUD LEAN Lender.

Title Report: ALTA Lender's title insurance policy, satisfactory to HUD LEAN and lender.

Insurance Requirements:

Properties applying for HUD LEAN mortgage insurance must evidence property insurance, commercial liability insurance, professional liability insurance, and vehicle liability insurance. The following represents indicative coverage:

- Property coverage for the lesser of the mortgage loan amount or 80% of property's insurable value.
- Professional and commercial liability policy which covers the following:
 - Minimum \$1,000,000 per occurrence per location.
 - Minimum \$3,000,000 in aggregate per location. (blanket coverage permissible)
 - Maximum \$100,000 deductible if the borrower has fewer than 50 properties.
 - Insurance issuer maintaining either an A.M. Best Company rating of BB+ or better or Demotech Inc. rating of A or better.
 - Insurance issuer needs to be licensed as a surplus lines carrier in the state of property.
- Vehicle Liability Insurance
 - Minimum \$300,000 for one person. • Minimum \$500,000 for more than one person.
 - Minimum \$100,000 against claims for damage to property of others.
 - Additional insurance requirements may exist regarding history of coverage and annual reviews.

Closing Costs: Borrower is required to pay all closing costs, as applicable, including but not limited to title insurance, recording fees, third party reports and reviews, survey, escrows, reserves, and closing and legal fees.

Overview of HUD Programs

FHA C Section 221(d)4:

New Construction & Substantial Rehabilitation for Apartments

- No minimum, no maximum.
- Interest only loan during the construction phase.
- Interest rate fixed for both construction and permanent prior to initial construction loan closing.
- Loan term up to 40 years.
- Permanent loan fully amortizing.
- Up to 90% LTV for profit motivated Borrowers and up to 100% LTV for non-profit Borrowers.
- Minimum 1.11x DCSR.
- Program available for new construction and substantial rehabilitation of market rate multifamily rental housing and cooperatives housing.

FHA C Section 223(f):

Acquisition & Refinance Multifamily

- No minimum, no maximum.
- Interest rate fixed.
- Loan term up to 35 years
- Loan fully amortizing.
- Maximum 85% LTV.
- Minimum 1.175x DSCR.
- Program available for the acquisition or refinance of multifamily housing properties, minor repairs allowed.

FHA LEAN Section 223(f) Pursuant to Section 232:

Acquisition & Refinance for Assisted Living, Nursing Homes & Behavior Health Facilities

- No minimum, no maximum.
- Interest rate is fixed.
- Loan term up to 35 years.
- Loan fully amortizing.
- Maximum 80% LTV for profit motivated borrowers or up to 85% LTV for non-profit borrowers.
- Minimum 1.175x DSCR.
- Program available for the acquisition or refinance of nursing homes, assisted living facilities, board and care, and health care facilities. Repairs and some additions allowed within the financing.

FHA LEAN Section 232:

New Construction & Substantial Rehabilitation for Assisted Living, Nursing Homes & Behavior Health Facility

- No minimum, no maximum.
- Interest only loan during the construction phase.
- Interest rate fixed for both construction and permanent prior to initial construction loan closing.
- Loan term is up to 40 years.
- Loan fully amortizing.
- Maximum 80% LTV for for-profit borrowers and 85% LTV for not for-profit borrowers.
- Minimum 1.11x DSCR.
- Program available for the new construction and substantial rehabilitation of nursing homes and health care facilities.

FHA C Section 242:

New Construction & Substantial Rehabilitation for Acute Care Hospitals & Other Special Use Facilities

- No minimum, no maximum.
- Interest only loan during the construction phase.
- Interest rate fixed for both construction and permanent prior to initial construction loan closing.
- Loan term is up to 25 years.
- Loan fully amortizing.
- Maximum 90% LTV for for-profit borrowers and 95% LTV for not for-profit borrowers.
- Minimum 1.11x DSCR.
- Program available for the new construction and substantial rehabilitation of acute care hospitals and other special use facilities