# Acquisition and Refinancing of Healthcare Properties

# **Eligible Properties**

Licensed Nursing Homes, Assisted Living, Intermediate Care, and Board and Care.

- a) Must provide continuous protective oversight.
- b) Must offer three meals per day.
- c) Facility must be licensed by state.
- d) Non-resident day care not to exceed 20% of gross area and 20% of gross income.
- e) May include up to 25% non-licensed independent living units.
- f) Three years must have passed since last certificate of occupancy was issued.

# **Commercial Space Limitation**

Limited to 20% of net rentable area and 20% of effective gross income.

#### Borrower

Single asset, special purpose entity, either for profit or nonprofit.

#### Recourse

Non-recourse.

## **Interest Rate**

Fixed for term of loan, determined by market conditions at time of rate lock.

Rate lock deposit is 0.5% and refunded at closing.

## **Loan Parameters**

Maximum loan amount will be the least of the following:

Borrower Type	Maximum Loan to Value	Minimum Debt Service Coverage	Maximum Loan to Refinance Cost	Maximum Loan to Acquisition Cost
For-Profit	80%	1.45x	100%	80%
Not-for-Profit	85%	1.45x	100%	90%

# Term and Amortization

A maximum term of 35 years or 75% of the remaining economic life, fully amortizing.

# **Prepayment and Assumption**

Negotiable with best pricing for 10 years of call protection (can be a combination of lockout and/or penalty); Loan is fully assumable subject to HUD approval.

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### **Escrows**

Capital needs reserve will be maintained with monthly deposits in accordance with HUD guidelines on a property-specific basis.

## **Professional Liability Insurance**

HUD will require minimum coverage of \$1 million per occurrence; \$3 million aggregate with a max deductible of \$25,000. Waivers may be granted in cases where premiums are high and claim history is clean.

## Mortgage Insurance Premium

1% due to HUD at closing and 0.65% annually thereafter (0.45% for qualifying LIHTC projects), escrowed monthly.

# **HUD Application Fee**

0.30% of estimate loan amount due with submission of application (0.20% for properties located in a qualified Opportunity Zone).

# **HUD Inspection Fee**

Greater of \$30 per unit/bed or 1% of repairs.

# **Third Party Reports**

Appraisal, Environmental and Capital Needs Assessment.

# Timeline

Typical application is submitted within 60 days of engagement; processing time varies based on OCRF (Office of Residential Care Facilities) volume.

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