

## **HUD/FHA Section 241 - Hospitals, Nursing Homes and Assisted Living**

<b>Eligible Projects:</b>	To finance repairs, additions and improvements to facilities with an outstanding FHA insured mortgage.
<b>Use of Loan Proceeds:</b>	To provide supplemental loans for current FHA insured borrowers.
<b>Borrowers:</b>	Acute care hospitals, including: nonprofit, proprietary, municipal and Critical Access Hospitals, as well as skilled nursing homes and assisted living facilities
<b>Minimum Financial Requirements:</b>	Over the last three years, an average operating margin of greater than or equal to 0.0% and an average debt service coverage ratio of greater than or equal to 1.1x (exceptions to this requirement may be requested).
<b>Benefits of the Program:</b>	The full faith and credit of the U.S. Government is the ultimate security for loans, and guarantees each borrower's reimbursement obligation. This results in "AA-AAA" caliber tax-exempt and taxable borrowing rates.
<b>Maximum Loan Amount:</b>	No limit on the amount that can be insured, subject to a loan-to-value ratio cap of 90% for hospitals and 90% to 95% for senior care facilities.
<b>Loan Terms:</b>	25 years, or 75% of the remaining economic life, not to exceed the term of the first mortgage without HUD approval.
<b>Interest Rates:</b>	Taxable and tax-exempt fixed rates.
<b>Financing Methods:</b>	FHA 241 insured tax-exempt bonds (nonprofit and municipal borrowers). GNMA secured FHA 241 insured direct taxable mortgage loans (all borrowers). GNMA secured FHA 241 insured taxable bonds (all borrowers).
<b>Security:</b>	Loans must be secured by a first mortgage on the entire facility. In certain cases, a long-term lease may be substituted. Exceptions may include leased equipment, off-site property, capital associated with affiliations, etc.
<b>Application Process:</b>	HUD only permits FHA-licensed mortgage lenders to apply for FHA Mortgage Insurance on behalf of applicant healthcare borrowers. FHA 241 applications submitted by InnoVative Capital are underwritten and credit decisions are made in Washington, D.C. by HUD's Office of Health Facilities and the Office of Architecture and Engineering.
<b>Certificate of Need Requirement:</b>	In states with certificate of need (CON) laws, new construction and substantial renovation projects are required to have an approved CON.
<b>Financial Feasibility Review:</b>	As a part of the application, a hospital may be required to: (1) commission an externally prepared financial feasibility report documenting the need for the proposed project and (2) generate standardized financial tables as specified under the FHA 242 Program which benchmark the hospital's performance.
<b>Escrows:</b>	Based on outstanding FHA mortgage.

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- Transaction Costs:**      Application/Closing (these costs may be included in the loan amount):
- FHA Application Fee - 0.15% of the loan amount.
  - FHA Commitment Fee - 0.15% of the loan amount.
  - FHA Inspection Fee - 0.50% of the loan amount.
  - Financing and Placement Fees - negotiated with InnoVative Capital (the FHA Mortgagee) and the hospital based upon each prospective financing.
- Annual FHA Mortgage Insurance Premium
- 0.65% of the outstanding loan balance.
- Construction Guidelines:**      Davis-Bacon prevailing wage rates are required.
- Timing:**      The entire FHA process, from initial review by InnoVative Capital to loan closing and first disbursement, may be completed within five months. This timing is dependent upon the complexity and characteristics of the project.

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