

USDA Community Facilities Program - Loan Guarantees

Use of Loan Proceeds:	To assist hospitals and other essential community facilities access low-cost capital for major and minor projects, including: construction, expansion, rehabilitation, modernization, equipment purchases and debt refinancing.
Borrowers:	Nonprofits, municipalities, counties, and districts, with projects located in towns or cities with a population of less 20,000.
Minimum Financial Requirements:	Financial and operational ratios, including debt service coverage are set on a project-specific basis.
Benefits for Borrowers:	The full faith and credit of the U.S. Government guarantees 90% of the loan, with the remaining 10% backed solely by the credit strength of the borrower. Lenders assume the 10% unenhanced risk position. The USDA guarantee enables USDA - approved lenders to pass lower interest rates on to borrowers.
Maximum Loan Amount:	No limit on the amount that can be guaranteed. Customarily, not-to-exceed a loan-to-value ratio of 90%. While federal and state budget allocations generally limit loans to less than \$10 million, larger loans are possible.
Loan Terms:	The USDA Guaranteed Loan is a permanent loan that refinances an independently obtained construction loan, as USDA guarantees do not extend to construction loans. The term of the Guaranteed Loan is based on the useful life of the project, usually 25-30 years.
Interest Rates:	Mostly variable rate, based off LIBOR or Prime Rate, but fixed rate swaps interest rate caps and fixed rate loans options exist with additional costs.
Financing Methods:	Taxable collateralized mortgage loans.
Security:	Determined by the lender, subject to USDA underwriting consent.
Certificate of Need Requirement:	In states with applicable certificate of need (CON) laws, new construction and substantial renovation projects must obtain an approved CON.
Escrows:	Standard monthly escrow deposits are required for all insurance, real estate taxes and mortgage insurance premiums.
Transaction Costs:	<u>Application/Closing (these costs may be included in the loan amount):</u> <ul style="list-style-type: none">- USDA Fee - 1% of the guaranteed loan amount.- Financing and Placement Fees - negotiated with InnoVative Capital and the applicant based on the characteristics of each prospective financing.- Interest rate caps and fixed rate swaps are available separately.
Timing:	Six to ten months depending upon construction loan underwriting process.

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