



FHA Section 232/223(f)

Mortgage Insurance for Skilled Nursing, Assisted Living and Board and Care Facilities Acquisition or Refinance

The 232/223(f) Program is insured by the Federal Housing Administration (FHA) and provides access to affordable capital for the refinancing or acquisition of skilled nursing, assisted living, memory care, and other residential care facilities. FHA financing offers high leverage, fixed rate, long-term, self-amortizing, non-recourse, assumable, first lien mortgage debt.

- No equity take-out is permitted.
- Repairs (not to exceed 15% of the “as-improved” market value) may be included in loan amount. Repairs involving replacement of two major components are not allowed.
- Financing may be combined with secondary financing and grants.

Eligible Borrowers:

- Single Asset Entity
- For-profit, not-for-profit, and municipally-owned
- Licensed skilled nursing facilities with at least 20 beds
- Assisted living facilities with at least 5 residential units designed for persons at least 62 years of age who need assistance with at least 3 activities of daily living.
- Intermediate care facilities and residential care homes are eligible
- Facilities must offer residents three meals a day.
- Not available for properties charging “up-front” or “founders” fees.

Loan Term: Up to 35 years or 75% of remaining economic life of the property, whichever is less.

Loan Amount: **Refinance Transactions:** Lesser of:

- 80% of the appraised value of the project and major movable equipment (85% for nonprofit mortgagors);
- 100% of the sum of outstanding indebtedness plus transaction costs
- Debt service coverage at 1.45:1

Acquisition Transactions: Lesser of:

- 80% of the appraised value of the project and major movable equipment (85% for nonprofit mortgagors);
- 85% of eligible acquisition costs (90% for non-profit mortgagors)
- Debt service coverage at 1.45:1;

Interest Rate: Subject to market conditions, the fixed interest rate is set at initial closing.

Funding: Qualifies for Ginnie Mae government guaranteed mortgage-backed securities, direct placement or may be used to credit enhance tax-exempt or taxable bonds.

Timing: Processing can typically be completed within 3-4 months from submission of the application.

Recourse: FHA is non-recourse as to the mortgagor entity, but certain parties may be personally liable for losses arising from certain inappropriate acts and malfeasance.



Fees: FHA application fee, inspection fee, lender fees, and mortgage insurance premiums will be collected. Various third party reports are required. All of these costs may be eligible for inclusion in the mortgage note and are reimbursable to client at closing.

Other:

- Commercial space may be permitted, limited to 20% of gross floor area.
- Commercial income limited to 20% of gross income.
- Day care space may not exceed 20% of gross floor area.
- Day care income may not exceed 20% of gross income.
- Annual audit of operations required to be submitted to FHA and MH Finance.
- Surplus cash may be distributed regularly, with semiannual reconciliations provided to FHA.
- Can be combined with supplemental loans via FHA 232/241(a).

This is a general outline of the program requirements. For complete information and to determine how your property can benefit from this financing opportunity, please contact your MH Finance representative at info@MHFinanceLLC.com, or call (267) 629-6700.