



## FHA Section 242

### Mortgage Insurance for Hospitals

#### New Construction, Substantial Rehabilitation, Modernization, Remodeling, Equipment and Expansions, or Refinances with at Least 20% New Money

The 242 Program is insured by the Federal Housing Administration (FHA) and provides hospitals access to affordable financing for capital needs nationwide. FHA insurance enables qualified acute care facilities to enhance creditworthiness due to backing by the full faith and credit of the United States Government.

**Eligible Borrowers:**

- Single asset entity, for-profit, not-for-profit, and municipally-owned
- Operating margin equal to or greater than 0 for three most recent audited years
- Average DSC ratio greater than 1.25 in the three most recent audited years

**Loan Term:**

Not to exceed 25 years from the date amortization begins

**Loan Amount:**

Loan to value not to exceed 90% of HUD's estimate of the replacement cost of the hospital, inclusive of equipment, no maximum loan amount. Up to 50% of the hard cost may be for equipment and furnishings.

**Interest Rate:**

Subject to market conditions, the fixed interest rate for both construction and permanent amortization is set at initial closing concurrently at a single rate.

**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:**

HUD's processing involves a two-step application progression: pre and final 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.

**Security:**

The mortgage shall cover real estate in which the mortgagor has one of the following interests: (a) A fee simple title; (b) A renewable lease for not less than 99 years; or (c) A lease having a term of not less than 50 years to run from the date the mortgage is executed.

**Other:**

- A study of market need and financial feasibility prepared by a certified public accounting firm acceptable to HUD, with assumptions and financial forecast clearly presented.
- Architectural plans and specifications in sufficient detail to enable a reasonable cost estimate.
- If the state has an official procedure for determining need for hospitals, evidence that such procedure has been followed and that need has been established under that procedure.
- Requires establishment of a Mortgage Reserve Fund (MRF).
- Davis Bacon prevailing wage requirements apply to new construction and substantial rehabilitation projects.



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](mailto:info@MHFinanceLLC.com), or call (267) 629-6700.