

HUD Section 232 (New Construction/Substantial Rehabilitation)

New Construction and Substantial Rehabilitation for Healthcare and Seniors Housing

This program provides non-recourse, assumable financing for the construction or rehabilitation of licensed skilled nursing, assisted living, and memory care facilities. An independent living component no greater than 25% of the total units is permissible.

ELIGIBLE PROPERTIES

- Ground up new construction (so long as work has not started) or substantial rehabilitation of existing projects or structures.
- HUD defines substantial rehabilitation as projects where the hard costs of repairs/improvements exceed 15% of the As-Repaired Market Value; or, when two or more major building components are being substantially replaced.
- Davis Bacon prevailing wages are required.
- Secondary financing permitted if provided by a public source.

MAXIMUM LOAN

- Skilled Nursing facilities:
 - 90% of Eligible Costs
 - 80% LTV (As Stabilized)
 - 1.45x DSC
- Assisted Living/Memory Care facilities:
 - 90% of Eligible Costs
 - 75% LTV (As Stabilized)
 - 1.45x DSC

TERM / AMORTIZATION

- Up to 40 Years, Fully Amortizing plus the Construction Period

INTEREST RATE / PREPAYMENT

- Interest-only during construction activities, then fixed for term of loan; locked at receipt of Firm Commitment; based on market conditions at time of rate lock. 0.50% Rate Lock Deposit required but credited at closing.
- Prepayment of loan permissible but based on lockout and penalty provisions associated with rate lock for 10 years of call protection (can be a combination of lockout and/or penalty).

RECOURSE

- Non-Recourse with standard carve-outs for Key Principals

ASSUMPTION

- Fully assumable subject to HUD approval

COMMERCIAL SPACE

- Cannot exceed 10% of gross floor area or 15% of gross project



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ESCROWS

- Monthly for Real Estate Taxes, Insurance, and Replacement Reserves
- Upfront for Working Capital (2%-4% of Loan Amount) and Initial Operating Deficit (4-12 months of debt service)

THIRD PARTY REPORTS

- Appraisal, Market Study, Phase I ESA, and Architectural/Engineering & Cost Reviews required.
- Additional reports may be required.
- All third-party report fees are the responsibility of the borrower; however, all third-party vendors must be engaged by Forbright directly.

LENDER FEES

- Forbright charges a nominal processing fee to cover due diligence costs, a Financing Fee as a percentage of the Loan Amount, and fees associated with the cost of Lender's legal counsel.

APPLICATION FEE

- HUD requires an application fee equal to 0.30% of the loan amount at application submission.

MORTGAGE INSURANCE PREMIUM (MIP)

- MIP of 100 bps upfront; MIP of 77 bps ongoing.

For more information please contact:

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