

Healthcare New Construction and Substantial Rehab

Arbor provides FHA-insured, long-term, fixed-rate financing for new construction, or substantial rehabilitation of assisted living, congregate care, and nursing home facilities nationwide. Arbor uses the LEAN program to expedite underwriting and approval. Applications may be processed either as single-stage (firm application), or two-stage (preliminary application, followed by firm application).

Loan Term and Amortization

Construction loan period (interest-only), followed by 40-year permanent (fully amortizing)

Maximum Loan

Determined by the lowest of:

1. 90% of HUD replacement cost
2. Maximum LTV
 - SNF/ILU: 80% (for-profit), 85% (non-profit)
 - New construction ALF/MC: 75% (for-profit), 80% (non-profit)
 - Sub rehab ALF/MC: 80% (for-profit), 85% (non-profit)
3. DSCR: 1.45x

Fixed Rate

Yes, construction and permanent

Eligible Properties

New construction or substantial rehabilitation of assisted living; memory care; and intermediate, skilled nursing facilities, or combination thereof:

- Maximum processing occupancy of 95%
- Commercial space cannot exceed 10% of gross floor area or 15% of gross income
- Independent living units cannot exceed 25% of total units in the project (up to 30% if waiver is granted)

Ineligible Properties

Life-care fee CCRC; LTAC (long-term acute care), adult daycare, or currently in bankruptcy

Eligible Borrower

Single-asset entity (for-profit or non-profit)

Ineligible Borrower

Owner, operator, or any affiliates currently in bankruptcy, or filed/emerged from bankruptcy within prior five years

Experience

Owners, operators/management agents must demonstrate a successful track record commensurate with developing or rehabbing properties of similar type, size and complexity; an owner-operator must have at least three years' ownership and operating experience; SNF administrators must also have three years of experience

Tax and Insurance Escrows

Monthly deposits required

Recourse

Non-recourse, subject to HUD Regulatory Agreement

Commercial Space

Maximum 10% of gross floor area and maximum 15% of gross potential income; 20% vacancy rate applied (daycare space is not considered commercial)

Required Reports

Market Study, Appraisal, Architect Review of Construction Costs and Drawings and Phase I Environmental

Prepayment

Typically 10% year one, declining 1% per year; other prepayment options available subject to market conditions

Assumable

Subject to Arbor and HUD approval and payment of assumption fee

Good Faith Deposit

Negotiable based on project type

Expense Escrow

Yes, sufficient to cover Arbor's expenses and third-party report costs

Origination Fee	Negotiable
HUD Application Fee	0.15% due to HUD at pre-application, 0.15% at firm application; if borrower chooses nonrefundable straight-to-firm HUD application, fee is the full 0.3%
HUD Inspection Fee	\$5 per \$1,000 (0.5%) of the mortgage amount for new construction and \$5 per \$1,000 (0.5%) of improvement costs for substantial rehabilitation
Legal/Closing Fee	Borrower pays Arbor’s counsel fee and miscellaneous closing costs
Rehabilitation Qualifications	> 15% of the “as rehabbed” appraised value, or replacement of at least two major building systems
Davis-Bacon	Davis-Bacon labor standards and wage requirements apply to construction and rehab work
Licensing	Borrower must provide to HUD evidence/documentation from the appropriate local/state tax licensing authorities showing approval for the operation of the project (or applicable portions thereof) prior to occupancy of the project (or applicable portion thereof)
HUD Mortgage Insurance Premium (MIP)	0.77% market rate; 0.45% affordable; 1% MIP upfront at closing