

# Acute Care Hospital Facilities

Arbor provides FHA-insured loans for acute care hospital facilities ranging from large teaching institutions to small rural critical access hospitals. The FHA helps hospitals access affordable financing for capital projects. Uses include new construction, refinancing, modernization, remodeling, equipment, and expansion.

**Loan Terms**

Varies by program (see Program Selection Criteria below)

**Program Selection Criteria**

242: New construction, or rehab/addition of existing hospital

- At least 20% of loan amount used for construction, rehab, repairs, and equipment (CRRE)
- Loan sized at lesser of 90% LTC, 90% LTV or minimum 1.25x DSC

242/223f: Acquisition or refinance of existing hospital

- Less than 20% of loan used for CRRE
- Hospital construction must have been completed two years prior to HUD application submission
- Loan sized at lesser of 90% LTC, 90% LTV, or average 1.25x DSC last three years and minimum average breakeven operating margin last three years

242/223a7: Refinance of existing HUD-insured hospital loan

- Less than 20% of loan used for CRRE
- Loan size limited to HUD original loan amount
- Loan term may be extended by 12 years, not to exceed lesser of 25 years, or original HUD loan term

242/241a: Supplemental loan for repairs, additions, improvements for existing HUD-financed hospitals

- 20% or greater CRRE
- Loan sized at lesser of 90% LTC, 90% LTV, or minimum 1.25x DSC (combined)
- Construction loan term followed by permanent loan term co-terminus with existing HUD first mortgage

**Amortization**

Fully amortizing

**Fixed Rate**

Fixed rate for the full term of the mortgage

**Operations and Lien Priority**

- Greater than 50% acute-care patient days
- First lien on hospital real estate and accounts receivable

**HUD Inspection Fee**

- 242 and 242/241a programs: 0.5% of CRRE
- 242/223f and 223a7 programs: varies between 0.1% and 0.4% depending on CRRE

**Mortgage Reserve Fund**

0.2% of loan amount escrowed each year during years 1-10 of the loan term

**HUD Mortgage Insurance Premium (MIP)**

- 242: 0.70% per year
- 242/223f: 1% upfront; 0.65% per year
- 242/223a7: 0.50% upfront; 0.55% per year
- 242/241a: 0.65% per year

**Eligible Borrower**

The mortgagor shall be a public mortgagor (i.e., an owner of a public facility), a private nonprofit corporation or association, or a profit-motivated mortgagor meeting the definition of "hospital" in §242.1; the mortgagor shall be approved by HUD and, except in those cases where the hospital is leased (as permitted in §242.72), shall possess the powers necessary and incidental to operating a hospital; eligible proprietary or profit-motivated mortgagors may include for-profit corporations, limited partnerships, and limited liability corporations and companies, but may not include natural persons, joint ventures and general partnerships; any proposed mortgagor must demonstrate that it has a continuity of organization commensurate with the term of the mortgage loan being insured; for new organizations, or those whose continuity is necessarily dependent upon an individual or individuals, broad community participation is required

**Recourse**

Non-recourse, subject to HUD Regulatory Agreement

**Required Reports**

Study of market need and financial feasibility, Phase I Environmental, and Appraisal

**Prepayment**

Typically 10-year lockout, then prepayable at par

**Expense Escrow**

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

**Origination Fee**

Negotiable

**HUD Application Fee**

A commitment fee that, when added to the application fee, will aggregate \$3 per \$1,000 (.03%) of the amount of the loan set forth in the HUD commitment and will be paid within 30 days of the date of issuance of the commitment; if such fee is not paid within this 30-day period, the commitment will automatically terminate

**Legal/Closing Fee**

Borrower pays Arbor's counsel fee and miscellaneous closing costs

**Davis-Bacon**

Davis-Bacon wage requirements apply to new construction and/or sub-rehabilitation; not required on repairs pursuant to 242/223(f) or 242/223a7