



FHA® 242: ACUTE CARE HOSPITALS

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

Loan Term	Varies by program (see Program Selection Criteria below).	
Program Selection Criteria	<ul style="list-style-type: none"> • 242 New construction, or rehab/addition of existing hospital <ul style="list-style-type: none"> • At least 20% of loan amount used for construction, rehab, repairs, and equipment (CRRE) • Loan sized at lesser of <ul style="list-style-type: none"> ○ 90% LTC, 90% LTV, or minimum 1.25 DSC • 242/223f Acquisition or refinance of existing hospital <ul style="list-style-type: none"> • <20% of loan used for CRRE • Hospital construction must have been completed 2 years prior to HUD application submission • Loan sized at lesser of <ul style="list-style-type: none"> ○ 90% LTC, 90% LTV, or average 1.25 DSC last 3 years and minimum average breakeven operating margin last 3 years. • 242/223a7 Refinance of existing HUD-insured hospital loan <ul style="list-style-type: none"> • <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 <ul style="list-style-type: none"> • 20% or greater CRRE • Loan sized at lesser of <ul style="list-style-type: none"> ○ 90% LTC, 90% LTV, or minimum 1.25 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	<ul style="list-style-type: none"> • Greater than 50% acute-care patient days • First lien on hospital real estate and accounts receivable 	
HUD Inspection Fee	<ul style="list-style-type: none"> • 242 and 242/241a Programs: 0.5% of CRRE • 242/223f and 223a7 Programs: Varies between 0.1% and 0.4% depending CRRE 	
Mortgage Reserve Fund	0.2% of loan amount escrowed each year during years 1-10 of the loan term.	
HUD Mortgage Insurance Premium	<ul style="list-style-type: none"> • 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 non-profit 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 of the amount of the loan set forth in the HUD commitment, shall 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 shall 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