

FHA / HUD Section 232/223(f):

Acquisition and Refinancing of Healthcare Properties

Qualifying Property Types

Skilled Nursing Facilities (SNFs), Assisted Living, Intermediate Care, and Board & Care Facilities.

Core Facility Services	The facility must provide continuous protective oversight and a minimum of three meals per day for residents.
Licensing	The project must be licensed by the state authority governing residential care facilities.
Non-Resident Day Care	Day care services for non-residents cannot exceed 20% of the facility's gross floor area and 20% of its gross income.
Independent Living Units	The facility may include up to 25% non-licensed independent living units (ILUs) as part of the total unit count.
Seasoning Requirement	A minimum of three years must have passed since the certificate of occupancy was issued for the facility.
Minimum Project Size	All projects must have at least 20 beds to qualify for financing.
Project Eligibility	The proposed project cannot be listed on the Special Focus Facility (SSF) or SSF Candidate list maintained by HUD. The SSF list is maintained by the Centers for Medicare & Medicaid Services.

Loan Framework

Maximum loan amount will be the lowest of the following:

Borrower Type	Maximum Loan to Value	Minimum Debt Service Coverage	Minimum Loan to Refinance Cost	Maximum Loan to Acquisition Cost
For-Profit	80%	1.45x	100%	80%
Not-for-Profit	85%	1.45x	100%	90%

Borrower Structure	The borrower must be a single asset, special purpose entity (SPE), which can be either a for-profit or a nonprofit organization.
Recourse	The loan is fully non-recourse to the principals and borrower, subject only to standard non-recourse carve-outs.
Term & Amortization	Fully amortizing term not to exceed the lesser of 35 years or 75% of the property's remaining economic life.
Commercial Space Limitation	Subject to a maximum of 20% of net rentable area and 20% of effective gross income.
Interest Rate	Fixed for the term of the loan, interest rate is determined by market conditions at time of rate lock. A 0.5% rate lock deposit is required and refunded at closing.
Prepayment & Assumption	Best rate is secured with a 10-year prepayment structure. The loan is fully assumable, subject to approval from HUD.
Required Escrows	Monthly deposits required for a capital needs reserve, determined by HUD guidelines on a property-specific basis.
Professional Liability Insurance	Minimum required coverage: \$1 million per occurrence / \$3 million aggregate, with a maximum \$25,000 deductible. Waivers possible for high premiums/clean history.
Mortgage Insurance Premium	1.0% due at closing to HUD. Annual premium is 0.65% (0.45% for LIHTC projects), escrowed monthly.
HUD Fees	Application: 0.30% of the estimated loan amount due with submission (0.20% for qualified Opportunity Zone properties). Inspection: The greater of \$30 per unit/bed OR 1% of total repairs.
Required Third-Party Reports	Appraisal, Environmental, and Capital Needs Assessment (CNA). Additional reports may be required based on review.
Application Timing	Typical application submission occurs within 60 days.