



# ROCKHALL FUNDING

People Backed Lending

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## Acquisition or Rate and Term Refinance of Acute Care Hospitals FHA Insurance Program Section 242/223(f)

<b>Purpose:</b>	Provides mortgage insurance for the acquisition, refinance and moderate rehabilitation of acute care hospitals. At least 50% of patient days must be devoted to acute care. Acute care includes active but short-term treatment of a severe injury or episode of illness, an urgent medical condition or during recovery from surgery.
<b>Eligible Borrowers:</b>	For profit, not-for-profit, public, and private owners are eligible, as well as for-profit developers leasing long term to for-profit operating groups.
<b>Maximum Term:</b>	25 years from the date amortization begins.
<b>Maximum Loan:</b>	The lesser of: <ol style="list-style-type: none"><li>1. 90% of estimated replacement cost.</li><li>2. Amount of debt serviced by 71.4% of NOI (1.40 DSCR)</li><li>3. 100% of FHA approved transaction costs (no equity take-out)</li><li>4. 100% of mortgagable costs less grants, public loans, and tax credits</li></ol>
<b>Minimum Operating Margin:</b>	Eligible hospitals must demonstrate an aggregate three-year operating margin of 0.00%.
<b>Limit on Construction:</b>	Construction hard costs may be included in the loan budget up to 20% of the loan amount.
<b>Need for Refinancing:</b>	The previous prohibition on refinancing without construction has been lifted. HUD still requires a specific justification for the financing. Examples of valid justifications are: improving the aggregate operating margin by at least 0.25%, improving operating income by at least \$500,000, reduction of annual debt service by at least 10%, converting from a floating rate to a fixed interest rate.
<b>Personal Liability:</b>	Non-recourse for monetary default
<b>Prepayment:</b>	Typically closed for two years then prepayable in year three at 108% declining 1% per year. Shorter lock-outs are obtainable at a higher interest rate.
<b>FHA Application Fee:</b>	\$1.50 per thousand dollars of loan amount (0.15%).
<b>FHA Mortgage Insurance:</b>	1% at closing and 0.65% annually.

<b>Secondary Financing:</b>	Permitted in form of cash surplus note or stock pledge note if properly structured
<b>FHA Inspection Fees:</b>	For projects with no construction, the Inspection Fee is 0.10% of the loan amount. There is a sliding fee ranging from 0.10% to 0.40% based on the amount of construction being done up to a programmatic maximum of 20% of the loan amount.
<b>Interest Rate:</b>	Subject to market conditions, fixed at closing
<b>Physician Ownership:</b>	Physician-owned facilities must comply with Federal Physician Self-Referral Prohibition laws and anti-kickback prohibitions.
<b>State Licensure:</b>	All facilities must be licensed by the state or other governmental entity that has oversight responsibilities.