

# Rockhall Funding Corp.

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## **New Construction Skilled Care, Assisted Living, Nursing, and Board & Care Facilities FHA Insurance Program Section 232**

*FHA 232 is the only 40-year, fixed rate, level amortization, 90% LTV, non-recourse health care facility finance program in existence.*

- Purpose:** Provides mortgage insurance for the construction or the substantial rehabilitation of skilled nursing, intermediate care, board and care, and assisted living facilities. Independent living units comprising less than 25% of the total number of beds or units in a facility are allowed.
- Eligible Borrowers:** 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.
- Maximum Term:** 40 years plus construction period
- Maximum Loan:**
- New Construction:** The lesser of:
1. 90% of as stabilized value (95% for non-profits)
  2. 90% of mortgageable replacement cost (95% for non-profits)
  3. Amount of debt serviced by 90% of the estimated NOI attributable to realty (95% for non-profits)
  4. 100% of mortgageable costs less grants, public loans and tax credits
- Substantial Rehabilitation:** The lesser of:
1. 90% of as stabilized value (95% for non-profits)
  2. Amount of debt serviced by 90% of the estimated NOI attributable to realty (95% for non-profits)
  3. If owned - 100% of hard and soft costs plus the lesser of existing debt or 90% of existing value (95% for non-profits).  
To be acquired - 90% of hard and soft costs (95% for non-profits) plus 90% of the lesser of purchase price or existing value (95% for non-profits)
  4. 100% of mortgageable costs less grants, public loans and tax credits
- Risk-Based Maximum Loan Amounts:** FHA has established risk thresholds that cannot be exceeded unless a project has very strong underwriting attributes. These risk thresholds are 75% loan-to-value (new construction assisted living), 80% loan-to-value (new construction skilled nursing), and 1.45x debt service

coverage (all projects). Strong non-profit sponsors are eligible for a 5% increase to the LTV risk threshold. Maximum loan-to-cost remains at 90% (95% for non-profits).

<b>NOI Calculation:</b>	Management fees are not included in determining underwritten NOI; however, a proprietary income amount (10% to 25%) is deducted to arrive at an underwritten NOI for debt service and LTV sizing.
<b>Personal Liability:</b>	Non-recourse for monetary default
<b>Prepayment:</b>	Typically closed for three years and then prepayable in year four at 107% of par and declining 1% per year. Shorter lock-outs are obtainable at a higher note interest rate.
<b>FHA Application Fee:</b>	0.3% of final loan amount due at application
<b>3<sup>rd</sup> Party Costs:</b>	\$15,000 to \$30,000 depending on transaction
<b>FHA Mortgage Insurance:</b>	0.57% of declining loan amount (0.85% for LIHTC transactions)
<b>Secondary Financing:</b>	Permitted in form of cash surplus note or stock pledge note if structured properly
<b>FHA Inspection Fees:</b>	0.5% of construction loan amount due at closing
<b>Interest Rate:</b>	Subject to market conditions, fixed at closing

## **Rockhall Funding Correspondents:**

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Rockhall correspondents are commercial mortgage finance experts who fully understand the processing requirements of this FHA program. You will not have a higher fee or higher rate if you go through a Rockhall correspondent. Rockhall pays the correspondent. The correspondent will work with you to assemble necessary transaction documentation and ensure that your deal is processed as quickly as possible with the best terms for you. Although you aren't required to work through one of our correspondents we recommend that you do.

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