



# ROCKHALL FUNDING

People Backed Lending

---

## **New Construction or Substantial Rehabilitation of Skilled Nursing, Assisted Living and Board and Care Facilities FHA Insurance Program Section 232**

<b>Purpose:</b>	Provides mortgage insurance for the construction or the substantial rehabilitation of subacute healthcare facilities (e.g. skilled nursing, assisted living and board and care). Independent living units comprising less than 25% of the total number of beds or units in a facility are allowed.
<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>	40 years plus construction period
<b>Maximum Loan:</b>	<p><b>New Construction:</b> The lesser of:</p> <ol style="list-style-type: none"><li>1. 80% of stabilized value (85% for non-profits) for skilled nursing and 75% of stabilized value (80% for non-profits) for assisted living and board and care.</li><li>2. 90% of mortgageable replacement cost (95% for non-profits)</li><li>3. Amount of debt serviced by 69% of the estimated NOI (1.45 DSCR)</li><li>4. 100% of mortgageable costs less grants, public loans and tax credits</li></ol> <p><b>Substantial Rehabilitation:</b> The lesser of:</p> <ol style="list-style-type: none"><li>1. Same loan value limits as for New Construction</li><li>2. Same replacement cost limits as New Construction</li><li>3. Same debt service limits as New Construction</li><li>4. 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)</li><li>5. 100% of mortgagable costs less grants, public loans and tax credits</li></ol>
<b>Developer Fee</b>	Although not technically a developer fee, where there is an identity of interest between the general contractor and the borrower,

reasonable general contractor profit may be attributed to equity at initial closing.

<b>Personal Liability:</b>	Non-recourse for monetary default so long as borrower has complied with the regulatory agreement that is executed at closing.
<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 (0.45% 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
<b>State Licensure:</b>	All facilities must be licensed by the state or other governmental entity that has oversight responsibilities.