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## **FHA 242/223(f) – Refinancing and Acquisition Financing for Acute Care Hospitals**

<b>Property Type</b>	Acute Care Hospitals
<b>Eligible Borrowers</b>	Not-for-profit, governmental, and for-profit hospitals with at least 50% of adjusted patient days or revenue attributable to acute care services (critical access hospitals exempted).
<b>Use of Proceeds</b>	Acquisition or refinancing with less than 20% of loan proceeds used for repairs, renovations and equipment.
<b>Maximum Loan-to-Value</b>	90%
<b>Maximum Loan Amount</b>	<u>Refinancing:</u> Maximum mortgage amount not to exceed the cost to refinance the existing indebtedness.  <u>Acquisition:</u> Maximum mortgage amount not to exceed the cost to acquire the hospital based on actual purchase price, or HUD's estimate of fair market value, whichever is less.
<b>Maximum Term</b>	25 years, level annual mortgage payments.
<b>Interest Rate</b>	Fixed (taxable or tax-exempt)
<b>Prepayment</b>	Typically, five to ten years based on market conditions and funding source.
<b>Security</b>	First mortgage, or, in certain cases, a long term lease acceptable to FHA.
<b>Guaranty</b>	Non-recourse to the owner.
<b>Assumable</b>	Yes, subject to FHA approval.
<b>Escrows</b>	Property insurance, real estate taxes, mortgage insurance premiums, and mortgage reserve fund.
<b>Timing</b>	Four to six months



### **Eligibility Requirements**

The hospital must have an aggregate operating margin of at least 0.00% and an average debt service coverage ratio of at least 1.40 for the past three years, and meet three of the following seven criteria:

1. Total operating expenses will be decreased as a result of refinancing by at least 0.25%.
2. New interest rate will be at least 50 bps less than the current rate.
3. Current interest rate has increased at least 1% since January 1, 2008, or will very likely increase by that amount within a year of filing an application.
4. Total annual debt service in the most recent audited financials is at least 3.4% of total operating revenues.
5. Credit enhancement on current financing has been or will imminently be withdrawn or expired, or the provider has been or will be downgraded.
6. Existing financing has overly restrictive or onerous bond covenants.
7. Other circumstances exist that demonstrate that the hospital's financial health depends upon refinancing its existing capital debt.