

FHA LEAN Acquisition and Refinancing of Healthcare Facilities Section 232/223(f)

Eligible Projects

Skilled nursing, assisted living, intermediate care, and board and care facilities, or any combination are eligible, including an up to 25% non-licensed independent living component.

Non-residential treatment centers, halfway houses, and projects with entrance fees are NOT eligible.

- a) Existing projects, at least three years old, with minimal levels of repair required and with no history of substantial rehabilitation within the past three years.
- b) Facility must provide continuous protective oversight of residents and offer three meals per day.
- c) Facility must be licensed by the state in which it is located.
- d) No more than 25% of units can be non-licensed independent living units.
- e) Non-resident day care may not exceed 20% of gross floor area and 20% of gross income.
- f) Commercial space that does not exclusively serve residents is limited to 20% gross floor area and 20% of gross income.

Borrower

Single-asset entity

Interest Rate

Fixed rate for the term of the loan

Loan Parameters

The maximum loan amount is the lesser of:

- a) 85% of the project's appraised value (90% for non-profit borrowers)*
- b) Loan supportable by 85% of the project's net operating income. (90% for non-profit borrowers)*
- c) Refinancing: 100% of outstanding debt plus transaction costs and proposed repairs
- d) Acquisition: 85% of the acquisition price plus transaction costs and proposed repairs (90% for non-profit borrowers)

An equity take out is prohibited under this Section of the National Housing Act.

*Based upon the difficult economic and fiscal environment, HUD has requested that the above underwriting parameters be changed to the following, unless there is significant justification or mitigation to support higher leveraged underwriting parameters:

Skilled Nursing Facilities: 80% LTV and 1.45 DSCR

Assisted Living Facilities: 80% LTV and 1.45 DSCR

Board and Care and Independent Living Facilities: 80% LTV and 1.25 DSCR

Continued on Reverse

Greystone Servicing Corporation, Inc.

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Recourse	Non-recourse
Term and Amortization	Maximum term of 35 years or 75% of the remaining economic life. Loan will fully amortize over term.
Prepayment	Negotiable. Typically two-year lockout with 8% penalty in the third year, reducing 1% each succeeding year.
Interest Rate Set	After acceptance of FHA commitment and prior to closing
Assumable	Loan is assumable, subject to HUD approval and payment of an assumption fee and related transaction expenses.
Fees and Expenses	<ul style="list-style-type: none"> a) FHA Application Fee: 0.3% due at submission of application to HUD. b) FHA Mortgage Insurance Premium at prevailing rates as determined by HUD. c) FHA Inspection Fee: paid at closing; the greater of \$30 per unit/ bed or 1% of the repair cost. d) Financing and Permanent Placement Fees: Contact Greystone; paid at closing. e) Third party reports
Escrows	<ul style="list-style-type: none"> a) Replacement Reserves are required in accordance with HUD guidelines; amount determined in conjunction with the third party engineering report. b) Taxes and Insurance are required to be escrowed monthly. c) If repairs are to be completed in conjunction with financing, a repair escrow of 20% of the estimated cost of repairs will be funded at closing.
Processing and Timeline	LEAN administration estimates expedited HUD review time totaling as little as 15 days, and expedited closing times. We anticipate three to four months from Engagement Letter to closing under LEAN processing.
Professional Liability Insurance	<p>Minimum coverage \$1,000,000 per occurrence and \$3,000,000 aggregate with a maximum deductible of \$100,000 (for operators with 50 or fewer facilities) provided by an insurer rated "B++" or better by AM Best.</p> <p>LEAN administration has advised that HUD regulations for professional liability insurance will be revised to conform to LEAN, and that waivers will be granted in certain cases when premiums are high and claims history is clean.</p>