

## ACQUISITION, CONSTRUCTION, REPLACEMENT AND REFINANCING OF ACUTE CARE AND CRITICAL ACCESS HOSPITALS FHA Section 242 Mortgage Insurance Program

<b>Eligible Projects</b>	<p>Acute care hospitals Key Requirements:</p> <ul style="list-style-type: none"> <li>a) The past three years' average operating margin is positive*</li> <li>b) The past three years' average debt service coverage ratio is at least 1.25x*</li> <li>c) No more than 50% of the adjusted patient days are attributable to chronic convalescence and rest, drug and alcohol, epileptic, nervous and mental, mental deficiency and tuberculosis (<i>not applicable to Critical Access Hospitals</i>) *Hospitals recently certified as Critical Access Hospitals may recast the past three years' historical financials pro forma for the Critical Access Hospital designation</li> </ul>
<b>Use of Proceeds</b>	At least 20% of the loan proceeds must be utilized for facility renovation, expansion or acquisition. Up to half the funds used for renovation and expansion may be applied to the purchase of new equipment. Up to 80% of loan proceeds may be used to refinance existing debt.
<b>Borrower</b>	Not-for-profit, government-owned or for-profit hospitals
<b>Loan Amount</b>	<ul style="list-style-type: none"> <li>a) No minimum</li> <li>b) Maximum loan amount is 90% of replacement value.</li> </ul>
<b>Term and Amortization</b>	Construction term plus 25-year fully amortizing permanent loan
<b>Prepayment</b>	Negotiable terms. Typically, five-year lockout with 5% penalty in the sixth year, reducing 1% each succeeding year.
<b>Interest Rate</b>	Fixed rate
<b>Financing Method</b>	Conventional or tax-exempt bonds

Continued

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<b>Recourse</b>	Non-recourse
<b>Assumable</b>	Assumable
<b>Fees and Expenses</b>	<ul style="list-style-type: none"> <li>a) FHA Application Fee: 0.15%, due at application</li> <li>b) FHA Commitment Fee: 0.15%, due at issuance of loan commitment</li> <li>c) FHA Mortgage Insurance Premium: HUD's prevailing rate paid at closing and monthly</li> <li>d) FHA Inspection Fee: 0.50% at closing</li> <li>e) Financing and Placement Fees: prevailing market rates</li> <li>f) Expenses: Engagement Fee, third-party reports and out-of-pocket expenses, including legal expenses.</li> </ul>
<b>Escrows</b>	<ul style="list-style-type: none"> <li>a) Mortgage Reserve: funded in monthly increments up to an amount equal to one year of debt service after five years and two years of debt service after ten years.</li> <li>b) Taxes / Insurance: budgeted under the construction loan and disbursed through normal construction draws. At final endorsement, normal escrows are established and deposits are made monthly thereafter.</li> <li>c) Working Capital Reserve: cash or letter of credit equal to 2% of the loan posted at initial closing. For not-for-profit entities, Allowance for Making Project Operational ("AMPO") is a use of loan proceeds to be used for working capital.</li> <li>d) Operating Deficit Reserve: determined by HUD.</li> </ul>
<b>Davis Bacon Act</b>	Payment of prevailing wages is required. Wage rates are determined by Department of Labor.