FHA Mortgage Insurance Programs
Section 232
New Construction/Substantial Rehabilitation
Skilled Care, Assisted Living, Board & Care Facilities

Red Mortgage Capital, LLC is a leading FHA-approved Mortgagee and MAP/LEAN lender and actively provides financing utilizing FHA insurance programs nationwide pursuant to Multifamily Accelerated Processing (MAP) and LEAN underwriting methods.

Program Purpose: Provides mortgage insurance for the construction or rehabilitation of skilled nursing, intermediate care, board & care homes, and assisted living facilities (collectively, "Residential Care Facilities").

Eligible Borrowers: Experienced profit motivated, non-profit and public owners are eligible.

Maximum Term: 40 years plus a construction period.

Programmatic Maximum Loan Amounts:

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 mortgagable 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 mortgagable 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).

Interest Rate: Subject to market conditions. The construction and permanent financing interest rate is set at initial closing.

Funding: Qualifies for Ginnie Mae guaranteed mortgage-backed securities or direct placement, or may be used to credit enhance tax-exempt bonds.

Timing: Lender underwriting and preparation of an application will take approximately 8 weeks. Timing for approval from FHA will be contingent on the work load under review at HUD at submission. Red will estimate this timing based on recent experience at the time of submission.

Personal Liability: None. The FHA insured loan is non-recourse and assumable.

Prepayment: Typically closed for 3 years then open to prepayment at 107% in year 4, declining 1% per year. Other variations are possible based on market conditions and borrower preferences.

FHA Application Fees: 0.3% of loan amount, payable to HUD at submission of the firm application.

Mortgage Insurance Premium:	The annual MIP has historically been 57 basis points per year.
FHA Inspection Fees:	0.5% of loan amount (new construction) 0.5% of costs associated with construction (sub rehab)
Secondary Financing:	Permitted in the form of a surplus cash note and from governmental sources only.
Territory:	Nationwide.
NOI & Value Calculation:	In determining underwritten NOI, market-based management fees are included for debt service coverage and loan-to-value sizing tests.
The program has the following additional parameters:	• The FHA Section 232 mortgage insurance program is one of the most attractive credit enhancement programs available for taxable and tax-exempt financing of new construction and rehabilitation of residential care facilities. • Under the FHA Section 232 program, FHA insures each construction loan disbursement as an advance is made and, upon "Final Endorsement," it insures the permanent mortgage. The mortgagor may also choose insurance upon completion of construction. • Independent living units can comprise up to 25% of the total number of beds or units in a facility (operating deficit escrows and debt service reserves may be required). • The proposed operator/manager needs to demonstrate experience in leasing and operating facilities similar to the proposed development.

For additional information visit www.redcapitalgroup.com or contact:

Edward H. Tellings
Managing Director
Red Mortgage Capital, LLC
ehtellings@redcapitalgroup.com
614.857.1677
800.837.5100 toll-free

Scott Moore
Managing Director
Red Mortgage Capital, LLC
slmoore@redcapitalgroup.com
614.857.3144
800.837.5100 toll-free

Joel B. Mendes
Vice President
Red Mortgage Capital, LLC
jbmendes@redcapitalgroup.com
614.857.3186
800.837.5100 toll-free

In its prequalifying review, **Red Mortgage Capital, LLC** will attempt to estimate both the loan amount and the fees and costs associated with the transaction. Actual loan amounts and actual fees and expenses may vary from the prequalifying estimates. A prequalifying estimate is not a commitment to make a loan.

RED CAPITAL GROUP Offices
Columbus, OH_Boston, MA_Chicago, IL_Charlotte, NC_Dallas, TX_Nashville, TN_Newport Beach, CA_Reston, VA_San Diego, CA

RED CAPITAL GROUP