

## FHA Mortgage Insurance Programs Section 232 Pursuant to Section 223(f) Refinance/Acquisition Skilled Care, Assisted Living, Board & Care Facilities

**Red Mortgage Capital, LLC** is a leading FHA-approved Mortgagee and MAP/LEAN lender that actively underwrites, funds and services FHA insured mortgage loans for multifamily housing, seniors housing, assisted living and skilled care properties nationwide.

**Program Purpose:** Provides mortgage insurance for the refinance or purchase of existing nursing homes, intermediate care facilities, board & care homes, and assisted living facilities (collectively, “Residential Care Facilities”).

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

**Maximum Term:** 35 years (fully amortizing) or 75% of the estimated remaining economic life, whichever is less, with a minimum term of 10 years.

**Programmatic  
Maximum Loan  
Amounts:**

**Refinancing:** The lesser of:

1. 85% of fair market value (90% for non-profits)
2. Amount of debt serviced by 85% of NOI (90% for non-profits)
3. 100% of FHA approved transaction costs (no equity take-out)
4. 100% of mortgagable costs less grants, public loans, and tax credits

**Acquisition:** The lesser of:

1. 85% of fair market value (90% for non-profits)
2. Amount of debt serviced by 85% of NOI (90% for non-profits)
3. 85% of FHA approved acquisition costs (90% 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 property has unique underwriting attributes. These risk thresholds are 80% loan-to-value and 1.45x debt service coverage. Non-profit borrowers are eligible for a 5% increase to the LTV risk threshold.

**Interest Rate:** Subject to market conditions.

**Funding:** Qualifies for Ginnie Mae guaranteed mortgage-backed securities, 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 2 years then open to prepayment at 108% in year 3, declining 1% per year. Other variations are possible based on market conditions and borrower preferences.

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

**Mortgage Insurance  
Premium:** The annual MIP has historically been 0.50% of the outstanding loan amount. The first year MIP is set at 1% of the loan amount.

**Secondary Financing:** Permitted in the form of a surplus cash note, combined loan to value cannot exceed 92.5% unless secondary financing is from a governmental source.

**NOI & Value Calculation:** In determining underwritten NOI, market-based management fees are included for debt service and loan-to-value sizing tests.

**Territory:** Nationwide.

**Repairs/Improvements:** Funds for repairs, deferred maintenance and capital improvements for generally up to 15% of value can be included in the loan amount, subject to the maximum loan limitations.

**The program has the following additional parameters:**

- The FHA Section 232 pursuant to 223(f) mortgage insurance program is the most attractive credit enhancement program available for taxable and tax-exempt acquisition financing or refinance of residential care facilities.
- An initial deposit to a replacement reserve will be required at closing. The deposit can be capitalized in the mortgage loan.
- 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).
- Facilities financed under this program must be at least 3 years old.
- Existing debt to be refinanced must be at least two years old unless it was used for an eligible purpose as defined by HUD (arms length acquisition, property improvements, operating losses, etc.).

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**For additional information visit [www.redcapitalgroup.com](http://www.redcapitalgroup.com) or contact:**

**Edward H. Tellings**

Senior Managing Director

Red Mortgage Capital, LLC

[ehtellings@redcapitalgroup.com](mailto:ehtellings@redcapitalgroup.com)

614.857.1677

800.837.5100 toll-free

**Scott L. Moore**

Managing Director

Red Mortgage Capital, LLC

[slmoore@redcapitalgroup.com](mailto:slmoore@redcapitalgroup.com)

614.857.3144

800.837.5100 toll-free

**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.

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, LLC** Offices

Columbus, OH\_Chicago, IL\_Charlotte, NC\_Dallas, TX\_Fairfield, CT\_Newport Beach, CA\_Reston, VA\_San Diego, CA

