

FHA Mortgage Insurance Programs Section 242 Pursuant to Section 223(f) Refinance/Acquisition of Hospitals

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 refinance or purchase of existing licensed acute care hospitals. Up to 20% of the mortgage amount may be used for capital improvements and equipment.

Eligible Borrowers: Acute care hospitals with no more than 50% of adjusted patient days attributable to the following services: chronic convalescence and rest, drug and alcoholic, epileptic, nervous and mental, mental deficiency, and tuberculosis. Critical Access Hospitals (CAHs) are exempt from this requirement.

Over the last three full fiscal years, the aggregate operating income of the facility must have been equal to or greater than \$0 and the average debt service coverage ratio must have been equal to or greater than 1.40.

Facilities that have recently changed reimbursement status (e.g. CAH, etc) may calculate this margin as if they had been receiving the new reimbursement rates previously.

The hospital must demonstrate that its financial health depends upon refinancing its existing capital debt and that it provides an essential service to the community in which it operates.

Maximum Term: Up to 25 years

Maximum Loan: Refinancing: mortgage may not exceed the sum of the following, subject to a 90% loan to value limitation:

1. the amount to pay off existing debt;
2. reasonable and customary legal, organization, title and recording expenses including FHA mortgage fees;
3. the estimated costs, if any, of repairs, renovation, and/or equipment totaling less than 20 percent of the mortgage amount; and
4. architect's and engineer's fees, municipal inspection fees, and any other required professional or inspection fees.

Acquisition: mortgage may not exceed the sum of the following, subject to a 90% loan to value limitation:

1. The actual purchase price of the land and improvements or HUD's estimate of the fair market value of such land and improvements (prior to repairs, renovation, and/or equipment replacement), whichever is the lesser;
2. reasonable and customary legal, organization, title, and recording expenses, including FHA mortgage fees;
3. the estimated costs, if any, of repairs, renovation, and/or equipment totaling less than 20 percent of the mortgage amount; and
4. architect's and engineer's fees, municipal inspection fees, and any other required professional fees

Interest Rate: Subject to market conditions. The fixed interest rate for the entire term is set at closing.

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

FHA Application Fees: 0.3% of the loan amount.

Mortgage Insurance Premium:	The annual MIP has historically been 0.50% of the outstanding loan amount. The first year MIP is set at 1.0% of the loan amount.
FHA Inspection Fees:	For applications seeking refinance or acquisition only, not to exceed 0.1% of the loan amount. For applications seeking new money proceeds, from 0.1% to 0.5%, based on project complexity.
Personal Liability:	None. The FHA insured loan is non-recourse
Timing:	HUD's process generally involves two steps: a pre-application and final application. The pre-application may be waived at HUD's discretion. Lender underwriting and preparation of a pre-application and application will take approximately 90-120 days. HUD's processing can be completed within 120 days from submission of an accepted final application.
Prepayment:	Typically closed for prepayment from 5-10 years based on market conditions and funding source. In the event of a 5 year prepayment lockout, prepayment is typically open at 105% in year 6, declining 1% per year. Variations are possible based on market conditions and borrower preferences.
Availability:	Nationwide.
Security:	The hospital must grant the FHA lender a first mortgage on the hospital, including all real estate and improvements. Exceptions are permitted for leased equipment, off-site non-revenue producing property, capital associated with affiliations, and for municipally controlled hospitals that are statutorily prohibited from mortgaging property.
Additional Section 242 Program Requirements:	<ul style="list-style-type: none"> • If a hospital meets, or believes it could meet the Eligible Borrower guidelines, the next step is to work with an FHA-approved lender such as Red Mortgage Capital, LLC. to prepare a FHA 242 Pre-Application. • Based on HUD's review and analysis of the Pre-Application, HUD may request a pre-application meeting with Red Mortgage Capital, LLC, and the hospital to discuss the proposed transaction in greater detail. Projects that appear financially sound are invited to submit a final application for mortgage insurance processing. • Final application requirements could include a feasibility report, environmental assessment, project drawings and pricing. • If the proposed transaction includes a transfer of ownership and or capital improvements in a State that requires a Certificate of Need (CON), a CON must be issued or pending. • The hospital must agree to make monthly payments into a Mortgage Reserve Fund that will build to a balance equal to two years of debt service after ten years.

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

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Red Mortgage Capital, LLC is a leading FHA-approved Mortgagee and MAP Lender and is active nationwide in processing loan commitment approvals for apartments and health care facilities.

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

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