

FHA Section 223(a)(7) Mortgage Insurance for Hospitals

Refinance of existing FHA Insured Loans

The 223 (a)(7) Program is insured by the Federal Housing Administration (FHA) and provides hospitals access to affordable financing for capital needs nationwide. This streamlined program is designed for borrowers with existing FHA Section 242 insured loans to lower the interest rate, fund project repairs and (in limited circumstances) extend the loan term. FHA insurance enables qualified acute care facilities to enhance creditworthiness due to the backing by the full faith and credit of the United States Government.

Eligible Borrowers: All borrowers with existing 242 mortgages may apply under this program.

Loan Term: HUD may approve a term of up to 12 years beyond the remaining term of the existing mortgage, but not to exceed the original term. A term extension request must be supported by a determination of the remaining economic life of the property.

Loan Amount: The lesser of:

- Original principal amount of existing insured mortgage, or
- The unpaid principal amount of the existing insured mortgage plus loan closing charges (including prepayment penalties) associated with refinancing the mortgage, and costs of improvements, upgrading, or additions required to be made to the property, as approved by HUD.

Interest Rate: Subject to market conditions, the fixed interest rate is set at initial closing.

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

Timing: Processing can be completed within 90 days from submission of an accepted final application. Application is streamlined resulting in reduced requirements.

Personal Liability: None, FHA is non-recourse.

Fees: FHA application fee, inspection fee and mortgage insurance premiums will be collected. Various third party reports may be required. All of these costs may be eligible for inclusion in the mortgage note and are reimbursable to client at closing.

Security: The hospital must grant the FHA lender a first lien position on the mortgage on the entire hospital, including all real estate and improvements being financed. Exceptions are permitted for public hospitals that are statutorily prohibited from mortgaging property, leased equipment, off-site non-revenue producing property and capital associated with affiliations.

Other:

- The Mortgage Reserve Fund established for the hospitals original 242 insured loan must continue. This Fund may be renegotiated to make it consistent with the interest rate and term of the refinancing.
- Davis Bacon prevailing wage requirements apply to new construction and substantial rehabilitation projects.
- Condensed list of exhibits for application submission, far less than regular HUD application.
- Appraisal, Phase I or Survey are NOT required –PCNA is required if one has not been completed within the past ten years.
- The proposed debt service for the (a)7 transaction must be supportable when compared to the last three years of financial operations of the facility.

This is a general outline of the program requirements. For complete information and to determine how your property can benefit from this accelerated financing opportunity, please contact your Oppenheimer representative, or call (215)631-9151.