

## **FHA Section 232**

### **Mortgage Insurance for Skilled Nursing & Assisted Living Facilities**

#### **New Construction, Substantial Rehabilitation & Blended Rate**

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The 232 Program is insured by the Federal Housing Administration and provides access to affordable financing for the new construction, substantial rehabilitation or combined refinance/purchase and new construction of skilled nursing, assisted living, memory care, and other residential care facilities.

- No equity take-out is permitted.
- For Substantial Rehabilitation, repairs must exceed 15% of the “as-improved” market value
- Financing may be combined with governmental loans and grants.

**Eligible Borrowers:** Single Asset Entity  
For-profit, not-for-profit, and municipally-owned  
Licensed skilled nursing facilities with at least 20 beds  
Assisted living facilities with at least 5 residential units designed for persons at least 62 years of age who need assistance with at least 3 activities of daily living  
Intermediate care facilities and board and care homes are also eligible  
Facilities must offer residents three meals a day.  
Not available to properties charging “up-front” or “founders” fees.

**Loan Term:** Up to 40 years

**Loan Amount:** **New Construction Transactions:** The lesser of:

- 90% of the estimated replacement cost of the project, including land;
- 80% of the appraised value of the completed project and major movable equipment (75% for assisted living facilities);
- Debt service coverage at 1.45:1.

**Substantial Rehabilitation and Blended Rate Transactions:** The lesser of:

- 100% of the estimated cost of the substantial rehabilitation or new construction plus 90% of the current appraised value,
- 100% of the existing debt, or 90% of the purchase price;
- 90% of the estimated replacement cost of the project, including land;
- 80% of the estimated value of the completed project (75% for assisted living facilities)
- Debt service coverage at 1.45:1.

**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:** This program is processed under FHA’s LEAN guidelines which employ a standardized work product and aim for a consistent, timely result.

**Personal Liability:** None, FHA is non-recourse.

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

**Other:**

- Client must establish an Initial Operating Deficit Escrow to support stabilization of additional beds. FHA may require client to establish an additional Debt Service Reserve Escrow to mitigate various risks. Both escrows are reimbursable to client if funds are not needed over a defined period.
- If a state has a Certificate of Need (CON) process, a CON must be issued or pending.
- Davis Bacon prevailing wage requirements apply.
- Commercial space may be permitted, limited to 20% of gross floor area.
- Commercial income limited to 20% of gross income.
- Day care space may not exceed 20% of gross floor area.
- Day care income may not exceed 20% of gross income.
- Annual audit of operations required to be submitted to FHA and Oppenheimer.
- Surplus cash may be distributed regularly, with semiannual reconciliations provided to FHA.
- Can later be combined with supplemental loans via FHA 232/241(a).

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