

**FOR IMMEDIATE RELEASE****MEDIA CONTACTS:**

Alan P. Richman  
President and CEO  
InnoVative Capital  
(610) 543-2490, Ext. 101  
arichman@innovativecapital.com  
www.innovativecapital.com

**HUD ISSUES NEW FHA SECTION 242/223(F) MORTGAGE INSURANCE RULES  
EXPANDING ELIGIBILITY FOR HOSPITAL ACQUISITIONS AND DEBT REFINANCINGS**

**SPRINGFIELD, PA: (February 7, 2013)** - The U.S. Department of Housing and Urban Development (HUD) has published final rules for Hospital Acquisitions and Debt Refinancings under Section 223(f) of the FHA 242 Hospital Mortgage Insurance Program. Codified under the rules is HUD's authority to issue mortgage insurance for hospital loans, whose proceeds may be applied up to 100% towards the financing of hospital acquisitions, and the refinancing of non-FHA insured hospital loans. The new rules amend its preexisting borrower eligibility requirements to expand the number of qualified applicants for hospital mortgage insurance and further promote the use of FHA 242/223f in order to reduce hospital loan rates nationwide.

Under Section 242/223(f), all applicants must be able to demonstrate they provide essential hospital services to their communities. For refinancing candidates, it must be shown that an FHA mortgage insured loan will produce significant interest savings and improved financial performance. For both acquisitions and refinancings, hospital applicants must demonstrate for the last three years the hospitals had a minimum break-even aggregate operating margin, and a minimum average debt service coverage ratio of 1.4x. Permitted exceptions to these requirements may apply, including the ability to recast historical financial results by substituting the projected interest rate for the proposed debt refinancing, as well as adjustments for certain extraordinary events. "This represents HUD's stimulus for the hospital industry as FHA refinancings improve hospital cash flow, increase physician recruitment and spur capital investment. HUD needed to take action to expand the use of the FHA 242 Mortgage Insurance Program for refinancings and acquisitions, and it has done so," said Alan P. Richman, InnoVative Capital's President and CEO.

**Refinancing Benefits for Rural, Community and Urban Hospitals**

"Rural and community hospitals will finally have a federal-loan refinancing option, which they have been lacking as the USDA Community Facilities Program loans cannot be used solely for debt refinancings. Larger hospitals will now be able to refinance their bank loans and municipal bonds with FHA 242/223(f) mortgage insured Ginnie Mae loans. By doing so, they can avoid tax-exempt bond refunding restrictions, replace their unenhanced hospital debt with federally-insured loans and eliminate the need for municipal bond ratings and ongoing public disclosure requirements," said Mr. Richman.

**Acquisition Benefits for Nonprofit and For-Profit Hospitals and Health Systems**

For nonprofit, for-profit hospitals and even large health systems interested in acquiring independent hospitals, off-balance sheet, without an impairment of their bonding capacity, single-purpose, non-recourse hospital entities may be formed to access FHA 223 (f) mortgage insurance to finance their hospital purchases.

**-MORE-**

**HUD ISSUES NEW FHA SECTION 242/223(F) REGULATIONS EXPANDING ELIGIBILITY REQUIREMENTS FOR HOSPITAL ACQUISITIONS AND DEBT REFINANCINGS - pg 2****How to Proceed**

Consistent with the FHA 242 Mortgage Insurance Program, FHA 223(f) mortgage insurance applications must be submitted by HUD-qualified FHA mortgage lenders. While the new rules represent a liberalization of the current eligibility requirements, HUD remains an extremely selective hospital loan underwriter. To avoid unnecessary loan rejections, hospitals are advised to complete their own due diligence in selecting an FHA lender experienced with hospital analytics, an accomplished portfolio of successful FHA 242 loan financings and expertise in acquisitions and debt issuance.

**FHA Mortgage Insurance for Debt Refinancings**

Pursuant to Section 242 of the National Housing Act, on behalf of HUD-approved mortgage lenders, HUD underwrites FHA mortgage insurance for loans made to eligible nonprofit, publicly-owned and for-profit hospitals to fund facility renovation, replacement and equipment purchases. While FHA financing has long been recognized as a construction-oriented financing platform, HUD offers multiple refinancing options for hospitals seeking to reduce their current loan rates.

FHA 242 - Debt refinancing of both FHA and non-FHA debt in conjunction with an FHA 242 capital project loan requires at least 20% of the total loan proceeds be used for capital project purposes.

FHA 242/223(f) - Debt refinancings of non-FHA debt is permitted without a capital project component. No more than 20% of the 223(f) loan proceeds may be used for new capital expenditures.

FHA 223 (a) 7 - Debt refinancing of existing FHA insured loans. At HUD's discretion, certain refinancing costs may be capitalized within the new loan amount, as well as an extension of the loan maturity.

**To Learn More**

To receive copies of the Final Rules for the FHA Section 242/223(f) Hospital Refinancing and Acquisition Program, contact InnoVative Capital or visit our website for InnoVative Capital's FHA 242 Term Sheets.

**About InnoVative Capital**

InnoVative Capital, LLC is a HUD licensed FHA mortgage lender and SEC/MSRB-registered municipal advisor providing capital funding to hospitals nationwide. InnoVative Capital delivers cost-effective access to capital and multiple financing options for facility replacements, renovations and working capital, as well as debt refinancings and corporate restructurings. With a multidisciplinary approach, InnoVative Capital finances hospital loans through the FHA 242 Mortgage Insurance Program, tax-exempt and taxable bonds, bank debt, USDA, and equity strategies. InnoVative Capital's consulting practice generates **CFO HELPER<sup>®</sup>** hospital and municipal analytics to educate management and governance, as well as lobby tax-support and government loan guarantees. As an industry leading FHA 242 mortgage banker to rural hospitals, InnoVative Capital has completed FHA financings totaling over \$450 million, out of its client transaction portfolio of \$750 million. Building upon a reputation for creative financing solutions, InnoVative Capital has served hospital and other healthcare providers in 35 states.

**-END-**