

HUD/FHA 242 / 223 (f): Hospital Acquisitions or Non FHA Debt Refinancings

Eligible Loans:	Acute care hospital acquisitions and non-FHA debt refinancings.
Use of Loan Proceeds:	FHA Section 242 Mortgage Insurance credit enhances low-interest loans for both refinancing and acquisitions. In each case, the total estimated costs of repairs, renovations and/or equipment =<20% of the loan amount.
Borrowers:	Nonprofit or proprietary hospitals and all hospital related facilities where more than 50% of revenues and adjusted patient days are attributable to acute care services.
Minimum Financial Requirements:	Over the last three audited years, an average debt service coverage ratio of greater than or equal to 1.40% and an average operating margin greater than or equal to 0.0% (exceptions can be requested).
Additional Eligibility Requirements:	At the discretion of HUD, a hospital may be required to meet additional eligibility requirements including, certain financial ratios and debt-related tests as a pre-condition to applying for mortgage insurance.
Maximum Loan Amount:	- Refinancing loans cannot exceed the cost to refinance the outstanding debt including, the required to pay off amount. - Acquisition loans cannot exceed the cost to acquire the hospital, including the purchase price of land and improvements.
Loan Terms:	25 year self-amortizing permanent loan.
Interest Rates:	Taxable and tax-exempt fixed rates.
Financing Methods:	FHA 242 insured tax-exempt bonds (nonprofit and municipal hospitals). GNMA secured FHA 242 insured direct taxable mortgage loans (all hospitals). GNMA secured FHA 242 insured taxable bonds (all hospitals).
Security:	Loans must be secured by a first mortgage on the entire hospital. In certain cases, a long-term lease may be substituted. Exceptions may include leased equipment, off-site property, capital associated with affiliations, etc.
Application Process:	HUD only permits FHA-licensed mortgage lenders to apply for FHA Section 242 Mortgage Insurance on behalf of candidate hospitals. FHA 242 applications submitted by InnoVative Capital are underwritten and credit decisions are made in Washington, D.C. by HUD's Office of Hospital Facilities and the Office of Architecture and Engineering.

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