

242 BLC provides FHA insured long term, fixed-rate financing for new construction, substantial rehabilitation or modernization of licensed hospitals and replacement facilities nationwide. BLC uses the two-stage Multifamily Accelerated Processing Program (MAP) to expedite underwriting and approval.

Term and Amortization

Construction term plus 25 year self-amortizing permanent loan. Permanent rate is locked prior to construction loan closing.

Borrower

Nonprofit or proprietary acute care hospitals and all hospital related facilities where more than 50% of revenues are attributable to acute care services.

Must be owned by a single asset or single purpose entity (for-profit or non-profit).

Loan Parameters

The loan amount is the lesser of:

1. 90% of total eligible development costs, or
2. 1.25 debt service coverage

There is no limit on the amount that can be insured.

Use of Loan Proceeds

1. Construction
2. Modernization
3. Remodeling
4. Capital Equipment
5. Expansion
6. Acquisition
7. Refinancing

Fixed Rate

Yes – Construction and Permanent

Eligible Property

Acute care facilities as well as critical access hospitals.

Refinancing of Existing Debt

A minimum of 20% of the proposed FHA insured mortgage loan must be utilized for facility renovation, rehabilitation, or the purchase of new equipment. Of the 20%, half may be used for the purchase of equipment. The remainder may be used to refinance existing debt.

Tax and Insurance Escrows

Monthly deposits required

Recourse

Non-recourse

Minimum Financial Requirements

Over the past three full fiscal years, the hospital should have an average Operating Margin equal to or greater than 0.00%, and the Average Debt Service Coverage equal to or greater than 1.25x.

Critical Access Hospitals will be evaluated using financial formulas calculated pursuant to a cost based reimbursement methodology.

Certificate of Need Requirement

New construction or substantial rehab projects require a Certificate of Need or a state commissioned independent financial feasibility report. Not required by HUD for critical access hospitals.

Financial Feasibility Review

As part of the application for review, the facility must supply a financial feasibility report documenting the demand for the proposed project.

Mortgage Lien

The loan will be secured by a first mortgage lien on the entire hospital, including all appurtenances such as parking lots, physical plants, etc. In certain cases, a long-term lease may be substituted.

Required Reports

Market Study, Appraisal, Architect Review of Construction Costs and Drawings and Phase I

Assumable

Subject to BLC and HUD approval and payment of assumption fee

Expense Escrow

Yes – sufficient to cover BLC's expenses and third-party report costs

Construction Retainage

Required and equal to 10% of each advance up to 50% completion of construction.

Davis Bacon

Payment of Davis Bacon prevailing wages is required and determined by Department of Labor for the local area.