BedfordLending

HUD 232/223(f) | Term sheet

Healthcare acquisition & refinance

LEAN PROGRAM REFERENCE | SEPTEMBER 2026

Purpose & term	Purchase or refinancing of an existing eligible care facility. Up to 35 years, fully amortizing, limited to 75% of remaining economic life. This is not construction-to-permanent financing.
Property & borrower	Eligible licensed or regulated residential care facilities, including skilled nursing, assisted living and eligible memory care. Borrower generally holds the property in a single-asset entity. Operator, management and ownership experience are reviewed separately.
Independent living	Generally limited to 25% of project beds under the LEAN Handbook. A larger component requires specific HUD review; do not assume a waiver. Care and licensing requirements remain applicable.
Loan sizing benchmarks	Standard LTV benchmark: 80% for for-profit and 85% for qualifying nonprofit borrowers. Standard DSCR benchmark: 1.45x including MIP. The mortgage is the lowest applicable requested, value, coverage and transaction-cost result.
Acquisition cost limit	The acquisition calculation generally applies an 85% factor (90% for nonprofit) to HUD-eligible acquisition costs, with required deductions and adjustments. Purchase price, seller-funded items and duplicate repair costs require reconciliation.
Refinance cost limit	Generally limited to 100% of eligible refinancing costs after required deductions, including applicable existing reserves/collateral. Existing debt must qualify under HUD's indebtedness rules. This is not a general equity cash-out program.
Property age & repairs	The LEAN Handbook generally requires three years since completion or substantial rehabilitation, with specific treatment for additions. Repairs must remain below substantial-rehabilitation thresholds; major building-system replacement can change the applicable program.
Commercial space	Generally limited to 20% of gross floor area and 20% of gross project income; resident-only space is treated separately. Commercial income receives separate vacancy and lease review.
Interest rate & prepayment	Fixed rate established at rate lock. Prepayment lockouts, declining premiums and any buydown are negotiated for the transaction; they are not a HUD-guaranteed rate or universal schedule.
Recourse & transfer	Nonrecourse, subject to loan-document carve-outs and applicable completion obligations. Transfers and assumptions require lender/HUD approval.

General program information, not a loan commitment. Proceeds, pricing and requirements depend on underwriting, HUD approval and applicable guidance.

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Requirements & application

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HUD fees & MIP	Standard application fee: 0.30% of requested mortgage. MIP follows the current healthcare premium schedule and transaction category, separate from the note rate. Lender, legal, report, title and other costs are documented in a project-specific budget.
Inspection fee	Generally $30 per underwritten bed where total repairs are $3,000 or less per bed; above that threshold, 1% of total repair costs. An approved delegated noncritical-repair escrow process may eliminate the HUD inspection fee; related administration costs may still apply.
Repair escrow	Critical repairs precede closing. Approved noncritical and borrower-elected repairs generally require a 120% escrow, with completion expected within 12 months. Repair scope, accessibility and the firm commitment control the actual requirements.
Capital needs & reserves	A PCNA supports repairs, major movable equipment and a 15-year replacement-reserve analysis, with initial and annual deposits. The Handbook calls for a new PCNA in year 10. Existing reserve balances and ongoing tax/insurance/MIP escrows must be reconciled.
Operator & credit review	HUD evaluates ownership and operator experience, licensing/survey history, annual and trailing operating results, occupancy, payer mix and financial capacity. The real estate appraisal does not replace review of the operating business.
Reports & labor standards	Appraisal, environmental review, PCNA and other applicable reports are lender-engaged. Section 232/223(f) itself does not impose Davis-Bacon for eligible repairs; additional funding sources may impose separate obligations.
Ongoing obligations	Borrower/operator regulatory agreements, required financial reporting, reserve deposits, insurance, approved management and distribution controls apply. Secondary financing and ownership/operator changes require review and approval.
Start the review	Provide three-year and interim financials, occupancy/payer mix, licenses, beds/units, operator track record, existing debt/prepayment terms, acquisition contract and planned repairs. Feasibility, reports and underwriting lead to HUD review, commitment, rate lock and closing.

General program information, not a loan commitment. Proceeds, pricing and requirements depend on underwriting, HUD approval and applicable guidance.

Sources: HUD Handbook 4232.1, Section II, Chapter 2 (program requirements); Chapter 3 (loan sizing and eligible costs); Current ORCF guidance and program resources.