

HUNT MORTGAGE GROUP

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HUD 242 HOSPITAL PROGRAM

Eligible Properties	Proposed new construction, sub-rehabilitation/modernization, acquisition and refinancing of hospital facilities. (Specialty hospitals are not eligible). 1. The program defines a hospital facility as one: a. That provides community service for inpatient medical care of the sick and injured; b. Which has not more than 50% of the total patient days during any year assigned to the categories of chronic convalescence and rest, drug and alcoholic, epileptic, nervous and mental, mental deficiency and tuberculosis, and; c. Which is a proprietary facility, or facility of a private nonprofit corporation or association, licensed or regulated by the State. 2. Certificate of Need (CON) requirements. Eligible projects must have a CON issued by a State Agency. If there is no CON process in the project state, an independent feasibility study must be conducted and paid for by the hospital or from mortgage proceeds. This is not required for Critical Access Hospitals. 3. Financial Data. For existing properties, over the past three full fiscal years, the average operating margin for the hospital must have been equal to or greater than 0.00, and the average debt service coverage ratio equal to or greater than 1.40. For new construction or sub-rehabilitation/modernization projects, the proforma operations must be able to show and substantiate an operating margin equal to or greater than 0.00, and an average debt service coverage equal to or greater than 1.40.
Recourse	Non-recourse. <i>[during both construction and permanent phases, if for NC or SR].</i>
Loan Amount	No limits.
Maximum Mortgage Limits	The lesser of: (a) 90% replacement cost or value (b) 1.40 DSCR
Interest Rate	Fixed rate determined by market conditions at the time of rate lock.
Amortization & Term	A maximum of 25 years fully amortizing. <i>(not including construction timeframe; interest only during construction).</i>
Mortgage Insurance Premium	0.70% annually for NC/SR, 0.65% for acquisition/refi.
Escrows	Escrows for taxes, insurance, replacement reserves, equipment & mortgage insurance premium are required.
Mortgage Reserve Fund	This escrow is required to be built up to an amount equal to one year's debt service after five years and two years' debt service after ten years.
Working Capital Escrow	For proprietary projects only. A 2% working capital deposit is established by the borrower at initial endorsement in the form of cash or a letter of credit.

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HUD 242 – HOSPITAL PROGRAM - CONTINUED

Initial Operating Deficit	The facility will be underwritten with an initial operating deficit escrow to cover the debt service payments during typically the first six months of operations. This may be satisfied in the form of cash or letter of credit.
Prepayment Terms	To be determined.
Federal Labor Standards	Federal prevailing wage & reporting requirements.
Secondary Financing	Permitted under certain conditions at closing.
Assurance of Completion	For NC/SR, a payment & performance bond or cash deposit/LOC.
HUD Application Fee	\$1.50 per \$1,000 of loan amount due at application.
HUD Commitment Fee	\$1.50 per \$1,000 of loan amount due at the issuance of the loan commitment.
HUD Inspection Fee	\$5 per \$1,000 of the loan amount, to cover the physical inspection of the property.
Financing Fees	Negotiable.
Rate Lock Deposit	Typically 0.50% of the mortgage amount, refunded at closing.
Good Faith Deposit	\$10,000 due at acceptance of Engagement Letter; non-refundable.
Third Party Expense Deposit	Estimated at \$150,000 for feasibility study, appraisal & environmental reports.
Legal / Closing Fees	Estimated to be \$50,000 payable to HMG's Closing Counsel at Final Endorsement from loan proceeds.
HUD Review Time	120-150 days.