

FHA Section 242 Mortgage Insurance Program Acute Care and Critical Access Hospital Construction and Renovation Financing

Purpose: FHA's 242 Program was designed to provide mortgage insurance for new construction and renovations of acute care and critical access facilities nationwide. FHA insurance enables clients to enhance their creditworthiness because their debt is backed by the full faith and credit of the United States Government.

Eligibility: Your facility must be an acute care or critical access hospital with no more than 50% of adjusted patient days attributable to the following services: chronic convalescence and rest, drug and alcoholic, epileptic, nervous and mental, mental deficiency, and tuberculosis. Through the end of the project and for two fiscal years thereafter, you must anticipate that the adjusted patient days for the above services will not exceed 50%. This 50% criterion may be waived in the case of critical access hospitals.

242 Highlights: Non-recourse 25 year fixed rate fully amortizing financing.
Combined construction and permanent financing with competitive interest rates based on market conditions.

Qualifies for government guaranteed mortgage backed securities, credit enhancement in conjunction with tax-exempt bonds, or direct placement.

Loan proceeds can be used for construction, modernization, remodeling, capital equipment, expansion, acquisition, and refinancing.

Application processing can be completed within 120 days from submission of a complete and acceptable commitment application.

Financial Data: Over the last three full fiscal years, your average operating margin must have been equal to or greater than 0.00 and the average debt service coverage ratio equal to or greater than 1.25.

Loan to value may not exceed 90%. Maximum loan term is 25 years fully amortizing. There is no limit on the size of the loan.

A minimum of 20% of the proposed FHA insured mortgage must be utilized for facility renovations, rehabilitation or the purchase of new equipment. Of this 20%, half may be used for the purchase of equipment.

Fees:

There is no pre-application fee for review to determine proposal acceptability. All fees are reimbursable from loan proceeds. The fees are as follows:

- ✍ FHA Application Fee - 0.15% is due at loan application.
- ✍ FHA Commitment Fee - 0.15% of loan amount is due at issuance of loan commitment.
- ✍ FHA Inspection Fee – 0.5% of loan amount due at closing to cover physical inspection of property.
- ✍ Mortgage Insurance Premium – 0.5% of the outstanding loan amount paid annually in advance.
- ✍ Financing Fee – Negotiated between Rockport and Borrower.
- ✍ Mortgage Reserve Fund payable monthly to equal one year of debt service after five years, and two years of debt service after 10 years.

For Additional Information Please Contact

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