



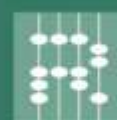
Assisted Living Facilities: Time to Get LEAN

WHITE PAPER

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| HEALTHCARE |



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As recently as 2007, there were lenders willing and able to lend to healthcare facilities whether it was market rate Senior Housing, Skilled Nursing or Assisted living facilities lenders were plentiful and the money was relatively cheap.

My how times have changed! Lenders are fewer and underwriting standards are tougher. What is one to do if they have a mortgage that is maturing or are seeking to acquire or rehabilitate an existing facility? The answer is HUD! Yes HUD. Many view HUD as a source for Multifamily Housing. However, HUD has a mortgage Insurance program under their 232 program specifically for certain healthcare facilities.

HUD's 232 LEAN Program

HUD's 232 LEAN program is designed to provide mortgage insurance for FHA approved loans for facilities in the healthcare industry. Facilities that qualify are Assisted Living facilities, Skilled Nursing facilities, Intermediate Care facilities and Board and Care facilities. The facilities can either for profit or nonprofit facilities. The purpose of the 232 program is to provide mortgage insurance for new construction or substantial rehabilitation of existing facilities. HUD's 232/223(f) LEAN program provides mortgage insurance for acquisition or refinancing existing debt.

Effective March 1, 2009 all 232 loans originating after this date are required to be processed under HUD's new LEAN program. The advantages to having the loan processed under LEAN are two –fold. First of all, the application has been simplified and eliminates redundancy of information. Secondly, the application process is centralized with a dedicated group that understands the nuances of healthcare. The goal of the LEAN program is to have the loan close within 60 days of the application filing. Utilizing an experienced FHA approved lender can make the process go much smoother for those borrowers who are not experienced with HUD's requirements.

Advantages of HUD 232 Program

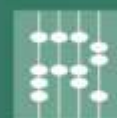
There are several advantages to obtaining a HUD insured mortgage under the 232 program. Foremost is the mortgage is non-recourse and fully assumable. This is great advantage since many commercial lenders require some type of personal guarantee. In these uncertain times non-recourse financing is extremely attractive. Also, loan to value ratios (LTV) of 90% (95% for nonprofits) are higher than most borrowers can find in the current capital markets. Interest rates are fixed and competitive with the market place. Mortgage amortization periods are 40 years for new construction or substantial rehabilitation or 35 years for acquisition/refinancing or 75% of the remaining useful life of the property.

Disadvantages of HUD 232 Program

The owner and the facility will be subjected to a HUD regulatory agreement which puts certain restrictions on the use of the property and distribution of assets. The asset is required to be a single asset entity. Lastly the facility will be required to have an annual audit requirement. Of

course the advantages clearly outweigh the disadvantages especially in the current tight capital markets.

Currently the most active market for financing healthcare facilities is through HUD. With the current state of the capital markets commercial lending activity has come to a trickle in healthcare. So if there is a need to rehabilitate or refinance an existing facility - Get LEAN!



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