ARMSTRONG MORTGAGE COMPANY
SERVING THE REAL ESTATE INDUSTRY FOR OVER 40 YEARS

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FHA MORTGAGE INSURANCE PROGRAMS
Section 232
Skilled Nursing and Assisted Living Facilities
New Construction/Substantial Rehabilitation
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Armstrong Mortgage Company is an FHA-approved Mortgagee and MAP/LEAN lender and actively provides financing utilizing FHA insurance programs pursuant to Multifamily Accelerated Processing (MAP) and LEAN underwriting methods.

Program Purpose: Provides mortgage insurance for the new construction or substantial rehabilitation of residential healthcare facilities such as nursing homes, assisted living facilities and board and care facilities, including independent elderly housing units not to exceed 25% of total units.

Eligible Borrowers: Profit motivated, non-profit and public owners.

Maximum Term: 40 years plus the construction period.

Standard Loan Amounts:

New Construction: The lesser of:

1. 80% of stabilized value (85% for non-profits) for skilled nursing and independent living units;
2. 75% of stabilized value (80% for non-profits) for assisted living units;
3. 90% of FHA's allowable replacement cost (95% for non-profits).
4. Amount that results in a debt service coverage ratio of 1.45x based on the underwritten NOI;
5. 100% of HUD's allowable costs less grants, public loans and tax credits.

Substantial Rehabilitation: The same as new construction, with additional consideration:

1. **If owned:** 100% of hard and soft costs plus the lesser of existing debt or 90% of existing value (95% for non-profits).
2. **To be acquired:** 90% of hard and soft costs (95% for non-profits) plus 90% of the lesser of purchase price or existing value (95% for non-profits).

Value Calculation: Market-based management fees are included for debt service coverage and loan-to-value sizing tests to determine net operating income.

Personal Liability: None. The FHA loan is non-recourse.

Interest Rate: Subject to market conditions.

Assumable: Yes, subject to HUD and Lender approval. Assumption fee of .05% of the original loan applies.

Prepayment: Locked for 2 years then open to prepayment at 108% in year 3, declining 1% per year. Other variations are possible based on market conditions and borrower preferences.

Funding: Qualifies for Ginnie Mae insured mortgage-backed securities, direct placement or may be used to credit-enhance tax-exempt bonds.

Secondary Financing: Permitted in the form of a surplus cash note and only from a governmental source.

Mortgage Insurance Premium:	The annual MIP is .77% of the outstanding loan amount (.45% for LIHTC deals).
FHA Application Fees:	0.30% of the loan amount (non-refundable) payable to HUD at firm application.
FHA Inspection Fees:	0.50% of loan amount (new construction). 0.50% of costs associated with construction (sub rehab).
Replacement Reserves:	Annual deposits required equivalent to the sum of 0.60% of the total structure cost and 10% of major moveable equipment per annum.
Timing:	Lender underwriting and preparation of submission will take about 2 months. FHA approval is contingent upon LEAN processing workload at time of application submission.

The program has the following additional parameters:

a. The proposed operator will need to demonstrate experience in leasing and operating facilities similar to the proposed development.
b. If an owner finances three or more properties or $15 million or greater combined, within an 18 month period, a Master Lease may be required.
c. Mortgagor can choose to either have FHA insure each construction loan disbursement, or insurance upon completion.
d. The Section 232 program is attractive for both taxable and tax-exempt financing.

For further information please contact:

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