

Case Study: Green Hills Retirement Community

Property Type:

Skilled Nursing and Assisted Living

Location:

West Liberty, Ohio

Project Objective:

Refinance

Financing Amount:

\$9.2 million

Source of Funding:

Taxable fixed-rate notes enhanced by FHA Sec. 232 mortgage insurance using LEAN processing

Background and Challenges

Green Hills Retirement Communities worked with Lancaster Pollard to finance a 2002 expansion via tax-exempt, variable-rate bonds credit enhanced by a regional bank's letter of credit. When the letter of credit was downgraded in 2009, Green Hills and Lancaster Pollard determined that the interest rate's variability had become too volatile for Green Hill's risk tolerance. The organization sought to restructure its debt coinciding with the expiration of the letter of credit.

Financial Solution

Lancaster Pollard and Green Hills held discussions with alternate letter of credit banks with the intent of replacing the regional bank's enhancement. Lancaster Pollard also analyzed several refinancing options, including bank qualified and Federal Home Loan Bank refunding options. Simultaneously, the firm also began the process of preparing an FHA Section 232 mortgage insurance application.

Ultimately, Lancaster Pollard recommended using the FHA mortgage insurance program to take advantage of its low fixed interest rate, fixed guarantee fee, lack of financial covenants and full 35-year term and amortization.

Outcome

Green Hills' permanent financing structure takes advantage of the FHA's simple pricing structure – a flat fee of 0.5% annually that does not fluctuate with market sentiment or bank credit profiles. Further, Green Hills Retirement Community was successful in locking in a tremendous interest rate of 4.68% (5.18% including mortgage insurance premium) fixed for the life of the indebtedness.