

FHA Section 232 LEAN Program

Property Type:	Licensed skilled nursing, assisted living, and board and care facilities with limited independent living units.
Purpose:	New construction or substantial rehabilitation. For-profit, nonprofit and public borrowers may utilize this program.
Maximum Loan Amount:	Up to 90% (for-profits) or 95% (nonprofits) of appraised value for new construction projects. Up to 90% (for-profits) or 95% (nonprofits) of appraised value plus up to 100% of rehabilitation costs for substantial rehabilitation projects.
Debt Service Coverage:	Minimum 1.05x for nonprofit borrowers; 1.11x for for-profit borrowers.
Interest Rate:	Fixed rate subject to market conditions at rate lock.
Maximum Term/Amortization:	40 years, or 75% of remaining useful life, with matching term. Level principal and interest payments. Construction period is interest only.
Guaranty:	Non-recourse construction/permanent loan.
Eligibility (Sub. Rehab):	Certain cost thresholds must be met for rehabilitation projects. Davis-Bacon prevailing wage standards apply.
Assumability:	Yes, with FHA approval.
Prepayment:	Negotiable, but commonly either: <ul style="list-style-type: none">■ a 5-year lockout followed by a prepayment penalty of 5% in the sixth year and declining 1% per year, or■ a similar combination of lockout and penalties which cover a 10-year period post closing
Escrows:	Monthly escrows for property insurance, real estate taxes, reserves for replacement and mortgage insurance premiums.
Fees & Expenses:	Borrower is responsible for \$20,000-\$25,000 per facility in due diligence fees. At time of closing, most of these fees and all other closing costs may be included in the loan amount.
Timing:	An "initial" firm application is submitted for all new construction or substantial rehabilitation projects. Application preparation for the "initial" firm submission can be completed in as short as eight weeks. If a firm commitment is issued after HUD's review, the "final" firm application preparation will be up to another eight weeks (which can be compressed by beginning preparation before issuance of the commitment), with approximately 3-4 weeks thereafter for closing. Actual processing times will vary depending on the complexity of the project, the length of the queue at submission, the timing of architectural design and construction cost estimating.
Post-closing Reporting:	Annual audited financial statements.