

FHA SECTION 232/223(f) LEAN PROGRAM

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| Property Type: | Licensed skilled nursing, assisted living, and board and care facilities with limited independent living units. |
| Purpose: | Purchase or refinance, along with moderate repairs/improvements. For-profit, nonprofit and public borrowers may utilize this program. |
| Maximum Loan Amount: | For purchase transactions, the lesser of 85% (for-profits) or 90% (nonprofits) of the acquisition price or appraised value. For refinance transactions, the lesser of 100% of the cost to finance or 85% (for-profits) or 90% (nonprofits) of the appraised value. Loan requests nearing statutory maximum LTVs will receive additional credit scrutiny. |
| Debt Service Coverage: | Minimum 1.11x for nonprofit borrowers; 1.17x for for-profit borrowers. |
| Interest Rate: | Fixed rate subject to market conditions at rate lock. |
| Maximum Term/ Amortization: | 35 years, or 75% of remaining useful life, with matching term. Level principal and interest payments. |
| Guaranty: | Non-recourse permanent loan. |
| Eligibility: | The facility must have been completed or substantially rehabilitated for at least three years prior to the date of the firm commitment. Moderate improvements to the property are permitted and can be built into the financing request. Borrower must be a single-asset entity. |
| Assumability: | Yes, with FHA approval. |
| Prepayment: | Negotiable, but commonly either: <ul style="list-style-type: none">• A five-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 in due diligence fees. At time of closing, these fees and all other closing costs may be included in the loan amount. |
| Timing: | Under the LEAN process this transaction can typically be completed in as short as 3-4 months. Actual processing times vary depending on the complexity of the project and information available from the borrower. |
| Post-closing Reporting: | Annual audited financial statements. |