

FHA/HUD Section 242 Construction or Rehabilitation of Hospitals

Executive Summary:

Utilizing the FHA Section 242 Mortgage Insurance Program, Cosmopolitan Capital Funding, LLC (“CCF”) provides long-term, fixed rate, non-recourse financing for the new construction or substantial rehabilitation of Hospitals nationwide. The Federal housing Administration helps hospitals access affordable financing for capital projects. Since the program began in 1968, FHA has insured approximately 300 hospital mortgages totaling in excess of \$8.6 billion.

Loan Features:

- New construction or acquisition and substantial rehabilitation (including refinancing, modernization, remodeling, equipment, expansion) of qualifying hospitals
- Loan amount up to 90% of value
- Flexible construction/rehab term plus up to 25 year permanent loan term
- One-time total fees of 0.8% of the loan amount
- Fixed Mortgage Insurance Premium of 0.5% of the remaining principal balance
- Fully amortizing
- Fully assumable
- Low, fixed interest rates with negotiable prepayment options
- Non-recourse (FHA insures 99% of the loan amount)
- No limitation on owner’s return
- Mortgage proceeds may be used to pay for acquisition or refinancing costs, including the hard cost of repairs, replacements, improvements and major movable equipment

New additions can be included in the mortgage transaction but cannot be considered when determining if the project meets HUD’s requirements for substantial rehabilitation

Eligible Hospitals:

Eligible projects include:

- Construction
- Acquisition with Substantial Rehabilitation
- Refinance with Substantial Rehabilitation of existing hospitals nationwide.

Existing projects involving rehabilitation work must meet one or more of the following to qualify:

- 80% of the total mortgage amount can be used to purchase the property and/or necessary medical equipment.
- The rehabilitation must meet or exceed 20% of the total mortgage amount with at least 10% being applied to the rehabilitation of the buildings and grounds.

In addition, the hospital must be principally an acute care facility and properly licensed with no more than 50% of revenue attributable to the following services: chronic convalescence and rest, drug and alcoholic, epileptic, nervous and mental, mental deficiency, and tuberculosis.

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