

232 Loan Program



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Bedford Lending



Who is Bedford Lending

Company formed in 1991

Headquartered in Bedford, N.H. with 10 offices nationwide

Approved to finance Apartment, Healthcare, and Hospital loans

Management averages 30 years commercial experience

Maintains highest designations –MAP and LEAN Approved

Direct FHA and USDA Lender

Certified to underwrite HUD loans Nationwide

Has closed over \$2 billion in loans



232

The 232 program provides construction and permanent financing for new construction and substantial rehabilitation for skilled care, assisted living, Alzheimer's facilities, and board and care.

Basics of Section 232

- Housing for Frail Elderly:
 - Nursing Homes
 - Assisted Living Facilities
 - Board and Care
 - Can include up to 25% Independent Living Units
 - Can be more than 1 type of above
- Uses of Loan Proceeds:
 - Purchase/Refinance – provided 3 + years old
 - New Construction/Substantial Rehabilitation
 - Combination of above

Program Benefits

- Maximum 40 Year Loan
- Fixed rate for life of loan
- Up to 90-95% loan to cost
- Maximum 75% LTV for Assisted Living and 80% LTV for Skilled Nursing
- Debt Coverage Ratio – 1.45
- Fixed Rate during construction period
- Non-Recourse financing from Day 1

Program Benefits (Con't)

- Interest Carry Cost is built into the Loan
- One closing – Construction loan converts to permanent financing. This eliminates interest rate risk and multiple fees. Also removes risk of loan being resized if actual rents are less than proforma rents.
- Assumable Loan
- Recognize entitled value of land
- Soft costs are MORTGAGABLE



Potential Equity Sources that can be used with the Program

- Historical Tax Credits
- New Market Tax Credits
- TIF Funds
- Tax Abatements
- CDB Grants
- Other public grants
- Entitled land value



Types of Tenants

- Private pay, Medicaid, and Medicare patients.

Substantial Rehab Qualification

Substantial Rehabilitation: a property qualifies as substantial rehabilitation if it meets one of the following criteria:

- The cost of repair, replacements and improvements exceeds the greater of 15% of the estimated replacement cost after completion of all repairs, replacements, and improvements, or \$6500 per unit adjusted by the local HUD field office high cost of percentage for that area. say \$12,000/unit and up.
- Two or more major building components are being substantially replaced. Additions are permitted in substantial rehabilitation projects, but the costs for the additions of new units (not building component additions) are not included in the eligibility test.

Key Issues

1. Strength of the Market
2. Careful review of projections
3. Securing accurate construction numbers.
4. Experienced Management Company
5. Borrower or operator must have a successful operating track record and significant project operating and management experience
6. A solid financial track record

Loan Process Overview

Step 1 - Client to submit construction budget and projections

Step 2 - BLC will complete a Free analysis and review findings with the borrower – Often times we need to assess the market and call appraisers to document the assumptions

Step 3- BLC to complete concept documents and submit to LEAN

Step 4- BLC to submit initial submission to LEAN. If approved, LEAN will issue an invitation letter.

Loan Process Overview

Step 5 - BLC to commission 3rd party reports and exhibits. Needs full plans and specs.



Step 6 – Submit to LEAN for final approval



Step 7 – Secure commitment

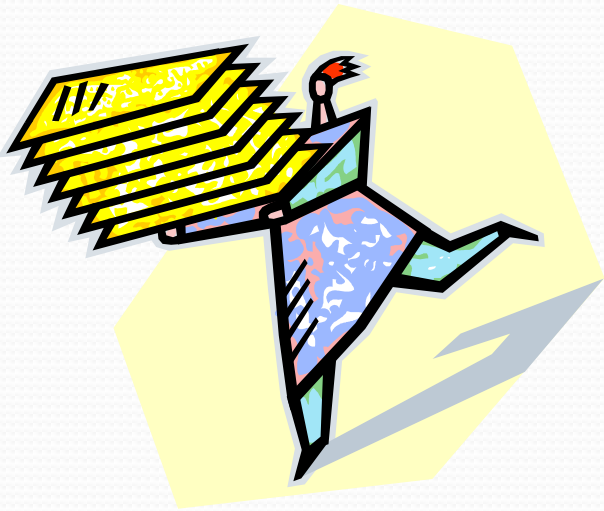


Step 8 – Close Loan

Two processing options

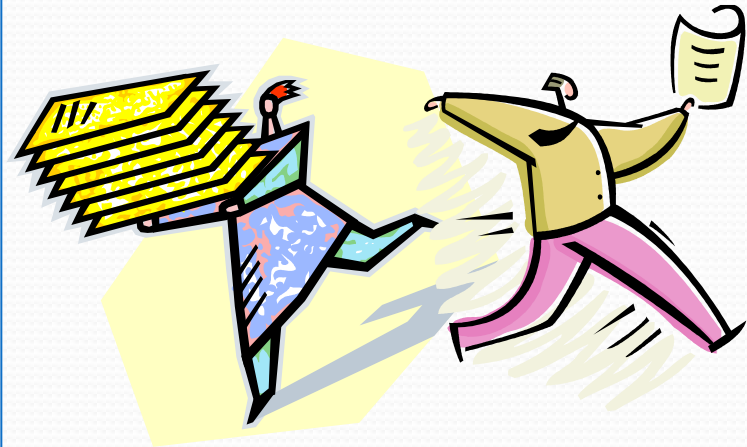
Option 1: Full

- Full Firm Application
(unchanged from current option)



Option 2: Staged

- Initial Submission
- Final Submission



Staged Application Basics

Initial

- FHA Application Fee
- Market Study / Appraisal / Environmental
- Qualify Mortgagor, Operator, Management
- Limited Plans

HUD Issues Commitment or Passes

Final

- Architectural / Cost Reviews
- Qualify Contractor / Architect(s)
- Final Plans / Specs
- Final Construction Costs

Closing

Initial Submission

- FHA Application Fee – 0.3% of mortgage
 - If HUD elects NOT to continue with the loan, ½ of the application fee can be refunded.
 - If HUD issues a commitment, the Lender has 10 business days to decline the commitment and request a refund of ½ of the application fee.
- Market Study / Appraisal / Environmental
 - Complete review and approval of Market and Value
 - Environmental review starts immediately
 - Same expiration time frames

Initial Submission

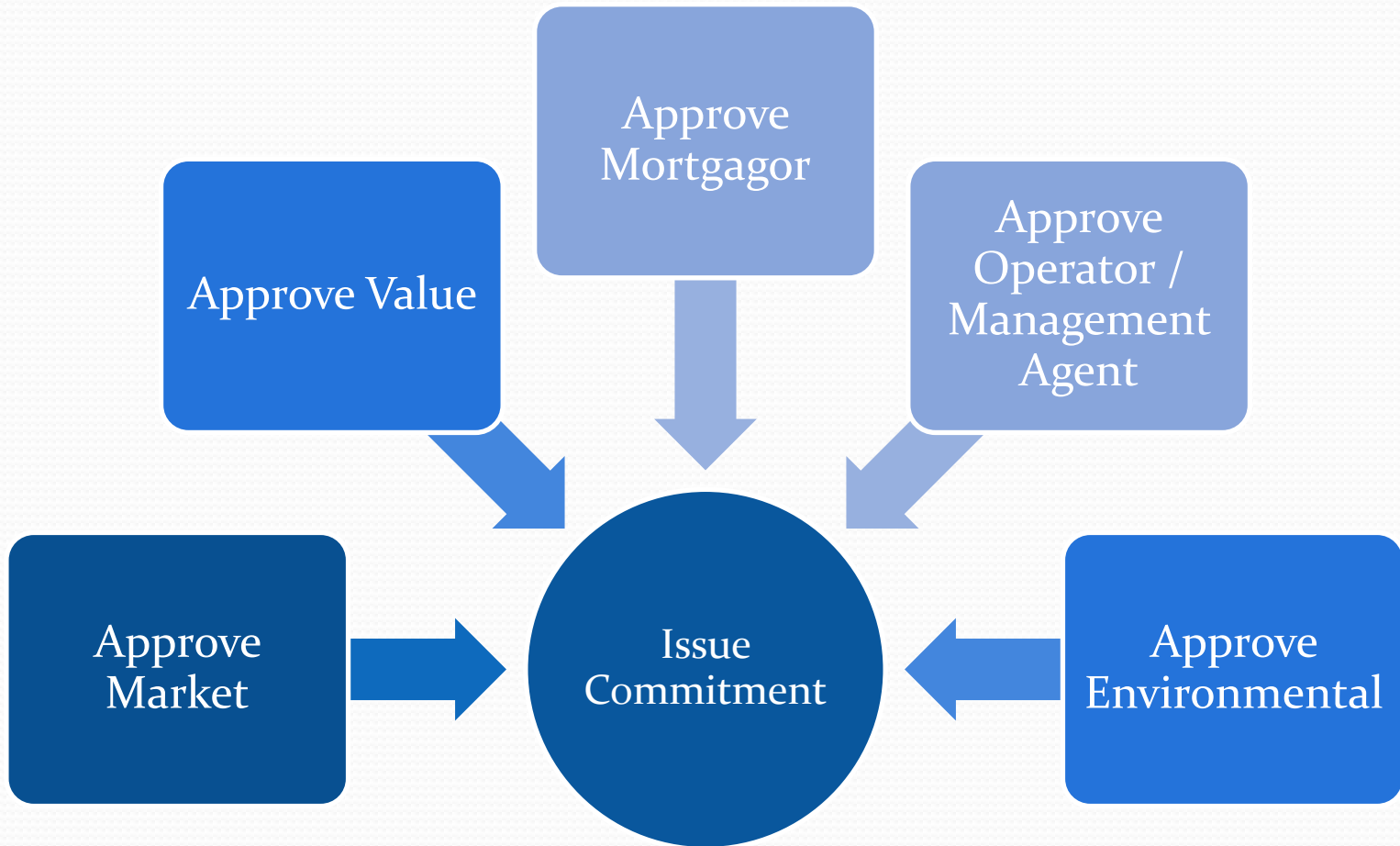
- Mortgage Sized on Fair Market Value and Debt Service
- Qualify Mortgagor / Operator / Management Agent
 - Full submission of exhibits (just like direct to firm)
 - Full HUD review
 - Final Submission permits for modifications
- Limited Plans
 - Minimum submission similar to MAP Pre-App
 - Changes to plans after initial submission that affect value will require an appraisal update at Final Submission

Initial Submission

Other Submission Exhibits

- Site Control
- Certificate of Need (if applicable)
- Title Search & Pro Forma
- Land Title Survey
- Budgets
 - Stabilized Operations
 - Initial Lease-Up
 - Development Costs
- Affirmative Fair Housing Marketing Plan
- Additional Facility Information
- Early Commencement of Construction Exhibits (if applicable)

HUD Review of Initial Submission



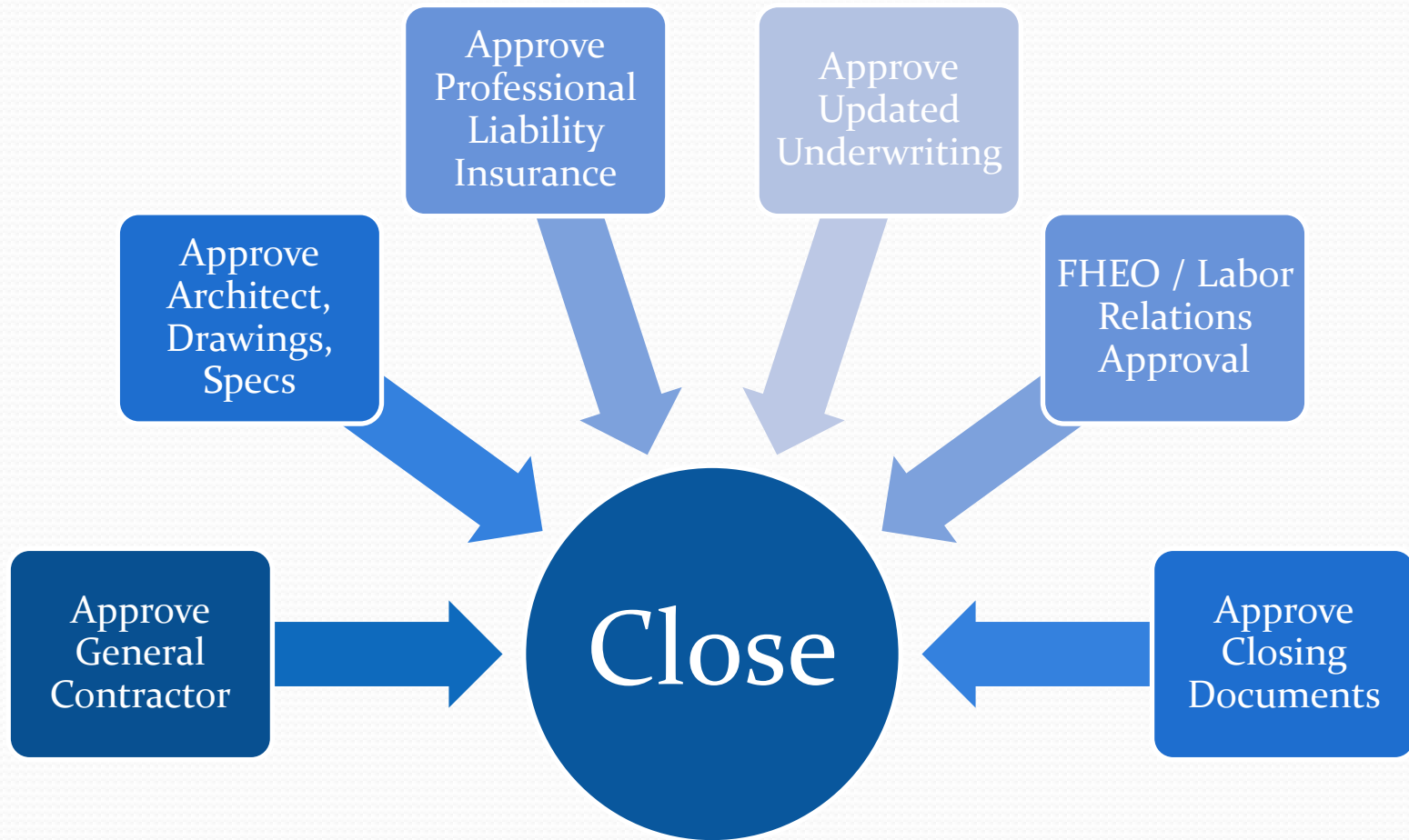
Commitment

- Term:
 - 120 days with one 120 day extension
 - Extension request must demonstrate forward progress on development
 - Extension requires updated appraisal and market study with final submission
 - Extension may require additional conditions as well
 - Re-opening fees and rules apply after extension period
- New Conditions:
 - Submission of complete plans and specs
 - HUD approval of General Contractor / Architect(s)
 - HUD review and approval of Final Exhibit Submission
 - HUD review and approval of any 3rd Party Updates (as needed)
 - Mortgage Re-calculated with all applicable criteria
 - Lender has 10 business days to reject commitment

Final Submission

- Updated Underwriting
- Architectural Review
- Cost Review
- Contractor Exhibits
- Architectural Exhibits
 - Final Plans / Specs
 - AIA B181(s)
 - Certifications
- HUD-2328
- Major Movable Schedule
- Construction Schedule
- Soil Report
- State Licensing
- Additional Funding Source documentation
- PLI exhibits
- Property Insurance Requirements / Schedule
- Zoning/Code Compliance
- Utility Assurance
- Other Misc. Exhibits
- Updates of Initial Submission
- Commitment Amendment
- Draft Closing Documents

HUD Review of Final Submission



In Summary

- HUD is one of the best options for new construction and rehabs.
- Provides lower of 75-80% Loan to Value or 90-95% Loan to Cost

Contact Information

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